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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 2012

The board of directors (the "Board") of China Railsmidia 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 2012, together with the appropriate comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

	Note	Six months ended 30 September 2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Turnover	4	2,250	19,401
Cost of sales		(1,903)	(20,382)
Gross profit/(loss)		347	(981)
Other revenue	4	–	5,871
Administrative expenses		(3,388)	(8,284)
Impairment loss in respect of interest in a jointly-controlled entity		–	(2)
Loss from operating activities	5	(3,041)	(3,396)
Finance costs		(9,412)	(169)
Loss before taxation		(12,453)	(3,565)
Taxation	6	–	–
Loss for the period		(12,453)	(3,565)
Loss attributable to:			
– Owners of the Company		(11,906)	(2,559)
– Non-controlling interest		(547)	(1,006)
		(12,453)	(3,565)
Dividends	7	–	–
Basic loss per share attributable to owners of the Company	8	(HK0.45 cents)	(HK0.16 cents)

* For identification purposes only

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(continued)*

For the six months ended 30 September 2012

	Six months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the period	(12,453)	(3,565)
Other comprehensive income:		
Exchange differences on translating foreign operations	368	2,966
Total comprehensive loss for the period, net of tax	(12,085)	(599)
Total comprehensive loss attributable to:		
– Owners of the Company	(11,375)	(272)
– Non-controlling interest	(710)	(327)
	(12,085)	(599)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2012

		As at 30 September 2012 HK\$'000 (Unaudited)	As at 31 March 2012 HK\$'000 (Audited)
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment		1,631	2,269
Goodwill		663,158	663,158
Available-for-sale financial assets		26,540	26,540
		691,329	691,967
Current assets			
Accounts receivable	9	2,219	3,107
Prepayments, deposits and other receivables		18,363	18,408
Cash and cash equivalents		6,028	11,614
		26,610	33,129
Total assets		717,939	725,096
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		439,038	508,638
Reserves		(2,436)	(59,925)
		436,602	448,713
Non-controlling interests		19,172	19,882
Total equity		455,774	468,595

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 30 September 2012

		As at 30 September 2012 HK\$'000 (Unaudited)	As at 31 March 2012 HK\$'000 (Audited)
	Note		
LIABILITIES			
Non-current liabilities			
Loan from director		2,712	–
Loan from related party		2,724	–
Loans from shareholders		40,261	41,240
Promissory notes		195,313	188,830
		241,010	230,070
Current liabilities			
Loans from shareholders		2,500	3,280
Accounts payable	10	2,793	4,850
Other payables and accruals		15,849	18,185
Tax payable		13	116
		21,155	26,431
Total liabilities		262,165	256,501
Total equity and liabilities		717,939	725,096
Net current assets		5,455	6,698
Total assets less current liabilities		696,784	698,665

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2012

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 2012, 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 2012.

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.

HKAS 12 (Amendments)
HKFRS 7 (Amendments)

Deferred Tax – Recovery of Underlying Assets
Disclosure – Transfers of Financial Assets

The application of the above new or revised HKFRSs has had no material effect on the amounts in these condensed consolidated financial statements and disclosures set out in these condensed consolidated financial statements.

2. Principal accounting policies (*continued*)

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:

HKAS 1 (Amendments)	Presentation of Items in Other Comprehensive Income ¹
HKAS 19 (as revised in 2011)	Employee Benefits ²
HKAS 27 (as revised in 2011)	Separate Financial Statements ²
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ²
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities ³
HKFRS1 (Amendments)	Government Loans ²
HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosure ⁴
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities ²
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosures of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HK(IFRIC) – Int 20	Stripping Costs in Production Phase of Surface Mine ²

¹ Effective for annual periods beginning on or after 1 July 2012

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2014

⁴ Effective for annual periods beginning on or after 1 January 2015

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2015, 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.

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements and will be effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. 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.

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

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 advertising services in PRC through the provision of rail transit value-added services with LCD displays located in ticketing office of each station, by media alliance through business arrangement of airtime exchange, attending events and cross business cooperation. In Hong Kong the advertising business engages in mobile Apps development for retailers to promote their business through media channel in mobile platform and digital media networks of flat panel screens in retail chain network.

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	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September		30 September	
	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	–	563	2	18,315	2,248	523	2,250	19,401
Segment results	(142)	(67)	(100)	3,446	589	(4,006)	347	(627)
Impairment loss in respect of interest in a jointly controlled entity							–	(2)
Central administration costs							(3,388)	(2,767)
Loss from operating activities							(3,041)	(3,396)
Finance costs							(9,412)	(169)
Loss before taxation							(12,453)	(3,565)
Taxation							–	–
Loss for the period							(12,453)	(3,565)

3. Segment information (continued)

Segment revenues and results (continued)

There were no inter-segment sales during the period (30 September 2011: Nil). Segment profit represents the profit 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	
	30 September 2012	31 March 2012	30 September 2012	31 March 2012	30 September 2012	31 March 2012	30 September 2012	31 March 2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	213	865	631	2,405	695,410	695,423	696,254	698,693
Unallocated assets							21,685	26,403
							717,939	725,096
Segment liabilities	1,076	2,248	323	1,445	206,209	196,787	207,608	200,480
Unallocated liabilities							54,557	56,021
							262,165	256,501

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 loan from shareholders.

Other segment information

	Building construction		Renovation, repairs and maintenance		Advertising		Unallocated		Consolidated	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	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	-	-	-	-	73	1,292	73	42	146	1,334
Additions to non-current assets	-	-	-	-	-	28,800	-	-	-	28,800
Impairment loss in respect of interest in a jointly controlled entity	-	-	-	-	-	-	-	2	-	2

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	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Turnover:		
Contract revenue	2	18,878
Advertising income	2,248	523
	2,250	19,401
Other revenue:		
Refund of legal and professional fees	–	5,777
Sundry income	–	94
	–	5,871

5. Loss from operating activities

The Group's loss from operating activities is arrived at after charging:

	Six months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation	672	1,334
Amount classified as cost of sales	(526)	(1,214)
	146	120

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 six months ended 30 September 2012 (30 September 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.

7. Dividends

The directors do not recommend the payment of an interim dividend in respect of the six month ended 30 September 2012 (30 September 2011: Nil).

8. Loss per share attributable to owners of the Company

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

	Six months ended 30 September	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)

Loss

Loss for the purpose of basic and diluted loss per share	11,906	2,559
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	Six months ended 30 September	
	2012	2011
	'000	'000
	(Unaudited)	(Unaudited)

Number of shares

Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	2,657,600	1,643,611
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Diluted loss per share for the six months ended 30 September 2012 and 2011 were the same as basic loss per share as there was no dilutive potential ordinary share.

9. Accounts receivable

An aged analysis of accounts receivable, net of provisions, as at the end of the reporting period is as follows:

	As at 30 September 2012 HK\$'000 (Unaudited)	As at 31 March 2012 HK\$'000 (Audited)
Within 30 days	544	2,554
31 – 90 days	760	–
91 – 180 days	580	–
Over 180 days	427	645
	2,311	3,199
Less: Impairment loss recognised	(92)	(92)
	2,219	3,107

10. Accounts payable

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

	As at 30 September 2012 HK\$'000 (Unaudited)	As at 31 March 2012 HK\$'000 (Audited)
Within 30 days	–	4,150
31 – 90 days	232	–
Over 180 days	2,561	700
	<u>2,793</u>	<u>4,850</u>

As at 30 September 2012, no retentions payable are included in accounts payable under current liabilities (31 March 2012: 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 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 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 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 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 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.

Saved as disclosed above and elsewhere in the financial statements, as at 30 September 2012, the Group and the Company had no other material contingent liabilities.

12. Approval of the financial statement

The unaudited financial statements were approved and authorised for issue by the Board of Directors on 23 November 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 September 2012, the Group recorded a turnover of approximately HK\$2,250,000 in comparing to HK\$19,401,000 in corresponding period last year. Gross profit recorded HK\$347,000, whereas in same period last year, the gross loss was HK\$981,000. Loss attributable to owners of the Company for the period was HK\$11,906,000, as compared with a loss of HK\$2,559,000 recorded in same period last year.

Turnover from our building and construction business was Nil (2011: approximately HK\$563,000). The renovation, repairs and maintenance segment reported a turnover of approximately HK\$2,000 (2011: approximately HK\$18,315,000).

Due to the keen market competition and low profit margin in projects for building, construction, renovation, repairs and maintenance, we have largely scaled down these business segments.

For advertising segment, turnover amounted to approximately HK\$2,248,000 (2011 approximately HK\$523,000). Viewing the present market trend in PRC, we have engaged more efforts to expand channel sales network over the country, established media alliances through business arrangement of airtime exchange, attending media events and cross business cooperation etc. to increase our market shares.

In Hong Kong; our investment in the established outdoor advertising business has grown steadily. Besides, our FingerAd business 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, we can expand our existing advertising business within the smartphone market, and the mobile App is regarded as the new channel for retailers to promote their offers as well as company image over the Internet. This mobile platform and the digital media network have provided us opportunities for generating recurrent revenue with manageable operating cost.

Financial Review

Liquidity and financing

There were no bank borrowings as at 30 September 2012 and 31 March 2012. The Group's cash and bank deposits were approximately HK\$6,028,000 (31 March 2012: HK\$11,614,000).

The Group's gearing ratio, calculated by aggregate of amount due to a related party, loans from shareholders, promissory note and other non-current liabilities over total assets, increased to 33.92% at 30 September 2012 from 32.93% at 31 March 2012.

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 2012 and 31 March 2012, no asset was being pledged since there is no external financing for the Group.

Employment information

On 30 September 2012, the Group had 13 full time employees (31 March 2012: 32 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

We have adopted a prudent approach of advertising services in PRC, so as to properly control our operation costs with LCD displays installed on those selected train stations. And by building media alliances and channel sales network over the country, we aim to increase our market exposure in PRC.

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.

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, we will adopt similar strategies for the supply and sales of mobile app services for other retail industries.

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 2012.

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 2012 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 2012.

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 2012 interim report will be sent to shareholders before the end of December 2012.

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