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)

VERY SUBSTANTIAL ACQUISITION IN RELATION TO ACQUISITION OF THE ENTIRE EQUITY INTEREST IN HUGE LEADER DEVELOPMENT LIMITED AND RESUMPTION OF TRADING

THE SALE AND PURCHASE AGREEMENT

The Board is pleased to announce that on 27 October 2011 after trading hours, the Company, the Purchaser and the Vendor entered into the Sale and Purchase Agreement, pursuant to which, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell, the Sale Shares at a total consideration of HK$690,000,000, which will be satisfied as to (i) HK$490,000,000 by way of issue of the Convertible Preference Shares upon Completion and (ii) HK$200,000,000 by way of issue of the Promissory Note upon Completion. The issue price of the Convertible Preference Shares is HK$0.07 and the initial conversion price of the Convertible Preference Shares is HK$0.07.

Based on the relevant percentage ratios calculations under the Listing Rules, the Acquisition constitutes a very substantial acquisition of the Company and therefore are subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules

GENERAL

The Circular containing, among other things, (i) further information on the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) accountants' report of the Target Group; (iii) pro forma financial information on the Group upon Completion; (iv) valuation report on the Target; (v) the letters from the financial adviser of the Company and the auditors of the Company in respect of the valuation of the Target and (vi) notice of the EGM, will be despatched to the Shareholders on or before 23 December 2011 and in compliance with the Listing Rules, so as to allow sufficient time for the preparation of the relevant information for inclusion in the Circular.

* *for identification purpose only*

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares has been suspended from 9:00 a.m. on 28 October 2011 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading of the Shares from 9:00 a.m. on 22 November 2011.

THE SALE AND PURCHASE AGREEMENT

The Board is pleased to announce that on 27 October 2011 (after trading hours), the Company, the Purchaser and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to dispose of the Sale Share, representing 100% of the entire issued share capital of the Target at the total consideration of HK$690,000,000.

Date

27 October 2011

Parties

1.	The Purchaser:	Capital Marks Limited, a wholly owned subsidiary of the Company
2.	The Vendor:	Huge Leader Holdings Limited
3.	The Company.	

The Vendor is an investment holding company and is owned as to 40% by Ms Chan, 30% by Mr Xiao and 30% by Supreme Turbo Limited. Supreme Turbo Limited is wholly and beneficially owned by Mr Tang. To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the date of this announcement, the Vendor and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Subject

The Sale Shares, representing 100% of the entire issued share capital of the Target.

Consideration

Pursuant to the terms of the Sale and Purchase Agreement, the Consideration of HK$690,000,000 shall be settled in the following manners:

1. as to HK$490,000,000 to be satisfied by procuring the Company to issue to the Vendor or its nominees the Convertible Preference Shares upon Completion; and

2. as to the balance of HK$200,000,000 to be satisfied by way of issue of the Promissory Note to the Vendor or its nominees upon Completion.

The Consideration has been arrived at after arm's length negotiations between the Company, the Purchaser and the Vendor and was determined with reference to, including but not limited to, the preliminary valuation on the Target prepared by Ample Appraisal Limited, an independent professional valuer, according to which the market value of the Target was approximately HK$690 million as at 30 September 2011.

The preliminary valuation was based on income approach and discounted cash flow method was adopted for valuation. The material assumptions used in the valuation of the Target includes the following:

- the projections outlined in the financial information provided are reasonable, reflecting market conditions and economic fundamentals;

- the financial projections provided will be materialised;

- there will be sufficient supply of technical staff in the industry in which the Target Group operates;

- The Target Group will retain competent management, key personnel and technical staff to support its ongoing operations and development;

- there will be no major changes in the current taxation laws in the localities in which the Target Group operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

- all relevant legal approvals and business certificates or licences to operate the business in the localities in which the Target Group operates or intends to operate would be officially obtained, and renewed upon expiry;

- there will be no major changes in the political, legal, economic or financial conditions in the localities in which the Target Group operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Target Group; and

- interest rates and exchange rates in the localities for the operation of the Target Group will not differ materially from those presently prevailing.

The life of the valuation model is perpetual with detail cash flows projection for the initial 10 years. The discount rate adopted for the valuation is determined by first obtaining the cost of equity finance according to the capital asset pricing model with reference to the average equity beta of the comparable companies. A risk premium is then added to the cost of equity finance as the Target is at its initial stage of business development, which is determined by reference to the average failure rate of similar new start-up private companies. The value of the Target is further adjusted by a discount for lack of marketability (as a private company) which is determined with reference to the average annualised volatility of the comparable companies. The revenue estimation is determined based on (i) monthly subscription fee per subscriber; (ii) estimated growth in number of subscribers in view of the explosion of the smartphone market; (iii) drop-out rate of customers after the free trial period; (iv) future prospect of mobile app as a new channel for retailers in promotion; (iv) intended replication of business model from food and beverage industry to other business sectors and from Hong Kong to the PRC. In particular, the cash flows projection in the valuation of the Target is based on (i) the business agreements entered into by the Target Group as set out under the section "Information of the Target Group" below; (ii) the current number of subscribers to the Dining App services with projected expansion and growth; (iii) the revenue estimation model abovementioned and (iv) operating expenses projected and benchmarked with comparable companies. As of 30 September 2011, the number of signed up customers in accordance with other assumptions will account for 9.6% and 1.9% of total revenue in the first and second year of revenue generating operation commencing from 1 April 2012, but less than 0.3% over the life of the valuation model. Currently the Target Group operates its business in Hong Kong. Other than the usual business registration, there is no particular licence or approval required for operating the Target Group's business in Hong Kong.

The valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. Details of the valuation report together with the letters from the financial adviser of the Company and the auditors of the Company in respect of the valuation will be set out in the Circular to be despatched to the Shareholders.

Prior to entering into the Sale and Purchase Agreement, the Company has engaged legal advisers to conduct legal due diligence on the Target Group. The Company has reviewed the business plan, the management accounts and all material contracts entered into by the Target Group. The Company has also discussed with the Vendor and the management of the Target Group on the affairs and prospects of the Target Group. In addition, the Company has engaged an independent valuer to prepare draft valuation report on the Target Group and has engaged a financial adviser to review the bases and assumptions adopted in the valuation. The Company has also discussed with the auditors of the Company on the relevant bases and assumptions adopted in the valuation.

The Directors note that the Target Group has no track record and the projections in future cash flows may not materialize. The Sale and Purchase Agreement does not provide for any profit guarantee or similar indemnity from the Vendor in the event that the projections in future cash flows of the Target Group do not materialize. However after having considered (i) the fast growth and importance of advertising through online medium; (ii) the popular use of smartphones and tablets in Hong Kong and the PRC and (iii) the business projections based on the existing agreements entered into by the Target Group as set out under the section "Principal business activities and business plan" below and the number of current subscribers to the Dining App services with projected expansion and growth, the Directors are of the view that the Acquisition at the Consideration is fair and reasonable and in the interest of the Shareholders as a whole.

Conditions precedent

Completion shall be conditional upon satisfaction or waiver as applicable of each of the following conditions precedent:

(a) the Purchaser being reasonably satisfied with the results of the due diligence review of the Target Group to be conducted including but not limited to completion of the Capital Increase;

(b) all necessary consents and approvals required to be obtained on the part of the Vendor, the Purchaser and the Company in respect of the Sale and Purchase Agreement and the transactions contemplated thereby having been obtained;

(c) all necessary waiver, consent, approval, licence, authorisation, permission, order and exemption (if required) from the relevant governmental or regulatory authorities or other third parties which are necessary in connection with the Sale and Purchase Agreement and the transactions contemplated thereby having been obtained;

(d) the passing by the Shareholders at a general meeting of the Company of an ordinary resolution to approve the Sale and Purchase Agreement and the transactions contemplated hereunder, including but not limited to the issue of the Convertible Preference Shares and issue of the Conversion Shares upon conversion of the Convertible Preference Shares;

(e) no indication having been received from the Stock Exchange that the transactions contemplated under the Sale and Purchase Agreement will be treated or, as the case may be, ruled by the Stock Exchange as a "reverse takeover" under the Listing Rules;

(f) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Conversion Shares; and

(g) the warranties by the Vendor contained in the Sale and Purchase Agreement remaining true and accurate in all respects.

If any of the conditions precedent has not been satisfied (or waived by the Purchaser in respect of (a), (e) or (g) only) at or before 5:00 p.m. on 31 March 2012 or such later date as the Vendor and the Purchaser may agree, the Sale and Purchase Agreement shall cease and determine and the Vendor shall forthwith return to the Purchaser all moneys paid under the Sale and Purchase Agreement (without interest or compensation) (if any) and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof. Although the Purchaser is entitled to waive the conditions (a), (e) and (g) above, the Purchaser has no intention of waiving the same and will not do so which would adversely affect the interest of the Company.

Completion

Completion shall take place on the date falling on the third Business Day following the day on which all the conditions precedent of the Sale and Purchase Agreement are satisfied in full (or the case may be, waived by the Purchaser), or such other date as the Vendor and the Purchaser may agree in writing.

Upon Completion, the Target will become a wholly owned subsidiary of the Group.

Convertible Preference Shares

The principal terms of the Convertible Preference Shares are as follows:

Issuer:	The Company
Number of Convertible Preference Shares:	7,000,000,000
Notional Value:	The issue price of each Convertible Preference Share, being HK$0.07
Conversion price:	Initially, Convertible Preference Shares of an amount equivalent to HK$0.07 shall be convertible into one Share. The conversion price will be subject to adjustments for subdivision or consolidation of Shares as described in the terms and conditions of the Sale and Purchase Agreement.
Dividend:	Holder of each Convertible Preference Share shall have the same entitlement to dividend as holder of the number of Shares into which such Convertible Preference Share may be converted upon exercise of conversion rights attached thereto.
Conversion rights:	Convertible Preference Shares are convertible at the option of the holder at any time after the issue date. No conversion shall take place if: 1) to do so would result in the Conversion Shares being issued at a price below their nominal value as at the applicable conversion date; or 2) to the extent that following such exercise, the relevant holder of Convertible Preference Share and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in 30% or more of the entire issued share capital of the Company or otherwise trigger a mandatory offer obligation under Rule 26 of the Takeovers Code; or

3) immediately after such conversion, the public float of the Shares falls below the minimum public float requirements stipulated under the Listing Rules or as required by the Stock Exchange; or

4) the Directors are of the opinion that such conversion is or would result in the non-compliance of any of the terms and conditions of the Convertible Preference Shares.

Accordingly, the Company has the right not to issue any Conversion Shares to such holder(s) of Convertible Preference Shares exercising the conversion rights in the above circumstances. The Company has no right to redeem the Convertible Preference Shares under the above circumstances.

Redemption:	Neither the Company nor any holder of the Convertible Preference Shares shall have any right to redeem the Convertible Preference Shares, other than for the purpose of conversion of the Convertible Preference Shares pursuant to the terms of the Convertible Preference Shares.
Ranking:	The Convertible Preference Shares rank, (i) in priority to the Shares as to return of capital; and (ii) pari passu with the Shares as to dividends.
Voting rights:	Holders of the Convertible Preference Shares (in their capacity as such) will not be permitted to attend or vote at meetings of the Company, unless a resolution is proposed to vary the rights of holders of the Convertible Preference Shares or a resolution is proposed for the winding up of the Company.
Listing:	No application will be made for the listing of the Convertible Preference Shares on the Stock Exchange or any other stock exchange.
Transferability:	The Convertible Preference Shares are freely transferable, provided that if any Convertible Preference Share(s) is/are intended to be transferable to a connected person (as defined in the Listing Rules) of the Company (other than the associates (as defined in the Listing Rules) of the holder of the transferring Convertible Preference Shares), such transfer shall comply with the requirements under the Listing Rules and/or requirements imposed by the Stock Exchange (if any).

The conversion price of HK$0.07 per Convertible Preference Share has been arrived at after arm's length negotiations between the Company, the Purchaser and the Vendor, with reference to, among other things, the recent trend of the Share price performance and the prevailing market price of the Shares.

The conversion price of HK$0.07 per Convertible Preference Shares represents:

(i) a discount of approximately 19.54% to the closing price of HK$0.087 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 12.72% over the average of the closing prices of approximately HK$0.0802 per Share for the 5 consecutive trading days immediately prior to the Last Trading Day; and

(iii) a discount of approximately 3.98% over the average of the closing prices of approximately HK$0.0729 per Share for the 30 consecutive trading days immediately prior to the Last Trading Day.

The maximum of 7,000,000,000 Conversion Shares to be issued upon full conversion of the Convertible Preference Shares represent approximately:

(a) 375.57% of the existing issued share capital of the Company; and

(b) 78.97% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Preference Shares.

The Conversion Shares shall rank pari passu in all respects with the Shares then in issue on the date of allotment and issue thereof. The Company will seek a specific mandate from the Shareholders at the EGM for the allotment and issue of the Conversion Shares.

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Promissory Note

The principal terms of the Promissory Note are as follows:

Issuer:	The Purchaser
Principal amount:	HK$200,000,000
Maturity date:	the 2nd anniversary of the date of issue of the Promissory Note (the "**Maturity Date**")
Interest:	2% per annum

Repayment:	The principal may be repaid in full or in part by the Purchaser at any time without penalty prior to the Maturity Date. All outstanding principal together with interest shall be repaid on the Maturity Date
Transferability:	The holder of the Promissory Note may freely assign or transfer the Promissory Note whether in whole or in part to any person (other than a connected person (as defined in the Listing Rules) of the Company).

INFORMATION ON THE TARGET GROUP

The Target is an investment holding company incorporated in the British Virgin Islands with limited liability. FingerAd is the wholly owned subsidiary of the Target and is incorporated in Hong Kong on 18 July 2011. FingerAd is the principal operating company of the Target Group. Currently the Target Group consists of the Target and FingerAd.

According to the unaudited consolidated financial information of the Target which has been prepared in accordance with Hong Kong Financial Reporting Standard from 18 April 2011 (the date of incorporation) to 30 September 2011, the net loss before and after taxation is both approximately HK$10,649. The consolidated net liabilities of the Target as at 30 September 2011 is approximately HK$2,669.

Principal business activities and business plan

The Target Group is currently engaged in providing advertising and value added services in Hong Kong through mobile devices and digital media network of LCD and flat panel screens in retail chain network.

FingerAd has teamed up with Amazing World Corporation Limited, a limited company incorporated in Hong Kong and trading under the business name of “Tera Age”, for the supply of solutions for mobile platforms. To the best of the Directors’ information and belief, Tera Age is a third party independent of the Company and its connected persons (as defined in the Listing Rules). Tera Age is a leading provider of software development for companies of all sizes in Hong Kong and Greater China regions. It is one of the pioneers to develop software on mobile platform and successfully deployed the first mobile software on Windows CE in 2004. In 2011, TeraAge received the Certificate of Merit of The Hong Kong ICT Awards 2011: Best Ubiquitous Networking (Mobile Enterprise Solution). FingerAd has entered into a legally binding agreement dated 15 September 2011 with Tera Age pursuant to which Tera Age shall supply exclusively to FingerAd solutions for mobile platforms with online advertising capability for the food & beverage industry for an initial term of five years. Tera Age also granted to FingerAd the first right of refusal for the exclusive supply of similar solutions for the travel industry and apparel industry for an initial term of five years.

By leveraging on the technological expertise of Tera Age, FingerAd will as a first step provide advertising and value added services through mobile solutions targeted at the food & beverage industry in Hong Kong. Currently the key solution to be provided is the Dining App. The Dining App is not just a software, but a whole new platform for the food & beverage industry to market and promote their business and to keep connected with their customers. The Dining App combines both mobile & Cloud Computing technology that includes 3 key modules, the Mobile App for both Apple iOS and Android, System Administration Tool and Content Management System ("CMS"). The Dining App will be deployed as the personalized Mobile App for each restaurant and it can be downloaded from Apple's App Store, Android Market or hyperlink by the consumer. After downloading the Dining App to the consumer's mobile device, the consumer will be able to access the key information of the restaurant such as location and contact information as well as other special information such as the menu of the restaurant. All the information being shown in the Mobile App is managed by the restaurant through the CMS and the restaurant can update their menu from time to time by themselves. By leveraging on the platform created by the Dining App, FingerAd will also provide value added services to help the restaurants and retailers to market their offers and products to their target consumers. Tera Age will be responsible for the maintenance and technical operation of the Dining App. Most of the available mobile apps from the retailers in the market has been developed as a turnkey project by hiring a software developer and the initial cost on average is prohibitive to most of the restaurants. Instead, the Dining App does not require any significant initial investment for rolling out the personalized mobile app for individual restaurant. FingerAd will charge the restaurants and retailers for the Dining App services on a monthly subscription or per usage basis. The restaurant can then stay connected with their customers with the Dining App services at an affordable monthly subscription. The Dining App services has been launched on 15 September 2011. In order to create market awareness and the momentum for market penetration, FingerAd is offering a free trial period to new subscribers. Therefore as at the date of this announcement, no revenue is recorded for the Dining App services.

In order to build up quickly the customer base, FingerAd has entered into a legally binding cooperation agreement dated 15 September 2011 with iKanTV Limited ("iKan") pursuant to which iKan shall refer clients exclusively to FingerAd for the Dining App services for an initial term of two years. To the best of the Directors' information and belief, iKan is a third party independent of the Company and its connected persons (as defined in the Listing Rules). iKan operates the "babybamboo.com.hk" website and is one of the main online group purchasing market player in Hong Kong. It focuses on the food and beverage market with a strong sales force and large customer base. FingerAd and iKan shall share the revenue generated from those clients referred by iKan. As at the date of this announcement, iKan has secured 43 restaurants subscribing for the Dining App services.

In addition to the mobile platform advertising services, FingerAd will also provide advertising services through digital media networks of LCD and flat panel screens in retail chain network. FingerAd has entered into a legally binding agreement dated 26 October 2011 with a leading chain retail group for household goods in Hong Kong (the "Chain Store Group") pursuant to which FingerAd has the right to install and operate a digital media network of LCD and flat panel display units at the retail stores under the Chain Store Group in Hong Kong. To the best of the Directors' information and belief, the Chain Store Group is a third party independent of the Company and its connected persons (as defined in the Listing Rules). Currently the

Chain Store Group has approximately 200 retail stores in Hong Kong selling a wide range of household products. It is expected that FingerAd will establish a digital media network of flat panel screens at over 100 stores under the Chain Store Group. The network of flat panel screens has been installed and is currently operated by iKan. FingerAd will acquire the installed screens and other hardware from iKan and roll out the digital media network upon commencement of the agreement on 27 November 2011. In consideration of the establishment of the digital media network, FingerAd will pay a fixed rental to the Chain Store Group and provide a portion of the advertising air time on the digital media network and related video production services to the Chain Store Group free of charge. FingerAd will enjoy all the revenues from the advertising air time on the digital media network.

FingerAd has also entered into a legally binding agreement dated 26 October 2011 with iKan pursuant to which iKan shall provide management services to FingerAd in respect of the digital media network under the Chain Store Group such as video production, processing and upload, operation of program, updating playlist and maintaining the hardware. In consideration of the services provided by iKan, FingerAd shall allow iKan to use a portion of the advertising air time and certain advertising space on the digital media network free of charge.

The Target Group already has the key personnel required to operate the Target Group's business. The Company will retain the following key personnel to assist the Company in the operation of the Target Group after completion:

– Mr Chan Ka Sing, Billy, aged 44, is the chief executive officer of the Target Group. He is responsible for formulating corporate strategy, direction for company growth and leading the product development. Mr Chan has over 10 years of working experiences in the communication industry, and has held senior positions in communication and IT enterprises. He was the Chief Consultant of Internet Products and the Chief Consultant of Business Sales of New World Telecommunications Limited and the Sale Department head of PCCW Limited. Currently he is also the chief operating officer of iKanTV Limited, a subsidiary of China Post E-Commerce (Holdings) Limited.

– Mr Chow Wai Pui, Rio, aged 40, is the chief technical consultant of the Target Group. He is responsible for overseeing the technological aspects of the Target Group's operation and services. Mr Chow has extensive experience in the information technology industry. He is a co-founder and the chief operation officer of Tera Age.

After considering the cash in hand and the estimated cash inflow and working capital requirements of the Group and the Target Group for the coming 12 months, the Directors are of the opinion that the Group will have sufficient resources to satisfy the working capital requirements of the Target Group.

REASONS FOR AND BENEFIT OF THE ACQUISITION

The Group is principally engaged in a broad spectrum of construction works, including building construction, renovation and fitting out works for both public and private sectors in Hong Kong, media sales and management services for the multi-media business in the PRC and outdoor advertising in Hong Kong.

As stated in the Company's 2011 annual report, it is the Group's strategy in recent years to continue to scale down the building construction and renovation business and to expand its advertising business. The business of Beijing Railsmedia Advertising Co. Ltd ("BJRA") in PRC is still in its early stage of development compared with the conventional media such as television and newspaper. It is expected that the BJRA business will grow steadily due to the increasing consumption power of the PRC population, which induce various advertisement opportunities. Since the number of people exposed to ticket counters in train stations is massive, it will gradually enhance peoples' perception on the positive effect of such new type of media. As a further step to expand the Group's advertising business, the Group has on 12 August 2011 completed the acquisition of 7% of the equity interest in China New Media (HK) Company Limited ("CNM") which is principally engaged in outdoor advertising and display business in Hong Kong.

Since the investment and acquisition of the Beijing Railsmedia Advertising Co. Ltd ("BJRA") in 2008, the Company has been transitioning from its construction and renovation business to the advertising business. The Company has focused on the advertising sector for its future growth and expansion which became its core business. The Company is keen to explore non-traditional advertising media and to venture into new advertising niche with huge potential such as the existing business of BJRA. Ltd in providing advertising services through LCD displays network at rail stations in the PRC and the business of CNM in providing advertising services through lift frames and outer walls of buildings in Hong Kong. The business of BJRA is still in the early stage. The Company has put in substantial resources in running the BJRA business and in coping with the fast changing business environment in the PRC. Despite the unsatisfactory result of this segment, the Directors are optimistic with the prospects of the advertising industry in the PRC and determined to forge ahead in this sector. The acquisition of the minority interest in CNM represents the Group's intention to expand its presence in the advertising industry in Hong Kong and to focus on unconventional advertising media. Leveraging on the Group's experience in running the multimedia LCD displays network in the PRC and the exposure in lift frame and outer walls advertising in Hong Kong, the Acquisition represents the Group's leap into another innovative advertising media through mobile devices and a further extension of the existing advertising channel through LCD display network. The Acquisition will broaden the media channels for the Group's 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 the Group's advertising customers. With the Dining App, the key advertising solution provided by the Target Group, it will also broaden the Group's advertising customer base by offering advertising solution to customers with lower budget. The Target Group's business will also complement the Group's existing advertising business by creating cross-selling opportunities to the Group's advertising customers through different media channels. Therefore the Acquisition is an expansion of and complementary to the Group's advertising business and a continuation of the Group's strategy to gain a strong foothold in the advertising industry in both Hong Kong and the PRC;

The Acquisition is considered as a major thrust to expand the Group's existing advertising business. Due to 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. The Dining App is a just in time solution to fill up the demand as the Dining App does not require significant initial investment for rolling out a personalized mobile app for each restaurant. Through the Dining App, the restaurants will be able to market their business and stay connected with their consumers. In addition, the Target Group will also deploy the digital media network of flat panel screens in retail outlets in Hong Kong to provide advertising services to customers. The Directors 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.

According to the business plan of the Target Group provided by the Vendor:

– due to the explosion of the smartphone market, mobile apps will create a whole new media platform for different industries to visualize their innovations;

– the Dining App is developed based on Tera Age's variance in-house developed technology that include cloud computing, database management & mobile platform;

– the Dining App contains features and provides functions as set out under section "Principal business activities and business plan" above;

– The mobile platform together with the digital media network of the Chain Store Group provides a comprehensive network for advertising clients;

– The Target Group is able to provide personalized mobile apps for individual restaurants and retailers at low set up costs based on regular subscription fees;

– For tradition advertising channels, it is hard to measure its effectiveness. However with the mobile apps, the merchant can push their message directly via the notification feature to the target consumers or market their products through the in-app banner with totally measureable result;

– There is a huge market for the food and beverage industry in Hong Kong. Dining Apps for famous restaurants such as Michelin Star restaurants will be very attractive to consumers;

– The Target Group will replicate the business model and apply to retailers in other sectors in Hong Kong and to the PRC market.

After having considered (i) the aforesaid business plan; (ii) the fast growth and importance of advertising through online medium; (iii) the popular use of smartphones and tablets in Hong Kong and the PRC; (iv) the features and functions of the Dining App set out under the section "Information of Target Group" above and (v) the business projections relevant to the valuation of the Target Group described under the section "Consideration" above, the Directors are of the view that there is a huge potential in the business of the Target Group.

Upon Completion, the financial results of the Target Group will be consolidated into the Group's financial statements. As at the date of this announcement, the Company has not entered into, nor propose to enter into any agreement, arrangement, understanding or undertaking, whether formal or informal and whether express or implied, and negotiation (whether concluded or not) with an intention to dispose of the existing business on construction works. However, should suitable business opportunities arise in the future, the

Company will continue to explore and consider any of such business opportunities, including acquisitions or realisations, which are in line with the Group's business strategies and may enhance the Group's future business development. As at the date of this announcement, the Company has no intention to change the composition of its Board upon Completion. Furthermore, there is no provision in the Sale and Purchase Agreement that the Vendor can appoint or nominate any directors to the Board.

The Directors consider that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including but limited to the issue of the Convertible Preference Shares and the Promissory Note) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

SHAREHOLDING STRUCTURE

Set out below are the shareholding structures of the Company (i) as at the date of this announcement; (ii) immediately after Completion and issue of the Convertible Preference Shares and assuming full conversion of the Convertible Preference Shares at the initial conversion price and (iii) immediately after Completion and issue of the Convertible Preference Shares and assuming full conversion of the Convertible Preference Shares at the initial conversion price but subject to the conversion restrictions:

Shareholders	**As at the date hereof**		**Immediately after completion of the Acquisition and assuming full conversion of the Convertible Preference Shares at the initial Conversion Price** *(note 3)*		**Immediately after completion of the Acquisition and assuming full conversion of the Convertible Preference Shares at the initial Conversion Price but subject to the conversion restriction**	
	No. of Shares	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*
Rich Place Investment Limited *(note 1)*	743,918,560	39.91	743,918,560	8.39	743,918,560	27.98
United Century Limited *(note 2)*	121,978,000	6.55	121,978,000	1.38	121,978,000	4.59
Public Shareholders	997,933,440	53.54	997,933,440	11.26	997,933,440	37.53
Vendor	0	0.00	7,000,000,000	78.97	794,985,977	29.90
Total	1,863,830,000	100.00	8,863,830,000	100.00	2,658,815,977	100.00

1. These Shares are held as to 618,918,560 Shares by Rich Place Investment Limited and 125,000,000 Shares by Wise Win Enterprises Limited, which is a wholly owned subsidiary of Rich Place. The entire issued share capital of Rich Place is held by RBTT Trust Corporation, acting in its capacity as the trustee of The Wing Hong Trust, a discretionary trust whose beneficiaries are the family members of Mr. Hui Kau Mo, executive Director.

2. United Century Limited is wholly owned by Mr Hui Chi Yang, the son of Mr Hui Kau Mo, executive Director and brother of Mr Hui Chi Yung, executive Director.

3. This column is hypothetical and for illustrative purpose only as the conversion of the Convertible Preference Shares is subject to the conversion restrictions set out under section "Convertible Preference Shares" above.

LISTING RULES IMPLICATIONS

Based on the relevant percentage ratios calculations under the Listing Rules, the Acquisition constitutes a very substantial acquisition of the Company and therefore are subject to reporting, announcement and shareholder's approval requirements under Chapter 14 of the Listing Rules.

In this connection, an EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the relevant resolutions in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, no Shareholder has a material interest in the Acquisition which is different from the other Shareholders. Therefore, no Shareholder would be required to abstain from voting on the proposed resolutions in relation to the Acquisition at the EGM.

GENERAL

The Circular containing, among other things, (i) further information on the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) accountants' report of the Target Group; (iii) pro forma financial information on the Group upon Completion; (iv) the valuation report on the Target; (v) the letters from the financial adviser of the Company and the auditors of the Company in respect of the valuation of the Target; and (vi) notice of the EGM, will be despatched to the Shareholders on or before 23 December 2011 and in compliance with the Listing Rules, so as to allow sufficient time for the preparation of the relevant information for inclusion in the Circular.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares has been suspended from 9:00 a.m. on 28 October 2011 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading of the Shares from 9:00 a.m. on 22 November 2011.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

"Acquisition"	the proposed acquisition of the Sale Shares pursuant to the Sale and Purchase Agreement
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
"Capital Increase"	the increase in the issued and paid up capital of each of the Target and FingerAd to no less than HK$2 million prior to Completion
"Circular"	the shareholders' circular to be issued by the Company in accordance with the Listing Rules in respect of the Sale and Purchase Agreement and the transactions contemplated thereby
"Company"	China Railsmedia Corporation Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange
"Completion"	completion of the transactions contemplated under the Sale and Purchase Agreement
"Consideration"	the consideration of HK$690,000,000 payable by the Purchaser for the Sale Shares under the Sale and Purchase Agreement
"Convertible Preference Share(s)"	7,000,000,000 new convertible preference shares of HK$0.07 each to be issued by the Company at Completion to the Vendor at the issue price of HK$0.07 per Convertible Preference Share, credited as fully paid, for the purpose of settlement of part of the Consideration
"Conversion Share(s)"	new Shares to be issued upon exercise of the conversion rights attached to the Convertible Preference Shares
"Director(s)"	director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder

"FingerAd"	FingerAd Media Company Limited, the wholly owned subsidiary of the Target
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Last Trading Date"	27 October 2011, being the last day on which the Shares were traded on the Stock Exchange prior to the suspension of trading in the Shares pending the release of this announcement
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Mr Tang"	Mr Tang Tsz Hoo Anthony
"Mr Xiao"	Mr Xiao Baoyan
"Ms Chan"	Ms Chan Ka Wai
"PRC"	the People's Republic of China
"Promissory Note"	the promissory note in the sum of HK$200,000,000 to be issued by the Purchaser to satisfy part of the Consideration
"Purchaser"	Capital Marks Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company
"Sale and Purchase Agreement"	the agreement to acquire the Sale Shares entered into amongst the Company, the Purchaser and the Vendor dated 27 October 2011
"Sale Shares"	1,000 ordinary shares in the Target representing 100% of the total issued share capital of the Target
"Share(s)"	ordinary share(s) in the Company of HK$0.01 each
"Shareholders"	holders of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers

"Target"	Huge Leader Development Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly owned by the Vendor
"Target Group"	The Target and FingerAd
"Vendor"	Huge Leader Holdings Limited
"%"	per cent

By Order of the Board
China Railsmedia Corporation Limited
Hui Chi Yung
Chairman

Hong Kong, 21 November 2011

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