

Interim Report **2009**

**We Shape the**  
**Future**



**CHINA RAILSMEDIA CORPORATION LIMITED**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 745)

## **CORPORATE INFORMATION**

### **DIRECTORS**

#### **Executive Directors**

Mr. Hiu 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. Li Chik Ming

### **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 ISLANDS 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**

Tricor 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 2009, together with the appropriate comparative figures as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2009

		Six months ended 30 September	
	Note	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Turnover	4	74,854	46,049
Cost of sales		(72,892)	(44,872)
Gross profit		1,962	1,177
Other revenue	4	230	563
Other income	5	7	533
Administrative expenses		(22,504)	(30,648)
Other operating expenses		(118)	–
Loss from operating activities	5	(20,423)	(28,375)
Finance costs		(2,540)	(1,356)
Loss before taxation		(22,963)	(29,731)
Taxation	6	8	11
Loss for the period		(22,955)	(29,720)
Attributable to:			
– Equity holders of the Company		(20,076)	(29,709)
– Minority interest		(2,879)	(11)
		(22,955)	(29,720)
Dividends	7	–	–
Loss per share attributable to equity holders of the Company	8		
– Basic and diluted		(HK1.30 cents)	(HK1.98 cents)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the six months ended 30 September 2009

	Six months ended 30 September	
	2009 (Unaudited)	2008 (Unaudited)
Loss for the period	(22,955)	(29,720)
Other comprehensive income:		
Exchange differences arising on translation of foreign operations	101	313
Available-for-sale financial assets	1,273	(725)
	<hr/>	<hr/>
Other comprehensive income for the period	1,374	(412)
	<hr/>	<hr/>
Total comprehensive income for the period	(21,581)	(30,132)
	<hr/> <hr/>	<hr/> <hr/>
Attributable to:		
– Equity holders of the Company	(18,702)	(30,121)
– Minority interest	(2,879)	(11)
	<hr/>	<hr/>
	(21,581)	(30,132)
	<hr/> <hr/>	<hr/> <hr/>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 30 September 2009

		As at 30 September 2009 HK\$'000 (Unaudited)	As at 31 March 2009 HK\$'000 (Audited)
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		10,854	12,569
Goodwill		36,810	36,810
Available-for-sale financial assets		–	1,199
Interest in a jointly-controlled entity		–	–
		<hr/> 47,664	<hr/> 50,578
<b>Current assets</b>			
Amount due from customers for contract work		39,122	36,791
Accounts receivable	9	131,202	131,765
Prepayments, deposits and other receivables		37,085	37,472
Amount due from an associate		29	2
Cash and cash equivalents		22,788	24,394
		<hr/> 230,226	<hr/> 230,424
<b>Total assets</b>		<hr/> <b>277,890</b>	<hr/> <b>281,002</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	11	15,538	15,338
Reserves		50,958	68,451
		<hr/> 66,496	<hr/> 83,789
Minority interests		31,237	34,116
		<hr/> 97,733	<hr/> 117,905
<b>Total equity</b>		<hr/> <b>97,733</b>	<hr/> <b>117,905</b>

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

At 30 September 2009

		As at 30 September 2009 HK\$'000 (Unaudited)	As at 31 March 2009 HK\$'000 (Audited)
	Note		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Convertible notes		–	1,358
Deferred taxation		18	31
		<hr/>	<hr/>
		18	1,389
<b>Current liabilities</b>			
Loan from shareholders		57,754	51,763
Accounts payable	10	52,653	52,946
Amount due to customers for contract work		18,282	24,930
Other payables and accruals		46,489	31,937
Bank overdrafts		4,630	–
Tax payable		331	132
		<hr/>	<hr/>
		180,139	161,708
		<hr/>	<hr/>
<b>Total liabilities</b>		180,157	163,097
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		277,890	281,002
		<hr/> <hr/>	<hr/> <hr/>
<b>Net current assets</b>		50,087	68,716
		<hr/> <hr/>	<hr/> <hr/>
<b>Total assets less current liabilities</b>		97,751	119,294
		<hr/> <hr/>	<hr/> <hr/>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended 30 September 2009

	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	(Accumulated losses)/ Retained profits HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 April 2009	15,338	111,746	9,800	(1,273)	83	3,494	(55,399)	34,116	117,905
Exchange differences	-	-	-	-	-	101	-	-	101
Fair value gains in respect of available-for-sale financial assets	-	-	-	-	-	-	-	-	-
Released upon disposal of available-for-sale financial assets	-	-	-	1,273	-	-	-	-	1,273
Loss for the period	-	-	-	-	-	-	(20,076)	(2,879)	(22,955)
Total expenses for the period	-	-	-	1,273	-	101	(20,076)	(2,879)	(21,581)
Conversion of convertible notes	200	1,292	-	-	(90)	-	-	-	1,402
Deferred tax released upon conversion of convertible notes	-	-	-	-	7	-	-	-	7
Transaction costs attributable to issue of shares	-	-	-	-	-	-	-	-	-
<b>At 30 September 2009 (unaudited)</b>	<b>15,538</b>	<b>113,038</b>	<b>9,800</b>	<b>-</b>	<b>-</b>	<b>3,595</b>	<b>(75,475)</b>	<b>31,237</b>	<b>97,733</b>
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>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the six months ended 30 September 2009

	Six months ended 30 September	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Net cash outflow from operating activities	(10,901)	(50,177)
Net cash inflow from investing activities	1,565	29
Net cash inflow from financing activities	3,100	72,590
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(6,236)</b>	<b>22,442</b>
Cash and cash equivalents at the beginning of the period	24,394	15,562
<b>Cash and cash equivalents at the end of the period</b>	<b>18,158</b>	<b>38,004</b>
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	22,788	38,187
Bank overdrafts	(4,630)	(183)
	<b>18,158</b>	<b>38,004</b>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2009

### 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 statement of financial position as at 30 September 2009 is an accounts receivable of approximately HK\$120,459,000 (As at 31 March 2009: 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\$57,754,000 of the loan had been made to the Group as at 30 September 2009 (As at 31 March 2009: HK\$51,763,000).

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 2009, 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 2009.

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 HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 April 2009.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Cost
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Financial Instruments Disclosures – Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Interpretation ("Int") 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendments to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

HKAS 1 (Revised) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure.

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 "Segment Reporting", required the identification of two sets of segments (business and geographical) using a risks and returns approach. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3).

The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognized.

## 2. Principal accounting policies (continued)

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

HKFRSs (Amendment)	Improvements to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 <sup>1</sup>
HKFRSs (Amendment)	Improvements to HKFRSs issued in 2009 <sup>2</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>1</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>1</sup>
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters <sup>1</sup>
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions <sup>3</sup>
HKFRS 3 (Revised)	Business Combinations <sup>1</sup>
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners <sup>1</sup>
HK(IFRIC) – Int 18	Transfers of Assets from Customers <sup>4</sup>

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

<sup>2</sup> Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2010

<sup>4</sup> Effective for transfers on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of other new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

## 3. Segment information

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. the board of directors of the Company) in order to allocate resources to the segment and to assess their performance. In contrast, the predecessor standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. The application of HKFRS 8 has not resulted in the redesignation of the Group's reportable segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

### 3. Segment information (continued)

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

	Building construction		Renovation, repairs and maintenance		Advertising		Corporate and others		Consolidated	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		Six months 30 September	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue:										
Contract revenue from external customers	29,904	9,993	44,660	36,056	290	-	-	-	74,854	46,049
Other revenue and other income	-	-	-	568	-	-	-	-	-	568
<b>Total</b>	<b>29,904</b>	<b>9,993</b>	<b>44,660</b>	<b>36,624</b>	<b>290</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>74,854</b>	<b>46,617</b>
Segment results	1,767	368	2,024	781	(6,377)	-	(18,074)	(30,052)	(20,660)	(28,903)
Interest and unallocated gains									237	528
Unallocated expenses									-	-
Loss from operating activities									(20,423)	(28,375)
Finance costs									(2,540)	(1,356)
Loss before taxation									(22,963)	(29,731)
Taxation									8	11
Loss for the period									(22,955)	(29,720)

## 3. Segment information (continued)

	Building construction		Renovation, repairs and maintenance		Advertising		Corporate and others		Consolidated	
	30 September 2009	31 March 2009	30 September 2009	31 March 2009	30 September 2009	31 March 2009	30 September 2009	31 March 2009	30 September 2009	31 March 2009
	HK\$'000 (Unaudited)	HK\$'000 (Audited)	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	156,708	154,937	28,560	33,069	57,540	59,062	12,266	12,274	255,074	259,342
Interest in a JCE							-	-	-	-
Unallocated assets									22,816	21,660
Total assets									277,890	281,002
Segment liabilities	69,052	54,087	17,589	29,024	6,093	4,245	6,774	5,155	99,508	92,511
Unallocated liabilities									80,649	70,586
Total liabilities									180,157	163,097
Other segment information:										
Depreciation	1	1	21	47	1,732	1,280	23	49	1,777	1,377
Capital expenditure	-	-	-	-	63	2,180	-	6	63	2,186
Impairment loss on goodwill	-	-	-	-	-	22,823	-	-	-	22,823

## 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	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
<b>Turnover:</b>		
Contract revenue	74,564	46,049
Advertising income	290	-
	<u>74,854</u>	<u>46,049</u>
<b>Other revenue:</b>		
Bank interest income	4	202
Other interest income	37	54
Rental income	20	21
Sundry income	169	286
	<u>230</u>	<u>563</u>

## 5. Loss from operating activities

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

	Six months ended 30 September	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Depreciation	1,777	50
Amount capitalised as contract costs	(1,517)	(1)
	<u>260</u>	<u>49</u>
and after crediting:		
Other income:		
Dividend income	7	35
Gain on disposal of property, plant & equipment	–	498
	<u>7</u>	<u>533</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 2009 (30 September 2008: 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	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Current taxation:		
Provision for taxation – PRC	–	–
Over provision in prior years – Hong Kong	–	–
	<u>–</u>	<u>–</u>
Deferred taxation:		
Reversal during the period	8	11
	<u>8</u>	<u>11</u>

## 7. Dividends

The directors do not recommend the payment of an interim dividend in respect of the six month ended 30 September 2009 (30 September 2008: 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 2009 attributable to equity holders of the Company of approximately HK\$20,076,000 (30 September 2008: loss of HK\$29,709,000) and the weighted average number of ordinary shares in issue during the financial period under review of 1,540,606,000 (As at 30 September 2008: 1,502,830,000).

Diluted loss per share for the period ended 30 September 2009 and 2008 were the same as the basic loss per share. For the period ended 30 September 2008, 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 2009 HK\$'000 (Unaudited)	As at 31 March 2009 HK\$'000 (Audited)
Within 30 days	9,713	10,353
31 – 90 days	106	258
91 – 180 days	171	291
Over 180 days	121,236	120,887
	<hr/>	<hr/>
	131,226	131,789
Less: Impairment losses on accounts receivable	24	24
	<hr/>	<hr/>
	131,202	131,765

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 2009, no retentions held by customers for contract work were included in accounts receivable (31 March 2009: Nil).

**10. Accounts payable**

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

	As at 30 September 2009 HK\$'000 (Unaudited)	As at 31 March 2009 HK\$'000 (Audited)
Within 30 days	2,266	4,134
31 – 90 days	502	6
91 – 180 days	1,047	98
Over 180 days	48,838	48,708
	<hr/>	<hr/>
	52,653	52,946

As at 30 September 2009, no retentions payable are included in accounts payable under current liabilities (31 March 2009: Nil).

## 11. Share capital

	As at 30 September 2009 HK\$'000 (Unaudited)	As at 31 March 2009 HK\$'000 (Audited)
<i>Authorised:</i>		
10,000,000,000 ordinary shares of HK\$0.01 each	100,000	100,000
<i>Issued:</i>		
1,553,830,000 (31 March 2009: 1,533,830,000) ordinary shares of HK\$0.01 each	15,538	15,338

### Notes:

During the period from 1 April 2009 to 30 September 2009, the movements in the share capital of the Company were as follows:

On 30 July 2009, convertible note with aggregate amount of HK\$1,600,000 was converted into the ordinary shares of the Company. Total number of ordinary shares converted was 20,000,000.

## 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.

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.



## 12. Share option scheme (continued)

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 155,383,000 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 2009.

## 13. Contingent liabilities

(a) 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.

(b) 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.

(c) 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-active the proceedings upon a three day written notice to the subsidiary of the Group. Since this date and up to the date of approval of these financial statements, the arbitration has been dormant and there has been no activity arisen by the parties.

### 13. Contingent liabilities (continued)

(c) (continued)

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.

- (d) 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.
- (e) 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.

- (f) 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.

- (g) On 12 March 2009, a subsidiary of the Group received a writ of summons from a subcontractor in respect of a claim against the subsidiary of the Group in respect of a claim of a construction project performed at Beacon Hill Road, Kowloon ("Beacon Hill Project") and Proposed Church Development at 118 Gloucester Road, Wanchai ("Church Project"). The amounts of claims were approximately HK\$3,358,000 and HK\$100,000 respectively.

As at the date of approval of these financial statements, all claims in relation to the Church Project (HK\$100,000) have been settled with the subcontractor. For the Beacon Hill Project, in the opinion of the directors, based on legal advice, the subsidiary of the Group has valid defence against such claim 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 claim was made in the financial statements.

**13. Contingent liabilities (continued)**

- (h) On 19 June 2009, a subsidiary of the Group received a notice of arbitration from a subcontractor in respect of a claim against the subsidiary of the Group in respect of subcontract works performed in a residential development project in Kowloon Tong, Hong Kong. The amount of claim was approximately HK\$5,696,000.

Since this date and up to the date of approval of these financial statements, the arbitration has been dormant and there has been no activity arisen by the parties. In the opinion of the directors, based on legal advice, the subsidiary of the Group has valid defence against such claim 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 claim was made in the financial statements.

- (i) On 24 August 2009, a subsidiary of the Group received a notice of arbitration from a subcontractor in respect of a claim against the subsidiary of the Group in respect of subcontract works performed in a residential development project in Lai Chi Kok, Phase I. The amount of claim was approximately HK\$2,738,000.

Since this date and up to the date of approval of these financial statements, the arbitration has been dormant and there has been no activity arisen by the parties. In the opinion of the directors, based on legal advice, the subsidiary of the Group has valid defence against such claim 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 claim was made in the financial statements.

- (j) On 1 September 2009, a subsidiary of the Group received a notice of arbitration from a subcontractor in respect of a claim against the subsidiary of the Group in respect of subcontract works performed in a residential development project in Kowloon Tong, Hong Kong. The amount of claim was approximately HK\$6,251,000.

Since this date and up to the date of approval of these financial statements, the arbitration has been dormant and there has been no activity arisen by the parties. In the opinion of the directors, based on legal advice, the subsidiary of the Group has valid defence against such claim 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 claim was made in the financial statements.

- (k) On 14 September 2009, a subsidiary of the Group received a writ of summons from a subcontractor in respect of a claim against the subsidiary of the Group in respect of a construction project performed at Tung Chung Area 30, Phase 4, N.T. The amount of claim was approximately HK\$2,090,000.

As at the date of approval of these financial statements, no decision had been made in the court proceedings as this is at the initial stage of the disputes. In the opinion of the directors, based on legal advice, the subsidiary of the Group has valid defence against such claim 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 claim was made in the financial statements.

**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 2009 HK\$'000 (Unaudited)	As at 31 March 2009 HK\$'000 (Audited)
Within one year	1,893	1,562
In the second to fifth years, inclusive	701	604
	<u>2,594</u>	<u>2,166</u>

**15. Capital commitments**

	As at 30 September 2009 HK\$'000 (Unaudited)	As at 31 March 2009 HK\$'000 (Audited)
Commitments for the acquisition of a Company	<u>77,461</u>	<u>121,381</u>

**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:

		30 September 2009 HK\$'000 (Unaudited)	30 September 2008 HK\$'000 (Unaudited)
Renovation fees received from Shanghai Jinjiang International Investment Co. Ltd ("Jinjiang") and its subsidiaries and associates	(i)	1,647	744
Operating leases receivable from Maximizer Asia (Shanghai) Ltd	(ii)	20	21
Renovation fees received from Shellin Investment Ltd	(iii)	—	78

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

Notes:

- (i) 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.
- (ii) 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.
- (iii) 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. Approval of the financial statement**

The unaudited financial statements were approved and authorised for issue by the Board of Directors on 4 December 2009.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the six months ended 30 September 2009, the Group recorded a turnover of approximately HK\$74.9 million in comparing to HK\$46.0 million in corresponding period last year. Gross profit recorded HK\$2.0 million, whereas in last year same period, the gross profit was HK\$1.2 million. With the decreasing legal and professional expenditure, net loss attributable to equity shareholders of the Company for this reported period was HK\$20.1 million, as compared with HK\$29.7 million recorded in last year same period.

### Building construction

Revenue from Building construction was HK\$29.9 million for six months ended 30 September 2009 (30 September 2008: HK\$10.0 million).

To be consistent with our policy, the construction department would be downsized and only projects with concrete profit would be tendered.

### Renovation and fitting out works

As the existing projects were approaching completion, the Renovation and fitting out works reported HK\$44.7 million for six months ended 30 September 2009 (30 September 2008: HK\$36.1 million).

There were lots of small scale renovation works in Hong Kong however, it was not appropriate for our company to step into this market.

### Advertisement

Since our advertisement business is a new type of media in Mainland China, it needs time to let our clients to familiar with this business. Also, as mentioned in our 2009 Annual Report, a prudent strategy to slow down the installation of LCD located at the stations has been adopted. As such, the revenue from Advertisement was only HK\$0.3 million (30 September 2008: Nil).

### Financial Review

#### Liquidity and financing

There were no bank borrowings as at 30 September 2009 and 2008. The Group's cash and bank deposits (net of overdrafts) were approximately HK\$18.2 million (31 March 2009: HK\$24.4 million).

The Group's gearing ratio, calculated by aggregate of amount due to a related party, loans from shareholders and other non-current liabilities over total assets, increase to 27.24% at 30 September 2009 from 25.07% at 31 March 2009.

### **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 2009 and 31 March 2009, the Group had no time deposits pledged for performance bond facilities.

### **Employment information**

On 30 September 2009, the Group had 101 full time employees (31 March 2009: 117 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**

Although the aggressive stimulus packages imposed by the US and Chinese governments aimed at restoring the economy after the financial crisis in 2008 have provided some stabilising effects, there are still many uncertainties about future growth as global demand remains weak. In addition, it's foreseen that the investment period for our advertising business in Mainland China will be longer than expected.

Going forward, the Group will continue its prudent business strategies to strengthen the existing advertising businesses. Our management has taken every means to save costs. It's believed that the Group will emerge from this global crisis and turn it into a profitable operation.

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

At 30 September 2009, 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)	743,918,560 Shares/ 47.88% (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/ 4.19% (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)	743,918,560 Shares/ 47.88% (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 2009, 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>	743,918,560 Shares/ 47.88%(L)
Chin Ivan	Company	Beneficial owner	104,920,000 Shares/ 6.75%(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 2009.

## **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 2009 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 2009.

## **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, 4 December 2009

*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.*