# 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)**

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

The board of directors (the "Board") of China Railsmedia Corporation Limited (the "Company") presents the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2010, together with the appropriate comparative figures as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

| | Note | Six months ended 30 September 2010 HK$'000 (Unaudited) | 2009 HK$'000 (Unaudited) |
|---|---|---|---|
| Turnover | 4 | **34,787** | 74,854 |
| Cost of sales | | **(46,961)** | (72,892) |
| Gross (loss)/profit | | **(12,174)** | 1,962 |
| Other revenue | 4 | **61** | 230 |
| Other income | 5 | **960** | 7 |
| Administrative expenses | | **(8,172)** | (22,504) |
| Other operating expenses | | **(26)** | (118) |
| Share of loss of a jointly-controlled entity | | **(2)** | – |
| Loss from operating activities | 5 | **(19,353)** | (20,423) |
| Finance costs | | **(128)** | (2,540) |
| Loss before taxation | | **(19,481)** | (22,963) |
| Taxation | 6 | **–** | 8 |
| Loss for the period | | **(19,481)** | (22,955) |
| Attributable to: | | | |
| – Owners of the Company | | **(18,296)** | (20,076) |
| – Minority interest | | **(1,185)** | (2,879) |
| | | **(19,481)** | (22,955) |
| Dividends | 7 | **–** | – |
| Basic loss per share attributable to owners of the Company | 8 | **(HK1.18 cents)** | (HK1.30 cents) |

* *For identification purposes only*

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(continued)*

For the six months ended 30 September 2010

| | Six months ended 30 September | |
|---|---|---|
| | **2010** | 2009 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| Loss for the period | **(19,481)** | (22,955) |
| Other comprehensive income: | | |
| Exchange differences arising on translation of foreign operations | **487** | 101 |
| Available-for-sale financial assets | **–** | 1,273 |
| Other comprehensive income for the period | **487** | 1,374 |
| Total comprehensive expense for the period | **(18,994)** | (21,581) |
| Attributable to: | | |
| – Owners of the Company | **(17,809)** | (18,702) |
| – Minority interest | **(1,185)** | (2,879) |
| | **(18,994)** | (21,581) |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2010

| | Note | As at 30 September 2010 HK$'000 (Unaudited) | As at 31 March 2010 HK$'000 (Audited) |
|---|---|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 10,869 | 9,831 |
| Goodwill | | 32,810 | 32,810 |
| Interest in a jointly-controlled entity | | 298 | 300 |
| | | 43,977 | 42,941 |
| Current assets | | | |
| Amount due from customers for contract work | | 3,212 | 26,788 |
| Accounts receivable | 9 | 29,653 | 26,489 |
| Prepayments, deposits and other receivables | | 30,620 | 36,272 |
| Amount due from a jointly-controlled entity | | – | 160 |
| Cash and cash equivalents | | 29,887 | 38,378 |
| | | 93,372 | 128,087 |
| **Total assets** | | 137,349 | 171,028 |
| EQUITY | | | |
| Capital and reserves attributable to owners of the Company | | | |
| Share capital | | 15,538 | 15,538 |
| Reserves | | (35,041) | (18,810) |
| | | (19,503) | (3,272) |
| Minority interests | | 28,554 | 29,740 |
| Total equity | | 9,051 | 26,468 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 30 September 2010

| | Note | As at 30 September 2010 HK$'000 (Unaudited) | As at 31 March 2010 HK$'000 (Audited) |
|---|---|---|---|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Loan from shareholders | | **47,217** | 47,205 |
| | | **47,217** | 47,205 |
| Current liabilities | | | |
| Loan from shareholders | | **4,161** | 4,161 |
| Accounts payable | 10 | **52,315** | 42,968 |
| Amount due to customers for contract work | | **3,002** | 25,208 |
| Other payables and accruals | | **21,445** | 24,816 |
| Tax payable | | **158** | 202 |
| | | **81,081** | 97,355 |
| Total liabilities | | **128,298** | 144,560 |
| Total equity and liabilities | | **137,349** | 171,028 |
| Net current assets | | **12,291** | 30,732 |
| Total assets less current liabilities | | **56,268** | 73,673 |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2010

1. Basis of preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs").

In the opinion of the directors, in light of the continual financial support from the major shareholders, the Group would have sufficient financial resources to satisfy its working capital needs for the foreseeable future. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

2. Principal accounting policies

The unaudited condensed consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2010.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRS") issued by HKICPA.

| | |
|---|---|
| HKFRSs (Amendments) | Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008 |
| HKFRSs (Amendments) | Improvements to HKFRSs 2009 |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements |
| HKAS 32 (Amendment) | Classification of Right Issues |
| HKAS 39 (Amendment) | Eligible Hedged Items |
| HKFRS 1 (Revised) | First-time Adoption of HKFRSs |
| HKFRS 1 (Amendment) | Additional Exemptions for First-time Adopters |
| HKFRS 2 (Amendment) | Group Cash-settled Share-based Payment Transactions |
| HKFRS 3 (Revised) | Business Combinations |
| Hong Kong (International Financial Reporting Interpretations Committee ("HK (IFRIC)") – Interpretation ("Int") 17 | Distributions of Non-cash Assets to Owners |

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 April 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 April 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

2. **Principal accounting policies** *(continued)*

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs 2010[1] |
| HKAS 24 (Revised) | Related Party Disclosures[3] |
| HKFRS 1 (Amendment) | Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2] |
| HKFRS 7 | Financial Instruments: Disclosures –Transfers of Financial Assets[4] |
| HKFRS 9 | Financial Instruments[5] |
| HK(IFRIC)-Int 14 (Amendment) | Prepayments of a Minimum Funding Requirement[3] |
| HK(IFRIC)-Int 19 | Extinguishing Financial Liabilities with Equity Instruments[2] |

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011 , as appropriate
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2013

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 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. **Segment information**

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

| | Building construction Six months ended 30 September | | Renovation, repairs and maintenance Six months ended 30 September | | Advertising Six months ended 30 September | | Corporate and others Six months ended 30 September | | Consolidated Six months ended 30 September | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **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 |
| | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) |
| Segment revenue: | | | | | | | | | | |
| Contract revenue from external customers | **14,982** | 29,904 | **18,860** | 44,660 | **945** | 290 | **–** | – | **34,787** | 74,854 |
| Other revenue and other income | **–** | – | **930** | – | **–** | – | **–** | – | **930** | – |
| Total | **14,982** | 29,904 | **19,790** | 44,660 | **945** | 290 | **–** | – | **35,717** | 74,854 |
| Segment results | **(7,226)** | 1,767 | **(3,212)** | 2,024 | **(4,664)** | (6,377) | **(4,342)** | (18,074) | **(19,444)** | (20,660) |
| Interest and unallocated gains | | | | | | | | | **91** | 237 |
| Unallocated expenses | | | | | | | | | **–** | – |
| Loss from operating activities | | | | | | | | | **(19,353)** | (20,423) |
| Finance costs | | | | | | | | | **(128)** | (2,540) |
| Loss before taxation | | | | | | | | | **(19,481)** | (22,963) |
| Taxation | | | | | | | | | **–** | 8 |
| Loss for the period | | | | | | | | | **(19,481)** | (22,955) |
| Other segment information: | | | | | | | | | | |
| Depreciation | **–** | 1 | **4** | 21 | **1,623** | 1,732 | **43** | 23 | **1,670** | 1,777 |
| Capital expenditure | **–** | – | **–** | – | **2,667** | 63 | **7** | – | **2,674** | 63 |

3. Segment information *(continued)*

| | Building construction | | Renovation, repairs and maintenance | | Advertising | | Corporate and others | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **30 September 2010 HK$'000 (Unaudited)** | 31 March 2010 HK$'000 (Audited) | **30 September 2010 HK$'000 (Unaudited)** | 31 March 2010 HK$'000 (Audited) | **30 September 2010 HK$'000 (Unaudited)** | 31 March 2010 HK$'000 (Audited) | **30 September 2010 HK$'000 (Unaudited)** | 31 March 2010 HK$'000 (Audited) | **30 September 2010 HK$'000 (Unaudited)** | 31 March 2010 HK$'000 (Audited) |
| Segment assets | **38,109** | 68,415 | **7,337** | 19,819 | **61,297** | 51,167 | **10,311** | 12,172 | **117,054** | 151,573 |
| Unallocated assets | | | | | | | | | **20,295** | 19,455 |
| Total assets | | | | | | | | | **137,349** | 171,028 |
| Segment liabilities | **56,413** | 67,658 | **10,933** | 13,332 | **3,016** | 3,459 | **1,602** | 1,638 | **71,964** | 86,087 |
| Unallocated liabilities | | | | | | | | | **56,334** | 58,473 |
| Total liabilities | | | | | | | | | **128,298** | 144,560 |

4. Turnover and Revenue

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

An analysis of turnover and other revenue is as follows:

| | Six months ended 30 September | |
|---|---|---|
| | **2010 HK$'000 (Unaudited)** | 2009 HK$'000 (Unaudited) |
| Turnover: | | |
| Contract revenue | **33,842** | 74,564 |
| Advertising income | **945** | 290 |
| | **34,787** | 74,854 |
| Other revenue: | | |
| Bank interest income | **1** | 4 |
| Other interest income | **20** | 37 |
| Rental income | **15** | 20 |
| Sundry income | **25** | 169 |
| | **61** | 230 |

5. **Loss from operating activities**

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

| | Six months ended 30 September 2010 HK$'000 (Unaudited) | 2009 HK$'000 (Unaudited) |
|---|---|---|
| Depreciation | 1,670 | 1,777 |
| Amount capitalised as contract costs | (1,547) | (1,517) |
| | 123 | 260 |
| and after crediting: | | |
| Other income: | | |
| Dividend income | – | 7 |
| Gain on disposal of property, plant & equipment | 5 | – |
| Award of interest from lawsuit | 930 | – |
| Sundry income | 25 | – |
| | 960 | 7 |

6. **Taxation**

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits arising in Hong Kong for the six months ended 30 September 2010 (30 September 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.

| | Six months ended 30 September 2010 HK$'000 (Unaudited) | 2009 HK$'000 (Unaudited) |
|---|---|---|
| Current taxation: | | |
| Provision for taxation | – | – |
| | – | – |
| Deferred taxation: | | |
| Reversal during the period | – | 8 |
| | – | 8 |

7. **Dividends**

The directors do not recommend the payment of an interim dividend in respect of the six month ended 30 September 2010 (30 September 2009: Nil).

8. **Loss per share attributable to owners of the Company**

The calculation of basic loss per share is based on the loss for the six months ended 30 September 2010 attributable to owners of the Company of approximately HK$18,296,000 (30 September 2009: loss of approximately HK$20,076,000) and the weighted average number of ordinary shares in issue during the financial period under review of 1,553,830,000 (As at 30 September 2009: 1,540,606,000).

Diluted loss per share for the six months ended 30 September 2010 and 2009 were not presented as there was no dilutive potential ordinary share.

9. **Accounts receivable**

An aged analysis of accounts receivable, net of provisions, as at the balance sheet date is as follows:

| | As at 30 September 2010 HK$'000 (Unaudited) | As at 30 March 2010 HK$'000 (Audited) |
|---|---|---|
| Within 30 days | 9,758 | 5,220 |
| 31 – 90 days | – | 44 |
| 91 – 180 days | – | 305 |
| Over 180 days | 19,919 | 20,944 |
| | 29,677 | 26,513 |
| *Less:* Impairment losses on accounts receivable | (24) | (24) |
| | 29,653 | 26,489 |

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 30 September 2010, no retentions held by customers for contract work were included in accounts receivable (31 March 2010: Nil).

10. **Accounts payable**

An aged analysis of the accounts payable as at the balance sheet date, is as follows:

| | As at 30 September 2010 HK$'000 (Unaudited) | As at 30 March 2010 HK$'000 (Audited) |
|---|---|---|
| Within 30 days | 6,969 | 4,228 |
| 31 – 90 days | 5,086 | – |
| 91 – 180 days | 29 | 17 |
| Over 180 days | 40,231 | 38,723 |
| | 52,315 | 42,968 |

As at 30 September 2010, no retentions payable are included in accounts payable under current liabilities (31 March 2010: Nil).

## 11. Contingent liabilities

(a) 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.

(b) 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.

(c) 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.

(d) 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.

11. Contingent liabilities *(continued)*

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

11. Contingent liabilities *(continued)*

Saved as disclosed above and elsewhere in the financial statements, as at 30 September 2010, the Group and the Company had no other material contingent liabilities.

12. Subsequent events

Pursuant to an agreement dated 19 October 2010, Shing Tak Construction Limited and Wing Hong Contractors Limited, both being indirect wholly-owned subsidiary of the Company, disposed 100% equity interest in Wing Hong Construction Limited, an indirect wholly-owned subsidiary of the Company, to Keen Fortone Investments Limited, an independent third party, at a consideration of HK$100,000. Details of the transaction has been disclosed in the announcement dated 19 October 2010.

13. Approval of the financial statement

The unaudited financial statements were approved and authorised for issue by the Board of Directors on 26 November 2010.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the six months ended 30 September 2010, the Group recorded a turnover of approximately HK$34,787,000 in comparing to HK$74,854,000 in corresponding period last year. Gross loss recorded HK$12,174,000, whereas in same period last year, the gross profit was HK$1,962,000. Loss attributable to owners of the Company for the period was HK$18,296,000, as compared with a loss of HK$20,076,000 recorded in same period last year.

Turnover from our building and construction business was approximately HK$14,982,000 (2009: approximately HK$29,904,000). Such turnover was contributed by uncompleted projects in prior 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$18,860,000 (2009: approximately HK$44,660,000). 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$945,000 (2009: approximately HK$290,000). 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 30 September 2010 and 31 March 2010. The Group's cash and bank deposits were approximately HK$29,887,000 (31 March 2010: HK$38,378,000).

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, increased to 42.78% at 30 September 2010 from 34.27% at 31 March 2010.

### Treasury policies

Cash and bank deposits of the Group are mainly in HK dollars or RMB. The Group conducts its core business transaction mainly in HK dollars and RMB 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 30 September 2010 and 31 March 2010, no asset was being pledged since there is no external financing for the Group.

### Employment information

On 30 September 2010, the Group had 63 full time employees (31 March 2010: 61 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.

## Prospect

One of the policies adopted by the PRC Government is to boost domestic consumption and hence advertising is inevitable for brand building purpose. We foresee such government policy will continue so that it provides huge opportunities for us to capture the advertising market though our ever-expanding train station networks.

Although we foresee the huge business and revenue potential, we must properly manage potential risk by adopting prudent approach in capital expenditure and operating costs and by properly control the pace of installation of LCD displays in train stations in the PRC. For cost control, we already succeeded in streamlining our internal operation in current year and reduced the operating costs. The pace of installation of LCD is now at a mild speed since we must ensure adequate market potentials of that local area before stepping in to proceed with the actual installation.

We are confident that the above strategy will bring along with fruitful results in future.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2010.

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Group has adopted and met all the Code Provisions set out in the Code on Corporate Governance Practices ("CG Code") in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the six months ended 30 September 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 Group 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 Period.

## AUDIT COMMITTEE

The Audit Committee comprises three members and all of whom are independent non-executive directors of the Group. It has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial report matters. The Audit Committee has also reviewed the interim results for the six months ended 30 September 2010.

## DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

All the information and other related information of the Company as required by the Listing Rules will be published on the Stock Exchange's website in due course. Printed copies of 2010 interim report will be sent to shareholders before the end of December 2010.

## APPRECIATION

The Directors would like to take this opportunity to thank our shareholders, the management and our staff members for their dedication and support.

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

Hong Kong, 26 November 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 Dr. Hu Chung Kuen, David, Mr. Liu Kwong Sang and Mr. Sit Hing Wah as Independent Non-Executive Directors.*