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Interim Report
2010

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. 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. Sit Hon Wing

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

Flat C, 3/F., Shing Lee Commercial Building
No. 8 Wing Kut Street, Central
Hong Kong
Telephone 2861 2363
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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 2010, together with the appropriate comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

	Note	Six months ended 30 September	
		2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Turnover	4	34,787	74,854
Cost of sales		(46,961)	(72,892)
Gross (loss)/profit		(12,174)	1,962
Other revenue	4	61	230
Other income	5	960	7
Administrative expenses		(8,172)	(22,504)
Other operating expenses		(26)	(118)
Share of loss of a jointly-controlled entity		(2)	—
Loss from operating activities	5	(19,353)	(20,423)
Finance costs		(128)	(2,540)
Loss before taxation		(19,481)	(22,963)
Taxation	6	—	8
Loss for the period		(19,481)	(22,955)
Attributable to:			
– Owners of the Company		(18,296)	(20,076)
– Minority interest		(1,185)	(2,879)
		(19,481)	(22,955)
Dividends	7	—	—
Basic loss per share attributable to owners of the Company	8	(HK1.18 cents)	(HK1.30 cents)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(continued)*

For the six months ended 30 September 2010

	Six months ended 30 September	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Loss for the period	(19,481)	(22,955)
Other comprehensive income:		
Exchange differences arising on translation of foreign operations	487	101
Available-for-sale financial assets	–	1,273
Other comprehensive income for the period	<u>487</u>	<u>1,374</u>
Total comprehensive expense for the period	<u>(18,994)</u>	<u>(21,581)</u>
Attributable to:		
– Owners of the Company	(17,809)	(18,702)
– Minority interest	(1,185)	(2,879)
	<u>(18,994)</u>	<u>(21,581)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2010

		As at 30 September 2010 HK\$'000 (Unaudited)	As at 31 March 2010 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		10,869	9,831
Goodwill		32,810	32,810
Interest in a jointly-controlled entity		298	300
		<hr/> 43,977	<hr/> 42,941
Current assets			
Amount due from customers for contract work		3,212	26,788
Accounts receivable	9	29,653	26,489
Prepayments, deposits and other receivables		30,620	36,272
Amount due from a jointly-controlled entity		–	160
Cash and cash equivalents		29,887	38,378
		<hr/> 93,372	<hr/> 128,087
Total assets		<hr/> 137,349	<hr/> 171,028
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	11	15,538	15,538
Reserves		(35,041)	(18,810)
		<hr/> (19,503)	<hr/> (3,272)
Minority interests		<hr/> 28,554	<hr/> 29,740
Total equity		<hr/> 9,051	<hr/> 26,468

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 30 September 2010

		As at 30 September 2010 HK\$'000 (Unaudited)	As at 31 March 2010 HK\$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Loan from shareholders		47,217	47,205
		<hr/> 47,217	<hr/> 47,205
Current liabilities			
Loan from shareholders		4,161	4,161
Accounts payable	10	52,315	42,968
Amount due to customers for contract work		3,002	25,208
Other payables and accruals		21,445	24,816
Tax payable		158	202
		<hr/> 81,081	<hr/> 97,355
Total liabilities		<hr/> 128,298	<hr/> 144,560
Total equity and liabilities		<hr/> <hr/> 137,349	<hr/> <hr/> 171,028
Net current assets		<hr/> <hr/> 12,291	<hr/> <hr/> 30,732
Total assets less current liabilities		<hr/> <hr/> 56,268	<hr/> <hr/> 73,673

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2010

	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 2010	15,538	113,038	9,800	-	-	1,061	(142,709)	29,740	26,468
Exchange differences	-	-	-	-	-	2,065	-	-	2,065
Loss for the period	-	-	-	-	-	-	(18,296)	(1,186)	(19,482)
Total expenses for the period	-	-	-	-	-	2,065	(18,296)	(1,186)	(17,417)
At 30 September 2010 (unaudited)	15,538	113,038	9,800	-	-	3,126	(161,005)	28,554	9,051
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
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
At 30 September 2009 (unaudited)	15,538	113,038	9,800	-	-	3,595	(75,475)	31,237	97,733

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2010

	Six months ended	
	30 September	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash outflow from operating activities	(5,885)	(10,901)
Net cash (outflow)/inflow from investing activities	(2,618)	1,565
Net cash inflow from financing activities	12	3,100
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(8,491)	(6,236)
Cash and cash equivalents at the beginning of the period	38,378	24,394
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	29,887	18,158
	<hr/>	<hr/>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	29,887	22,788
Bank overdrafts	–	(4,630)
	<hr/>	<hr/>
	29,887	18,158
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2010

1. Basis of preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs").

In the opinion of the directors, in light of the continual financial support from the major shareholders, the Group would have sufficient financial resources to satisfy its working capital needs for the foreseeable future. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

2. Principal accounting policies

The unaudited condensed consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2010.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRS") issued by HKICPA.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Right Issues
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
Hong Kong (International Financial Reporting Interpretations Committee ("HK (IFRIC)"))	Distributions of Non-cash Assets to Owners
– Interpretation ("Int") 17	

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 April 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 April 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

2. Principal accounting policies (continued)

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures ³
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ²
HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets ⁴
HKFRS 9	Financial Instruments ⁵
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ³
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments ²

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

² Effective for annual periods beginning on or after 1 July 2010

³ Effective for annual periods beginning on or after 1 January 2011

⁴ Effective for annual periods beginning on or after 1 July 2011

⁵ Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. Segment information

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 ended 30 September	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	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	14,982	29,904	18,860	44,660	945	290	-	-	34,787	74,854
Other revenue and other income	-	-	930	-	-	-	-	-	930	-
Total	14,982	29,904	19,790	44,660	945	290	-	-	35,717	74,854
Segment results	(7,226)	1,767	(3,212)	2,024	(4,664)	(6,377)	(4,342)	(18,074)	(19,444)	(20,660)
Interest and unallocated gains									91	237
Unallocated expenses									-	-
Loss from operating activities									(19,353)	(20,423)
Finance costs									(128)	(2,540)
Loss before taxation									(19,481)	(22,963)
Taxation									-	8
Loss for the period									(19,481)	(22,955)
Other segment information:										
Depreciation	-	1	4	21	1,623	1,732	43	23	1,670	1,777
Capital expenditure	-	-	-	-	2,667	63	7	-	2,674	63

3. Segment information (continued)

	Building construction		Renovation, repairs and maintenance		Advertising		Corporate and others		Consolidated	
	30 September 2010	31 March 2010	30 September 2010	31 March 2010	30 September 2010	31 March 2010	30 September 2010	31 March 2010	30 September 2010	31 March 2010
	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	38,109	68,415	7,337	19,819	61,297	51,167	10,311	12,172	117,054	151,573
Unallocated assets									20,295	19,455
Total assets									<u>137,349</u>	<u>171,028</u>
Segment liabilities	56,413	67,658	10,933	13,332	3,016	3,459	1,602	1,638	71,964	86,087
Unallocated liabilities									56,334	58,473
Total liabilities									<u>128,298</u>	<u>144,560</u>

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 2010	
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Turnover:		
Contract revenue	33,842	74,564
Advertising income	945	290
	<u>34,787</u>	<u>74,854</u>
Other revenue:		
Bank interest income	1	4
Other interest income	20	37
Rental income	15	20
Sundry income	25	169
	<u>61</u>	<u>230</u>

5. Loss from operating activities

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

	Six months ended 30 September	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation	1,670	1,777
Amount capitalised as contract costs	(1,547)	(1,517)
	<hr/>	<hr/>
	123	260
	<hr/>	<hr/>
and after crediting:		
Other income:		
Dividend income	–	7
Gain on disposal of property, plant & equipment	5	–
Award of interest from lawsuit	930	–
Sundry income	25	–
	<hr/>	<hr/>
	960	7
	<hr/>	<hr/>

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 2010 (30 September 2009: 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	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current taxation:		
Provision for taxation	–	–
	<hr/>	<hr/>
	–	–
	<hr/>	<hr/>
Deferred taxation:		
Reversal during the period	–	8
	<hr/>	<hr/>
	–	8
	<hr/>	<hr/>

7. Dividends

The directors do not recommend the payment of an interim dividend in respect of the six month ended 30 September 2010 (30 September 2009: Nil).

8. Loss per share attributable to owners of the Company

The calculation of basic loss per share is based on the loss for the six months ended 30 September 2010 attributable to owners of the Company of approximately HK\$18,296,000 (30 September 2009: loss of approximately HK\$20,076,000) and the weighted average number of ordinary shares in issue during the financial period under review of 1,553,830,000 (As at 30 September 2009: 1,540,606,000).

Diluted loss per share for the six months ended 30 September 2010 and 2009 were not presented as there was no dilutive potential ordinary share.

9. Accounts receivable

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

	As at 30 September 2010 HK\$'000 (Unaudited)	As at 31 March 2010 HK\$'000 (Audited)
Within 30 days	9,758	5,220
31 – 90 days	–	44
91 – 180 days	–	305
Over 180 days	19,919	20,944
	<hr/>	<hr/>
	29,677	26,513
Less: Impairment losses on accounts receivable	(24)	(24)
	<hr/>	<hr/>
	29,653	26,489
	<hr/> <hr/>	<hr/> <hr/>

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 2010, no retentions held by customers for contract work were included in accounts receivable (31 March 2010: Nil).

10. Accounts payable

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

	As at 30 September 2010 HK\$'000 (Unaudited)	As at 31 March 2010 HK\$'000 (Audited)
Within 30 days	6,969	4,228
31 – 90 days	5,086	–
91 – 180 days	29	17
Over 180 days	40,231	38,723
	<hr/>	<hr/>
	52,315	42,968
	<hr/> <hr/>	<hr/> <hr/>

As at 30 September 2010, no retentions payable are included in accounts payable under current liabilities (31 March 2010: Nil).

11. Share capital

	As at 30 September 2010 HK\$'000 (Unaudited)	As at 31 March 2010 HK\$'000 (Audited)
<i>Authorised:</i>		
10,000,000,000 ordinary shares of HK\$0.01 each	100,000	100,000
	<hr/>	<hr/>
<i>Issued:</i>		
1,553,830,000 ordinary shares of HK\$0.01 each	15,538	15,538
	<hr/> <hr/>	<hr/> <hr/>

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 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 2010.

13. Contingent liabilities

- (a) On 7 August 2002, a High Court action had commenced by a subcontractor against a subsidiary of the Group in respect of (i) a claim of subcontracting fees and material costs of approximately HK\$31,300,000; and (ii) a compensation claim of approximately HK\$191,200,000 for the improper termination of a subcontracting contract. On 13 September 2002, an agreement was reached between the subsidiary of the Group and the subcontractor that the High Court action was withdrawn and all the disputes between the parties relating to this action were referred to arbitration. In the statement of claim for the arbitration, the subcontractor revised the claim of subcontracting fees and material costs and compensation claim to approximately HK\$42,600,000 and HK\$84,400,000, respectively. On 9 July 2005, a writ of summons was issued and the proceedings were transferred to the Court of First Instance. The subcontractor further revised the claim of subcontracting fees and material costs and compensation claim to approximately HK\$56,000,000 and HK\$278,100,000 respectively.

As at the date of approval of these financial statements, no decision had been made in the arbitration and court proceedings. In the opinion of the directors, based on legal advice, the subsidiary of the Group has valid defences, against such claims and any resulting liabilities would not have any probable material adverse impact on the Group's financial position. Therefore, no provision in respect of such claims was made in the financial statements.

- (b) 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 the Residential Project. The amount of claim was approximately HK\$26,000,000.

13. Contingent liabilities (continued)

(b) (continued)

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.

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 any probable material adverse impact on the Group's financial position.

- (c) On 26 July 2005, a High Court action was commenced by a subcontracted party of a subcontractor of the Group (the "Subcontracted Party") against a subsidiary of the Group and the subcontractor, which is in liquidation, in respect of a claim of subcontracting fees and material costs of approximately HK\$20,500,000 relating to a maintenance term contract. On 25 April 2006, the Subcontracted Party substantially revised its statement of claim and the total amount of claim was revised to approximately HK\$14,241,000.

In the opinion of the directors, based on legal advice, the subsidiary of the Group has valid defences against such claims and any resulting liabilities would not have any probable material adverse impact on the Group's financial position. Therefore, no provision in respect of such claims was made in the financial statements.

- (d) 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 construction project performed at the Residential Project. The amounts of claims were approximately HK\$3,300,000.

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

- (e) During the year and up to the date of this report, subsidiaries of the Group received a notice of arbitration from a nominated subcontractor in respect of a claim against the Group in respect of subcontracting works performed in a residential development project in Lai Chi Kok Road, Hong Kong and in the Residential Project. The amounts of claims were approximately HK\$11,400,000.

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 advices, since the arbitration proceedings are at a very early stage and the amount of the ultimate liability cannot be measured with sufficient reliability, therefore, no provision in respect of such claims was made in the financial statements.

- (f) On 26 January 2010, 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 regarding its claim for outstanding payments under a kitchen cabinets installation contract in connection with the Residential Project. The amount of claim was approximately HK\$5,200,000.

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 advices, since the arbitration proceedings are at a very early stage and the amount of the ultimate liability cannot be measured with sufficient reliability, therefore, no provision in respect of such claims was made in the financial statements.

13. Contingent liabilities (continued)

- (g) On 8 October 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 the construction project performed at the Residential Project. The amount of claim was approximately HK\$1,200,000.

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

- (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 the construction project performed at the Residential Project. 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 raised by the parties. Arbitrator was appointed in September 2009.

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 advices, since the arbitration proceedings are at a very early stage and the amount of the ultimate liability cannot be measured with sufficient reliability, therefore, no provision in respect of such claims was made in the financial statements.

- (i) On 19 May 2010, a subsidiary of the Group received a statement of claim from a subcontractor in respect of a claim against the subsidiary of the Group in respect of the construction project performed at Mei Foo, Hong Kong. The amount of claim was approximately HK\$430,000. The Group filed its statement of defence and counterclaim with the gross amount of approximately HK\$1,221,000 in June 2010.

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 advices, since the arbitration proceedings are at a very early stage and the amount of the ultimate liability cannot be measured with sufficient reliability, therefore, no provision in respect of such claims was made in the financial statements.

Saved as disclosed above and elsewhere in the financial statements, as at 30 September 2010, 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 2010 HK\$'000 (Audited)	As at 31 March 2010 HK\$'000 (Unaudited)
Within one year	527	507
In the second to fifth years, inclusive	238	187
	<hr/> 765	<hr/> 694

15. Capital commitments

	As at 30 September 2010 HK\$'000 (Audited)	As at 31 March 2010 HK\$'000 (Unaudited)
Commitments for the acquisition of a Company	<u>79,389</u>	<u>77,805</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:

	<i>Notes</i>	30 September 2010 HK\$'000 (Audited)	30 September 2009 HK\$'000 (Unaudited)
Renovation fees received from Shanghai Jinjiang International Investment Co. Ltd ("Jinjiang") and its subsidiaries and associates	(i)	1,083	1,647
Operating leases received from Maximizer Asia (Shanghai) Ltd	(ii)	10	20

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 received 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.

17. Subsequent events

Pursuant to an agreement dated 19 October 2010, Shing Tak Construction Limited and Wing Hong Contractors Limited, both being indirect wholly-owned subsidiary of the Company, disposed 100% equity interest in Wing Hong Construction Limited, an indirect wholly-owned subsidiary of the Company, to Keen Fortone Investments Limited, an independent third party, at a consideration of HK\$100,000. Details of the transaction has been disclosed in the announcement dated 19 October 2010.

18. Approval of the financial statement

The unaudited financial statements were approved and authorised for issue by the Board of Directors on 26 November 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 September 2010, the Group recorded a turnover of approximately HK\$34,787,000 in comparing to HK\$74,854,000 in corresponding period last year. Gross loss recorded HK\$12,174,000, whereas in same period last year, the gross profit was HK\$1,962,000. Loss attributable to owners of the Company for the period was HK\$18,296,000, as compared with a loss of HK\$20,076,000 recorded in same period last year.

Turnover from our building and construction business was approximately HK\$14,982,000 (2009: approximately HK\$29,904,000). Such turnover was contributed by uncompleted projects in prior year. Due to keen competition and the squeezing of contract price both by private and public sector, we plan to scale down this business segment gradually.

The renovation, repairs and maintenance segment reported a turnover of approximately HK\$18,860,000 (2009: approximately HK\$44,660,000). This was also contributed mainly from uncompleted projects in last year. There were lots of small scale renovation works in Hong Kong, however, many of them are not cost effective for us to bid. Yet, we will continue to explore should there is any profitable renovation works arise.

For advertising segment, turnover amounted to approximately HK\$945,000 (2009: approximately HK\$290,000). Although this business segment is now running at a loss, we are confident of its future due to the general prosperity of the Peoples' Republic of China (the "PRC") and due to the favourable government policy of encouraging domestic consumption, which in turn will lead to increased advertising expenditure.

Financial Review

Liquidity and financing

There were no bank borrowings as at 30 September 2010 and 31 March 2010. The Group's cash and bank deposits were approximately HK\$29,887,000 (31 March 2010: HK\$38,378,000).

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, increased to 42.78% at 30 September 2010 from 34.27% at 31 March 2010.

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 2010 and 31 March 2010, no asset was being pledged since there is no external financing for the Group.

Employment information

On 30 September 2010, the Group had 63 full time employees (31 March 2010: 61 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

One of the policies adopted by the PRC Government is to boost domestic consumption and hence advertising is inevitable for brand building purpose. We foresee such government policy will continue so that it provides huge opportunities for us to capture the advertising market though our ever-expanding train station networks.

Although we foresee the huge business and revenue potential, we must properly manage potential risk by adopting prudent approach in capital expenditure and operating costs and by properly control the pace of installation of LCD displays in train stations in the PRC. For cost control, we already succeeded in streamlining our internal operation in current year and reduced the operating costs. The pace of installation of LCD is now at a mild speed since we must ensure adequate market potentials of that local area before stepping in to proceed with the actual installation.

We are confident that the above strategy will bring along with fruitful results in future.

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

At 30 September 2010, 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:

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

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 <i>(Note 1)</i>
Mr. Hui Chi Yung	Company	Settlor/Founder of The Wing Hong Trust <i>(Note 2)</i>	743,918,560 Shares/ 47.88% (L)
	Rich Place Investment Limited	Settlor/Founder of The Wing Hong Trust <i>(Note 3)</i>	1 ordinary share/ 100% (L)
	Wise Win Enterprises Limited	Settlor/Founder of The Wing Hong Trust <i>(Note 4)</i>	1 ordinary share 100% (L)
Mr. Hui Kau Mo	Company	Settlor/Founder of The Wing Hong Trust <i>(Note 2)</i>	743,918,560 Shares/ 47.88% (L)
	Rich Place Investment Limited	Settlor/Founder of The Wing Hong Trust <i>(Note 3)</i>	1 ordinary share/ 100% (L)
	Wise Win Enterprises Limited	Settlor/Founder of The Wing Hong Trust <i>(Note 4)</i>	1 ordinary share/ 100% (L)

Notes:

- The letter "L" denotes the Director's long position in such securities.
- 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.
- 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.
- The share is held by Rich Place.

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 2010, 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 (Note 1)
The Wing Hong Trust	Company	Beneficial owner (Note 2)	743,918,560 Shares/ 47.88%(L)
Chin Ivan	Company	Beneficial owner	104,920,000 Shares/ 6.75%(L)
United Century Limited	Company	Beneficial owner (Note 3)	121,978,000 Shares/ 7.85%(L)
Hui Chi Yang	Company	Corporate interest (Note 3)	121,978,000 Shares/ 7.85%(L)

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.
3. The entire issued share capital of United Century Limited is owned by Mr. Hui Chi Yang, who is the director of business development of the Group but is not a member of the Board. Mr. Hui Chi Yang is the brother of Mr. Hui Chi Yung and a son of Mr. Hui Kau Mo, both are executive Directors.

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 2010.

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 2010 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 2010.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

All the information and other related information of the Company as required by the Listing Rules will be published on the Stock Exchange's website in due course. Printed copies of 2010 interim report will be sent to shareholders before the end of December 2010.

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, 26 November 2010

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