
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in China Railway Logistics Limited, you should at once hand this circular and the accompanying proxy form to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities.

China Railway Logistics Limited

中國鐵路貨運有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 8089)

Website: www.chinarailwaylogistics.com

**(I) DISCLOSEABLE AND CONNECTED TRANSACTION –
THE DISPOSAL OF ENTIRE SHAREHOLDING
INTEREST IN ETERNITY PROFIT;
(II) MAJOR TRANSACTION – THE DISPOSAL OF SALE DEBTS
OF THE DISPOSAL GROUP
AND
(III) NOTICE OF SPECIAL GENERAL MEETING**

A notice convening a special general meeting of the Company to be held at 10:30 a.m. on Friday, 19 December 2008 at B/2, Phoenix, The Charterhouse, 209-219 Wanchai Road, Hong Kong is set out on page 25 of this circular. A form of proxy for use thereat is also enclosed.

Whether or not you are able to attend the SGM, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the office of the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Rooms 1901-02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

This circular will remain on the "Latest Company Announcements" page of the GEM website at "www.hkgem.com" for at least 7 days and the Company's website at "www.chinarailwaylogistics.com" from the date of its 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 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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DEFINITIONS

In this circular, unless the context otherwise requires, the following terms or expressions shall have the meanings set out below:

“Announcement”	the announcement of the Company dated 4 November 2008 in relation to the Disposal
“associates”	has the meaning ascribed to it in the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	any day (excluding Saturday and Sunday) on which banks in Hong Kong are open for business
“BVI”	British Virgin Islands
“Bye-laws”	the bye-laws of the Company
“Call Option”	the call option granted by the Purchaser for the benefit of the Vendor pursuant to the Disposal Agreement to allow the Vendor to buy-back the Sale Shares
“Company”	China Railway Logistics Limited, a company incorporated in Bermuda with limited liability whose Shares are listed on GEM
“connected person(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Directors”	director(s) of the Company
“Disposal”	the disposal of the Sale Shares and the disposal of the Sale Debts by the Vendor to the Purchaser in accordance with the terms and conditions of the Disposal Agreement
“Disposal Agreement”	the conditional agreement dated 13 October 2008 entered into between the Vendor and the Purchaser in relation to the Disposal
“Disposal Group”	Eternity Profit and its subsidiaries
“Eternity Profit”	Eternity Profit Investments Limited, a company incorporated on 22 September 2006 in BVI with limited liability and, as at the Latest Practicable Date, is a wholly owned subsidiary of the Company

DEFINITIONS

“First Long Stop Date”	31 December 2008 or such later date as the relevant parties to the Disposal Agreement may agree in writing
“GEM”	Growth Enterprises Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and connected persons of the Company
“Latest Practicable Date”	25 November 2008, being the latest practicable date before the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Onway Logistics”	Onway Logistics Limited, a company incorporated in Hong Kong, in which Eternity Profit holds 61.25% interest
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Portstar Enterprises Limited, a company incorporated in BVI with limited liability
“Sale Debts”	outstanding debts of HK\$151,980,000 advanced by the Vendor to Eternity Profit as at 30 August 2008
“Sale Shares”	50,000 ordinary shares of Eternity Profit, which represents the entire issued share capital of Eternity Profit
“Second Long Stop Date”	31 December 2009 or such later date as the relevant parties to the disposal Agreement may agree in writing

DEFINITIONS

“SGM”	a special general meeting of the Company to be convened to approve, amongst other things, the Disposal Agreement in relation to, among others, the disposal of the Sale Debts, completion of the disposal of the Sale Debts and the transaction contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.001 each in the existing share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Vendor”/“Dragon Billion”	Dragon Billion Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%” or “per cent”	percentage

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)

Website: www.chinarailwaylogistics.com

Executive Directors:

Ms. Yeung Sau Han Agnes

Ms. Chan Shui Sheung Ivy

Independent non-executive Directors:

Ms. Yuen Wai Man

Mr. Law Wing Tak Jack

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

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

13th Floor

Sunning Plaza

10 Hysan Avenue

Causeway Bay

Hong Kong

2 December 2008

To the Shareholders

Dear Sir/Madam,

**(I) DISCLOSEABLE AND CONNECTED TRANSACTION –
THE DISPOSAL OF ENTIRE SHAREHOLDING
INTEREST IN ETERNITY PROFIT;
(II) MAJOR TRANSACTION – THE DISPOSAL OF SALE DEBTS
OF THE DISPOSAL GROUP
AND
(III) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Disposal of the Sale Shares

On 13 October 2008, Dragon Billion, a wholly owned subsidiary of the Company, as vendor on the one part, have entered into the Disposal Agreement with the Purchaser, as purchaser of the other part, pursuant to which Dragon Billion has agreed to sell the Sale Shares to the Purchaser and the Purchaser has agreed to purchase the Sale Shares.

* *For identification purpose only*

LETTER FROM THE BOARD

Disposal of the Sale Debts

Pursuant to the Disposal Agreement, Dragon Billion as vendor on the one part has agreed to sell the Sale Debts to the Purchaser and the Purchaser has, on the other part, agreed to purchase the Sale Debts.

Completion of the disposal of the Sale Shares and the Sale Debts are not inter-conditional.

The purpose of this circular is to provide you with, amongst other things, further details of (i) the Disposal; and (ii) a notice of the SGM.

DISPOSAL

The Disposal Agreement

Date: 13 October 2008

Vendor: Dragon Billion

Purchaser: Portstar Enterprises Limited

Assets to be disposal of

- (i) The Sale Shares; and
- (ii) The Sale Debts

Conditions precedent

- (i) The Sale Shares

The completion of the disposal of the Sale Shares shall be conditional upon all the following conditions being fulfilled (or, where applicable, waived) on or before the First Long Stop Date:

- (a) the relevant regulatory authorities agree and approve the publication and issue of the announcement regarding the Disposal Agreement and the transactions contemplated thereby in the website of the Stock Exchange;
- (b) where applicable, the obtaining of the approval from Shareholders in the SGM of the Disposal Agreement and the transactions contemplated thereby in the SGM; and
- (c) the operation and condition of the Eternity Profit and Onway Logistics do not have any material adverse change from the date of the Disposal Agreement to the date of the completion of the disposal of the Sale Shares.

LETTER FROM THE BOARD

The Purchaser may waive the conditions as stated above (other than those specified in paragraphs (i)(a) and (i)(b)).

If the conditions shall not have been fulfilled (or, as the case may be, waived by the Purchaser) on the First Long Stop Date, the Disposal Agreement shall cease and terminate and none of the parties hereto shall have any obligations and liabilities hereunder save for any antecedent breaches.

According to the Directors, as at the Latest Practicable Date, the conditions precedent to the completion of the disposal of the Sale Shares have all been fulfilled or became inapplicable.

(ii) The Sale Debts

The completion of the disposal of the Sale Debts shall be conditional upon all the following conditions being fulfilled (or, where applicable, waived) on or before the Second Long Stop Date:

- (a) where applicable, obtaining of the approval from Shareholders in the SGM of the Disposal Agreement and the transactions contemplated thereby in the SGM; and
- (b) the discharge of the freezing order in connection with “中國北京市第二中級人民法院民事裁定書(2008)二中執字第1237號”.

Details of the aforesaid freezing order was set out in the announcement of the Company dated 11 September 2008. On 1 September 2008, Eternity Profit received a judgement notice from 中國北京市第二中級人民法院 (the “Court”) to freeze and set aside the bank deposits of China Railway Television Freight and Logistics Transport Co Ltd (the “PRC Subsidiary”) in the total amount of RMB131 million (approximately HK\$149 million) (the “Judgement Notice”). Based on the copy of the Judgement Notice received by the Company, it appears that the Judgement Notice was made pursuant to the claim of a company known as 北京潤和易道房地產經紀有限公司 (the “Judgement Applicant”) against the PRC Subsidiary allegedly relating to a sale and purchase agreement in relation to a property, and a settlement order has been granted by the Court in favour of the Judgement Applicant for the PRC Subsidiary to pay for some settlement. According to the Directors, the Company is still working with its PRC legal advisers on the aforesaid issue and the status of the PRC Subsidiary. The Company will make further announcements in relation to this matter as and when it considers appropriate.

The Purchaser may waive the conditions as stated above (other than those specified in paragraphs (ii)(a)).

LETTER FROM THE BOARD

If the conditions shall not have been fulfilled (or, as the case may be, waived by the Purchaser) on the Second Long Stop Date, the transaction regarding the disposal of Sale Debts shall cease and terminate and none of the parties hereto shall have any obligations and liabilities hereunder save for any antecedent breaches.

According to the Directors, as at the Latest Practicable Date, all the conditions regarding the disposal of the Sale Debts are not fulfilled.

Upon the fulfilment of the conditions precedent as stated above, the Vendor shall use its reasonable endeavours to notify the Purchaser in writing (the notice shall attach the copy of documents that demonstrate the relevant conditions precedent are fulfilled).

Call Option

According to the Disposal Agreement, after the completion of the disposal of Sale Shares and before the completion of the disposal of Sale Debts, if:

- (i) upon the request by the Vendor in writing; or
- (ii) any event of default occurs in accordance with the Disposal Agreement;

the Vendor has the right to request the Purchaser from time to time to sell the Sale Shares at HK\$6,095,000 (the same price of the consideration of the disposal of the Sale Shares and without option premium) to the Vendor (or any parties nominated by the Vendor) free from encumbrances and shall include all the existing benefits and future benefits that occur after the completion of the disposal of the Sale Shares.

The Call Option shall be terminated on completion of the disposal of the Sale Debts.

Completion of the exercise of the Call Option shall take place at the third business days (or any time as agreed in between the Vendor and the Purchaser) after the issue of the notice of the Call Option.

The Company will re-comply with the relevant GEM Listing Rules upon the exercise of the Call Option.

According to the Disposal Agreement, the exercise of the Call Option does not prevent the disposal of the Sale Debts.

Disposal Completion

- (i) The Sale Shares

According to the Disposal Agreement, the completion of the disposal of the Sale Shares shall take place at the office of the Vendor on a date on which all conditional precedents to the disposal of Sale Shares have been fulfilled or (where applicable) waived or other places and time as agreed between the parties. Upon the completion of the disposal of the Sale Shares, the Disposal Group shall no longer form part of the Group.

LETTER FROM THE BOARD

According to the Company's announcement dated 26 November 2008, the disposal of the Sale Shares was completed on 26 November 2008 and thereon the Disposal Group no longer form part of the Group.

(ii) The Sale Debts

Completion of the disposal of the Sale Debts shall take place at the office of the Vendor on a date on which all conditional precedents to the disposal of Sale Debts have been fulfilled or (where applicable) waived or other places and time as agreed between the parties.

Based on the Company's interim report for the six months ended 30 June 2008, the Disposal Group has no turnover attributable to the Group's total revenue.

Disposal Consideration

(i) The Sale Shares

The consideration for the Sale Shares is HK\$6,095,000, which is determined after arm's length negotiations between parties, primarily by reference to the investment cost of the Company in the Sale Shares. According to the Directors, the investment cost of the Company in the Sale Shares is HK\$6,095,000.

According to the Disposal Agreement, the consideration for the Sale Shares shall be settled by the Purchaser at completion of the disposal of the Sale Shares in favour of Dragon Billion in cash. The aforementioned consideration has been settled by the Purchaser upon the completion of the disposal of the Sale Shares on 26 November 2008.

According to the unaudited management accounts of the Disposal Group as at 30 August 2008, the net asset deficit of the Disposal Group was HK\$248,519. The consideration for the Sale Shares represents a premium of approximately HK\$6,340,000 to the net asset deficit of the Disposal Group.

(ii) The Sale Debts

The consideration for the Sale Debts is HK\$135,000,000, which is determined after arm's length negotiations between parties, primarily by reference to the face value of the Sale Debts.

The consideration for the Sale Debts shall be settled by the Purchaser at completion of the disposal of the Sale Debts in favour of Dragon Billion in cash.

As at the date of the Disposal Agreement and the Latest Practicable Date, the face value of the Sale Debts was HK\$151,980,000 which is equal to the amount of the deposits of the capital contribution to the PRC Subsidiary and not interest-bearing. The consideration for the Sale Debts represents a discount of approximately 11% to the face value of the Sale Debts.

LETTER FROM THE BOARD

Having taken into account the above and the reasons and benefits of the disposal of the Sale Shares and the Sale Debts as stated in the paragraph headed “Reasons for and benefits of the Disposal” below, the Directors consider that the consideration for the Disposal is fair and reasonable and is in the interests of the Group and the Shareholders as a whole.

INFORMATION ON THE DISPOSAL GROUP

As disclosed in the Company’s circular dated 25 May 2007 and Company’s announcement dated 28 February 2008 (the “February Announcement”), the information of the Disposal Group is as follows:

(i) Eternity Profit

Eternity Profit is a company incorporated on 22 September 2006 in BVI with limited liability and, as at the Latest Practicable Date, is a wholly owned subsidiary of the Company. Other than the investment in Onway Logistics, Eternity Profit has no other major assets.

(ii) Onway Logistics

Onway Logistics is a company incorporated in Hong Kong pursuant to a joint venture agreement dated 25 January 2007 entered into between Eternity Profit and China Railway Investments Group (Hong Kong) Limited. Eternity Profit has 61.25% interest in Onway Logistics.

With reference to the February Announcement, the PRC Subsidiary, a China-foreign cooperative joint venture company, was formed according to a joint venture agreement (the “JV Agreement”) between (i) Onway Logistics, (ii) Guangdong China Railway Television Media Limited (“Guangdong China Railway”), and (iii) Beijing Run Tong Transportation Consulting Company Limited. As at the Latest Practicable Date, Onway Logistics has advanced the sum of HK\$151,980,000 into the PRC Subsidiary. Other than the investment in the PRC Subsidiary, Onway Logistics has no other major assets.

The Company has encountered problems with the PRC Subsidiary, principally concerning the control of the board of directors (the “PRC Board”) of the PRC Subsidiary. In or around August 2007, it had come to the Company’s attention that the JV Agreement that was submitted to the Ministry of Commerce (“MOC”), and which formed the basis of the MOC’s approval on 9 April 2007 (the “Approved Agreement”) was not in the terms that the Company had understood governed the joint venture as the Company had been operating on the assumption that Onway Logistics had control of the PRC Board. The Company had understood Onway Logistics had the right to appoint 4 out of 7 directors to the PRC Board, one of which is to be the Chairman, effectively giving Onway Logistics majority control of the PRC Board. However, the Approved Agreement provides that Onway Logistics can only appoint 3 out of 7 directors to the PRC Board, and the right to appoint the Chairman is with Guangdong China Railway. The Company’s understanding was that Onway Logistics would have control of the PRC Board, as it accords with the terms of the JV Agreement which had been executed by the parties on 25 January 2007.

LETTER FROM THE BOARD

It has also come to the Company's attention that although approval had been obtained by the Ministry of Commerce of the PRC on 9 April 2007 to convert the PRC Subsidiary from a domestic company into a China-foreign cooperative joint venture Company, the PRC Subsidiary has not yet been formally converted as such. The Company has been advised by its PRC lawyers that, as a consequence, Onway Logistics has not been formally registered as a shareholder of the company. However, on the basis of the capital injection, the Company is advised that Onway Logistics nonetheless has an enforceable contractual entitlement to the delivery of its shareholding in the PRC Subsidiary. The Company has been investigating, and is currently in negotiations with its joint venture partners to try to resolve the above matters, particularly with the aim to regain control of the PRC Board. The Company has been working with its PRC legal advisers to implement the necessary steps to formally convert and establish the PRC Subsidiary as a China-foreign cooperative joint venture and be registered as a shareholder of the PRC Subsidiary, and also taking Hong Kong and PRC legal advice as to the necessary steps that it should take to protect its, and the Group's interests. According to the Directors and as stated in the February Announcement, as the Company is not a shareholder of the PRC Subsidiary, the PRC Subsidiary is not included in the Group. The capital contribution to the PRC Subsidiary by the Company was classified as "Deposit for acquisition of investment" as stated in the Company's interim report for the six month ended 30 June 2008. According to the Company's announcement dated 28 March 2008, a special committee was formed to investigate the aforesaid issues. The special committee is also investigating whether Guangdong China Railway and Beijing Run Tong Transportation Consulting Company Limited are subsidiaries of Ministry of Railways of the PRC or not. According to the Directors, the aforesaid investigation is in progress. Further announcement will be made by the Company if there is further development of the abovementioned.

Below sets out the financial information of the Disposal Group, which is prepared in accordance with Hong Kong Financial Reporting Standard issued by the Hong Kong Institute of Certified Public Accountants, for the financial years ended 31 December 2006 and 2007:

	For the year ended 31 December 2006 (HK\$)	For the year ended 31 December 2007 (HK\$)
Interest income	–	1,204,851
Net loss before taxation	(25,694)	(1,236,570)
Net loss after taxation	(25,694)	(1,236,570)
Net assets/(liabilities)	364,306	(868,389)

LETTER FROM THE BOARD

INFORMATION ON THE PURCHASER

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, the principal business of the Purchaser is investment holding.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties and independent of and not connected or acting in concert and has no business relationship with the substantial Shareholders of the Company and their respective beneficial owners or associates and the Company and has not entered into any transactions with the Company prior to the entering of the Disposal Agreement.

INFORMATION OF THE REMAINING GROUP AND THE INTENDED USE OF PROCEEDS

The principal activities of the remaining Group (i.e. excluding the Disposal Group) following completion of the disposal of Sale Shares will be (i) design, development and sale of value-added telecommunication products and computer telephony products and logistics transportation; and (ii) the sale, development and implementation of structural information integration and analysis systems, non-structural knowledge integration systems, knowledge management related network application system and technology and provision of voice search engine portal.

The sales proceeds from the Disposal will be applied to the working capital of the Group or investment opportunities when they occur. Reference is made to the announcements of the Company dated 14 October 2008 and 23 October 2008 in relation to the latest possible business development of the Company. Further announcement will be made by the Company if there is further development of the abovementioned.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company has encountered problem regarding the control of the PRC Board. In view of (i) the potential legal cost the Group may incur for handling the aforesaid legal case and the uncertainty of the outcome; and (ii) the proceeds from the Disposal can increase the working capital of the Group; the Directors are of the view that the Disposal is beneficial to the Group and the Shareholders as a whole.

LETTER FROM THE BOARD

POSSIBLE FINANCIAL EFFECTS OF THE DISPOSAL

Expected gain on Disposal

It is estimated that, upon completion of the disposal of the Sale Shares and the Sale Debts, the Group will record a gain on disposal of approximately HK\$6.34 million and a loss on disposal of HK\$16.98 million respectively. The aforesaid gain is estimated based on unaudited net asset deficit of the Disposal Group and the consideration of the disposal of the Sale Shares; and the aforesaid loss is based on the difference on the face value of the Sale Debts and the consideration of the disposal of the Sale Debts.

Assets and liabilities of the Group after the Disposal

Upon the completion of the Disposal, (i) the non-current assets of the Group will be increased; (ii) the current assets of the Group will be also increased; and (iii) there will be no material effect on the liabilities of the Group.

Earnings

As set out in the previous paragraph headed “Information on the Disposal Group”, the Disposal Group reported losses in the previous two financial years. Therefore, the Directors consider that there is no adverse impact on the earnings of the Group after the Disposal.

FINANCIAL AND TRADING PROSPECTS

Turnover of the Group from telecommunication business was approximately HK\$3.32 million for the nine months ended 30 September 2008 which represents an increase of approximately 27.7% as compared to that to the corresponding period in last year. Turnover derived from computer telephony business increased from approximately HK\$5.56 million for the nine months ended 30 September 2007 to approximately HK\$6.44 million for the nine months ended 30 September 2008, representing an increase of approximately 15.8% as compared to the corresponding period in the last year. Turnover derived from voice search engine portal was approximately HK\$0.3 million for the months ended 30 September 2008 where the business was acquired in August 2008.

The Directors consider that the recent financial crisis and credit crunch in global financial market will inevitably slow down the development of the global economy and may affect the business of the Company. However, the Directors consider that attractive investment opportunities are available as companies and businesses will be undervalued in a volatile financial market. Since the Group maintains a strong cash position, the Board will carefully explore suitable business opportunities in order to broaden the revenue base of the Company and maximize the interests of the Shareholders.

LETTER FROM THE BOARD

GEM LISTING RULES REQUIREMENTS

The disposal of the Sale Shares constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules. As the other shareholder of Onway Logistics is a controller, according to rule 20.13(1)(b)(i) of the GEM Listing Rules, the disposal of the Sale Shares also constitutes a connected transaction for the Company. As each of the percentage ratios according to rule 19.08 of the GEM Listing Rule is less than 25% and the consideration of the Sale Shares is less than HK\$10 million, the disposal of the Sale Shares are exempted from the independent shareholders' approval according to rule 20.32(2) of the GEM Listing Rule. The independent non-executive directors of the Company consider that the terms of the disposal of the Sale Shares are on normal commercial terms, fair and reasonable and in the best interest of the Shareholders as a whole.

The disposal of the Sale Debts constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules and which is therefore subject to the Shareholders' approval under Chapter 19 of the GEM Listing Rules. As no Shareholder has any material interest in the disposal of the Sale Debts, no Shareholder is required to abstain from voting at the SGM on the resolution to approve the disposal of the Sale Debts and the transactions contemplated thereunder.

SGM

A notice convening the SGM is set out on page 25 of this circular. The SGM will be convened and held at 10:30 a.m. on Friday, 19 December 2008 at B/2, Phoenix, The Charterhouse, 209-219 Wanchai Road, Hong Kong at which a resolution will be proposed to Shareholders to consider, if thought fit, to approve the Disposal Agreement in relation to, among others, the disposal of the Sale Debts, the completion of the disposal of the Sale Debts and the transactions contemplated thereunder.

Form of proxy for use in the SGM is enclosed. Whether or not you propose to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting thereof, should you so desire.

PROCEDURE FOR DEMANDING A POLL

The following sets out the procedures by which the Shareholders may demand a poll at the SGM.

Pursuant to Bye-law 66 of the Bye-laws:

“Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with these Bye-laws, at any general meeting on a show of hands every Member present in person (or being a corporation, is present by a representative duly

LETTER FROM THE BOARD

authorized under Section 78 of the Act), or by proxy shall have one vote and on a poll every Member present in person or by proxy or, in the case of a Member being a corporation, by its duly authorized representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. Notwithstanding anything contained in these Bye-laws, where more than one proxy is appointed by a Member which is a clearing house (or its nominee), each such proxy shall have one vote on a show of hands. A resolution put to the vote of a meeting shall be decided on a show of hands unless voting by way of a poll is required by the rules of the Designated Stock Exchange or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of such meeting; or
- (b) by at least three Members present in person (or in the case of a Member being a corporation by its duly authorized representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) by a Member or Members present in person (or in the case of a Member being a corporation by its duly authorized representative) or by proxy and representing not less than one-tenth of the total voting rights of all Members having the right to vote at the meeting; or
- (d) by a Member or Members present in person (or in the case of a Member being a corporation by its duly authorized representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right; or
- (e) if required by the rules of the Designated Stock Exchange, by the Chairman of such meeting and/or the Directors who, individually or collectively, hold proxies in respect of shares representing five per cent (5%) or more of the total voting rights of all Members having right to vote at such meeting.

A demand by a person as proxy for a Member or in the case of a Member being a corporation by its duly authorized representative shall be deemed to be that same as a demand by a Member.”

LETTER FROM THE BOARD

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Disposal Agreement are normal commercial terms that are fair and reasonable so far as the Shareholders are concerned, and the Disposal is in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Disposal Agreement in relation to, among others, the disposal of the Sale Debts, the completion of the disposal of the Sale Debts and the transactions contemplated thereunder.

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

1. INDEBTEDNESS STATEMENT**Borrowings**

As at the close of business on 31 October 2008, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK\$3,000,000 which is unsecured, interest free and repayable by the end of December 2009.

Contingencies

The Group did not have any material contingent liabilities or guarantees as at 31 October 2008.

Disclaimer

Save as aforesaid and apart from intra-group liabilities, as at the close of business on 31 October 2008, the Group had no debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, distinguishing between guaranteed, unguaranteed, secured and unsecured, and guaranteed, unguaranteed, secured and unsecured bank borrowings including, bank loans and overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credit, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

Save as aforesaid, the Directors confirm that there has been no material change to the indebtedness and contingent liabilities of the Group since 31 October 2008 and up to the Latest Practicable Date.

2. SUFFICIENCY OF WORKING CAPITAL

As at the Latest Practicable Date, after due and careful enquiry, the Directors are of the opinion that, taking into account the present internal resources and the existing available credit facilities of the Group and the proceeds from the proposed disposal, the Group has sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this circular, in the absence of unforeseeable circumstances.

(1) RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particular given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (a) the information contained in this circular is accurate and complete in all material respect and is not misleading;
- (b) there are no matters the omission of which would make any statement in this circular misleading; and
- (c) 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) SHARE CAPITAL OF THE COMPANY

<i>Authorised</i>	<i>HK\$</i>
<u>100,000,000,000</u> Shares	<u>100,000,000</u>
<i>Issued and to be issued, fully paid and/or credited as fully paid</i>	
<u>537,314,000</u> Shares in issue as at the Latest Practicable Date	<u>537,314</u>

(3) DISCLOSURE OF INTERESTS**(a) Interests of Directors**

As at the Latest Practicable Date, the interests and short positions of Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which are required, (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, including interests or short positions which they are deemed or taken to have under such provisions of the SFO; or (ii) pursuant to section 352 of the SFO, to be entered in the register to therein; or (iii) pursuant to the 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, were as follows.

Name of Director	Type of interests	Number of Shares held	Number of underlying Shares held pursuant to share options	Total interests	Total approximate percentage of the issued share capital
Ms. Chan Shui Sheung Ivy	Beneficial owner	60,000	–	60,000 (L)	0.01%

L: Long position

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

(b) Interests of substantial Shareholders

So far as it is known to the Directors, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or are deemed to have, interests or short positions in the Shares or underlying Shares which would require disclosure to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO or, who are or are expected to be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name	Capacity	Type of interests	Number of Shares	Percentage of interests
PME Group Limited	Interest of corporation controlled	Corporation	76,644,000 (L) (Note)	14.26%
Sunbright Asia Limited	Interest of corporation controlled	Corporation	71,000,000 (L)	13.21%

L: Long position

Note: PME Group Limited through its various controlled corporations is interested in an aggregate of 76,644,000 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) 5,644,000 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.

So far as it is known to the Directors, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) are or are expected to be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of member of the Group	Name of shareholder	Approximate percentage of issued share capital held
Onway Logistics Limited	China Railway investments Group (HK) Limited	38.75%

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be discloseable to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO, or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

(4) LITIGATION

As at the Latest Practicable Date, none of the members of the Group is engaged in any litigation, arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

Reference is made to the announcement of the Company dated 11 September 2008. On 1 September 2008, Eternity Profit Investments Limited, which as at the Latest Practicable Date is a wholly-owned subsidiary of the Company, received a judgment notice (the “**Judgment Notice**”) handed down by 中國北京市第二中級人民法院 (the “**Court**”) upon China Railway Television Freight and Logistics Transport Co Ltd (the “**PRC Subsidiary**”), of which the Company indirectly holds 49% of its equity interests, pursuant to which it was ordered to freeze and set aside the bank deposits of the PRC Subsidiary in the total amount of RMB131 million (approximately HK\$149 million). Details of the Judgment Notice have been set out in the announcement of the Company dated 11 September 2008. As at the Latest Practicable Date, the PRC Subsidiary has not yet become a subsidiary of the Group. The Board considers the Judgment Notice would not have significant adverse effect on the Group’s operations in light of the financial resources currently available to the Group.

(5) SERVICE CONTRACT

Ms. Yeung Sau Han Agnes, the Executive Director of the Company, has signed an Service Agreement with the Company with effect from 8 May 2008 for an initial fixed term of 2 years which will continue thereafter until being terminated by either party giving not less than three-month prior notice. Ms. Yeung will hold office until the next general meeting of the Company and will retire at that general meeting, and is eligible for re-election pursuant to the Company's Bye-laws.

(6) MATERIAL CONTRACTS

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

- (a) the placing agreement dated 12 March 2007 entered into between the Company, CCB International Capital Limited, Well Support Limited and Homerun Business Development Limited in relation to the placing of 55,000,000 Shares and the subscription letters dated 12 March 2007 individually entered into between the Company and Well Support Limited and Homerun Business Development Limited respectively in relation to the subscription of an aggregate of 55,000,000 Shares;
- (b) the sale and purchase agreement dated 12 March 2007 entered into among Dragon Billion Limited (a wholly-owned subsidiary of the Company) as purchaser, Shellybeach Investments Limited as vendor and Cheung Yu Ching as guarantor in relation to the sale and purchase of the entire issued share capital of Eternity Profit Investments Limited for a total consideration of HK\$681,450,000;
- (c) the placing and subscription agreements dated 1 June 2007 and 4 June 2007 respectively entered into between CCB International Capital Limited as placing manager, the Company and Well Support Limited in relation to the placing and subscription of 49,766,000 Shares;
- (d) the placing and subscription agreement dated 13 June 2007 entered into between CCB International Capital Limited as placing manager, the Company and Well Support Limited in relation to the placing and subscription of 11,148,000 Shares;
- (e) 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;
- (f) 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;

- (g) 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;
- (h) a 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 and Top Fast Holdings Limited in relation to the possible establishment of a joint venture company in the PRC;
- (i) the memorandum of understanding dated 21 October 2008 between Asiaciti Management Limited, Gold Wide Holdings Limited and Mr. Hui Kam Wing for the acquisition of the 14% of the registered share capital of Changsha Xinxing Development Limited and the subscription of the 30,000 new shares of Gold Wide Holdings Limited at a consideration of RMB72,600,000; and
- (j) the Disposal 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.

(7) INTEREST IN CONTRACTS AND ASSETS

No contract or arrangement of significance in relation to the Group's business to which any member of the Group is a party and in which any Director has a material interest, whether directly or indirectly, subsist at the date of this circular.

None of the Directors has any direct or indirect interest in any asset which has been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, any member of the Group during the period since 31 December 2007, the date to which the latest published audited consolidated financial statements of the Group were compiled, up to and including the Latest Practicable Date.

(8) COMPETING INTEREST

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

(9) AUDIT COMMITTEE

The audit committee of the Company comprises Ms. Yuen Wai Man and Mr. Law Wing Tak Jack, 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 36, 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 and 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 14 years. She is currently a partner of a Certified Public Accountants firm in Hong Kong.

Mr. Law Wing Tak Jack, aged 54, is a graduate of Newcastle University with a degree in Economics and Accounting in 1982. He became a member of the Institute of Chartered Accountants in England & Wales in 1984 and a member of the Hong Kong Institute of Certified Public Accountants in 1985. Mr. Law has over 25 years of experience in corporate finance, financial management and banking. Prior to joining the Company, he held senior positions with international audit firms; an international bank and various listed companies in Hong Kong, Singapore, U.S.A. and in the U.K. He was a deputy chairman of Smart Rich Energy Finance (Holdings) Limited formerly known as Star Bio-tech (Holdings) Limited (stock code 1051) and Bolton Group International Limited, whose shares are listed in the main board of the London Stock Exchange and was an executive director of Far East Golden Resources Group Limited formerly known as Compass Pacific Holdings Limited (stock code 1188). He is currently a chief executive officer of Ford Eagle Capital Limited.

(10) MISCELLANEOUS

1. The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
2. The head office and principal place of business of the Company is at 13th Floor, Sunning Plaza, 10 Hysan Avenue, Causeway Bay, Hong Kong.
3. The principal share registrar and transfer office of the Company is Butterfield Fulcrum Group (Bermuda) Limited at Rosebank Centre, 11 Bermudian Road, Pembroke HM08, Bermuda.
4. The Hong Kong branch share registrar and transfer office of the Company is Union Registrars Limited, Rooms 1901-02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.
5. 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.
6. Ms. Siu Yuk Wa Joe Joe is the qualified accountant of the Company, she is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom.
7. The compliance officer of the Company is Ms. Yeung Sau Han Agnes.

8. 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 at the head office and principal place of business of the Company in Hong Kong at 13th Floor, Sunning Plaza, 10 Hysan Avenue, Causeway Bay, Hong Kong during normal business hours on any weekday other than public holidays, from the date of this circular up to and including the date of the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual report of the Company for the years ended 31 December 2006 and 2007;
- (c) the first quarterly report of the Company for the three months ended 31 March 2008;
- (d) the interim report of the Company for the half year ended 30 June 2008;
- (e) the third quarterly report of the Company for the three months ended 30 September 2008;
- (f) the material contracts referred to in the paragraph headed “Material contracts” in this appendix;
- (g) the circulars of the Company which have been issued since 31 December 2007; and
- (h) this circular.

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)

Website: www.chinarailwaylogistics.com

NOTICE IS HEREBY GIVEN that a special general meeting (the “**Meeting**”) of China Railway Logistics Limited (the “**Company**”) will be held at 10:30 a.m. on Friday, 19 December 2008 at B/2, Phoenix, The Charterhouse, 209-219 Wanchai Road, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution with or without amendments as an ordinary resolution:

ORDINARY RESOLUTION

“THAT

- (a) the disposal agreement dated 13 October 2008 (the “**Disposal Agreement**”) entered into between Dragon Billion Limited as vendor and Portstar Enterprises Limited as purchaser in relation to, among others, the disposal of the Sale Debts (as defined and more particularly described in the Company’s circular dated 2 December 2008 (the “**Circular**”)) for a consideration of HK\$135,000,000 (copies of the Disposal Agreement and the Circular have been tabled at the Meeting and marked “A” and “B” respectively and initialed by the chairman of the Meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the completion of the disposal of the Sale Debts in accordance with the Disposal Agreement be and is hereby approved; and
- (c) the directors of the Company (the “**Directors**”) be and are hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps as the Directors may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Disposal Agreement and/or any of the transactions contemplated under the Disposal Agreement.”

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

Hong Kong, 2 December 2008

* *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:*

13th Floor
Sunning Plaza
10 Hysan Avenue
Causeway Bay
Hong Kong

Notes:

1. Any member 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 member 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 Rooms 1901-02, 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 member from attending in person and voting at the above meeting or any adjournment thereof, should he so wish, and in such event, the form of proxy shall be deemed to be revoked.