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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 DEEMED DISPOSAL OF INTEREST IN A SUBSIDIARY**

On 29 May 2009, Linefan, a subsidiary of the Company and also a company listed on the GEM, entered into the Placing Agreement with the Placing Agent pursuant to which Linefan has conditionally agreed to place, through the Placing Agent, an aggregate of 14,000,000 Placing Shares, on a best-effort basis, to not fewer than six Placees who and whose ultimate beneficial owners are third parties independent of Linefan and its connected persons (as defined in the GEM Listing Rules) at a price of HK\$0.70 per Placing Share under general mandate.

As a result of Linefan entering into the Placing Agreement and assuming the maximum of 14,000,000 Placing Shares are issued under the Placing, the Company's interests in Linefan will be diluted by, up to 10.67% from approximately 69.54% to approximately 58.87%. Upon completion of the Placing, Linefan will continue to be a subsidiary of the Company.

The dilution effect on the Placing is treated as a deemed disposal on the part of the Company under Rule 19.29 of the GEM Listing Rules and the Deemed Disposal constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules.

### **DEEMED DISPOSAL**

Reference is made to the announcements of Linefan dated 1 June 2009 and 2 June 2009 (the "Announcements") in relation to, among other matters, a placing of 14,000,000 Placing Share by Linefan pursuant to the Placing Agreement.

On 29 May 2009, Linefan, a subsidiary of the Company and also a company listed on the GEM, entered into the Placing Agreement with the Placing Agent pursuant to which Linefan has conditionally agreed to place, through the Placing Agent, an aggregate of 14,000,000 Placing Shares, on a best-effort basis, to not fewer than six Placees who and whose ultimate beneficial owners are third parties independent of Linefan and its connected persons (as defined in the GEM Listing Rules) at a price of HK\$0.70 per Placing Share under general mandate. On the assumption that all Placing Shares are fully placed, the gross proceeds of the Placing will be approximately HK\$9.8 million. The net proceeds of the Placing of approximately HK\$9.4 million are intended to be used for general working capital of Linefan and/or possible investment in the future when opportunities arise. Details of the Placing and the terms and conditions of the Placing Agreement were set out in the Announcements.

As a result of Linefan entering into the Placing Agreement and assuming the maximum of 14,000,000 Placing Shares are issued under the Placing, the Company's interests in Linefan will be diluted by, up to 10.67% from approximately 69.54% to approximately 58.87%. Upon completion of the Placing, Linefan will continue to be a subsidiary of the Company.

As stated in the Announcements, The directors of Linefan consider that the Placing represents an opportunity to raise capital for Linefan while broadening the shareholder base and capital base of Linefan. Accordingly, the directors of Linefan consider the Placing is in the interest of Linefan and its shareholders as a whole. The Directors are of the view that the terms and conditions of the Placing Agreement are fair and reasonable in the interests of the Company and its shareholders as a whole.

On 28 August 2009, Linefan announced that the last date for fulfilling the conditions in the Placing Agreement was extended from 28 August 2009 to 28 October 2009.

## **INFORMATION OF LINEFAN**

Linefan and its subsidiaries are principally engaged in business of sale, development and implementation of non-structural knowledge integration systems and knowledge management related network application system and technology; and provision of voice search engine portal.

As stated in the unaudited consolidated financial statements of Linefan as at 30 June 2009, Linefan had net liabilities of HK\$6,943,000. As stated in the audited consolidated income statement of Linefan for the year ended 31 December 2008, the loss before and after taxation were HK\$19,938,000 and HK\$20,021,000 respectively. The loss before and after taxation of Linefan for the year ended 31 December 2007 were both HK\$22,567,000.

## **GENERAL**

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.

## **LISTING RULES IMPLICATION**

The dilution effect on the Placing is treated as a deemed disposal on the part of the Company under Rule 19.29 of the GEM Listing Rules and the Deemed Disposal constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules.

## **DEFINITIONS**

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

“Board”	the board of Directors
“Company”	China Railway Logistics Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on GEM
“Deemed Disposal”	the dilution of the Company's interest in Linefan from approximately 69.54% to approximately 58.87% as a result of the Placing

“Director(s)”	director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Linefan”	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)
“Linefan Share(s)”	ordinary shares of HK\$0.10 each in the share capital of Linefan
“Placee(s)”	any individual(s), institutional or other professional investor(s) or any of their respective subsidiaries or associates procured by the Placing Agent to subscribe for the Placing Shares pursuant to the Placing Agent’s obligations under the Placing Agreement
“Placing”	the placing of 14,000,000 Placing Shares pursuant to the terms of the Placing Agreement
“Placing Agent”	Fortune (HK) Securities Limited, a licensed corporation to carry on business in type 1 regulated activities (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the placing agreement entered between Linefan and the Placing Agent dated 29 May 2009 in relation to the Placing
“Placing Share(s)”	an aggregate of 14,000,000 Linefan Shares to be placed pursuant to the Placing Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollar, 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, 25 September 2009

*As at the date hereof, 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 the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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 Growth Enterprise Market website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days and the Company website at [www.chinarailwaylogistics.com](http://www.chinarailwaylogistics.com) from the date of this announcement.*

*\* For identification purpose only*