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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

ACQUISITION OF 75% EQUITY INTEREST IN GREAT HILL

The Board is pleased to announce that on 22 April 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 CA at an aggregate cash consideration of HK\$34,000,000.

The Sale Shares represents 75% 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, aluminum 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 of the Company under Chapter 19 of the GEM Listing Rules.

The Board is pleased to announce that on 22 April 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 CA at an aggregate cash consideration of HK\$34,000,000.

THE AGREEMENT

Date

22 April 2009

Parties

The Vendor: Richy Spring International Limited

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

The Vendor is incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of Sunny Global, a company incorporated in Bermuda with limited liability and the issued share capital of Sunny Global is listed on the main board of the Stock Exchange. The Vendor is principally engaged in investment holding.

* For identification purpose only

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendor is a third party independent of the Company and its connected persons.

Assets to be sold and purchased

On 23 January 2009, the Company, through its wholly owned subsidiary, Ultra Million, entered into an agreement to acquire 25% equity interest in Great Hill and the transaction was completed on 20 April 2009.

The Sale Shares represents the remaining 75% 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, aluminum 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 CA with a face value of HK\$51,427,296 represents the amount due from Great Hill to the Vendor.

Consideration

The aggregate consideration is HK\$34,000,000, which shall be satisfied by cash by the Purchaser upon 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\$24,265,886 and the Sale CA of HK\$51,427,296 due from Great Hill to the Vendor as at 31 March 2009 according to Great Hill's unaudited management account as at 31 March 2009. 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 as a whole.

Put Option

As at the date of the Agreement, Guangdong Zhenrong Energy Company Limited is indebted to Welford in the amount of HK\$60,000,000 (the "Welford Receivable").

Under the Agreement, the Vendor grants to the Purchaser an option to require the Vendor to purchase all the Sale Shares and the Sale CA (the "Put Option") at a purchase price equal to the Consideration (the "Put Option Payment") in the event that the Company fails to collect not less than HK\$34,000,000 of the Welford Receivable to the satisfaction of the Purchaser within 90 days of the date of the Agreement.

The Put Option must be exercised, if at all, during the period commencing on the Completion date and the day falling 90 days from the Completion date (the "Option Period"). The Put Option Payment payable by the Vendor upon the exercise of the Put Option shall be satisfied in cash.

The Purchaser may only exercise the Put Option in whole from time-to-time during the Option Period by delivering to the Vendor written notice of exercise. The Purchaser represents and warrants to the Vendor that upon any exercise of the Put Option, the Purchaser shall remain the legal and beneficial owner of, and shall convey to the Vendor good and marketable title to, the Sale Shares being sold pursuant to such exercise, free and clear of any claim, lien, option, charge or encumbrance of any nature whatsoever.

Conditions

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

- (a) all necessary consents, confirmations, permits, approvals, licences and authorizations having been obtained from all relevant governmental, regulatory and other authorities, agencies and departments in Hong Kong (including but not limited to the SFC and the Stock Exchange) in connection with the transactions contemplated under the Agreement;
- (b) all other necessary waivers, consents and approvals (if required) in relation to the Purchaser, its holding company(ies) and its (their) shareholders and directors from the relevant governmental or regulatory authorities in Hong Kong (including the Stock Exchange) and other applicable jurisdictions required for the Agreement and the transactions contemplated therein being obtained; and
- (c) all warranties remaining true and accurate as at Completion and the Vendor shall have performed or complied, in all material respect, with its covenants and agreements contained herein and required to be performed or complied with by the Vendor at or prior to the Completion Date.

The Purchaser shall have the discretion to waive all or any part of the conditions set out above except conditions (a) and (b).

If the conditions set out above have not been fulfilled or waived by the Purchaser on the day falling 6 months of the date of execution of this Agreement (or such later date as the parties may agree in writing), the Agreement shall automatically terminate and none of the parties of the Agreement shall have any claim of any nature or liabilities hereunder whatsoever against any of the other parties under the Agreement.

Completion

Completion of the Acquisition will take place on or before the 7th business day after the fulfillment or waiver of the conditions under the Agreement.

Upon Completion of the Acquisition, Great Hill will become a wholly-owned subsidiary of the Group.

INFORMATION OF GREAT HILL

Great Hill is a subsidiary of Sunny Global Holdings Limited, a company listed on the main board of the Stock Exchange. 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 March 2009 are HK\$24,265,886. The net loss of Great Hill for the two years ended 31 December 2007 and 2008 were 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%, the Acquisition constitutes a discloseable 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 75% interest in Great Hill by the Purchaser from the Vendor pursuant to the Agreement
“Agreement”	the sale and purchase agreement dated 22 April 2009 entered into between the Purchaser and the Vendor in relation to the Acquisition
“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\$34,000,000, the aggregate consideration for the Sale Shares together with the Sale CA
“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
“Last Trading Day”	21 April 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 CA”	the current account due from Great Hill to the Vendor as at 31 March 2009 in the sum of HK\$51,427,296
“Sale Shares”	75 shares of US\$1.00 each in Great Hill, representing 75% of the entire issued shares capital of Great Hill as at the date of the Agreement
“Shareholders”	holders of the Shares
“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
“Sunny Global”	Sunny Global Holdings Limited, a company incorporated in Bermuda with limited liability and the issued share capital of Sunny Global is listed on the main board of the Stock Exchange
“Ultra Million”	Ultra Million Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Vendor”	Richy Spring International 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 Order of the Board
China Railway Logistics Limited
Chan Shui Sheung Ivy
Executive Director

Hong Kong, 22 April 2009

As at the date of this announcement, the Board comprises Ms. Yeung Sau Han Agnes and Ms. Chan Shui Sheung Ivy as executive directors; Mr. Xie Jintai as non-executive director; and Ms. Yuen Wai Man, Mr. Law Wing Tak Jack, Mr. Lam Raymond Shiu Cheung and Mr. Lam Ka Wai Graham as independent non-executive directors.

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 Growth Enterprise Market (the “GEM”) 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 Announcements” page of the GEM website at www.hkgem.com for at least 7 days and on the Company’s website at www.chinarailwaylogistics.com from the date of its publication.