

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, 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 announcement.

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 AND RESUMPTION OF TRADING

THE DISPOSAL

The Board announces that on 3 March 2010 (after trading hours), the Vendor, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Agreement pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to acquire the Sale Shares at the Consideration.

The Disposal constitutes a major transaction on the part of the Company under Rule 19.06 of the GEM Listing Rules and is subject to notification, announcement and shareholders' approval requirements under the GEM Listing Rules.

A circular containing, among other matters, further details of the Disposal and notice of the SGM will be dispatched to the Shareholders as soon as practicable and in compliance with the GEM Listing Rules.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 4 March 2010 pending for the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on 5 March 2010.

THE AGREEMENT

Date

3 March 2010 (after trading hours)

Parties

Vendor : Top Status International Limited, a wholly-owned subsidiary of the Company

Purchaser : China Coalfields International Group Limited

The Purchaser is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties independent of and not connected with the Company and its connected persons (as defined in the GEM Listing Rules).

Assets to be disposed

Pursuant to the Agreement, the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to acquire the Sale Shares at the Consideration.

As at 30 September 2009, the book value of the Sale Shares was nil as China Eco-Farming recorded capital deficiency. The market value of the Sale Shares as at the date of the Agreement was approximately HK\$214,913,000. The Sale Shares represent 22.27% of the entire issued share capital of China Eco-Farming as at the date of this announcement. The Vendor is the legal and beneficial owner of the Sale Shares as at the date of the Agreement.

Under the Agreement, the Purchaser is not subject to any restriction on further sale of the Sale Shares.

Consideration

The aggregate consideration for the Sale Shares is HK\$175,366,886. The Consideration represents HK\$0.326 per Sale Share and:

- (i) a discount of approximately 18.50% to the closing price of HK\$0.40 per CEF Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a discount of approximately 15.32% to the average closing price of approximately HK\$0.385 per CEF Share as quoted on the Stock Exchange in the last five consecutive trading days up to and including the Last Trading Day.

A non-refundable cash deposit in the sum of HK\$1,000,000 shall be paid by the Purchaser to the Vendor within five Business Days from and including the date of the Agreement. The balance of the Consideration (i.e. HK\$174,366,886) shall be paid by the Purchaser to the Vendor by cashier order on the Completion Date.

The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser with reference to the market value of the Sale Shares and the continuing net liabilities of China Eco-Farming.

Conditions

Completion is conditional upon fulfillment of the following conditions:

- (i) the Company obtaining the approval from the Shareholders and the Directors to the Agreement and the transactions contemplated thereunder (if required); and all consents or approvals of any relevant regulatory authorities (if required);
- (ii) China Eco-Farming maintaining its listing status on GEM;

- (iii) the CEF Board approving the appointment of two persons nominated by the Purchaser as the directors of China Eco-Farming, and one of them to be the chairman of the CEF Board; and
- (iv) all the warranties, declarations and undertakings of the Vendor as stated in the Agreement remaining true and accurate as at the date of the Agreement and the Completion Date.

If the conditions are not fulfilled before the Long Stop Day, the Agreement shall cease and neither the Vendor nor the Purchaser shall have any obligations and liabilities towards each other save for any antecedent breaches of the terms thereof.

Completion

Completion is expected to take place on the third Business Days after fulfillment of the conditions mentioned above.

INFORMATION OF CHINA ECO-FARMING

China Eco-Farming is an investment holding company. China Eco-Farming and its subsidiaries are principally engaged in the business of one-stop value chain services.

As stated in the audited financial statements of China Eco-Farming as at 31 December 2008, China Eco-Farming had audited net liabilities of approximately HK\$1,069,000. As stated in the unaudited financial statements of China Eco-Farming as at 30 June 2009, China Eco-Farming had unaudited net liabilities of approximately HK\$6,943,000. The attributable losses before and after taxation of China Eco-Farming for the year ended 31 December 2008 were approximately HK\$4,440,193 and HK\$4,458,677, respectively. The attributable losses before and after taxation of China Eco-Farming for the year ended 31 December 2007 were both approximately HK\$5,025,671.

REASONS FOR AND BENEFITS OF THE DISPOSAL

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

Having considered the recent volatility of the stock market, the proceeds from the Disposal of approximately HK\$175 million in cash, the Directors are of the view that it is a good opportunity for the Company to realise its investment in China Eco-Farming.

As such, the Directors consider that the terms of the Agreement are of normal commercial terms, fair and reasonable and in the interest of the Company and Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL

Subject to the audit, it is presently estimated that the Group will record a gain of approximately HK\$186,073,000 arising from the Disposal as calculated by the proceed of approximately HK\$175,367,000 from the Disposal and reversal of the capital deficiency of approximately HK\$10,706,000 of China Eco-Farming as at 30 September 2009 recognised by the Group.

USE OF PROCEEDS

The Directors expect that the proceeds from the Disposal will be used for general working capital of the Group.

LISTING RULES IMPLICATION

The Disposal constitutes a major transaction on the part of the Company under Rule 19.06 of the GEM Listing Rules and is subject to notification, announcement and shareholders' approval requirements under the GEM Listing Rules. To the best of the Directors' knowledge, information and belief having made reasonable enquiries, no Shareholders have a material interest in the Disposal and are required to abstain from voting at the SGM.

A circular containing, among other matters, further details of the Disposal and the notice of SGM will be dispatched to the Shareholders as soon as practicable and in compliance with the GEM Listing Rules.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 4 March 2010 pending for the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on 5 March 2010.

DEFINITIONS

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

“Agreement”	the conditional sale and purchase agreement dated 3 March 2010 entered into between the Vendor and the Purchaser in relation to the Disposal
“Board”	the board of Directors
“Business Days”	the days (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in Hong Kong
“CEF Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of China Eco-Farming
“CEF Board”	the board of directors of China Eco-Farming
“China Eco-Farming”	China Eco-Farming Limited, a company continued into Bermuda with limited liability and the issued shares of which are listed on GEM
“Company”	China Railway Logistics Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on GEM
“Completion Date”	three Business Days after the fulfillment of the conditions as stated in the Agreement

“Consideration”	the aggregate consideration of HK\$175,366,886 for the Sale Shares pursuant to the Agreement
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser at the Consideration pursuant to the Agreement
“GEM”	the Growth Enterprise 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 People’s Republic of China
“Last Trading Day”	3 March 2010, being the last trading day before entering into the Agreement
“Long Stop Day”	180 days after the execution of the Agreement (excluding the date of the Agreement)
“Purchaser”	China Coalfields International Group Limited (中國煤田(國際)集團有限公司), a company incorporated in Hong Kong with limited liability
“Sale Shares”	537,276,000 CEF Shares
“Share(s)”	ordinary shares of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Top Status International Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“SGM”	the special general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Agreement and the transactions contemplated thereunder
“%”	per cent

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

Hong Kong, 4 March 2010

As at the date hereof, the executive directors of the Company are Ms. Yeung Sau Han Agnes and Ms. Chan Shui Sheung Ivy; and the independent non-executive directors of the Company are Ms. Yuen Wai Man, Mr. Lam Ka Wai Graham and Mr. Wang Chin Mong.

This announcement, for which the directors of the Company 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 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 at www.hkgem.com for at least 7 days from the date of this announcement and the Company’s website at www.chinarailwaylogistics.com.

** For identification purpose only*