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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 DISPOSAL OF SUBSIDIARIES

The Board announces that on 29 September 2009, Linefan entered into the Agreement with the Purchaser pursuant to which Linefan has agreed to sell and the Purchaser has agreed to acquire the Sale Shares and the Sale Loan at the aggregate consideration of HK\$300,000.

The Disposal constitutes a discloseable transaction of the Company pursuant to Chapter 19 of the GEM Listing Rules.

THE AGREEMENT

Date

29 September 2009

Parties

Vendor: Linefan Technology Holdings Limited

Purchaser: Skycomm International Limited

The Purchaser is a company incorporated in the British Virgin Islands 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, each of the Purchaser and its ultimate beneficial owner is an Independent Third Party.

Asset to be disposed

Pursuant to the Agreement, Linefan has agreed to sell and the Purchaser has agreed to acquire the Sale Shares and the Sale Loan. The Sale Shares represents the entire issued share capital of Chineseroad as at the date of the Agreement. Chineseroad is an investment holding company and possesses the entire 100% equity interest in Beijing Linefan Technology Co., Ltd., which in turn possesses the 80% equity interest in Beijing Linefan Zhihui Technology Co., Ltd. and Beijing Wellpay Software Technology Co. Ltd.. Beijing Linefan Zhihui Technology Co., Ltd. in turn possesses 51.43% equity interest in Unlimited Business Opportunity Communication Technology Co., Ltd., which in turn possesses 51% equity interest in Ha Er Bin Runke Communication Technology Co., Ltd. The Sale Loan represents approximately HK\$65,216,000 owing by Chineseroad Group to Linefan as at 30 June 2009.

Consideration

The Consideration for the Sale Shares and the Sale Loan shall be in the sum of HK\$300,000 which shall be satisfied by cash upon Completion.

The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser with reference to the net liabilities of Chineseroad Group as at 30 June 2009 in the sum of approximately HK\$66,064,000; the face value of the Sale Loan of approximately HK\$65,216,000; and the future prospect of Chineseroad Group.

Conditions

Completion of the Disposal is conditional upon fulfillment of the following conditions:

- (a) the passing by the board of directors of the Purchaser and the Vendor in a board meeting of a resolution approving the Agreement and the implementation thereof;
- (b) the passing of all necessary resolutions (if required) of the shareholders of the Vendor to approve the terms of the Agreement to enable the Vendor to complete and implement the terms of the Agreement; and
- (c) the results of a due diligence investigation on Chineseroad to the reasonable satisfaction of the Purchaser.

The Purchaser may waive all or any of such conditions, except clauses (a) and (b) above at any time by notice in writing to the Vendor. If the conditions set out above shall not have been fulfilled within 90 Business Days of the execution of the Agreement (or such later dates as may be agreed between the Vendor and the Purchaser), the Agreement and everything therein contained shall, subject to the liability of any party to the others in respect of any antecedent breaches of the terms thereof, be null and void and of no effect.

Completion

Completion shall take place within 30 Business Days after the Agreement become unconditional or at such other place and time as the Vendor and the Purchaser shall be mutually agreed.

Upon Completion, Chineseroad Group will cease to be subsidiaries of the Company.

INFORMATION OF CHINESEROAD GROUP

Chineseroad, a subsidiary of the Company, is a company incorporated in the British Virgin Islands with limited liability. Chineseroad is an investment holding company and Chineseroad Group is principally engaged in the knowledge management related network application systems and technology as well as provision of voice search engine portal services.

As stated in the unaudited financial statements of Chineseroad Group as at 30 June 2009, Chineseroad Group had net liabilities of approximately HK\$66,064,000. The attributable losses before and after taxation of Chineseroad Group for the year ended 31 December 2008 were both approximately HK\$13,927,000. The attributable losses before and after taxation of Chineseroad Group for the year ended 31 December 2007 were both approximately HK\$4,841,000.

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 continuing difficult business and market conditions, and the weak performance of Chineseroad Group in generating earning and cash flow, it is difficult for the Group to justify further investment in Chineseroad Group. The Disposal represents a good opportunity for the Company to realise its investment in Chineseroad Group and to release resources for development of other potentially opportunities.

The directors of Linefan are of the view that it is necessary and appropriate to dispose Chineseroad Group at this moment and it is to the best interest of Linefan and its shareholders as a whole. The Directors consider that the terms of the Agreement are fair and reasonable and are of interest of the Company and its shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL

Subject to audit, the Company expects to record a consolidated profit of approximately HK\$1,148,000 arising from the Disposal as calculated by reference to i) the net proceeds from the Disposal of HK\$300,000; ii) the net liabilities of Chineseroad Group of approximately HK\$66,064,000 as at 30 June 2009; and iii) the face value of the Sale Loan of approximately HK\$65,216,000 as at 30 June 2009.

USE OF PROCEEDS

The Directors expect that the net proceeds from the Disposal of HK\$300,000 will be used for general working capital of the Group.

LISTING RULES IMPLICATION

As the applicable percentage ratio for the Disposal under the GEM Listing Rules is more than 5% and less than 25%, the Disposal constitutes a discloseable transaction of the Company pursuant to Chapter 19 of the GEM Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context otherwise requires.

“Agreement”	the sale and purchase agreement dated 29 September 2009 entered into between the Vendor and the Purchaser in relation to the Disposal
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday) on which the banks in Hong Kong are open for business during the whole of their normal working hours

“Chineseroad”	Chineseroad Incorporated, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Linefan
“Chineseroad Group”	Chineseroad and its subsidiaries including Beijing Linefan Technology Co., Ltd., Beijing Linefan Zhihui Technology Co., Ltd., Beijing Wellpay Software Technology Co. Ltd., Beijing Linefan Zhihui Technology Co., Ltd., Unlimited Business Opportunity Communication Technology Co., Ltd., and Ha Er Bin Runke Communication Technology Co., Ltd.
“Company”	China Railway Logistics Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on GEM
“Completion”	completion of the Disposal
“Consideration”	the aggregate consideration of HK\$300,000 for the Disposal
“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Shares and the Sale Loan 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
“Independent Third Party”	a party which is not a connected person (as defined under the GEM Listing Rules) of the Company and is independent of the Company and its connected persons
“Linefan” or “Vendor”	Linefan Technology Holdings Limited, a company incorporated in the Cayman Islands and continued into Bermuda with limited liability, the issued shares of which are listed on GEM (Stock Code: 8166), and a non wholly-owned subsidiary of the Company
“Purchaser”	Skycomm International Limited, a company incorporated in the British Virgin Islands with limited liability
“Sale Loan”	HK\$65,216,133 owing by Chineseroad Group to the Vendor as at 30 June 2009

“Sale Shares”	67,200 ordinary shares of US\$1.00 each in the issued share capital of Chineseroad, representing the entire issued share capital of Chineseroad, legally and beneficially owned by the Vendor
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 22 October 2009

As at the date of this announcement, the Company’s executive directors are Ms. Yeung Sau Han Agnes and Ms. Chan Shui Sheung Ivy; and the Company’s independent non-executive directors 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 Rules Governing the Listing of Securities on GEM 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 and the Company’s website at www.chinarailwaylogistics.com for at least 7 days from the date of this announcement.

** For identification purpose only*