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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)

DISCLOSEABLE TRANSACTION AND SHARE TRANSACTION

The Board hereby announces that on 23 January 2009, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor pursuant to which the Purchaser agreed to purchase and the Vendor agreed to sell the Sale Shares and the Sale Loan at an aggregate consideration of HK\$13,600,000 which shall be satisfied by HK\$3,000,000 in cash and an aggregate 26,500,000 Consideration Shares. The Consideration Shares will be issued under the general mandate granted to the Directors at the annual general meeting held on 2 May 2008.

The Sale Shares represents 25% of the entire issued share capital of Great Hill. Great Hill is, through Welford, its wholly-owned subsidiary, interested in 46% of Zhenrong Petrochemical, which is engaged in the import and merchandising of chemical products (excluding fertilizers dangerous agricultural chemicals and dangerous chemical products), the import and merchandising of minerals (excluding iron, aluminium oxide and coal), the import and export of electronic and electrical equipment and devices, as well as the domestic purchase and the merchandising of petroleum products in the PRC (excluding refined oil).

The Acquisition constitutes a discloseable transaction and a share transaction of the Company under Chapter 19 of the GEM Listing Rules.

The Board hereby announces that the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor pursuant to which the Purchaser agreed to purchase and the Vendor agreed to sell the Sale Shares and the Sale Loan at an aggregate consideration of HK\$13,600,000, which shall be satisfied by (i) HK\$3,000,000 in cash upon the execution of the Agreement; and (ii) the issued and allotment of an aggregate 26,500,000 Consideration Shares to the Vendor upon Completion.

THE AGREEMENT

Date

23 January 2009

Parties

The Vendor: Wisdom First Limited, an Independent Third Party

The Purchaser: Ultra Million Limited, a wholly-owned subsidiary of the Company

Assets to be sold and purchased

The Sale Shares represents 25% of the entire issued share capital of Great Hill. Great Hill is, through, Welford, its wholly-owned subsidiary, interested in 46% of Zhenrong Petrochemical, which is engaged in the import and merchandising of chemical products (excluding fertilizers dangerous agricultural chemicals and dangerous chemical products), the import and merchandising of minerals (excluding iron, aluminium oxide and coal), the import and export of electronic and electrical equipment and devices, as well as the domestic purchase and the merchandising of petroleum products in the PRC (excluding refined oil). The Sale Loan with a face value of HK\$15,196,139 represents the amount due from Great Hill to the Vendor.

Consideration

The aggregate consideration is HK\$13,600,000, which shall be satisfied by (i) HK\$3,000,000 in cash by the Purchaser upon the execution of the Agreement; and (ii) the issue and allotment of 26,500,000 Consideration Shares at an issue price of HK\$0.40 to the Vendor upon Completion.

The issue price of HK\$0.40 per Consideration Share represents (i) a discount of approximately 18.37% to the closing price of HK\$0.49 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 18.03% to the average closing price of approximately HK\$0.488 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day.

The Consideration Shares represent approximately 4.9% of the issued share capital of the Company as at the date of this announcement and approximately 4.7% of the enlarged issued share capital of the Company immediately following the Completion. The Consideration Shares will be issued under the general mandate granted to the Directors at the annual general meeting held on 2 May 2008, allows the Company to allot, issue or otherwise deal with up to a maximum of 97,462,800 new Shares. As at the date of this announcement, the unutilized general mandate of the Company is 47,462,800 Shares. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

There is no restriction for the subsequent sale of the Consideration Shares and the Consideration Shares will rank pari passu in all respects with all other Shares in issue on Completion.

The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor. The Consideration was agreed with reference to the financial position of Great Hill, including its net liabilities of HK\$353,349 and the Sale Loan of HK\$15,196,239 due from Great Hill to the Vendor as at 31 December 2008 according to Great Hill's unaudited management account as at 31 December 2008. Having considered the above and the factors described under the section headed "Reasons for the Acquisition" below, the Board is of the view that the terms of the Agreement are fair and reasonable and on normal commercial terms, and in the interests of the Company and the shareholders of the Company as a whole.

Completion

Completion under the Agreement will take place on or before the 30th business day after the fulfillment or waiver of the conditions under the Agreement on which the Assignment should be executed.

Conditions

Completion is conditional upon, among other things, the following conditions precedent having been fulfilled or, as the case may be, waived:

- (a) the passing by the board of directors of the Purchaser and the Vendor in a board meeting of a resolution approving this Agreement and the implementation thereof;
- (b) the Stock Exchange granting the listing of, and permission to deal in the Consideration Shares to be allotted to the Vendor as part of the Consideration;
- (c) the passing of all necessary resolutions (if required) of the shareholders of the Company, in accordance with the constitutional documents of the Company, to approve the terms of the Agreement, to authorise the allotment and issuance of the Consideration Shares and to enable the Purchaser to complete and implement the terms of this Agreement;
- (d) the results of a due diligence investigation in Great Hill to the reasonable satisfaction of the Company.

The Purchaser may waive all or any of such conditions, except (a), (b) and (c) as above.

INFORMATION OF GREAT HILL

Great Hill is the holding company and its subsidiary, Zhenrong Petrochemical is engaged in the import and merchandising of chemical products (excluding fertilizers dangerous agricultural chemicals and dangerous chemical products), the import and merchandising of minerals (excluding iron, aluminium oxide and coal), the import and export of electronic and electrical equipment and devices, as well as the domestic purchase and the merchandising of petroleum products in the PRC (excluding refined oil).

According to Great Hill's unaudited management accounts, the net liabilities of Great Hill at 31 December 2008 are HK\$353,349, and the loss for the years ended 31 December 2007 and 2008 are HK\$113,000 and HK\$232,129 respectively.

REASON FOR THE ACQUISITION

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

In view of the dramatic change of the global economic situation, the business of the Group is expected to decline. The Board has engaged in seeking good investment and business opportunity to the Company. As the scope of business of Zhenrong Petrochemical is to distribute and export electronic devices and appliances, as well as the merchandising and distribution of energy and resource related products within the PRC, the Board is of the view that the Acquisition provides a good chance for the Group to diversify its investment.

LISTING RULES IMPLICATIONS

As the applicable percentage ratio as defined in the GEM Listing Rules exceeds 5% but less than 25% and the Consideration Shares is less than 5% of the total issued share capital of the Company, the Acquisition constitutes a discloseable transaction and a share transaction of the Company under Chapter 19 of the GEM Listing Rules. The Acquisition is subject to the announcement requirements under the GEM Listing Rules.

DEFINITIONS

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

“Acquisition”	acquisition of 25% interest in Great Hill by the Purchaser from the Vendor pursuant to the Agreement
“Agreement”	the sale and purchase agreement dated 23 January 2009 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Assignment”	The assignment of title and rights of the Sale Loan by the Vendor to the Purchaser
“associate(s)”	having the meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors of the Company
“business day(s)”	any day (other than a Saturday or a Sunday) on which banks in Hong Kong are generally open for normal banking business
“Company”	China Railway Logistics Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on GEM
“Completion”	Completion of the Acquisition in accordance with the Agreement
“connected person(s)”	having the meaning ascribed thereto under the GEM Listing Rules
“Consideration”	HK\$13,600,000, the consideration for the Acquisition pursuant to the Agreement
“Consideration Shares”	26,500,000 new Shares to be issued and allotted by the Company to the Vendor upon Completion
“Director(s)”	the director(s) of the Company

“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange
“Great Hill”	Great Hill Trading Limited, a company incorporated in the British Virgin Islands with limited liability
“Group”	the Company and its subsidiaries
“HK\$” and “cents”	Hong Kong dollars and cents, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person who himself is, and (in the case of corporate entity) its ultimate beneficial owners are, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, third parties independent of the Company and connected persons of the Company
“Last Trading Day”	22 January 2009, the last trading day on which the Shares were traded on the Stock Exchange immediately preceding the date of the Agreement
“PRC”	the People’s Republic of China
“Purchaser”	Ultra Million Limited a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Sale Loan”	the loan owed by Great Hill to the Vendor as at 31st December 2008 in the sum of HK\$15,196,239
“Sale Shares”	25 shares of US\$1.00 each in Great Hill, representing 25% of the entire issued shares capital of Great Hill as at the date of the Agreement
“Shares”	Ordinary share(s) with nominal value of HK\$0.001 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Wisdom First Limited, a company incorporated in the British Virgin Islands with limited liability
“Welford”	Welford International Industrial Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Great Hill

“Zhenrong Petrochemical”

Guangdong Zhenrong Petrochemical Company Limited, a company incorporated in PRC and is a sino-foreign joint venture company

“%”

per cent

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

Hong Kong, 29 January 2009

As at the date hereof, the Company’s executive Directors are Ms. Yeung Sau Han Agnes and Ms. Chan Shui Sheung Ivy; the Company’s non-executive Director is Mr. Xie Jintai, and the Company’s independent non-executive Directors are Ms. Yuen Wai Man, Mr. Law Wing Tak Jack, Mr. Lam Raymond Shiu Cheung and Mr. Lam Ka Wai Graham.

This announcement, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM for the purpose of giving information with regard to the issuer. The directors of the Company, 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 “Latest Company Announcement” page of the GEM website for at least 7 days and the Company website at www.chinarailwaylogistics.com from the date of this announcement.

* For identification purpose only