

China Railway Logistics Limited

中國鐵路貨運有限公司*

(incorporated in Bermuda with limited liability)

(Stock code: 8089)

PROFIT WARNING

The Group may record substantial losses for the year ended 31 December 2007 due to the recognition of an impairment loss against the carrying value of the Group's investment in the PRC Subsidiary. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

Reference is made to (i) the circular of China Railway Logistics Limited (the "Company", together with its subsidiaries, the "Group") dated 25 May 2007 (the "Circular") in relation to a very substantial acquisition (the "Acquisition") and proposed change of name; and (ii) the announcement of the Company dated 28 February 2008 (the "Announcement") in relation to an update on the status of the Acquisition.

The Acquisition

As described in the Circular, the Acquisition involves the acquisition by Dragon Billion Limited, a wholly-owned subsidiary of the Company, of the entire equity interest in Eternity Profit Investments Limited ("Eternity Profit"). The Circular also refers to a joint venture between Onway Logistics Limited (a 61.25% subsidiary of the Company), Guangdong China Railway Television Media Limited and Beijing Run Tong Transportation Consulting Company Limited, for the establishment of a Chinese-foreign cooperative joint venture, China Railway Television Freight and Logistics Transport Co. Ltd. (the "PRC Subsidiary").

The consideration for the Acquisition amounted to HK\$681.45 million which was to be satisfied as to HK\$6.0 million in cash and the balance of HK\$675.45 million by the allotment and issue of 95,000,000 new shares in the Company at an issue price of HK\$7.11 each. Completion of the Acquisition was subject to, among other things, the completion of a reorganization of Eternity Profit and its group companies involving the conversion of the PRC Subsidiary into a Chinese-foreign cooperative joint venture company. It was disclosed in the 2007 third quarterly report of the Company that the Acquisition was completed in July 2007.

Profit warning

As mentioned in the Announcement, the Company has encountered problems with the joint venture, principally concerning the control of the board of directors of the PRC Subsidiary. It has also come to the Company's attention that the PRC Subsidiary has not been converted from a domestic company into a Chinese-foreign cooperative joint venture. 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 PRC Subsidiary. As at the date of this announcement, the Company has contributed capital sum of HK\$200,000,000 into Onway Logistics, of which approximately HK\$151,980,000 has been contributed into the PRC Subsidiary (the "Capital Investment") by Onway Logistics pursuant to the joint venture agreement.

* For identification purpose only

In view of the above advice of the PRC lawyers that the PRC Subsidiary has not been converted into a Chinese-foreign cooperative joint venture and Onway Logistics has not been formally registered as a shareholder of the PRC Subsidiary, the board of directors of the Company (the “Board”) comes to a view that there is an impairment in the carrying value of the Capital Investment and its investment in Eternity Profit in the Group’s financial statements for the year ended 31 December 2007, subject to confirmation with the Company’s auditors. The recognition of the impairment loss may result in the Group recording substantial losses for the year ended 31 December 2007.

This profit warning announcement is made based on the assessment by the Board to-date and the amount of impairment loss is subject to finalisation with the Company’s auditors. The Company’s results announcement for the year ended 31 December 2007 is expected to be released on 28 March 2008. Shareholders and potential investors of the Company are also advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
China Railway Logistics Limited
Lim Kwok Choi
Chairman and Executive Director

Hong Kong, 26 March 2008

As at the date hereof, the Company’s executive directors are Mr. Lim Kwok Choi, Mr. Lok Shing Kwan, Sunny, Mr. Zeng Bangjian, Mr. Ng Kam Wing and Mr. Koh Tat Lee, Michael; the Company’s non-executive director is Tsang Chi Hin, and the Company’s independent non-executive directors are Mr. Leung Lok Ming, Mr. Chan Ho Wah, Terence, Mr. Chong Cha Hwa and Dr. James Wing Ho Wong.

This announcement, for which the directors of China Railway Logistics Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to China Railway Logistics Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the Company’s website at www.chinarailwaylogistics.com and on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least seven days from the date of its posting.