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CHINA RAILWAY LOGISTICS LIMITED

中國鐵路貨運有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 8089)

ANNOUNCEMENT AND RESUMPTION OF TRADING

On 1 September 2008, Eternity Profit received the Judgement Notice handed down upon the PRC Subsidiary by the Court to freeze and set aside the bank deposits of the PRC Subsidiary in the total amount of RMB131 million (approximately HK\$149 million).

The Company has engaged PRC legal advisers to enquire with the Court on the matter in order to enable the Board to apprise the situation and to assess the impacts on the Company, financially and otherwise.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company. The Company will make further announcements in relation to this matter as and when it considers appropriate.

Trading of the shares of the Company on the Stock Exchange has been suspended with effect from 9:30 a.m. on 5 September 2008 pending the release of this announcement. An application has been made for the resumption of trading of the shares of the Company on the Stock Exchange with effect from 9:30 a.m. on 12 September 2008.

This announcement is made by China Railway Logistics Limited (the “Company”) pursuant to Rule 17.10 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the “GEM Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Reference is made to the announcement dated 28 February 2008 (the “Announcement”) of the Company in relation to matters concerning the Company’s investment in a joint venture. Capitalised terms used herein shall have the meanings given to them in the Announcement unless otherwise defined.

** For identification purposes only*

On 1 September 2008, Eternity Profit, a wholly-owned subsidiary of the Company, received a notice from China Railway Investments Group (Hong Kong) Limited (“CRI (HK)”) that a judgement was handed down upon the PRC Subsidiary by the 北京市第二中級人民法院 (the “Court”) to freeze and set aside the bank deposits of 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 (the “Claim”), and a settlement order (民事調解書) has been granted by the Court in favour of the Judgement Applicant for the PRC Subsidiary to pay for some settlement (the “Settlement Order”).

CRI (HK) and Eternity Profit are shareholders of Onway Logistics in the ratio of 38.75%/61.25%. As stated in the Announcement, Onway Logistics has contributed the capital sum of HK\$151,980,000 to the PRC Subsidiary (the “Sum”) as its capital contribution for an 80% equity interest in the PRC Subsidiary, but as the PRC Subsidiary has not yet been formally converted from a domestic company into a China-foreign co-operative joint venture company, Onway Logistics has not been registered as a shareholder of the PRC Subsidiary. Presently, Onway Logistics has no representative on the board of directors of the PRC Subsidiary, or participation in the operation or management of the PRC Subsidiary. The Sum is recorded as deposit paid for acquisition of investments in the audited consolidated financial statements of the Company for the year ended 31 December 2007. As at the date hereof, no provision has been made by the Company on the Sum. As disclosed in the 2007 annual report of the Company, apart from the Sum, the Group had capital expenditure in respect of the acquisition of the PRC Subsidiary in the sum of approximately HK\$53.5 million (the “Capital Commitment”) which is contracted for but not provided in the consolidated accounts of the Group as at 31 December 2007. As disclosed in the Announcement, the Company is working with its PRC legal advisers to implement necessary steps to formally convert and establish the PRC Subsidiary as a China-foreign cooperative joint venture and enable Onway Logistics to be registered as a shareholder of the PRC Subsidiary. The Capital Commitment would only materialise upon the PRC Subsidiary having been formally converted and established as a China-foreign cooperative joint venture and Onway Logistics having been formally registered as a shareholder of the PRC Subsidiary, and is dependent on the outcome of the negotiations with the joint venture partners on issues regarding the control of the board of directors of the PRC Subsidiary.

The Board has no prior knowledge about the Claim or the Settlement Order, including the amounts involved in the Claim and the Settlement Order. It is also informed by CRI (HK) that neither was it aware of such matter prior to the receipt by the PRC Subsidiary of the Judgement Notice. The Board has no knowledge about the Judgement Applicant either. Save for the information provided in the Judgement Notice as referred to above, the Board has no other information on the matter. The Company has engaged PRC legal advisers to enquire with the Court on the matter in order to enable the Board to apprise the situation and to assess the impacts on the Company, financially and otherwise including whether any provision is needed on the Sum. At present, the Company is yet to have sufficient information to assess precisely the effect of the Judgement Notice on the financial position of the Group. The Board considers that in the worst scenario, the Group may not be able to retrieve the Sum as a result of the Judgement Notice. Nevertheless, the Board considers the Judgement Notice would not have significant adverse effect on the Group’s operations in light of the financial resources currently available to the Group and the fact that the PRC Subsidiary has not become a subsidiary of the Group.

The Company will make further announcements in relation to this matter as and when it considers appropriate. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

Trading of the shares of the Company on the Stock Exchange has been suspended with effect from 9:30 a.m. on 5 September 2008 pending the release of this announcement. An application has been made for the resumption of trading of the shares of the Company on the Stock Exchange with effect from 9:30 a.m. on 12 September 2008.

By Order of the Board
China Railway Logistics Limited
Yeung Sau Han, Agnes
Executive Director

Hong Kong, 11 September 2008

As at the date hereof, the Company's executive directors are Mr. Lim Kwok Choi, Ms. Yeung Sau Han Agnes and Ms. Chan Shui Sheung Ivy; the Company's non-executive director is Mr. Tsang Chi Hin, and the Company's independent non-executive Directors are Mr. Chan Ho Wah, Terence, Ms. Yuen Wai Man and Mr. Law Wing Tak Jack.

This announcement includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

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