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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)

PROGRESS OF MATERIAL LITIGATION AND PROFIT WARNING

This announcement is made by the Company pursuant to Rule 13.09(1) of the Listing Rules.

The Board wishes to give an update to the shareholders of the Company on the progress of a material litigation as disclosed in prior years' Annual Reports which related to an arbitration proceeding in which a subsidiary of our Group was a Claimant against a major customer of our Group.

The Board also wishes to inform the shareholders of the Company and potential investors that the Group is expected to record a significant loss for the year ended 31 March 2010, mainly as a result of the recent developments in the Arbitration.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

This announcement is made by China Railsmidia Corporation Limited (the "Company", together with its subsidiaries, the "Group") pursuant to Rule 13.09(1) of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Board of Directors (the "Board") of the Company wishes to give an update to the shareholders of the Company on the progress of a material litigation as disclosed in prior years' Annual Reports which related to an arbitration proceeding (the "Arbitration") in which a subsidiary of our Group was a Claimant (the "Claimant") against a major customer of our Group (the "Respondent").

* For identification purpose only

SUMMARY OF THE ARBITRATION

Reference is made to the information as disclosed in the annual report dated 31 March 2005 and each subsequent published annual reports (collectively known as the “Annual Reports”). Included in these Annual Reports was an accounts receivable of approximately HK\$120 millions (the “Receivable Under Dispute”), recorded based on certificates issued by the architects of a residential development project carried out in Kowloon Tong (the “Residential Project”). The Respondent did not pay and withheld the Receivable under Dispute owing to its counter claim against our Group on the alleged liquidated damages arising from delay in completion of the Residential Project and the alleged environmental related damages in relation to main contract work of the Residential Project. The amount of such counter claim was approximately HK\$122 millions, and was further revised to approximately HK\$142 millions by the Respondent in Year 2009.

The Claimant and the Respondent agreed to resolve the matter by way of arbitration in Year 2005.

PROGRESS AND IMPACT OF THE ARBITRATION

The Claimant and the Respondent agreed to divide the Arbitration hearings into tranches in Year 2007 in order to speed up the whole arbitration process. Although final award of the Arbitration had not been issued up to the date of this announcement (i.e. Arbitration had not been completed), interim awards were issued on some of the tranches recently.

We partially succeeded in our claims in the interim awards issued while the Respondent also partially succeeded in their counter claims. The net effect to the Group is an amount of approximately HK\$79 millions to be recovered from the Respondent (exclusive of interest and legal cost which are to be further resolved). However, such amount to be recovered was far less than what our Board expected. As a result, a significant amount of impairment loss on accounts receivables and other related costs have to be recognized in our soon published financial results for the year ended 31 March 2010.

As of the date of this announcement, major tranches of the Arbitration has been awarded by the arbitrator, leaving the issue of some defect works of the Residential Project and the award of interest and legal cost to be resolved. The Board considered that the financial impact on our Group can be partially reduced by the recovery of interest and legal cost during final award.

Further announcement will be made by the Company in the event of any material developments regarding the Arbitration.

PROFIT WARNING

The Board also wishes to inform the shareholders of the Company and potential investors that the Group is expected to record a significant loss for the year ended 31 March 2010, mainly attributable to the impairment loss of accounts receivable in relation to the above Arbitration award, the keen competition in the building construction industry together with the rising material costs.

The information contained in this announcement is only based on information currently available to the Company and is not based on any figures or information that has been audited by the Company's auditors. The Group is still in the process of finalizing the Group's annual results for the year ended 31 March 2010 and will publish such results as soon as practicable.

However, in light of the aforesaid, **shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.**

On Behalf of the Board
CHINA RAILSMEDIA CORPORATION LIMITED
Hui Chi Yung
Chairman

Hong Kong, 25 June 2010

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