

**2008**  
Interim Report



We shape the  
**Future**

**CHINA RAILSMEDIA CORPORATION LIMITED**

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 745)

## **CORPORATE INFORMATION**

### **Executive Directors**

Mr. Hui Chi Yung (*Chairman*)  
Mr. Yiu Kai Yeuk, Raphael  
Mr. Hui Kau Mo

### **Independent Non-executive Directors**

Mr. Liu Kwong Sang  
Mr. Sit Hing Wah  
Dr. Hu Chung Kuen, David

### **Audit Committee**

Mr. Liu Kwong Sang  
Mr. Sit Hing Wah  
Dr. Hu Chung Kuen, David

### **Company Secretary**

Mr. Chan Hoi Wing, B.A. (Hons), MSc, CPA

### **Qualified Accountant**

Mr. Chan Hoi Wing, B.A. (Hons), MSc, CPA

### **Auditors**

HLB Hodgson Impey Cheng  
Chartered Accountants  
Certified Public Accountants

### **Registered Office**

Cricket Square, Hutchins Drive  
P.O. Box 2681, Grand Cayman KY1-1111  
Cayman Islands

### **Head Office and Principal Place of Business**

13/F, OTB Building  
259–265 Des Voeux Road Central  
Hong Kong  
Telephone 2861 2363  
Facsimile 2861 2971

### **Cayman Island Principal Share Registrar and Transfer Office**

Butterfield Fulcrum Group (Cayman) Limited  
Butterfield House, 68 Port Street  
P.O. Box 705, George Town  
Grand Cayman, Cayman Islands

### **Hong Kong Branch Share Registrar and Transfer Office**

Tricolor Investor Services Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East  
Hong Kong

### **Ordinary Share Listing**

Main Board of The Stock Exchange of  
Hong Kong Limited  
(Stock code: 745)

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 2008, together with the appropriate comparative figures as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2008

	Note	Six months ended 30 September	
		2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Turnover – contract revenue	4	46,049	13,345
Contract cost		(44,872)	(11,710)
Gross profit		1,177	1,635
Other revenue	4	563	1,052
Other income		320	329
Administrative expenses		(30,435)	(11,812)
Loss from operating activities	5	(28,375)	(8,796)
Finance costs		(1,356)	(1,075)
Loss before taxation		(29,731)	(9,871)
Taxation	6	11	439
Loss for the period		(29,720)	(9,432)
Attributable to:			
– Equity holders of the Company		(29,709)	(9,708)
– Minority interest		(11)	276
		(29,720)	(9,432)
Dividends	7	–	–
Loss per share attributable to equity holders of the Company	8		
– Basic and diluted		(HK1.98 cents)	(HK8.02 cents)

**CONDENSED CONSOLIDATED BALANCE SHEET**

At 30 September 2008

		As at 30 September 2008 HK\$'000 (Unaudited)	As at 31 March 2008 HK\$'000 (Audited)
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		337	376
Goodwill		1,810	1,810
Available-for-sale financial assets		1,216	2,155
Interest in a jointly-controlled entity		–	–
		<u>3,363</u>	<u>4,341</u>
<b>Current assets</b>			
Amount due from customers for contract work		37,449	39,448
Amount due from an associate		2	–
Accounts receivable	9	131,837	131,891
Prepayments, deposits and other receivables		75,966	42,922
Cash and cash equivalents		38,187	15,562
		<u>283,441</u>	<u>229,823</u>
<b>Total assets</b>		<u><u>286,804</u></u>	<u><u>234,164</u></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	11	15,338	14,408
Reserves		111,245	79,324
		<u>126,583</u>	<u>93,732</u>
<b>Minority interests</b>		<u>2,635</u>	<u>2,646</u>
<b>Total equity</b>		<u><u>129,218</u></u>	<u><u>96,378</u></u>

**CONDENSED CONSOLIDATED BALANCE SHEET** *(continued)*

At 30 September 2008

		As at 30 September 2008 HK\$'000 (Unaudited)	As at 31 March 2008 HK\$'000 (Audited)
	Note		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Convertible notes		1,293	1,232
Deferred taxation		43	53
		<hr/> 1,336	<hr/> 1,285
<b>Current liabilities</b>			
Loan from shareholders		49,686	39,301
Accounts payable	10	54,827	54,599
Amount due to customers for contract work		26,351	22,162
Other payables and accruals		25,108	20,314
Bank overdrafts		183	–
Tax payable		95	125
		<hr/> 156,250	<hr/> 136,501
<b>Total liabilities</b>		<hr/> 157,586	<hr/> 137,786
<b>Total equity and liabilities</b>		<hr/> <hr/> 286,804	<hr/> <hr/> 234,164
<b>Net current assets</b>		<hr/> <hr/> 127,191	<hr/> <hr/> 93,322
<b>Total assets less current liabilities</b>		<hr/> <hr/> <hr/> 130,554	<hr/> <hr/> <hr/> 97,663

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended 30 September 2008

	Attributable to equity holders of the Company								
	Issued share capital HK\$'000	Share premium account HK\$'000	Capital reserve HK\$'000	Available- for-sale financial assets fair value reserve HK\$'000	Convertible notes reserve HK\$'000	Exchange translation reserve HK\$'000	(Accumu- lated losses)/ Retained profits HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 April 2008	14,408	49,703	9,800	(531)	83	1,841	18,428	2,646	96,378
Exchange differences	-	-	-	-	-	313	-	-	313
Fair value losses in respect of available-for-sale financial assets	-	-	-	(925)	-	-	-	-	(925)
Released upon disposal of available-for-sale financial assets	-	-	-	200	-	-	-	-	200
Loss for the period	-	-	-	-	-	-	(29,709)	(11)	(29,720)
Total expenses for the period	-	-	-	(725)	-	313	(29,709)	(11)	(30,132)
Issue of shares	930	67,890	-	-	-	-	-	-	68,820
Transaction costs attributable to issue of shares	-	(5,848)	-	-	-	-	-	-	(5,848)
<b>At 30 September 2008 (unaudited)</b>	<b>15,338</b>	<b>111,745</b>	<b>9,800</b>	<b>(1,256)</b>	<b>83</b>	<b>2,154</b>	<b>(11,281)</b>	<b>2,635</b>	<b>129,218</b>
At 1 April 2007	12,108	34,086	9,800	273	-	788	55,483	2,569	115,107
Exchange differences	-	-	-	-	-	254	-	-	254
Fair value gains in respect of available-for-sale financial assets	-	-	-	619	-	-	-	-	619
Net income recognized directly in equity	-	-	-	619	-	254	-	-	873
Loss for the period	-	-	-	-	-	-	(9,708)	276	(9,432)
<b>At 30 September 2007 (unaudited)</b>	<b>12,108</b>	<b>34,086</b>	<b>9,800</b>	<b>892</b>	<b>-</b>	<b>1,042</b>	<b>45,775</b>	<b>2,845</b>	<b>106,548</b>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

For the six months ended 30 September 2008

	<b>Six months ended</b>	
	<b>30 September</b>	
	2008	2007
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash outflow from operating activities	(50,177)	(14,363)
Net cash inflow from investing activities	29	721
Net cash inflow from financing activities	72,590	–
	<hr/>	<hr/>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>22,442</b>	<b>(13,642)</b>
Cash and cash equivalents at the beginning of the period	15,562	32,239
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the period</b>	<b>38,004</b>	<b>18,597</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	38,187	18,597
Bank overdrafts	(183)	–
	<hr/>	<hr/>
	<b>38,004</b>	<b>18,597</b>
	<hr/> <hr/>	<hr/> <hr/>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2008

### 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").

Included in the consolidated balance sheet as at 30 September 2008 is an account receivable of approximately HK\$120,459,000 (As at 31 March 2008: HK\$120,459,000) (the "Receivable Under Dispute"), recorded based on architect's certificates, currently withheld by a major customer of the Group with respect to disputes on claims arising from liquidated damages and alleged environmental related damages in relation to main contract work for a residential development project carried out in Kowloon Tong, Hong Kong, and the claim made by the Group on extension of time (the "EOT Claim") entitlement by the Group. The Receivable Under Dispute were certified by the architects of the residential development project.

The arbitration proceedings to recover the outstanding amount due and negotiations with the customer are still in progress. Despite that the full amount of the accounts receivable balance is being withheld by the major customer, a counter claim was made by the major customer against the Group in relation to claims arising from liquidated damages and alleged environmental related damages in relation to main contract works in a residential development project carried out in Hong Kong in the amount of approximately HK\$122,480,000. In the opinion of the directors, based on legal advice, the major customer does not have sufficient grounds to their entitlement of the EOT Claim, and as a result, the resultant liquidated damages, if any, would not be significant to the Group's financial statements. The directors also considered that the Group has valid grounds to defend against the alleged environmental related damages claimed by the major customers and that the final amount being claimed, if any, would not have a material impact to the Group's financial position.

Based on the foregoing, the directors of the Group are currently unable to determine the reasonable certainty of the outcome of the arbitration. The directors are also unable to determine the time required to recover the Receivable Under Dispute and whether a provision, if any, is required against such receivable at this stage.

As a result of the withholding of settlement of accounts receivable by the customer, the working capital of the Group has been affected. In order to maintain the working capital of the Group, two major shareholders of the Company provided continual financial support to the Group in the form of shareholders' loan, of which approximately HK\$49,686,000 of the loan had been made to the Group as at 30 September 2008 (As at 31 March 2008: HK\$39,301,000).

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 on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the unaudited 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 2008, except for the adoption of the new Hong Kong Financial Reporting Standards ("HKFRSs") and the Hong Kong Accounting Standards ("HKASs") as disclosed below. The condensed consolidated financial statements do not include all the information and disclosures required for annual consolidated financial statements, and should be read in conjunction with the financial statements of the Group for the year ended 31 March 2008.

The Group has adopted, for the first time, the following new interpretations issued by the HKICPA which are effective for the Group's financial year beginning on 1 April 2008.

HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Adoption of the above new interpretations does not have significant impact on the Group's operating results or financial position for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new and revised HKFRSs and HKASs, those have been issued but are not yet effective, in these interim financial statements:

HKFRSs (Amendments)	Improvements to HKFRSs <sup>1</sup>
HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Cost <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a subsidiary, Jointly Controlled Entity or Associate <sup>1</sup>
HKAS 39 and HKFRS 7 (Amendments)	Reclassification of Financial Assets <sup>3</sup>
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) - Int 13	Customer Loyalty Programmes <sup>3</sup>
HK(IFRIC) - Int 15	Agreements for the Construction of Real Estate <sup>1</sup>
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2008

<sup>4</sup> Effective for annual periods beginning on or after 1 October 2008

The Group has not early adopted any new standards, amendments to standards or interpretations that have been issued but are not effective for the year ending 31 March 2009. The Group has already commenced an assessment of their impact but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

### 3. Segment information

The Group's operating businesses are structured and managed separately, according to the nature of their operations and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Details of the business segments are 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 corporate and others segment comprises the Group's corporate income and expenses items.

#### Business Segments

The following table presents revenue and loss, assets and liabilities for the Group's business segments.

	Building construction		Renovation, repairs and maintenance		Corporate and others		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September		30 September	
	2008	2007	2008	2007	2008	2007	2008	2007
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Segment revenue:								
Contract revenue from external customers	9,993	3,064	36,056	10,281	-	-	46,049	13,345
Other revenue	-	20	781	21	-	-	781	41
<b>Total</b>	<b>9,993</b>	<b>3,084</b>	<b>36,837</b>	<b>10,302</b>	<b>-</b>	<b>-</b>	<b>46,830</b>	<b>13,386</b>
Segment results	368	20	781	1,655	(29,626)	(11,811)	(28,477)	(10,136)
Interest and unallocated gains							102	1,340
Loss from operating activities							(28,375)	(8,796)
Finance costs							(1,356)	(1,075)
Loss before taxation							(29,731)	(9,871)
Taxation							11	439
Loss for the period							(29,720)	(9,432)

3. Segment information (continued)  
Business Segments (continued)

	Building construction		Renovation, repairs and maintenance		Corporate and others		Consolidated	
	30 September 2008	31 March 2008	30 September 2008	31 March 2008	30 September 2008	31 March 2008	30 September 2008	31 March 2008
	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Segment assets	152,195	157,390	33,032	31,845	62,172	27,213	247,399	216,448
Interest in a jointly-controlled entity	-	-	-	-	-	-	-	-
Unallocated assets							39,405	17,716
Total assets							286,804	234,164
Segment liabilities	56,091	60,523	32,184	23,630	1,302	2,739	89,577	86,892
Unallocated liabilities							68,009	50,894
Total liabilities							157,586	137,786
Other segment information:								
Depreciation	1	7	25	54	24	61	50	122
Capital expenditure	-	-	-	-	6	287	6	287
Impairment loss on accounts receivable	-	-	-	16	-	-	-	16

Geographical Segments

	Hong Kong		The People's Republic of China ("PRC")		Total	
	30 September 2008	31 March 2008	30 September 2008	31 March 2008	30 September 2008	31 March 2008
	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Segment revenue	33,197	34,330	12,852	28,867	46,049	63,197
Total segment assets	273,144	216,167	13,660	17,997	286,804	234,164
Capital expenditure	6	164	-	123	6	287

#### 4. Turnover and Revenue

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

An analysis of turnover and other revenue is as follows:

	Six months ended 30 September	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
<b>Turnover:</b>		
Contract revenue	46,049	13,345
<b>Other revenue:</b>		
Management fee income, net	–	20
Advertising income	183	–
Bank interest income	202	360
Other interest income	54	61
Rental income	21	(1)
Refund of provident fund unvested benefit	–	42
Bad debts recovered	–	300
Sundry income	103	270

#### 5. Loss from operating activities

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

	Six months ended 30 September	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Depreciation	50	73
Amount capitalised as contract costs	(1)	(5)
	<u>49</u>	<u>68</u>
and after crediting:		
Gain on disposal of property, plant & equipment	<u>(498)</u>	<u>(21)</u>

## 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 2008 (30 September 2007: 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	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Current taxation:		
Provision for taxation – PRC	–	–
Over provision in prior years – Hong Kong	–	439
	<hr/>	<hr/>
	–	439
Deferred taxation:		
Reversal during the period	11	–
	<hr/>	<hr/>
	11	439
	<hr/> <hr/>	<hr/> <hr/>

## 7. Dividends

The directors do not recommend the payment of an interim dividend in respect of the six months ended 30 September 2008 (30 September 2007: Nil).

## 8. Loss per share attributable to equity holders of the Company

The calculation of basic loss per share amounts is based on the loss for the six months ended 30 September 2008 attributable to equity holders of the Company of approximately HK\$29,709,000 (30 September 2007: loss of HK\$9,708,000) and the weighted average number of ordinary shares in issue during the financial period under review of 1,502,830,000 (As at 30 September 2007: 121,083,000).

Diluted loss per share for the six months ended 30 September 2008 and 2007 were the same as the basic loss per share. The company's outstanding convertible notes were not in the calculation of diluted loss per share because the effect of the company's outstanding convertible notes was anti-dilutive.

### 9. Accounts receivable

The payment term of contract work was stipulated in the relevant contracts.

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

	As at 30 September 2008 HK\$'000 (Unaudited)	As at 31 March 2008 HK\$'000 (Audited)
Within 30 days	11,155	5,983
31 – 90 days	–	2,776
91 – 180 days	–	1,708
Over 180 days	120,682	121,448
	<b>131,837</b>	<b>131,915</b>
Less: Impairment losses on accounts receivable	–	(24)
	<b>131,837</b>	<b>131,891</b>

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 2008, no retentions held by customers for contract work were included in accounts receivable (31 March 2008: Nil).

### 10. Accounts payable

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

	As at 30 September 2008 HK\$'000 (Unaudited)	As at 31 March 2008 HK\$'000 (Audited)
Within 30 days	4,821	4,058
31 – 90 days	–	198
91 – 180 days	130	43
Over 180 days	49,876	50,300
	<b>54,827</b>	<b>54,599</b>

As at 30 September 2008, no retentions payable are included in accounts payable under current liabilities (31 March 2008: Nil).

## 11. Share capital

	As at 30 September 2008 HK\$'000 (Unaudited)	As at 31 March 2008 HK\$'000 (Audited)
<i>Authorised:</i>		
10,000,000,000 ordinary shares of HK\$0.01 each	100,000	100,000
<i>Issued and fully paid:</i>		
1,533,830,000 (31 March 2008: 1,440,830,000) ordinary shares of HK\$0.01 each	15,338	14,408

### Notes:

During the period from 1 April 2008 to 30 September 2008, the movements in the share capital of the Company were as follows:

On 30 May 2008, the Company has entered into the placing and subscription agreement in relation to the placing of 93,000,000 shares at a placing price of HK\$0.74 per share. The net proceeds of approximately HK\$63,000,000 would be used for the acquisition of Beijing Railsmedia Advertisement Co., Limited 北京鐵聯通達廣告傳媒有限公司 (“北京鐵聯通達”) and as general working capital of the Group.

## 12. Share option scheme

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants for their contributions to the Group. Eligible participants of the Scheme include the part-time or full-time employee, executive or officer of the Group (including the executive and non-executive directors of the Company), business consultants, agents, financial or legal advisers who the board of directors of the Company considers, in its sole discretion, will contribute or have contributed to the Group.

The Scheme became effective on 6 September 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

At the annual general meeting (“AGM”) of the Company held on 29 August 2008, the maximum number of unexercised share options permitted to be granted under the Scheme has been refreshed to 10% of the shares of the Company in issue at the date of AGM. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue as at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders’ approval in general meeting.

## 12. Share option scheme (continued)

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue on the date of offer and with an aggregate value (based on the closing price of the Company's shares at the date of the offer) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors and, commences after a certain period and, ends on a date which is not later than 10 years from the date of grant.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of grant of the share options; (ii) the average Stock Exchange closing price of the Company's share for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

As at the date of approval of these financial statements, the total number of shares available for issue under the Scheme is 153,383,000 shares representing 10% of the total issued share capital of the Company on that date.

No share option was granted, exercised, cancelled or lapsed under the Scheme during the period ended 30 September 2008.

## 13. Contingent liabilities


At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

- (a) Guarantees given to banks in connection with facilities granted to subsidiaries by the Company of approximately HK\$23,000,000 (31 March 2008: HK\$23,000,000).

As at 30 September 2008 and 31 March 2008, the guarantees given to banks in connection with facilities granted to subsidiaries by the Company were not utilized.

The carrying amount of the financial guarantee contracts recognised in the Company's balance sheet in accordance with HKAS 39 and HKFRS 4 (Amendments) were approximately HK\$740,000 (31 March 2008: HK\$740,000). The financial guarantee contracts were eliminated on consolidation.





### 13. Contingent liabilities (continued)

- (b) In the normal course of business, the Group is subject to claims of liquidated damages by relevant employers due to a delay in completion of certain phases of construction contracts. The Group has filed extension of time claims with the relevant employers and the directors, based on legal advice, consider that the Group has valid reasons for the extension of time claims. As at the date of approval of these financial statements, the directors are of the opinion that the amount of the ultimate liquidated damages, if any, cannot be ascertained, however, any resulting liability would unlikely materially affect the financial position of the Group.
- (c) 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 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 13 May 2004, 19 August 2004, 23 August 2005, 28 September 2005 and 4 September 2006, two District Court actions and three High Court actions had commenced by four employees against subsidiaries of the Group and the other respondents in respect of claims for employees' compensation under the common law for personal injuries sustained by the employees in accidents arising in and out of the course of their employments and personal injury, loss and damage arising out of the negligence.

No settlements have been reached and no judgment has been made against the subsidiaries of the Group in respect of the above actions. In the opinion of the directors, the above actions with four employees were either covered by insurance or indemnified by a subcontractor and would not have any material adverse impact on the Group. Therefore, no provision in respect of such claim was made in the financial statements.

**13. Contingent liabilities (continued)**

- (e) 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 a residential development project in Kowloon Tong, Hong Kong. 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-activate 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 material adverse impact on the Group's financial position.

- (f) 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 material adverse impact on the Group's financial position. Therefore, no provision in respect of such claims was made in the financial statements.
- (g) On 7 December 2006, 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 subcontracting works performed in a residential development project in Kowloon Tong, Hong Kong. The amount of claim was approximately HK\$5,629,000. On 24 February 2007, the subsidiary of the Group sought to counterclaim against the subcontractor of approximately HK\$8,062,000.

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 material adverse impact on the Group's financial position. Therefore, no provision in respect of such claims was made in the financial statements.

**13. Contingent liabilities (continued)**

- (h) On 28 March 2007, 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 a residential development project in Kowloon Tong, Hong Kong. The amount of claim was approximately HK\$3,253,000. On 29 June 2007, the subsidiary of the Group sought to counterclaim against the subcontractor of approximately HK\$232,000 together with an order for indemnity for a sum amounting to approximately HK\$4,389,000.

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 material adverse impact on the Group's financial position. Therefore, no provision in respect of such claims was made in the financial statements.

- (i) On 25 September 2008, a High Court action was commenced by a subcontractor of the Group against a subsidiary of the Group in respect of subcontracting works performed in a residential development project in Kowloon Tong, Hong Kong. The amount of claim was approximately HK\$12,600,000. The subsidiary of the Group has exercised its option to refer this case to arbitration.

As at the date of approval of these financial statements, no decision has been made. 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 material adverse impact on the Group's financial position. Therefore, no provision in respect of such claims was made in the financial statements.

Save as disclosed above, as at 30 September 2008, the Group and the Company had no other material contingent liabilities.

**14. Operating lease commitments**

The Group leases a warehouse and office premises under operating lease arrangements, with leases negotiated for terms ranging from one to two years.

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 30 September 2008 HK\$'000 (Unaudited)	As at 31 March 2008 HK\$'000 (Audited)
Within one year	969	974
In the second to fifth years, inclusive	306	898
	1,275	1,872

## 15. Capital commitments

	As at 30 September 2008 HK\$'000 (Unaudited)	As at 31 March 2008 HK\$'000 (Audited)
Commitments for the acquisition of a Company	<u>298,000</u>	295,000

On 24 September 2007, a wholly-owned subsidiary of the Company entered into an agreement and a supplemental agreement for the acquisition of 北京鐵聯通達. The total consideration for the acquisition is approximately HK\$321 millions which is to be satisfied by a combination of internal cash resources, bank borrowings, shareholders' loan, convertible notes, placing of new shares and other possible means of financing.

## 16. Related party transactions

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the period:

	Notes	30 September 2008 HK\$'000 (Unaudited)	30 September 2007 HK\$'000 (Unaudited)
Management fees received from WH-SCG, a jointly-controlled entity	(i)	–	20
Renovation fees received from Shanghai Jinjiang International Investment Co. Ltd ("Jinjiang") and its subsidiaries and associates	(ii)	744	874
Operating leases receivable from Maximizer Asia (Shanghai) Ltd	(iii)	21	18
Renovation fees received from Shellin Investment Ltd	(iv)	<u>78</u>	–

In the opinion of the directors, the above transactions arose in the ordinary course of business of the Group.



Notes:

- (i) The management fees were charged at cost based on the salary of staff assigned to a project of WH-SCG and were mutually agreed between the two parties.
- (ii) Jinjiang is the minority shareholder of Jinjiang Wing Hong. The renovation fees were received in accordance with the terms of the renovation agreements signed between Jinjiang Wing Hong and Jinjiang and its subsidiaries and associates.
- (iii) Monthly Shanghai office rental fee receivable from Maximizer Asia (Shanghai) Ltd, Mr. Hui Kau Mo is the non-executive director and Mr. Liu Kwong Sang is the independent non-executive director of abc Multiactive Limited, which is the ultimate holding company of Maximizer Asia (Shanghai) Ltd.
- (iv) Shellin Investment Limited is controlled by Mr. Hui Chi Yang and Mr. Hui Chi Yung. Mr. Hui Chi Yang is a director of certain subsidiaries of the Group. Mr. Hui Chi Yung is a director of the Company. The rental expense was charged based on the floor area occupied by the Group at rates mutually agreed between the two parties. The renovation fees were charged based on the works done at rates mutually agreed between the two parties.

**17. Subsequent event**

On 6 November 2008, the initial stage of acquiring 北京鐵聯通達, which was contracted by a wholly owned subsidiary of the Company on 24 September 2007 has been completed. Since then, 北京鐵聯通達 would become our non-wholly owned subsidiary.

**18. Approval of the financial statement**

The unaudited financial statements were approved and authorised for issue by the Board of Directors on 12 December 2008.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

Our core businesses still are building construction and renovation and fitting out works. We also cooperate with strategic partners on project basis. Majority of the Group turnover was derived from renovation and fitting out works during the period under review.

In Hong Kong, there's no sign of improvement in the construction industry. The construction works, no matter it's commenced in the financial period concerned or projects under constructions still kept in a lower level when compared with previous years. The ongoing reduction of construction contract prices from property developers made the situation even worse.

The Group is continuing to downsize the construction department. However, to maintain the quality of our works and reasonable level of safety at site, some essential costs are unavoidable. The Group aims to keep our quality with lowest cost.

On the other hands, in order to reflect our Group to step into the Mainland China's advertising market, with effective from 2 September 2008, the name of the Company has been changed from "Wing Hong (Holdings) Limited" to "China Railsmedia Corporation Limited".

### Prospect

In November 2008, the initial stage of acquiring 北京鐵聯通達 has been completed. It is a company incorporated in the Mainland China with limited liability which is engaged in media sales and management services for the multi-media business and the operation of media advertising spaces together with the provision of rail transit value-added services through LCD displays located at the ticketing offices of each station in the Mainland China. Thus, 北京鐵聯通達 would become our non-wholly owned subsidiary and start to contribute revenue to the Group.

In review of the recent global financial environment across the world, uncertainties and increased difficulties in Mainland China advertisement market would be created. To face these unforeseen circumstances, our Group will adopt a conservative approach in planning the implementation of LCD displays in stations.

The Group will continue to drive for operational efficiencies and reduce operating costs and take necessary precautions and measures to prepare for the difficult period going ahead.



## Financial Review

For the six months ended 30 September 2008, the Group recorded a turnover of approximately HK\$46.0 million in comparing to HK\$13.3 million in corresponding period last year. Gross profit recorded HK\$1.2 million, whilst in last year same period, the gross profit was HK\$1.6 million. Net loss attributable to equity shareholders of the Company for this period was increased to HK\$29.7 million, as compared with HK\$9.7 million recorded in corresponding period last year.

## Liquidity and financing

There were no bank borrowings as at 30 September 2008 and 31 March 2008. The Group's cash and bank deposits (net of overdrafts) were approximately HK\$38.0 million (31 March 2008: HK\$15.6 million).

The Group's gearing ratio, calculated by aggregate of interest-bearing borrowings, loans from shareholders and other non-current liabilities over total assets, increase slightly to 17.8% at 30 September 2008 from 17.3% at 31 March 2008.

## 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 2008 and 31 March 2008, the Group had no time deposits pledged for performance bond facilities.

## Use of proceeds

On 30 May 2008, the Company has entered into the placing and subscription agreement in relation to the placing of 93,000,000 shares at a placing price of HK\$0.74 per share. The net proceeds of approximately HK\$63,000,000 would be used for the acquisition of 北京鐵聯通達 and as general working capital of the Group.

## Employment information

On 30 September 2008, the Group had 73 full time employees (31 March 2008: 59 employees), the majority of whom are employed in Hong Kong. They are remunerated at market level with benefits such as medical, retirement benefit and share option scheme.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 30 September 2008, the interests and short positions of the directors in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long position in Shares, underlying shares and debentures of the Company or its associated corporations:

Name of Director	Company/name of associated corporation	Capacity	Name and class of securities/approximate shareholding percentage (Note 1)
Mr. Hui Chi Yung	Company	Settlor/Founder of The Wing Hong Trust (Note 2)	733,118,560 Shares/ 47.80% (L)
	Rich Place Investment Limited	Settlor/Founder of The Wing Hong Trust (Note 3)	1 ordinary share/ 100% (L)
	Wise Win Enterprises Limited	Settlor/Founder of The Wing Hong Trust (Note 4)	1 ordinary share/ 100% (L)
Mr. Yiu Kai Yeuk Raphael	Company	Corporate interest (Note 5)	65,053,440 Shares/ 4.24% (L)
	Beatrice Construction Limited	Beneficial owner	96,000 ordinary shares/ 10% (L)
Mr. Hui Kau Mo	Company	Settlor/Founder of The Wing Hong Trust (Note 2)	733,118,560 Shares/ 47.80% (L)
	Rich Place Investment Limited	Settlor/Founder of The Wing Hong Trust (Note 3)	1 ordinary share/ 100% (L)
	Wise Win Enterprises Limited	Settlor/Founder of The Wing Hong Trust (Note 4)	1 ordinary share/ 100% (L)



## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

Notes:

1. The letter "L" denotes the Director's long position in such securities.
2. These shares are held by Rich Place Investment Limited ("Rich Place"), which is wholly owned by RBTT Trust Cooperation ("RBTT"), and Wise Win Enterprises Limited, a wholly owned subsidiary of Rich Place. RBTT is the trustee of The Wing Hong Trust, a discretionary trust whose beneficiaries are the family members of Mr. Hui Kau Mo.
3. The share is held by RBTT. RBTT is the trustee of The Wing Hong Trust, a discretionary trust whose beneficiaries are the family members of Mr. Hui Kau Mo.
4. The share is held by Rich Place.
5. These shares are held by Million Honest Limited, the entire issued share capital of which is held by Mr. Yiu Kai Yeuk, Raphael.

Save as disclosed above, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2008, the interests and short positions (other than the directors of the Company) of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests in the shares and underlying shares of the Company, as required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

Long position in shares, underlying shares and debentures of the Company or its associated corporations:—

Name	Company/Group Member	Capacity	Class and number of securities/approximate shareholding percentage <i>(Note 1)</i>
The Wing Hong Trust	Company	Beneficial owner <i>(Note 2)</i>	733,118,560 Shares/ 47.80% (L)
Chin Ivan	Company	Beneficial owner	104,920,000 Shares/ 6.84% (L)

## **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES** *(continued)*

Notes:

1. The letter "L" denotes the long position in such securities.
2. These shares are held by Rich Place and Wise Win Enterprises Limited, a wholly owned subsidiary of Rich Place. The entire issued share capital of Rich Place is held by RBTT, 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.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares, underlying shares and debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## **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 2008.

## **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 2008 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 2008.

## 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, 12 December 2008

*As at the date of this report, the Board of Directors comprises Mr. Hui Chi Yung, Mr. Yiu Kai Yeuk, Raphael 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.*