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 2012

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 2012, together with the comparative figures, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

	Notes	**2012** **HK$'000**	2011 HK$'000
Turnover	*4*	**28,754**	47,232
Cost of sales		**(28,492)**	(69,239)
Gross profit/(loss)		**262**	(22,007)
Other revenue	*4*	**6,389**	6,546
Other income	*5*	**31**	886
Administrative expenses		**(16,755)**	(17,863)
Gain on disposals of subsidiaries		**1,592**	24,020
Impairment loss in respect of goodwill		**(13,329)**	(17,671)
Impairment loss in respect of accounts receivables	*9*	**(92)**	–
Impairment loss in respect of other receivables		**(22,200)**	–
Share of loss of a jointly controlled entity		**–**	(5)
Impairment loss in respect of interest in a jointly controlled entity		**(2)**	(288)
Loss from operating activities	*5*	**(44,104)**	(26,382)
Finance costs		**(1,046)**	(258)
Loss before taxation		**(45,150)**	(26,640)
Taxation	*6*	**(329)**	–
Loss for the year		**(45,479)**	(26,640)

* *For identification purposes only*

	Notes	2012 HK$'000	2011 HK$'000
Other comprehensive income			
Exchange differences on translating foreign operations		**2,117**	4,323
Total comprehensive loss for the year, net of tax		**(43,362)**	(22,317)
Loss attributable to:			
– Owners of the Company		**(41,150)**	(21,534)
– Non-controlling interests		**(4,329)**	(5,106)
		(45,479)	(26,640)
Total comprehensive loss attributable to:			
– Owners of the Company		**(39,994)**	(18,659)
– Non-controlling interests		**(3,368)**	(3,658)
		(43,362)	(22,317)
Loss per share			
– Basic and diluted	*8*	**(HK2.32 cents)**	(HK1.39 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2012

	Notes	**2012** **HK$'000**	2011 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**2,269**	3,904
Goodwill		**663,158**	13,329
Available-for-sale financial assets		**26,540**	–
Interest in a jointly controlled entity		**–**	7
		691,967	17,240
Current assets			
Amount due from customers for contract work		**–**	7,192
Accounts receivable	*9*	**3,107**	830
Prepayments, deposits and other receivables		**18,408**	34,031
Cash and cash equivalents		**11,614**	16,190
		33,129	58,243
Assets classified as held for sale		**–**	14,151
		33,129	72,394
Total assets		**725,096**	89,634
EQUITY			
Capital and reserves			
Share capital		**508,638**	15,538
Reserves		**(59,925)**	(37,469)
Equity attributable to owners of the Company		**448,713**	(21,931)
Non-controlling interests		**19,882**	26,082
Total equity		**468,595**	4,151

	Notes	2012 HK$'000	2011 HK$'000
LIABILITIES			
Non-current liabilities			
Loans from shareholders		**41,240**	45,778
Promissory notes		**188,830**	–
		230,070	45,778
Current liabilities			
Loans from shareholders		**3,280**	4,000
Accounts payable	*10*	**4,850**	9,013
Other payables and accruals		**18,185**	21,571
Amount due to a jointly controlled entity		**–**	3
Tax payable		**116**	7
		26,431	34,594
Liabilities directly associated with assets classified as held for sale		**–**	5,111
		26,431	39,705
Total liabilities		**256,501**	85,483
Total equity and liabilities		**725,096**	89,634
Net current assets		**6,698**	32,689
Total assets less current liabilities		**698,665**	49,929

NOTES:

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

The following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") have been applied by the Group for the first time in the current year which are effective for the Group's financial year beginning 1 April 2011.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (as revised in 2009)	Related Party Disclosures
HKAS 32 (Amendments)	Amendments to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of these new and revised HKFRSs had no material impact on the results and financial positions of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKAS 1 (Amendments)	Presentation of Items in Other Comprehensive Income[3]
HKAS 12 (Amendments)	Deferred Tax – Recovery of Underlying Assets[2]
HKAS 19 (as revised in 2011)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC)–Int 20	Stripping Costs in Production Phase of Surface Mine[4]
HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[6]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosures of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK (SIC) -Int 12 *Consolidation– Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK (SIC) -Int 13 *Jointly Controlled Entities–Non-Monetary Contributions by Venturers*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a standard for disclosure and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these standards are applied early at the same time.

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad: it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss: and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

For other new and revised HKFRSs which are issued but not yet effective, the Group is in the process of making an assessment of the impact upon initial application. The Group is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

2. Summary of significant accounting policies

The consolidated financial statements have been prepared in accordance with HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and interpretations issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the disclosure requirements of the Hong Kong Companies Ordinance.

These consolidated 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 consolidated financial statements and estimates with a significant risk of material adjustments in the next year are discussed in Note 6 to the annual report.

A summary of the significant accounting policies followed by the Group in the preparation of the consolidated financial statements is set out below:

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the annual report. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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$45,479,000 for the year ended 31 March 2012 and accumulated losses of approximately HK$205,393,000 as at 31 March 2012. 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 below in Note 26 to the annual report and the successful outcome of the Group's measures to satisfy its working capital needs and improve the liquidity position. The consolidated financial statements do not include any adjustments that would result from the Group failing to recover the other receivables 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 consolidated 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 ("Rich Place"), who has confirmed that it will not demand repayment of the amount due of approximately HK$39,240,000 within the next twelve months from the end of the reporting period. In addition, Rich Place 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, restoration, repairs and maintenance and advertising services. The Group's operating and reportable segments 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; and

(c) the advertising segment engages in advertising services together with (i) the provision of rail transit value-added services through LCD displays located at the ticketing offices of each station in the PRC; and (ii) the provision of advertising and value added services through mobile devices and digital media network of LCD and flat panel screens in retail chain network in Hong Kong.

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating segment:

	Building construction		Renovation, repairs and maintenance		Advertising		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:								
Contract revenue from external customers	**3,060**	16,781	**24,399**	28,255	**1,295**	2,196	**28,754**	47,232
Segment results	**(4,598)**	(8,233)	**2,122**	(10,759)	**(32,883)**	(11,838)	**(35,359)**	(30,830)
Interest income							**12**	104
Unallocated gains							**6,408**	7,328
Gain on disposals of subsidiaries							**1,592**	24,020
Share of loss of a jointly controlled entity							**–**	(5)
Impairment loss in respect of interest in a jointly controlled entity							**(2)**	(288)
Central administration costs							**(16,755)**	(26,711)
Loss from operating activities							**(44,104)**	(26,382)
Finance costs							**(1,046)**	(258)
Loss before taxation							**(45,150)**	(26,640)
Taxation							**(329)**	–
Loss for the year							**(45,479)**	(26,640)

There were no inter-segment sales during the year (2011: Nil). Segment profit/(loss) represents the profit/(loss) earned without allocation of central administration costs including directors' salaries, investment and other income, gain on disposals of subsidiaries, share of results of a jointly controlled entity, impairment loss in respect of interest in a jointly controlled entity, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

	Building construction		Renovation, repairs and maintenance		Advertising		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**865**	6,641	**2,405**	15,051	**695,423**	39,326	**698,693**	61,018
Unallocated assets							**26,403**	28,616
							725,096	89,634
Segment liabilities	**2,248**	3,388	**1,445**	13,107	**196,787**	4,454	**200,480**	20,949
Unallocated liabilities							**56,021**	64,534
							256,501	85,483

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than the item of unallocated assets.
- all liabilities are allocated to reportable segments other than current and deferred tax liabilities, other financial liabilities and loans from shareholders.

Other segment information

	Building construction		Renovation, repairs and maintenance		Advertising		Unallocated		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Depreciation	**–**	–	**–**	22	**2,077**	8,824	**117**	86	**2,194**	8,932
Additions to non-current assets	**–**	–	**–**	78	**–**	2,679	**350**	38	**350**	2,795
Impairment loss in respect of accounts receivable	**–**	–	**–**	–	**92**	–	**–**	–	**92**	–
Impairment loss in respect of other receivables	**4,673**	–	**–**	–	**17,527**	–	**–**	–	**22,200**	–
Impairment loss in respect of goodwill	**–**	–	**–**	–	**13,329**	17,671	**–**	–	**13,329**	17,671
Impairment loss in respect of interest in a jointly controlled entity	**–**	–	**–**	–	**–**	–	**2**	288	**2**	288

Geographical information

The Group operates in two principal geographical areas – Hong Kong and the PRC.

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Hong Kong		The PRC		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**13,276**	31,468	**15,478**	15,764	**28,754**	47,232
Non-current assets*	**663,829**	13,676	**1,598**	3,564	**665,427**	17,240

* *Non-current assets excluding financial instruments.*

Revenue from its major services

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

	2012	2011
	HK$'000	HK$'000
Building construction	**3,060**	16,781
Renovation, repairs and maintenance	**24,399**	28,255
Advertising	**1,295**	2,196
	28,754	47,232

Information about major customer

Includes in revenues arising from provision of renovation, repairs and maintenance services of approximately HK$24,399,000 (2011: HK$28,255,000) are revenues of approximately HK$13,218,000 (2011: HK$8,000,000) which arose from sales to the Group's largest customer.

Includes in revenues arising from provision of building construction services, approximately HK$3,060,000 are revenues arose from a single customer who contributed 10% or more to the Group's revenue for the year ended 31 March 2012 (2011: nil).

No other single customers contributed 10% or more to the Group's revenue for both 2012 and 2011.

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:

	2012	2011
	HK$'000	HK$'000
Turnover:		
Contract revenue	**27,459**	45,036
Advertising income	**1,295**	2,196
	28,754	47,232
Other revenue:		
Bank interest income	**1**	85
Other interest income	**11**	19
Rental income	**–**	30
Refund of legal and professional fees	**5,776**	5,993
Sundry income	**601**	419
	6,389	6,546

5. Loss from operating activities

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

	2012	2011
	HK$'000	HK$'000
Auditors' remuneration	**580**	580
Depreciation	**2,194**	8,932
Less: Amounts classified as cost of sales	**(1,924)**	(8,665)
	270	267
Impairment loss in respect of accounts receivable	**92**	–
Impairment loss in respect of other receivables	**22,200**	–
Impairment loss in respect of goodwill	**13,329**	17,671
Impairment loss in respect of interest in a jointly controlled entity	**2**	288
Staff costs (excluding directors' remuneration)		
– wages and salaries	**3,976**	6,479
– pension scheme contributions	**179**	166
	4,155	6,645
Less: Amount of staff costs classified as costs	**(816)**	(2,754)
	3,339	3,891
Minimum lease payments under operating leases:		
– Land and buildings	**107**	490
Legal and professional fees	**6,314**	5,074
Exchange loss, net	**1,187**	2,087
and after crediting:		
Other income:		
Gain on disposal of property, plant and equipment	**31**	5
Waiver of loan interest payable to a shareholder	**–**	881
	31	886

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 the year ended 31 March 2012 (2011: 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.

	2012	2011
	HK$'000	HK$'000
Under provision in prior years:		
– Hong Kong profits tax	**329**	–

7. Dividends

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2012 (2011: Nil).

8. Loss per share attributable to owners of the Company

The calculation of the basic and diluted loss per share attribute to owners of the Company is based on the following data:

	2012	2011
	HK$'000	HK$'000
Loss		
Loss for the purpose of basic and diluted loss per share	**(41,150)**	(21,534)

	2012	2011
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,773,693**	1,553,830

Diluted loss per share for the years ended 31 March 2012 and 2011 were the same as basic loss per share as there was no dilutive potential ordinary share.

9. Accounts receivable

	2012 HK$'000	2011 HK$'000
Within 30 days	**2,554**	830
31 – 90 days	**–**	–
91 – 180 days	**–**	–
Over 180 days	**645**	–
	3,199	830
Less: Impairment loss in respect of accounts receivable	**(92)**	–
	3,107	830

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 and 180 days for advertising 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 2012 and 2011, no retentions held by customers for contract work were included in accounts receivable.

10. Accounts payable

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

	2012 HK$'000	2011 HK$'000
Within 30 days	**4,150**	5,462
31 – 90 days	**–**	40
91 – 180 days	**–**	2,847
Over 180 days	**700**	664
	4,850	9,013

As at 31 March 2012 and 2011, no retentions payable are included in accounts payable under current liabilities.

11. Contingent liabilities

(a) On 7 August 2002, a High Court action had commenced by a subcontractor against a subsidiary of the Company 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 consolidated 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 Company 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 consolidated financial statements.

(b) 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 Company 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 Company 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 consolidated financial statements.

(c) On 26 October 2010, a subsidiary of the Company received a statement of claim from a subcontractor in respect of a claim against the subsidiary of the Company in respect of the construction project at No. 60 Victoria Road project. The amount of claim was approximately HK$204,000 and no counterclaim at present. On 4 January 2012, the arbitrator ordered that the amount of recoverable legal costs should be limited at the sum of HK$310,000.

As at the date of approval of these consolidated financial statements, no decision has been made in the arbitration. In the opinion of the directors, based on legal advice, since the amount of 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 consolidated financial statements.

(d) On 1 June 2011, a subsidiary of the Company received a statement of claim from a subcontractor in respect of a claim against the subsidiary of the Company in respect of the construction project at Tsing Yi, Hong Kong. The amount of claim was approximately HK$1,602,000.

As at the date of approval of these consolidated financial statements, the subsidiary of the Company had paid HK$1,300,000 to the subcontractor to settle the claim and the arbitration proceedings have been stayed with mutual agreement. In the opinion of the directors, the subsidiary of the Company has valid defences against the subcontractor's remaining claim until receipt of further payment certified by the architect 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 consolidated financial statements.

EXTRACT FROM AUDITORS' REPORT

Basis for Disclaimer of Opinion

Material uncertainty and inability to obtain sufficient appropriate audit evidence relating to recoverability of other receivable and arbitration

As described in Note 26 to the consolidated 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 consolidated 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 2012 and the loss of the Group for the year then ended.

Material 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 consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. As explained in Note 3 to the consolidated financial statements, the directors are currently undertaking measures to satisfy its working capital needs and improve the liquidity position of the Group.

The consolidated 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 consolidated financial statements do not include any adjustments that would result from the Group 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 the aforementioned measures on the working capital and liquidity position of the Group, adjustments would have to be made to the consolidated 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 consolidated 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

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated 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 2012 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 consolidated 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 2012, the Group recorded a turnover of approximately HK$28,754,000, compared with the corresponding turnover of approximately HK$47,232,000 in 2011. We incurred a gross profit of approximately HK$262,000 while there was a gross loss of approximately HK$22,007,000 in 2011. The gross profit in the current year was mainly due to the decrease in service costs in providing advertising, building renovation and construction businesses. We find that the profit margin of our existing projects have been undermined by the rising material costs in general.

Our loss attributable to shareholders amounted to approximately HK$41,150,000 (2011: approximately HK$21,534,000). This is mainly due to the impairment loss in respect of goodwill and the substantial amounts of other receivable of our Group. The management of the Group recognised an impairment loss in respect to goodwill of approximately HK$13,329,000 arising from the advertising segment (2011: approximately HK$17,671,000). Nevertheless, there was a one-off special gain of approximately HK$1,592,000 on the disposals of subsidiaries for the year ended 31 March 2012 (2011: approximately HK$24,020,000).

Turnover from our building and construction segment was approximately HK$3,060,000 (2011: approximately HK$16,781,000). Such turnover was contributed by uncompleted projects in last year. Due to keen competition, we have already largely scaled down this business segment.

The renovation, repairs and maintenance segment reported a turnover of approximately HK$24,399,000 (2011: approximately HK$28,255,000). This was also contributed mainly from uncompleted projects in last year. Though there were a number of small scale renovation works in Hong Kong and the PRC, many of them are not cost effective for us to bid.

For advertising segment, turnover amounted to approximately HK$1,295,000 (2011: approximately HK$2,196,000). Although this business segment is now running at a loss, we have decided to adopt a competitive business strategy and to enrich our market exposure in PRC, by media alliances established through business arrangement of airtime exchange, attending media events and cross business cooperation etc. so as to increase our market share and promote our business branding and services.

As a further step to expand the advertising business, we are keen to explore the niche market of new advertising media with huge potential; and management has decided to have greater business development and market share in advertising and media business through investment and acquisition of those potentially healthy advertising business.

In August 2011, we had made an investment in an established outdoor advertising business in Hong Kong.

On 31 March 2012, we acquired 100% of the entire issued share capital of Huge Leader Development Limited at the total consideration of HK$690,000,000. From this acquisition, we have full operation of FingerAd Media Company Limited ("FingerAd"), which is the wholly owned subsidiary of Huge Leader Development Limited. This has broadened the media channels for our advertising business into mobile platform and digital media networks of flat panel screens in retail chain network; therefore, it will increase the choices of platforms available for our advertising customers. And such an Acquisition is considered as a major thrust to expand our existing advertising business with the explosion on the smartphone market, the mobile App is regarded as the new channel for retailers to promote their offers as well as company image over the Internet.

We consider that the mobile platform and the digital media network will create a new dimension of opportunities for generating substantial amount of recurrent revenue with manageable operating cost.

FINANCIAL REVIEW

Liquidity and financing

There were no bank borrowings as at 31 March 2012 and 2011. The Group's cash and bank deposits were approximately HK$11.6 million (2011: HK$16.2 million).

The Group's gearing ratio, calculated by aggregate of amounts due to related parties and, loans from shareholders over total assets, decrease to 32.93% at 31 March 2012 from 66.33% at 31 March 2011.

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 2012 and 2011, no asset was being pledged since there is no external financing for the Group.

Employee information

On 31 March 2012, the Group had 32 (2011: 50) 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.

Prospects

It is our Group strategy to diversify business from building and construction to new media market and we expect the contribution from media sector will keep on growing.

The PRC government policy to boost domestic consumption continues, so that it provides good opportunities for us to capture the advertising market though our train station networks and we have adopted a prudent approach to properly control our operation costs with LCD displays installed in a mild speed on those selected train stations. This market strategy of building media alliances and channel sales network over the country has not only promoting our branding, but also market exposure.

Management has decided to focus more on business in the new media market and noticed that the traditional communication channel and its related advertising businesses are shrinking due to the competition and thrust from the new innovative communication technology and media applied in the modern day advertising business. With the change in the preference and shift of usage by users, new media business in advertising has provided efficiency and convenience for users, and is of course a brand new sector of business in the market.

Mobile application in communication media has provided good platform for advertising and its derived business in market. We find this new media application, in Apps market having a great potential market for business than the traditional communication media, so we will target more on this direction to boost our market share in the industry.

With the growth of mobile devices usage in Hong Kong, food and beverage ("F&B") industry is facing a new challenge for promoting their services to end-customers via mobile platform. Our FingerAd business operation will focus on building a critical mass for subscribers for the Dining App in the food and beverage industry in Hong Kong.

After successfully gaining market recognition in the food and beverage sector in Hong Kong, FingerAd will adopt similar strategies for the supply and sales of mobile app services for other retail industries. Besides, we will replicate the FingerAd business model in the PRC in future after successfully gaining market recognition in the mobile advertising media for F&B industry in Hong Kong and after feasibility studies have been made.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 March 2012, 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 on Corporate Governance Practices[Note] ("CG Code") 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 2012 except for the following deviations:

CG 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.

Note: The code on Corporate Governance Practices has been amended by the Stock Exchange and now known as Corporate Governance Code with effect from 1 April 2012.

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 2012.

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

Hong Kong, 29 June 2012

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.