

---

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

---

**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 licensed securities dealer, registered institution in securities, bank manager, solicitor, 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, together with the enclosed form of proxy, to the purchaser or the transferee or the bank, licensed securities dealer, registered institution in securities 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 (the “Stock Exchange”) 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 loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

---

## **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 IN RELATION TO ACQUISITION OF PROPERTY AND NOTICE OF SPECIAL GENERAL MEETING**

---

A notice convening a special general meeting (the “SGM”) of the Company to be held at 11:00 a.m., on Monday, 9 January 2012 at Units A-B, 16th Floor, China Overseas Building, No. 139 Hennessy Road, Wanchai, Hong Kong is set out on pages 26 and 27 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 head office and principal place of business of the Company in Hong Kong, Units A-B, 16th Floor, China Overseas Building, No. 139 Hennessy 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 “Latest Company Announcements” page of the Growth Enterprise Market (“GEM”) website at <http://www.hkgem.com> for at least seven days and on the Company website at [www.chinarailwaylogistics.com](http://www.chinarailwaylogistics.com) from the date of publication.*

\* for identification purpose only

---

## CHARACTERISTICS OF GEM

---

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.

---

## CONTENTS

---

	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	3
<b>Appendix I – Financial Information of the Group</b> .....	8
<b>Appendix II – Accountants’ Report on Unaudited Pro Forma Financial Information of the Group</b> .....	10
<b>Appendix III – Unaudited Pro Forma Financial Information of the Group</b> .....	12
<b>Appendix IV – Valuation Report on the Property</b> .....	15
<b>Appendix V – General Information</b> .....	19
<b>Notice of SGM</b> .....	26

---

## DEFINITIONS

---

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

“Acquisition”	the acquisition of the Property
“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
“Completion”	completion of the Acquisition on or before 18 January 2012
“Consideration”	the total consideration of HK\$170,980,000 payable by the Purchaser to the Vendor for the Acquisition pursuant to the terms and conditions of the Provisional Agreement and the Formal Agreement
“Director(s)”	the director(s) of the Company
“Formal Agreement”	the formal agreement dated 19 December 2011 entered into between the Purchaser and the Vendor in relation to the Acquisition
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Valuation Report”	the independent valuation report on the Property issued by the Independent Valuer
“Independent Valuer”	AVISTA Valuation Advisory Limited, an independent firm of qualified professional valuer
“Latest Practicable Date”	19 December 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular

---

## DEFINITIONS

---

“Property”	a residential house located at No. 8 Plunkett’s Road, the Peak, Hong Kong
“Provisional Agreement”	the provisional sale and purchase agreement dated 11 November 2011 (as supplemented and amended by a supplemental agreement dated 11 November 2011 and a side agreement dated 11 November 2011) entered into between the Vendor and the Purchaser in relation to the Acquisition
“Purchaser”	Charm State International Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“SGM”	the special general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Acquisition and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the share(s)
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Vendor”	Worldsky Limited, a company incorporated in Hong Kong with limited liability
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“sq. ft.”	square feet
“%”	per cent

---

LETTER FROM THE BOARD

---

**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 in Bermuda:*

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

20 December 2011

*To the Shareholders, and, for information only, warrant holders of the Company*

Dear Sir or Madam,

**MAJOR TRANSACTION  
IN RELATION TO  
ACQUISITION OF PROPERTY**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 11 November 2011 in which the Board announced that the Purchaser entered into Provisional Agreement with the Vendor in relation to the acquisition of the Property at a Consideration of HK\$170,980,000.

The Vendor and the Purchaser have entered into the Formal Agreement on 19 December 2011. The Formal Agreement incorporates the terms and conditions contained in the Provisional Agreement and any terms mutually agreed between the Purchaser and the Vendor.

The purpose of this circular is to provide with further information relating to (i) the Acquisition; and (ii) the notice of SGM to be convened and held for the purpose of considering and, if thought fit, approving the Acquisition and the transactions contemplated thereunder.

\* *for identification purpose only*

---

## LETTER FROM THE BOARD

---

### THE FORMAL AGREEMENT

#### Date

19 December 2011

#### Parties

Purchaser: Charm State International Limited, a wholly-owned subsidiary of the Company

Vendor: Worldsky Limited

The Vendor is a property holding company incorporated in Hong Kong with limited liability.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owners 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 acquired

The Property is a residential house located at No. 8 Plunkett's Road, the Peak, Hong Kong with garden space of an aggregate net floor area of 2,880 sq. ft. The Property is currently self-occupied by the directors of the Vendor. The Group intends to use the Property for investment purpose.

#### Consideration and terms of payment

The Consideration is HK\$170,980,000 which was determined after arm's length negotiations between the parties to the Formal Agreement in normal commercial terms. The appraised market value of the Property of HK\$180,000,000 (as at 8 November 2011) as indicated in an Independent Valuation Report prepared by an Independent Valuer appointed by the Purchaser.

The Consideration has been and will be paid in the following manners:

- (i) an initial deposit of HK\$8,549,000 (the "Initial Deposit") paid upon signing of the Provisional Agreement on 11 November 2011;
- (ii) further deposit of HK\$17,098,000 (the "Further Deposit") paid on 25 November 2011; and
- (iii) the balance of the Consideration of HK\$145,333,000 will be paid upon completion of the Acquisition on or before 18 January 2012.

---

## LETTER FROM THE BOARD

---

The Consideration will be funded by the Group's internal resources and external financings may be sought for, including but not limited to banking facilities, on the Property in due course.

### **Conditions precedent of the Formal Agreement**

The Completion is conditional upon:

- (a) the Purchaser is the wholly-owned subsidiary of the Company; and
- (b) the Purchaser shall have obtained approval of the Shareholders in the SGM to the Acquisition and satisfaction of any other relevant regulatory authority requirement.

Should the conditions precedent as stated in the Formal Agreement be not fulfilled by the Purchaser on or before 9 January 2012, the Purchaser shall inform the Vendor and provide evidence to the Vendor to prove the same. Subject to the above, the Purchaser shall be entitled to annul the sale and in which case, the Vendor and the Purchaser shall enter into a cancellation agreement (the "Cancellation Agreement") at the costs and expenses of the Purchaser and the Initial Deposit and the Further Deposit paid shall be returned to the Purchaser upon signing of the Cancellation Agreement.

Upon entering into the Cancellation Agreement, the Purchaser shall reimburse the Vendor for all costs, disbursements and expenses relating to the sale of the Property incurred by the Vendor for entering into the Acquisition subject to the production of relevant receipts and/or demand note and subject to a cap equal to 1% of the Consideration in the Formal Agreement.

### **Completion of the Acquisition**

The Completion is expected to take place on or before 18 January 2012.

The Purchaser shall grant to the Vendor a licence to occupy and remove the furniture of the Property for a period from the date of the Completion to 31 March 2012 at a nominal licence fee of HK\$1.

### **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Company is an investment holding company. The Group is principally engaged in businesses of computer telephony, properties investments, securities trading and loan financing.

The Directors consider the Acquisition as an opportunity to expand the Group's investment portfolio in the local property market. In view of the bi-polarization of the residential property markets, in terms of the price extremity, in Hong Kong, the Directors believe that the value of the luxury residential homes will have a strong appreciation in future.

The Directors consider that the terms and conditions of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

---

## LETTER FROM THE BOARD

---

### FINANCIAL EFFECT OF THE ACQUISITION

It is estimated that upon Completion, the total assets of the Group will be increased by approximately HK\$120 million and the total liabilities of the Group will be increased by approximately HK\$120 million.

### IMPLICATIONS UNDER THE GEM LISTING RULES

As the applicable percentage ratios of the Acquisition exceed 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules and will be subject to the reporting and the approval of the Shareholders at the SGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has an interest in the Acquisition. Therefore no Shareholder is required to abstain from voting on the resolution(s) to be proposed at the SGM to approve the Acquisition and the transactions contemplated thereunder.

### SGM

A notice convening the SGM to be held at Units A-B, 16th Floor, China Overseas Building, No. 139 Hennessy Road, Wanchai, Hong Kong at 11:00 a.m., on Monday, 9 January 2012 is set out on pages 26 and 27 of this circular.

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 encouraged to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the head office and principal place of business of the Company in Hong Kong, Units A-B, 16th Floor, China Overseas Building, No. 139 Hennessy Road, Wanchai, Hong Kong 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.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholders have a material interest in the Acquisition and therefore will be required to abstain from voting at the SGM.

Pursuant to Rule 17.47(4) of the GEM Listing Rules, any votes at the SGM on the resolution approving the Acquisition will be taken by poll. Therefore, all the resolutions put to vote at the SGM will be taken by poll.

### RECOMMENDATION

The Board considers that the terms of the Acquisition and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable. In addition, the Board considers that the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM.

---

## LETTER FROM THE BOARD

---

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully  
For and on behalf of the Board  
**China Railway Logistics Limited**  
**Chan Shui Sheung Ivy**  
*Executive Director*

## 1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the past three years has been published in the annual reports per below:

- (i) the financial information of the Group for the year ended 31 December 2010 is disclosed in the annual report of the Company for the year ended 31 December 2010 published on 30 March 2011, from pages 34 to 140;
- (ii) the financial information of the Group for the year ended 31 December 2009 is disclosed in the annual report of the Company for the year ended 31 December 2009 published on 31 March 2010, from pages 35 to 133; and
- (iii) the financial information of the Group for the year ended 31 December 2008 is disclosed in the annual report of the Company for the year ended 31 December 2008 published on 30 March 2009, from pages 37 to 114.

All of which have been published on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the website of the Company ([www.chinarailwaylogistics.com](http://www.chinarailwaylogistics.com)).

## 2. FINANCIAL PROSPECT OF THE GROUP

The Company is an investment holding company. The Group is principally engaged in businesses of computer telephony, property investments, securities trading and loan financing.

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

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

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

The loan financing business remained stable and contributed interest income to the Group during the nine months ended 30 September 2011. The management is in the view that the loan financing business is yet the major source of income of the Group.

The Group recorded a rental income of approximately HK\$1,296,000 during the nine months ended 30 September 2011. The Group held investment properties in Hong Kong and in the PRC with total amount of approximately HK\$127,114,000 as at 30 September 2011. Despite recent general downturn in market sentiment, the Board remains optimistic about the luxury residential properties in the long run.

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

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

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

### **3. INDEBTEDNESS STATEMENT**

At the close of business on 31 October 2011, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Circular, the Group had outstanding indebtedness of approximately HK\$7,780,000, which was a secured bank loan and was secured by certain investment properties of the Group.

### **4. WORKING CAPITAL**

Subject to the successful completion of the Placing, the Directors, are of opinion that, taking into account of its internal resources of the Group and available credit facilities granted by a bank for the Company, the Group has sufficient working capital for its present requirements, which is for at least the next 12 months from the date of this Circular.

### **5. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2010, the date to which the latest published audited financial information of the Group were made up.

*The following is the text of a letter dated 20 December 2011 prepared for the purpose of inclusion in this circular, received from the independent reporting accountants, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Group.*



SHINEWING (HK) CPA Limited  
43/F., The Lee Gardens  
33 Hysan Avenue  
Causeway Bay, Hong Kong

20 December 2011

The Board of Directors  
China Railway Logistics Limited  
Units A-B, 16/F  
China Overseas Building  
139 Hennessy Road  
Wanchai  
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information of China Railway Logistics Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out in Appendix III of the circular dated 20 December 2011 (the “Circular”) in connection with the proposed acquisition of a property (the “Proposed Transaction”), which has been prepared by the directors of the Company (the “Directors”), for illustrative purpose only, to provide information about how the Proposed Transaction might have affected the financial information presented.

#### **Respective responsibilities of Directors and reporting accountants**

It is the responsibility solely of the Directors to prepare the unaudited pro forma financial information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 31 of Chapter 7 of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**Basis of opinion**

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgments and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 June 2011 or any future date.

**Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

**SHINEWING (HK) CPA Limited**  
*Certified Public Accountants*  
**Chong Kwok Shing**  
Practising Certificate Number: P05139

Hong Kong  
20 December 2011

**UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE  
GROUP**

The unaudited pro forma statement of assets and liabilities (the “Pro Forma Financial Information”) of the Group has been prepared to illustrate the effect of the proposed acquisition of the property (the “Property”) (the “Proposed Transaction”).

The Pro Forma Financial Information of the Group is prepared in accordance with paragraph 31 of Chapter 7 of the “GEM Listing Rules” for the purpose of illustrating the effect of the Proposed Transaction as if the Proposed Transaction had been completed on 30 June 2011, but not for any other transaction.

The preparation of the Pro Forma Financial Information of the Group is based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2011 extracted from the published unaudited interim report of the Group for the six months ended 30 June 2011 after making unaudited pro forma adjustments relating to the Proposed Transaction that are (i) directly attributable to the Proposed Transaction; and (ii) factually supportable. Accordingly, the accompanying Pro Forma Financial Information of the Group is prepared for illustrative purposes only, based on the judgements, estimates and assumptions of the Directors, and because of its nature, may not give a true picture of the financial position of the Group as at 30 June 2011 or any future date.

To the best knowledge and information of the Directors having made all reasonable enquiries, Worldsky Limited (the “Vendor”) and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules).

ASSUME THE PROPOSED TRANSACTION HAS BEEN COMPLETED ON 30 JUNE 2011

	Acquisition of the Property		
	The Group 30 June 2011	Pro forma adjustment	Pro forma consolidated
<i>Notes</i>	<i>1</i>	<i>2</i>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Plant and equipment	15,573		15,573
Investment properties	147,404	179,102	326,506
Interest in a joint controlled entity	106,338		106,338
Deposits paid for acquisition of plant & equipment	4,670		4,670
Deposits paid for acquisition of investment property	25,378		25,378
Available-for-sale investments	22,908		22,908
Loan receivables	20,000		20,000
	<u>342,271</u>		<u>521,373</u>
<b>Current assets</b>			
Loan receivable	471,906		471,906
Convertible instruments designated at financial assets at fair value through profit or loss	54,325		54,325
Inventories	18,311		18,311
Trade receivables	729		729
Prepayments, deposits and other receivables	66,933		66,933
Investments held for trading	165,011		165,011
Bank balances and cash	78,637	(59,102)	19,535
	<u>855,852</u>		<u>796,750</u>
<b>Current liabilities</b>			
Trade payables	(310)		(310)
Accruals and other payables	(4,938)		(4,938)
Receipts in advance	(500)		(500)
Taxation	(15,485)		(15,485)
Secured bank loan – current portion	(741)		(741)
	<u>(21,974)</u>		<u>(21,974)</u>
<b>Net current assets</b>	<u>833,878</u>		<u>774,776</u>
<b>Total assets less current liabilities</b>	<u>1,176,149</u>		<u>1,296,149</u>

	Acquisition of the Property		
	The Group	Pro forma	Pro forma
	30 June 2011	adjustment	consolidated
<i>Notes</i>	<i>1</i>	<i>2</i>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current liabilities</b>			
Secured bank loan – long term portion	(17,012)		(17,012)
Other secured loan – long term portion	–	(120,000)	(120,000)
Deferred tax	(8,055)		(8,055)
	<u>(25,067)</u>		<u>(145,067)</u>
<b>Net assets</b>	<u>1,151,082</u>		<u>1,151,082</u>
<b>Capital and reserves</b>			
Share capital	(676)		(676)
Reserves	(1,133,202)		(1,133,202)
	(1,133,878)		(1,133,878)
Non-controlling interests	(17,204)		(17,204)
<b>Total equity</b>	<u>(1,151,082)</u>		<u>(1,151,082)</u>

*Notes:*

- The balances are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2011 extracted from the published unaudited interim report of the Company for the six months ended 30 June 2011.
- The adjustment represents the acquisition cost of the Property at cash consideration of HK\$170,980,000 and transaction costs of HK\$8,122,000. The consideration is settled by a mortgage loan with principal amount of HK\$120,000,000 carrying interest rate at 8% per annum. The maturity date is 5 years from drawdown date and the Group has to repay interest payment only for the first 59 installments and principal plus interest at the 60th installment. The remaining of HK\$59,102,000 was settled by the Group's internal resources. The Property will be held by the Group for investment purpose and thus is classified as an investment property. The Property will be accounted for under the fair value model in accordance with the accounting policy of the Group.

*The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from Avista Valuation Advisory Limited, an Independent Valuer, in connection with its valuation as at 8 November 2011 of the property interests of the Group.*



Suite 1503, 15/F Top Glory Tower, 262 Gloucester Road,  
Causeway Bay, Hong Kong.

TEL : (852) 3907 0680      FAX : (852) 3914 6388

info@avaval.com

www.avaval.com

Date: 20 December 2011

The Board of Directors  
**China Railway Logistics Limited**  
Units A-B, 16th Floor  
China Overseas Building  
No. 139 Hennessy Road  
Wanchai  
Hong Kong

Dear Sirs,

We were instructed by China Railway Logistics Limited (the “Company”) and its subsidiaries (hereinafter together referred to as the “Group”) to value the property interests held by Worldsky Limited, an independent third parties, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital value of the property interests as at 8 November 2011 (the “date of valuation”).

The valuation is our opinion of market value which in accordance with the Valuation Standards on Properties of the Hong Kong Institute of Surveyors is defined as “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”.

In valuing the property interests, we have complied with all the requirements contained in Chapter 8 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited (“GEM Listing Rules”); the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

Our valuation has been made on the assumption that the owner sells the property interests in the open market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interests. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property interests and no forced sale situation in any manner is assumed in our valuation.

We have valued the property interests by direct comparison approach assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

We have been provided with copies of title documents relating to the property interests and have caused searches to be made at the Hong Kong Land Registry. However, we have not searched the original documents to verify the ownership or to ascertain any amendment.

We have relied a very considerable extent on the information given to us by the Company in the course of valuation. We have no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We have accepted advice given to us on such matters as title, planning approvals, statutory notices, easements, tenure, leases, particulars of occupancy, identification of property, site and floor areas and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore only approximations. No on-site measurements have been made to verify their correctness. We have been advised by the Company that no material factors have been omitted from the information supplied to reach an informed view, and have no reason to suspect that any material information has been withheld.

We have not carried out detailed site measurements to verify the correctness of the land or building areas in respect of the property but have assumed that the areas provided to us are correct. Based on our experience of valuation of similar properties in Hong Kong, we consider the assumptions so made to be reasonable. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. We have also assumed that there was not any material change of the property in between date of our inspection and the valuation date.

We have inspected the exterior and, where possible, the interior of the appraised property. However, we must point out that we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible, we are therefore unable to report and any such part of the property are free from rot, infestation or any other defects. No tests were carried out on any of the services. We have assumed that utility services, such as electricity, telephone, water, etc., are available and free from defect.

Moreover, we have not carried out any site investigation to determine the suitability of the ground conditions or the services for any property development erected or to be erected thereon. Nor did we undertake archaeological, ecological or environmental surveys for the property interests. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. Should it be discovered that contamination, subsidence or other latent defects exists in the property or on adjoining or neighbouring land or that the property had been or are being put to contaminated use, we reserve right to revise our opinion of value.

No allowance has been made in our report for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their value.

In accordance with our standard practice, this valuation certificate is for the exclusive use of the party to whom it is addressed and no responsibility is accepted to the third party for the whole or any part of its contents.

Wherever the content of this report is extracted and translated from the relevant documents supplied in Chinese context and there are discrepancies in wordings, those parts of the original documents will take prevalent.

Unless otherwise stated, all monetary figures stated in this report are in Hong Kong Dollar (HK\$).

We enclose herewith our valuation certificate.

Yours faithfully,  
For and on behalf of  
**Avista Valuation Advisory Limited**  
**Oswald W Y Au**  
*MHKIS AAPI MSc(RE)*  
*Registered Professional Surveyor*  
*Assistant Vice President*

*Note:* Mr. Oswald W Y Au holds a Master's Degree of Science in Real Estate from the University of Hong Kong. He is also a member of Hong Kong Institute of Surveyors (General Practice) and Associate Member of Australian Property Institute. In addition, he is a Registered Professional Surveyor (General Practice) registered with Surveyors Registration Board. He has about 4 years' experience in the valuation of properties in the PRC and 7 years of property valuation experience in Hong Kong, the U.S., Canada, East and Southeast Asia including Singapore.

## VALUATION CERTIFICATE

## Property interests to be acquired by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 8 November 2011 HK\$
House No. 42 and Garden Space Adjoining Thereto Strawberry Hill, Phase II No. 8 Plunkett's Road, The Peak, Hong Kong	The property comprises one of the various garden houses within Phase II of the development completed in about 1977.	The property was occupied by the owner for residential use purposes.	180,000,000
1/39th shares of and in Rural Building Lot No.1004	The property has a saleable area of approximately 2,880 sq.ft. (268.01 sq.m.).  The property is held by the Government under Conditions of Exchange No.11138 for a lease term of 150 years commencing from 10 December 1878.		

*Notes:*

1. The registered owner of the property is Worldsky Limited (the "Vendor"), an independent third parties.
2. Pursuant to the Land Register issued by the Hong Kong Land Registry, the Property was under a Mortgage vide Memorial No. UB8897096 dated 26 February 2003 refers to a Mortgage to secure general banking facilities in favour of Fortis Bank Asia HK for all moneys.
3. Pursuant to the Land Register issued by the Hong Kong Land Registry, the Property was under an Order No. CWP/S2/100892/09/HK vide memorial No. 09092100430277 dated 12 August 2009 under Section 24(1) of the buildings ordinance by the building authority.
4. Pursuant to the Provisional Agreement dated 11 November 2011, the Purchaser, Charm State International Limited, a wholly-owned subsidiary of the Company, shall grant to the Vendor a licence to occupy and remove the furniture of the Property for a period from the date of the Completion to 31 March 2012 at a nominal licence fee of HK\$1.

## 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 the information contained in this circular 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 circular misleading.

## 2. DISCLOSURE OF INTERESTS

### **Directors' interests and short positions in the securities of the Company and its associated corporations**

Save as disclosed below, as at the Latest Practicable Date, none of the Directors, chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) 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 and short positions which they are deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules and the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange:

#### *Interests in issued ordinary shares and underlying shares of the Company*

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Number of issued ordinary Shares held</b>	<b>Approximate percentages of the issued share capital</b>
Chan Shui Sheung Ivy	Beneficial owner	60,000	0.009%

### 3. SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, the Directors and chief executive of the Company are not aware that there was any party (other than a Director or chief executive of the Company), who, as at the Latest Practicable Date had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote at general meeting of any other member of the Group:

Name	Capacity/Nature of interest	No. of Shares	Approximate percentages of interest
PME Group Limited	Interest of corporation controlled	80,254,000 (Note)	11.88%
Sunbright Asia Limited	Beneficial owner	71,000,000 (Note)	10.51%

*Note:*

Pursuant to the corporate substantial shareholder notices filed by PME Group Limited and by Sunbright Asia Limited, PME Group Limited is interested in 80,254,000 Shares through its controlled corporation as follows:

- (i) 71,000,000 Shares are directly held by Sunbright Asia Limited which in turn is 100% directly owned by CR Investment Group Limited which in turn is directly 100% owned by PME Group Limited; and
- (ii) 9,254,000 Shares are directly held by Betterment Enterprises Limited which in turn is directly 99.49% owned by Richcom Group Limited which in turn is directly 100% owned by CR Investment Group Limited which in turn is directly 100% owned by PME Group Limited.

### 4. DIRECTORS' INTERESTS IN CONTRACTS

- (a) As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which will not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).
- (b) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2010, the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group.

## 5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates had any interest in a business which competes or may compete with the businesses of the Group and the Group (as would be required to be disclosed under Rule 11.04 of the GEM Listing Rules if each of them was a controlling shareholder).

## 6. LITIGATION

So far as the Directors are aware, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or claims of material importance and no litigation or claims of material importance was pending or threatened against the Company or any of its subsidiaries.

## 7. MATERIAL CONTRACTS

The members of the Group have entered into the following contracts (contracts not being in the ordinary course of business of the Company) within two years immediately preceding the date of this circular which are or may be material:

- (1) the conditional sale and purchase agreement dated 3 March 2010 entered into between Top Status International Limited (“Top Status”), a wholly-owned subsidiary of the Company, and China Coalfields International Group Limited in relation to the disposal of the 537,276,000 shares of China Eco-Farming Limited (“CEF”) at a consideration of HK\$175,366,886;
- (2) the placing agreement dated 13 May 2010 (as supplemented and amended by an extension letter dated 10 September 2010 and a supplemental placing agreement dated 7 January 2011, respectively) entered into between the Company and Fortune (HK) Securities Limited (“Fortune Securities”) as placing agent in relation to a placing of a maximum of 112,000,000 new shares of the Company at a placing price of HK\$0.43 per share;
- (3) the conditional placing agreement dated 11 June 2010 (as subsequently amended by supplemental agreements dated 18 June 2010, 5 July 2010 and 15 July 2010, respectively) between Top Status, CEF and Fortune Securities and the subscription agreement dated 11 June 2011 (as subsequently amended by supplemental agreements dated 5 July 2010 and 15 July 2010, respectively) between Top Status and CEF were entered into in relation to the placing of a maximum of 135,000,000 CEF shares held by Top Status at HK\$0.46 per share and the subscription of the exact number of new CEF shares by Top Status at HK\$0.46 per share;
- (4) the agreement for sale and purchase dated 1 December 2010 entered into between Oasis Choice Holdings Limited, a wholly-owned subsidiary of the Company, and Tri-C Holdings Limited in relation to the disposal of the property located at Flat B on the 22nd Floor, The Mayfair, No. 1 May Road, Hong Kong at a consideration of HK\$78,000,000;

- (5) the provisional agreement for sale and purchase dated 24 May 2011 entered into between Honor Wealth International Limited, a wholly-owned subsidiary of the Company, and Mr. Hung Tak Chow Charles and Ms. Lai Sugus in relation to the disposal of the property located at 7th Floor, Block D and Car Port No. 34 on Upper Car Port, 64 MacDonnell Road, Hong Kong at a consideration of HK\$19,980,000;
- (6) the sale and purchase agreement dated 8 July 2011 entered into between 深圳盛世富強科技有限公司 (Shenzhen Sheng Shi Fu Qiang Technology Company Limited\*), a wholly-owned subsidiary of the Company, and 唐勇先生 (Mr. Tang Yong\*) in relation to the acquisition of the property located at 中國深圳市龍崗區南澳鎮水頭沙村 G17102-16 (G17102-16, Shui Tou Sha Village, Nanao Town, Longgang District, Shenzhen, the PRC\*) at a consideration of RMB21,000,000;
- (7) the sale and purchase agreement dated 7 September 2011 entered into between King Perfection Limited, a wholly-owned subsidiary of the Company, and Peak Prosper Holdings Limited (“Peak Prosper”) in relation to the acquisition of the convertible bonds in the principal amount of HK\$110,040,000 to be issued by Precise Billion Limited (a wholly-owned subsidiary of Peak Prosper) at a total consideration of HK\$220,000,000;
- (8) the conditional subscription agreement dated 24 October 2011 entered into between Magic Perfection Global Limited, a wholly-owned subsidiary of the Company, and High Step Investment Limited (“High Step”) in relation to the subscription of the convertible loan notes in the principal amount of HK\$30,000,000 to be issued by High Step;
- (9) the subscription agreement dated 31 October 2011 entered into between Major Premium Limited, a wholly-owned subsidiary of the Company, and The Incorporation of Financial Technicians Limited (“Financial Technicians”) in relation to the subscription of the convertible bonds in the principal amount of HK\$28,000,000 to be issued by Financial Technicians;
- (10) the placing agreement dated 21 November 2011 entered into between the Company and FT Securities Limited as placing agent in relation to a placing of a maximum of 135,000,000 new shares of the Company at a placing price of HK\$0.24 per share;
- (11) the Provisional Agreement; and
- (12) the Formal 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 AND CONSENT

The following is the name and the qualification of the professional advisers who have given opinion or advice which is contained or referred to in this circular:

<b>Name</b>	<b>Qualification</b>
AVISTA Valuation Advisory Limited (“AVISTA”)	Independent Valuer
SHINEWING (HK) CPA Limited (“SHINEWING”)	Certified Public Accountants

As at the Latest Practicable Date, AVISTA and SHINEWING had no beneficial interest in the share capital of any member of the Group nor did they have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group or have any interest, either directly or indirectly, 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. AVISTA and SHINEWING have given and have not withdrawn its written letter of consent to the issue of this circular with the inclusion herein of references to its name in the form and context in which they respectively appear.

## 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** (“Ms. Yuen”), aged 39, is 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, fellow member of The Hong Kong Institute of Certified Public Accountants and overseas member of The Chinese Institute of Certified Public Accountants. Prior to joining the Company, Ms. Yuen worked in accounting and auditing area for over 16 years.

**Mr. Lam Ka Wai Graham** (“Mr. Lam”), aged 44, 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 18 years experience in investment banking as well as around 4 years experience in accounting and auditing. He is also the independent non-executive director of Cheuk Nang (Holdings) Limited (Stock Code: 131), China Fortune Financial Group Limited (Stock Code: 290), China Sonangol Resources Enterprise Limited (Stock Code: 1229), Pearl Oriental Oil Limited (Stock Code: 632) and Value Convergence Holdings Limited (Stock Code: 821), all of which are companies listed on the Main Board of the Stock Exchange; and Trasy Gold Ex Limited (Stock Code: 8063), a

company listed on GEM Board of the Stock Exchange. In addition, Mr. Lam was the independent non-executive director of China Oriental Culture Group Limited (Stock Code: 2371), and Applied Development Holdings Limited (Stock Code: 519), both companies listed on the Main Board of the Stock Exchange, from 29 January 2008 to 5 October 2010, and from 1 October 2005 to 12 December 2011, respectively, and Finet Group Limited (Stock Code: 8317) from 5 August 2009 to 24 January 2011 and Hao Wen Holdings Limited (Stock Code: 8019) from 17 November 2010 to 16 May 2011, both companies listed on GEM Board of the Stock Exchange.

**Mr. Wang Chin Mong** (“Mr. Wang”), aged 40, 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 14 years of experience in the fields of auditing, accounting and finance. He was an independent non-executive director of Heng Xin (Stock Code: 8046), a company listed on GEM Board of the Stock Exchange, for 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 agent 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, 18/F, 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 will be available for inspection during business hours 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 from the date of this circular up to and including the date of SGM:

- (a) the memorandum of association of the Company;
- (b) bye-laws of the Company;
- (c) the Provisional Agreement;
- (d) the Formal Agreement;
- (e) the accountants report issued by SHINEWING (HK) CPA Limited in connection with the unaudited pro forma financial information of the Group set out in Appendix III to this circular;
- (f) the letter and valuation certificate prepared by AVISTA Valuation Advisory Limited, the text of which is set out in Appendix IV to this circular;
- (g) all the agreements/contracts as referred to under the section “Material Contracts” as set out in this appendix;
- (h) the letters of consent referred to under the paragraph headed “Experts and Consent” in this appendix;
- (i) the annual reports of the Company for the two years ended 31 December 2010; and
- (j) this circular.

\* *for identification purpose only*

---

## NOTICE OF SGM

---

# 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 11:00 a.m., on Monday, 9 January 2012 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 formal agreement dated 19 December 2011 (the “Formal Agreement”, a copy of which is marked “A” and initialled by the chairman of the Meeting for the purpose of identification) entered into between Worldsky Limited as vendor and Charm State International Limited, a wholly owned subsidiary of the Company as purchaser in relation to, among other matters, the acquisition of the property located at No.8 Plunkett’s Road, the Peak, Hong Kong (the “Acquisition”) at a total consideration of HK\$170,980,000 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 Acquisition and the transactions contemplated thereunder.”

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

Hong Kong, 20 December 2011

\* *for identification purpose only*

---

## NOTICE OF SGM

---

*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 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 together with a power of attorney or other authority, if any, under which it is duly signed or a notorially 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.