CHINA RAILSMEDIA CORPORATION LIMITED
中國鐵聯傳媒有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 745)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2010

The Board of Directors (the "Board") of China Railsmedia Corporation Limited (the "Company") now announces the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2010, together with the comparative figures, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2010

	Notes	**2010 HK$'000**	2009 HK$'000
Turnover	*4*	**147,684**	108,038
Cost of sales		**(160,982)**	(105,328)
Gross (loss)/profit		**(13,298)**	2,710
Other revenue	*4*	**2,381**	809
Other income	*5*	**34**	463
Impairment loss in respect of goodwill		**(4,000)**	(22,823)
Impairment loss in respect of accounts receivables	*9*	**(40,642)**	–
Administrative expenses		**(34,369)**	(53,766)
Other operating expenses		**–**	(64)
Share of profits of a jointly controlled entity		**460**	–
Loss from operating activities	*5*	**(89,434)**	(72,671)
Finance costs		**(1,997)**	(3,641)
Loss before taxation		**(91,431)**	(76,312)
Taxation	*6*	**(255)**	22
Loss for the year		**(91,686)**	(76,290)

* *For identification purpose only*

	Notes	2010 HK$'000	2009 HK$'000
Other comprehensive expenses			
Exchange differences on translating foreign operations		**(2,433)**	1,653
Net gain/(loss) arising on revaluation of available-for-sale financial assets during the year		**436**	(942)
Released upon disposals of available-for-sale financial assets		**837**	200
Total comprehensive expenses for the year, net of tax		**(92,846)**	(75,379)
Loss attributable to:			
– Owners of the Company		**(87,310)**	(73,827)
– Minority interests		**(4,376)**	(2,463)
		(91,686)	(76,290)
Total comprehensive expenses attributable to:			
– Owners of the Company		**(88,470)**	(72,916)
– Minority interests		**(4,376)**	(2,463)
		(92,846)	(75,379)
Loss per share			
– Basic and diluted	*8*	**(HK5.65 cents)**	(HK4.86 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2010

	Notes	**2010** **HK$'000**	2009 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**9,831**	12,569
Goodwill		**32,810**	36,810
Available-for-sale financial assets		**–**	1,199
Interest in an associate		**–**	–
Interest in a jointly-controlled entity		**300**	–
		42,941	50,578
Current assets			
Amount due from customers for contract work		**26,788**	36,791
Accounts receivable	*9*	**26,489**	131,765
Prepayments, deposits and other receivables		**36,272**	37,472
Amount due from an associate		**–**	2
Amount due from a jointly controlled entity		**160**	–
Cash and cash equivalents		**38,378**	24,394
		128,087	230,424
Total assets		**171,028**	281,002
EQUITY			
Capital and reserves			
Share capital		**15,538**	15,338
Reserves		**(18,809)**	68,451
Equity attributable to owners of the Company		**(3,271)**	83,789
Minority interests		**29,739**	34,116
Total equity		**26,468**	117,905

	Notes	2010 HK$'000	2009 HK$'000
LIABILITIES			
Non-current liabilities			
Loan from shareholders		**47,205**	–
Convertible notes		**–**	1,358
Deferred taxation		**–**	31
		47,205	1,389
Current liabilities			
Loan from shareholders		**4,161**	51,763
Accounts payable	*10*	**42,968**	52,946
Amount due to customers for contract work		**25,208**	24,930
Other payables and accruals		**24,816**	31,937
Tax payable		**202**	132
		97,355	161,708
Total liabilities		**144,560**	163,097
Total equity and liabilities		**171,028**	281,002
Net current assets		**30,732**	68,716
Total assets less current liabilities		**73,673**	119,294

NOTES:

1. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

The Hong Kong Institute of Certified Public Accountants (the "HKICPA") has issued certain new standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 April 2009. A summary of the effect on initial adoption of these new and revised HKFRSs is set out below.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendments to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendments to paragraph 80 to HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. The application of the HKFRS 8 has not resulted in a redesignation of the Group's reportable segments (see Note 3). In addition, there are no changes in the basis of measurement of segment revenue, segment profit or loss, segment assets and segment liabilities.

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosure)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not presented comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

Standards and Interpretations in issue but not yet effective

The Group has not early applied the following new and revised Standards, amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 24 (Revised)	Related Party Disclosures[7]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendments)	Classification of Rights Issues[5]
HKAS 39 (Amendments)	Eligible Hedged Items[1]
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters[4]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures of First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[8]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirements[7]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

1 Effective for annual periods beginning on or after 1 July 2009
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
4 Effective for annual periods beginning on or after 1 January 2010
5 Effective for annual periods beginning on or after 1 February 2010
6 Effective for annual periods beginning on or after 1 July 2010
7 Effective for annual periods beginning on or after 1 January 2011
8 Effective for annual periods beginning on or after 1 January 2013

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 will affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

2. Summary of significant accounting policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except otherwise indicated.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believe to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in the Company's Annual Report for the year ended 31 March 2010.

Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost basis except for financial instruments, which are measured at fair value, as explained in the accounting policies set out in the Annual Report of the Company for the year ended 31 March 2010.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group. The Group incurred a net loss of approximately HK$91,686,000 for the year ended 31 March 2010 and accumulated losses of approximately HK$142,709,000 as at 31 March 2010. Notwithstanding the above results, the consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent upon the outcome of the arbitration and recoverability of the other receivables as stated in Note 25 to the annual report of the Company for the year ended 31 March 2010 and the successful outcome of the Group's measures to satisfy its working capital needs and improve the liquidity position. The financial statements do not include any adjustments that would result from the Group failing to recover the other receivables and or the failure in the measures undertaken by the Group in satisfying the working capital needs and improving the liquidity position. If the other receivables were not to be recovered or there was a failure as to the successful outcome of aforementioned measures, adjustments would have to be made to the financial statements to reduce the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

The measures undertaken by the Group include entering into an agreement with the major shareholder, Rich Place Investment Limited, who has confirmed that it will not demand repayment of the amount due of approximately HK$42,705,000 within the next twelve months from the end of the reporting period. In addition, Rich Place Investment Limited, has also agreed to provide continuing financial support to the Group. As such, the directors are confident that the Group's future operations will be successful and able to generate sufficient cash flows in order to meet its obligations as they fall due over the next twelve months. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

3. Segment Information

For the purposes of resources allocation and performance assessment, information reported to the chief operating decision maker of the Company, specifically focuses on the performance of building construction, renovation, repairs and maintenance and advertising services. The Group's operating and reportable segments under HKFRS 8 are therefore as follows:

(a) the building construction segment engages in construction and foundation contract works as a main contractor or subcontractor for building construction in the private and public sectors;

(b) the renovation, repairs and maintenance segment engages in site formation, civil engineering works, repairs, maintenance, renovation and fitting out works in the private and public sectors;

(c) the advertising segment engages in advertising services together with the provision of rail transit value-added services through LCD displays located at the ticketing offices of each station in the PRC; and

(d) the corporate and others segment comprises the Group's corporate income and expenses items.

Business Segments

The following table presents revenue and loss, assets and liabilities for the Group's business segments.

	Building construction		Renovation, repairs and maintenance		Advertising		Corporate and others		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:										
Contract revenue from external customers	**52,894**	23,278	**92,641**	84,410	**2,149**	350	**–**	–	**147,684**	108,038
Other revenue and other income	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Total	**52,894**	23,278	**92,641**	84,410	**2,149**	350	**–**	–	**147,684**	108,038
Segment results	**(64,973)**	432	**3,219**	4,564	**(10,271)**	(28,780)	**(19,824)**	(50,159)	**(91,849)**	(73,943)
Interest and unallocated gains									**2,415**	1,272
Loss from operating activities									**(89,434)**	(72,671)
Finance costs									**(1,997)**	(3,641)
Loss before taxation									**(91,431)**	(76,312)
Taxation									**(255)**	22
Loss for the year									**(91,686)**	(76,290)
Segment assets	**68,415**	154,937	**19,819**	33,069	**51,167**	59,062	**12,172**	12,274	**151,573**	259,342
Unallocated assets									**19,455**	21,660
Total assets									**171,028**	281,002
Segment liabilities	**67,658**	54,087	**13,332**	29,024	**3,459**	4,245	**1,638**	5,155	**86,087**	92,511
Unallocated liabilities									**58,473**	70,586
Total liabilities									**144,560**	163,097
Other segment information:										
Depreciation	**1**	1	**33**	47	**3,504**	1,280	**50**	49	**3,588**	1,377
Capital expenditure	**–**	–	**–**	–	**965**	2,180	**305**	6	**1,270**	2,186
Impairment loss on accounts receivable	**40,642**	–	**–**	–	**–**	–	**–**	–	**40,642**	–
Impairment loss on other receivable	**675**	–	**–**	–	**–**	–	**–**	–	**675**	–
Impairment loss on goodwill	**–**	–	**–**	–	**4,000**	22,823	**–**	–	**4,000**	22,823

Geographical Segments

	Hong Kong		The People's Republic of China ("PRC")		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**118,810**	86,262	**28,874**	21,776	**147,684**	108,038
Non-current assets*	**33,461**	36,945	**9,480**	12,434	**42,941**	49,379

* Non-current assets excluding financial instruments.

Revenue from its major services

The Group's revenue from its major services was as follows:

	2010	2009
	HK$'000	HK$'000
Building construction	**52,894**	23,278
Renovation, repairs and maintenance	**92,641**	84,410
Advertising	**2,149**	350
	147,684	108,038

Information about major customer

Includes in revenues arising renovation, repairs and maintenance of approximately HK$92,641,000 (2009: HK$84,410,000) are revenues of approximately HK$55,410,000 which arose from sales to the Group's largest customer.

4. Turnover and Other Revenue

Turnover represents the appropriate proportion of contract revenue of construction contracts, renovation, repairs and maintenance and advertising income.

An analysis of turnover and other revenue is as follows:

	2010	2009
	HK$'000	HK$'000
Turnover:		
Contract revenue	**145,535**	107,688
Advertising income	**2,149**	350
	147,684	108,038
Other revenue:		
Bank interest income	**83**	319
Other interest income	**1,948**	126
Rental income	**15**	–
Sundry income	**335**	364
	2,381	809

5. Loss from operating activities

The Group's loss from operating activities is arrived at after charging/(crediting):

	2010	2009
	HK$'000	HK$'000
Auditors' remuneration	**580**	580
Depreciation	**3,588**	1,377
Amounts classified as costs	**(3,165)**	(1,221)
	423	156
Impairment loss recognised in respect of accounts receivable	**40,642**	–
Impairment loss recognised in respect of other receivables	**675**	–
Impairment loss recognised in respect of goodwill	**4,000**	22,823
Staff costs (excluding directors' remuneration)		
– wages and salaries	**16,211**	17,585
– pension scheme contributions*	**481**	414
	16,692	17,999
Less: Amount of staff costs classified as costs	**(8,961)**	(10,630)
	7,731	7,369
Minimum lease payments under operating leases:		
– Land and buildings	**2,116**	1,540
Legal and professional fees	**13,353**	32,986
Loss on disposal of property, plant and equipment	**292**	–
Transfer from equity on disposals of available-for-sale financial assets	**851**	213

and after crediting:

Other income:

Dividend income	**23**	35
Bad debts recovered	**11**	–
Gain on disposal of property, plant and equipment	**–**	414
Gain on disposals of subsidiaries	**–**	14
	34	463

* As at 31 March 2010, the Group had no material forfeited contributions available to offset future pension scheme contributions to the scheme (2009: Nil).

6. Taxation

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits arising in Hong Kong during for year ended 31 March 2010 (2009: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2010	2009
	HK$'000	HK$'000
Current taxation:		
Provision for taxation – PRC	**–**	–
Under provision in prior years – Hong Kong	**286**	–
	286	–
Deferred taxation:		
Reversal during the year	**(31)**	(22)
	255	(22)

7. Dividends

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2010 (2009: Nil).

8. Loss per share attributable to equity holders of the company

The calculation of basic loss per share is based on the loss for the year attributable to equity holders of the Company of approximately HK$87,310,000 (2009: HK$73,827,000) and the weighted average number of ordinary shares in issue during the year of 1,545,501,233 (2009: 1,518,287,534).

Diluted loss per share for the year ended 31 March 2010 was not presented as there was no dilutive potential ordinary share. No diluted loss per share for the year ended 31 March 2009 was presented as the effect of the Group's outstanding convertible notes as at 31 March 2009 was anti-dilutive.

9. Accounts Receivable

	2010	2009
	HK$'000	HK$'000
Within 30 days	**5,220**	10,353
31 – 90 days	**44**	258
91 – 180 days	**305**	291
Over 180 days	**20,944**	120,887
	26,513	131,789
Less: Allowance for doubtful debts	**(24)**	(24)
	26,489	131,765

Notes:

(a) The carrying amounts of accounts receivable is reduced to their recoverable amounts which are determined by reference to the estimation of future cash flows expected to be generated.

(b) The movements in allowance for doubtful debts were as follows:

	2010	2009
	HK$'000	HK$'000
At 1 April	**24**	24
Impairment losses recognised in respect of accounts receivable	**40,642**	–
Amounts written off during the year as uncollectible	**(40,642)**	–
At 31 March	**24**	24

(c) The aged analysis of the Group's accounts receivable balances which are past due but not impaired is presented as follows:

	2010	2009
	HK$'000	HK$'000
61 – 90 days	**–**	211
91 – 180 days	**305**	291
Over 180 days	**20,944**	120,887
Total	**21,249**	121,389

Interim applications for progress payments for contract works are normally made on a monthly basis. The Group allows an average credit period of 60 days to its contract customers. For retention money receivables in respect of contract works, the due dates are usually not more than three months after the issue of statements of the final accounts of the contract works. As at 31 March 2010, no retentions held by customers for contract work were included in accounts receivable (2009: Nil).

Included in the Group's accounts receivables balance as at 31 March 2009 were amounts of approximately HK$120,459,000 (the "Receivable under Dispute") owed by a major customer (the "Respondent"), recorded based on certificates issued by the architects of a residential development project carried out in Kowloon Tong (the "Residential Project"). The Respondent withheld the Receivable under Dispute with respect to disputes on claims arising from liquidated damages and alleged environmental related damages in relation to the Residential Project and the claim made by the Group on extension of time entitlement. The Respondent also made a counter claim against the Group on the alleged liquidated damages arising from delay in completion of the Residential Project and the alleged environmental related damages in relation to main contract work of the Residential Project. The amount of such counter claim was approximately HK$122,000,000, and was further revised to approximately HK$142,000,000 by the Respondent. The Group and the Respondent agreed to resolve the disputes by way of arbitration (the "Arbitration") in 2005.

The Group and the Respondent agreed to divide the Arbitration hearings into tranches in 2007. Interim awards were issued on three tranches during the year ended 31 March 2010. The Group partially succeeded in the claims in the interim awards issued while the Respondent also partially succeeded in their counter claims. The Group will recover approximately HK$79,815,000 of the Receivable under Disputes from the Respondent. As a result, written off of accounts receivables of approximately HK$40,642,000 has been recognised during the year ended 31 March 2010.

As at the date of approval of these consolidated financial statements, the final tranche of the Arbitration had not been issued. The remaining issues in the final tranche are related to some defect works of the Residential Project and the award of interest on the Receivables under Disputes and the award of certain legal costs incurred by the Group, which are to be determined by the arbitrator. In the opinion of the directors, based on legal advice, the Group has a very good prospect of recovering the interest on Receivable under Dispute and legal cost incurred by the Group.

10. Accounts Payable

An aged analysis of the accounts payable as at the end of the reporting period, is as follows:

	2010	2009
	HK$'000	HK$'000
Within 30 days	**4,228**	4,134
31 – 90 days	**–**	6
91 – 180 days	**17**	98
Over 180 days	**38,723**	48,708
	42,968	52,946

As at 31 March 2010, no retentions payable are included in accounts payable under current liabilities (2009: Nil).

11. Contingent Liabilities

(a) As disclosed in Notes 9 of this announcement, the final tranche of the Arbitration had not been issued. The remaining issues in the final tranche are related to some defect works of the Residential Project and the award of interest on the Receivables under Disputes and award of certain legal costs incurred by the Group, which are to be determined by the arbitrator. In the opinion of the directors, based on legal advice, the Group has a very good prospect of recovering the interest on Receivable under Dispute and legal cost incurred by the Group.

(b) On 7 August 2002, a High Court action had commenced by a subcontractor against a subsidiary of the Group in respect of (i) a claim of subcontracting fees and material costs of approximately HK$31,300,000; and (ii) a compensation claim of approximately HK$191,200,000 for the improper termination of a subcontracting contract. On 13 September 2002, an agreement was reached between the subsidiary of the Group and the subcontractor that the High Court action was withdrawn and all the disputes between the parties relating to this action were referred to arbitration. In the statement of claim for the arbitration, the subcontractor revised the claim of subcontracting fees and material costs and compensation claim to approximately HK$42,600,000 and HK$84,400,000, respectively. On 9 July 2005, a writ of summons was issued and the proceedings were transferred to the Court of First Instance. The subcontractor further revised the claim of subcontracting fees and material costs and compensation claim to approximately HK$56,000,000 and HK$278,100,000 respectively.

As at the date of approval of these financial statements, no decision had been made in the arbitration and court proceedings. In the opinion of the directors, based on legal advice, the subsidiary of the Group has valid defences, against such claims and any resulting liabilities would not have any probable material adverse impact on the Group's financial position. Therefore, no provision in respect of such claims was made in the financial statements.

(c) On 13 September 2004, a subsidiary of the Group received a notice of arbitration from a nominated subcontractor in respect of a claim against the subsidiary of the Group in respect of subcontracting works performed in the Residential Project. The amount of claim was approximately HK$26,000,000.

On 5 May 2005, the subsidiary of the Group and the nominated subcontractor agreed to enter into a moratorium period of six months to the arbitration. On 13 April 2006, the subsidiary of the Group and the nominated subcontractor further agreed to suspend the arbitration proceedings for three months subject to the rights to re-active the proceedings upon a three day written notice to the subsidiary of the Group. Since this date and up to the date of approval of these financial statements, the arbitration has been dormant and there has been no activity arisen by the parties.

In the opinion of the directors, based on legal advice, the claim was related to a payment being withheld in respect of subcontracting work delays and defects caused by the nominated subcontractor, and the resulting liabilities, if any, would not have any probable material adverse impact on the Group's financial position.

(d) On 26 July 2005, a High Court action was commenced by a subcontracted party of a subcontractor of the Group (the "Subcontracted Party") against a subsidiary of the Group and the subcontractor, which is in liquidation, in respect of a claim of subcontracting fees and material costs of approximately HK$20,500,000 relating to a maintenance term contract. On 25 April 2006, the Subcontracted Party substantially revised its statement of claim and the total amount of claim was revised to approximately HK$14,241,000.

In the opinion of the directors, based on legal advice, the subsidiary of the Group has valid defences against such claims and any resulting liabilities would not have any probable material adverse impact on the Group's financial position. Therefore, no provision in respect of such claims was made in the financial statements.

(e) On 12 March 2009, a subsidiary of the Group received a writ of summons from a subcontractor in respect of a claim against the subsidiary of the Group in respect of a construction project performed at the Residential Project. The amounts of claims were approximately HK$3,300,000.

As at the date of approval of these financial statements, no decision had been made in the arbitration. In the opinion of the directors, based on legal advice, the subsidiary of the Group has valid defences, against such claims and any resulting liabilities would not have any probable material adverse impact on the Group's financial position. Therefore, no provision in respect of such claims was made in the financial statements.

(f) During the year and up to the date of this announcement, subsidiaries of the Group received a notice of arbitration from a nominated subcontractor in respect of a claim against the Group in respect of subcontracting works performed in a residential development project in Lai Chi Kok Road, Hong Kong and in the Residential Project. The amounts of claims were approximately HK$11,400,000.

As at the date of approval of these financial statements, no decision had been made in the arbitration. In the opinion of the directors, based on legal advices, since the arbitration proceedings are at a very early stage and the amount of the ultimate liability cannot be measured with sufficient reliability, therefore, no provision in respect of such claims was made in the financial statements.

(g) On 26 January 2010, a subsidiary of the Group received a notice of arbitration from a nominated subcontractor in respect of a claim against the subsidiary of the Group regarding its claim for outstanding payments under a kitchen cabinets installation contract in connection with the Residential Project. The amount of claim was approximately HK$5,200,000.

As at the date of approval of these financial statements, no decision had been made in the arbitration. In the opinion of the directors, based on legal advices, since the arbitration proceedings are at a very early stage and the amount of the ultimate liability cannot be measured with sufficient reliability, therefore, no provision in respect of such claims was made in the financial statements.

(h) On 2 September 2009, a subsidiary of the Group received a statement of claim from a subcontractor in respect of a claim against the subsidiary of the Group in respect of the construction project performed at Tung Chung, Hong Kong. The Group filed its reply and counterclaim in January 2010 and the subcontracter filed its reply and defence to counterclaim in March 2010. The amount of claim was approximately HK$2,000,000.

As at the date of approval of these financial statements, no decision had been made in the arbitration. In the opinion of the directors, based on legal advice, the subsidiary of the Group has valid defences, against such claims and any resulting liabilities would not have any probable material adverse impact on the Group's financial position. Therefore, no provision in respect of such claims was made in the financial statements.

(i) On 8 October 2009, a subsidiary of the Group received a writ of summon from a subcontractor in respect of a claim against the subsidiary of the Group in respect of the construction project performed at the Residential Project. The amount of claim was approximately HK$1,200,000.

As at the date of approval of these financial statements, no decision had been made in the arbitration. In the opinion of the directors, based on legal advice, the subsidiary of the Group has valid defences, against such claims and any resulting liabilities would not have any probable material adverse impact on the Group's financial position. Therefore, no provision in respect of such claims was made in the financial statements.

(j) On 19 June 2009, a subsidiary of the Group received a notice of arbitration from a subcontractor in respect of a claim against the subsidiary of the Group in respect of the construction project performed at the Residential Project. The amount of claim was approximately HK$5,696,000. Since this date and up to the date of approval of these financial statements, the arbitration has been dormant and there has been no activity raised by the parties. Arbitrator was appointed in September 2009.

As at the date of approval of these financial statements, no decision had been made in the arbitration. In the opinion of the directors, based on legal advices, since the arbitration proceedings are at a very early stage and the amount of the ultimate liability cannot be measured with sufficient reliability, therefore, no provision in respect of such claims was made in the financial statements.

(k) On 19 May 2010, a subsidiary of the Group received a statement of claim from a subcontractor in respect of a claim against the subsidiary of the Group in respect of the construction project performed at Mei Foo, Hong Kong. The amount of claim was approximately HK$430,000. The Group filed its statement of defence and counterclaim with the gross amount of approximately HK$1,221,000 in June 2010.

As at the date of approval of these financial statements, no decision had been made in the arbitration. In the opinion of the directors, based on legal advices, since the arbitration proceedings are at a very early stage and the amount of the ultimate liability cannot be measured with sufficient reliability, therefore, no provision in respect of such claims was made in the financial statements.

Saved as disclosed above and elsewhere in the financial statements, as at 31 March 2010, the Group and the Company had no other material contingent liabilities.

EXTRACT FROM AUDITORS' REPORT

Basis for Disclaimer of Opinion

Significant uncertainty and limitation of audit scope relating to recoverability of other receivable and arbitration

As described in Note 25 to the financial statements, the Group commenced arbitration against a subcontractor (the "Case") to recover the other receivables of the Group in the amount of approximately HK$10,400,000 (the "Receivable"). The Case is in respect of costs incurred on behalf of the subcontractor arising from execution of a civil engineering works contract in Hong Kong. Although the directors of the Company, after consultation with their legal advisors, are of the view that the Group has valid grounds to recover the Receivable, the outcome of such arbitration cannot be determined as at the date of approval of these financial statements.

As a result of the uncertainty of the timing and the outcome of the Case, we are unable to ascertain as to how much and when the Receivable would be recoverable or whether the full amount might be recoverable. There were no other practical satisfactory audit procedures that we could adopt to assess the carrying value of the Receivable. Any adjustments to the carrying value of the Receivable that might have been necessary should evidence become available to us may have a consequential significant effect on the net assets of the Company and the Group as at 31 March 2010 and the loss of the Group for the year then ended.

Significant uncertainties relating to the going concern basis of the Group

In forming our opinion we have considered the adequacy of the disclosures made in Note 3 to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. As explained in Note 3 to the financial statements, the directors are currently undertaking measures to satisfy its working capital needs and improve the liquidity position of the Group.

The financial statements have been prepared on a going concern basis, the validity of which depends upon the outcome of the Case and the recoverability of the Receivable and the successful outcome of the Group's measures to satisfy its working capital needs and improve the liquidity position. The financial statements do not include any adjustments that would result from the Group's failure to recover the Receivable as stated above and a failure as to the successful outcome of the measures undertaken by the Group on satisfying its working capital needs and improving the liquidity position of the Group. If the Receivable was not to be recovered or there was a failure as to the successful outcome of aforementioned measures on the working capital and liquidity position of the Group, adjustments would have to be made to the financial statements to reduce the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. We are uncertain whether the financial statements of the Group should be prepared under the going concern basis due to the matters as mentioned in preceding paragraph.

Disclaimer of Opinion: Disclaimer on View Given by the Financial Statements

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, we do not express an opinion on the financial statements as to whether they give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2010 and of the loss and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

In respect alone of the limitation on our work relating to the matters described above, we have not obtained all the information and explanations that we considered necessary for the purposes of our audit.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 March 2010, the Group recorded a turnover of approximately HK$147,684,000, compared with the corresponding turnover of approximately HK$108,038,000 in 2009. We incurred a gross loss of approximately HK$13,298,000 while there was a gross profit of approximately HK$2,710,000 in 2009. The gross loss in the current year was mainly attributable to the substantial additional cost of completing construction projects which in turn related to arbitration results of certain litigations, including counter claims initiated by a previous major customer of our Group.

Our loss attributable to shareholders amounted to approximately HK$87,310,000 (2009: approximately HK$73,827,000). The loss was mainly related to impairment in respect of accounts receivables recognized of approximately HK$40,642,000 and the substantial amounts of legal fee incurred for various litigation of our Group. Besides, the profit margin of our existing projects have been undermined by the rising material costs in general.

Turnover from our building and construction business was approximately HK$52,894,000 (2009: approximately HK$23,278,000). Such turnover was contributed by uncompleted projects in last year. Due to keen competition and the squeezing of contract price both by private and public sector, we plan to scale down this business segment gradually.

The renovation, repairs and maintenance segment reported a turnover of approximately HK$92,641,000 (2009: approximately HK$84,410,000). This was also contributed mainly from uncompleted projects in last year. There were lots of small scale renovation works in Hong Kong, however, many of them are not cost effective for us to bid. Yet, we will continue to explore should there is any profitable renovation works arise.

For advertising segment, turnover amounted to approximately HK$2,149,000 (5 months ended 31 March 2009: approximately HK$350,000). Although this business segment is now running at a loss, we are confident of its future due to the general prosperity of the Peoples' Republic of China (the "PRC") and due to the favourable government policy of encouraging domestic consumption, which in turn will lead to increased advertising expenditure.

FINANCIAL REVIEW

Liquidity and financing

There were no bank borrowings as at 31 March 2010 and 2009. The Group's cash and bank deposits were approximately HK$38.4 million (2009: HK$24.4 million).

The Group's gearing ratio, calculated by aggregate of amount due to a related party, loans from shareholders and other non-current liabilities over total assets, increase to 34.25% at 31 March 2010 from 25.07% at 31 March 2009.

Treasury policies

Cash and bank deposits of the Group are mainly in Hong Kong dollars or Renminbi. The Group conducts its core business transaction mainly in Hong Kong dollars and Renminbi such that the Group did not use any derivative instruments to hedge its foreign currency exposure as the Group considered its foreign currency exposure is insignificant.

Pledge of assets

As at 31 March 2010 and 2009, no asset was being pledged since there is no external financing for the Group.

Employee information

On 31 March 2010, the Group had 61 (2009: 117) full time employees, whom are employed in Hong Kong and Mainland China. They are remunerated at market level with benefits such as medical, retirement benefit and share option scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 March 2010, neither the Company nor its subsidiaries purchased, sold or redeemed any of its listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has complied with all the code provisions in the Code of Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 March 2010 except for the following deviations:

Code Provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The Company does not have a separate Chairman and Chief Executive Officer and Mr. Hui Chi Yung currently holds both positions. The Board believes that vesting the roles of Chairman and Chief Executive Officer in the same person provides the Group with strong and consistent leadership in the development and execution of long-term business strategies.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. All directors have confirmed, following specific enquiry by the Company, that they have fully complied with the Model Code throughout the year.

AUDIT COMMITTEE

The Audit Committee comprises three members and all of whom are independent non-executive directors of the Company. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial report matters. It has also reviewed the annual results for the year ended 31 March 2010.

On behalf of the Board
China Railsmedia Corporation Limited
Hui Chi Yung
Chairman

Hong Kong, 9 July 2010

As at the date of this announcement, the Board of Directors comprises Mr. Hui Chi Yung and Mr. Hui Kau Mo as Executive Directors and Mr. Liu Kwong Sang, Mr. Sit Hing Wah and Dr. Hu Chung Kuen, David as Independent Non-Executive Directors.