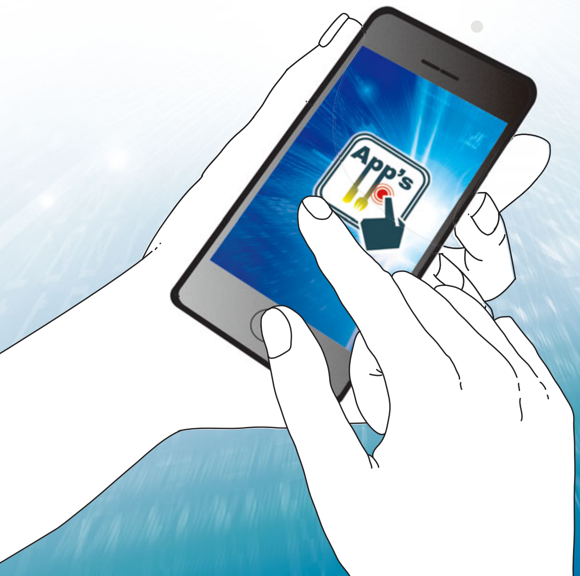
CHINA RAILSMEDIA
CORPORATION LIMITED

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



INTERIM REPORT 2013

CORPORATE INFORMATION

DIRECTORS

Executive Directors
Mr. Hui Chi Yung *(Chairman)*
Ms. Yih Chuen Yung, Grace

Independent Non-executive Directors
Mr. Liu Kwong Sang
Mr. Sit Hing Wah
Dr. Hu Chung Kuen, David

COMMITTEES

Audit Committee
Mr. Liu Kwong Sang *(Chairman)*
Mr. Sit Hing Wah
Dr. Hu Chung Kuen, David

Remuneration Committee
Mr. Liu Kwong Sang *(Chairman)*
Mr. Hui Chi Yung
Dr. Hu Chung Kuen, David
Mr. Sit Hing Wah

Nomination Committee
Mr. Hui Chi Yung *(Chairman)*
Dr. Hu Chung Kuen, David
Mr. Sit Hing Wah
Mr. Liu Kwong Sang

COMPANY SECRETARY
Mr. Wong Chi Shing

AUTHORIZED REPRESENTATIVES
Mr. Hui Chi Yung
Mr. Wong Chi Shing

AUDITORS
HLB Hodgson Impey Cheng Limited
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
17th Floor, Regent Centre
88 Queen's Road Central
Central, Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Principal Registrar in Cayman Islands
Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY-1110
Cayman Islands

Branch Registrar in Hong Kong
Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

STOCK CODE
745

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2013

	Notes	Six months ended 30 September 2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited) (restated)
Continuing operations			
Turnover	5	**2,553**	2,248
Cost of sales		**(2,447)**	(1,604)
Gross profit		**106**	644
Other revenue	5	**23**	–
Other income		**26**	–
Administrative expenses		**(3,244)**	(1,991)
Gain on disposal of subsidiaries	23	**7,563**	–
Impairment loss in respect of goodwill	13	**(70,137)**	–
Loss from operating activities	6	**(65,663)**	(1,347)
Finance costs	7	**(12,987)**	(9,412)
Loss before taxation		**(78,650)**	(10,759)
Taxation	8	**–**	–
Loss for the period from continuing operations		**(78,650)**	(10,759)
Discontinued operations			
Loss for the period from discontinued operations	9	**(11,974)**	(1,694)
Loss for the period		**(90,624)**	(12,453)
Other comprehensive (expenses)/income			
Items that will not be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operation		**(8)**	368
Total comprehensive loss for the period, net of tax		**(90,632)**	(12,085)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(continued)*

For the six months ended 30 September 2013

	Note	Six months ended 30 September 2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited) (restated)
Loss for the period attributable to:			
– Owners of the Company		**(90,624)**	(11,906)
– Non-controlling interests		**–**	(547)
		(90,624)	(12,453)
Total comprehensive loss attributable to:			
– Owners of the Company		**(90,632)**	(11,375)
– Non-controlling interests		**–**	(710)
		(90,632)	(12,085)
Loss per share	11		
From continuing and discontinued operations			
– Basic and diluted		**(HK1.02 cents)**	(HK0.45 cents)
From continuing operations			
– Basic and diluted		**(HK0.88 cents)**	(HK0.38 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2013

	Notes	At 30 September 2013 HK$'000 (Unaudited)	At 31 March 2013 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	12	551	577
Goodwill	13	500,370	570,507
Available-for-sale financial assets		165	165
		501,086	571,249
Current assets			
Accounts receivable	14	1,795	2,028
Prepayments, deposits and other receivables		4,650	10,908
Cash and cash equivalents		17,500	2,501
		23,945	15,437
Total assets		525,031	586,686
EQUITY			
Capital and reserves			
Share capital			
– Ordinary share capital	18	35,450	31,238
– Non-voting convertible preference shares	19	378,490	401,800
Reserves		(117,852)	(74,456)
Total equity		296,088	358,582

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 30 September 2013

	Notes	At 30 September 2013 HK$'000 (Unaudited)	At 31 March 2013 HK$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Loans from a shareholder/shareholders	16	32,617	40,722
Promissory notes	17	168,810	173,158
		201,427	213,880
Current liabilities			
Accounts payable	15	327	2,007
Other payables and accruals		12,914	11,817
Loan from a shareholder/shareholders	16	–	400
Promissory notes	17	14,275	–
		27,516	14,224
Total liabilities		228,943	228,104
Total equity and liabilities		525,031	586,686
Net current (liabilities)/assets		(3,571)	1,213
Total assets less current liabilities		497,515	572,462

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2013

	Attributable to owners of the Company									
	Ordinary share capital HK$'000	Share premium HK$'000	Non-voting convertible preference shares HK$'000	Capital reserve HK$'000	Exchange translation reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2013 (audited)	**31,238**	**209,088**	**401,800**	**9,800**	**80**	**1,850**	**(295,274)**	**358,582**	**–**	**358,582**
Loss for the period	–	–	–	–	–	–	(90,624)	(90,624)	–	(90,624)
Other comprehensive loss for the period	–	–	–	–	(8)	–	–	(8)	–	(8)
Total comprehensive loss for the period	–	–	–	–	(8)	–	(90,624)	(90,632)	–	(90,632)
New shares issued in the period	882	29,106	–	–	–	–	–	29,988	–	29,988
Conversion of convertible preference shares	3,330	19,980	(23,310)	–	–	–	–	–	–	–
Disposal of subsidiaries	–	–	–	–	–	(1,850)	–	(1,850)	–	(1,850)
At 30 September 2013 (unaudited)	**35,450**	**258,174**	**378,490**	**9,800**	**72**	**–**	**(385,898)**	**296,088**	**–**	**296,088**
At 1 April 2012 (audited)	18,638	133,488	490,000	9,800	2,180	–	(205,393)	448,713	19,882	468,595
Loss for the period	–	–	–	–	–	–	(11,906)	(11,906)	(547)	(12,453)
Other comprehensive loss for the period	–	–	–	–	(205)	–	–	(205)	(163)	(368)
Total comprehensive loss for the period	–	–	–	–	(205)	–	(11,906)	(12,111)	(710)	(12,821)
Conversion of convertible preference shares	11,600	69,600	(81,200)	–	–	–	–	–	–	–
At 30 September 2012 (unaudited)	**30,238**	**203,088**	**408,800**	**9,800**	**1,975**	**–**	**(217,299)**	**436,602**	**19,172**	**455,774**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2013

	Six months ended 30 September 2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited)
Net cash outflow from operating activities	**(5,910)**	(3,788)
Net cash outflow from investing activities	**(77)**	(39)
Net cash inflow/(outflow) from financing activities	**20,986**	(1,759)
Net increase/(decrease) in cash and cash equivalents	**14,999**	(5,586)
Cash and cash equivalents at the beginning of the period	**2,501**	11,614
Cash and cash equivalents at the end of the period Represented by cash and cash equivalents	**17,500**	6,028

1. Corporate information

The China Railsmedia Corporation Limited ("Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 27 August 2002 under the Companies Law, Cap 22(Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands. The principal place of the business of the Company in Hong Kong Special Administrative Region ("Hong Kong") is located at 17th Floor, Regent Centre, 88 Queen's Road Central, Central, Hong Kong.

The principal activities of the Company and its subsidiaries (collectively the "Group") are described in note 4.

2. Basis of preparation

The unaudited condensed consolidated interim financial statements ("Interim Financial Statements") for the six months ended 30 September 2013 ("current interim period") have been prepared in accordance with Hong Kong Accounting Standard (the "HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). The Interim Financial Statements should be read in conjunction with the annual report of the Company for the year ended 31 March 2013 ("Annual Report"), which has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The Interim Financial Statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values.

In preparing the Interim Financial Statements, the board of directors of the Company ("Board") have given careful consideration to the future liquidity of the Group in light of the Group's incurred a consolidated loss attributable to owners of the Company of approximately HK$90,624,000 during the current interim period and a consolidated net current liabilities of approximately HK$3,571,000 at the reporting date. During the current interim period and subsequent to the reporting period, the Board has been taking steps to improve the liquidity of the Group as follows:

(i) On 7 June 2013, the Company issued approximately 88.2 million shares of the Company ("Shares") at an aggregate consideration, net of expenses, of approximately HK$29 million.

(ii) On 27 September 2013, a letter has received from a substantial shareholder of the Company, Rich Place Investment Limited ("Rich Place") to confirm that Rich Place will not demand repayment of the outstanding balance from the Company amounting to HK$32,617,000 within the next eighteen months from 30 September 2013 and provide continuing financial support to the Group.

(iii) The directors of the Company ("Directors") are considering various alternatives to strengthen the capital base of the Company.

In view of the above, the Board is satisfied that the Group will have sufficient resources to be able to meet its financial obligations as they fall due for the foreseeable future. Accordingly, the Interim Financial Statements have been prepared on a going concern basis, notwithstanding the Group's financial and liquidity position at 30 September 2013.

2. **Basis of preparation** *(continued)*

Changes in prior year figures

During the current interim period, certain line items of the consolidated statement of profit or loss and other comprehensive income in prior period are changed to conform with the presentation in the Annual Report. The reclassification has had no net effect on the result of the Group for the six months ended 30 September 2012.

The effect of changes in presentation for the prior year by line items presented in the consolidated statement of profit or loss and other comprehensive income are as follows:

	Originally stated HK$'000	Re-classification HK$'000	Restated HK$'000
Turnover	2,250	(2)	2,248
Cost of sales	(1,903)	299	(1,604)
Administrative expenses (including continuing operations and discontinued operations)	(3,388)	(297)	(3,685)

3. **Principal accounting policies**

During current interim period, the Group has applied, for the first time, the following new or revised HKFRSs issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements except HKAS 27 (a revised in 2011) is deal with separate accounting only:

HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
HK (IFRIC) – Interpretation 20	Stripping Costs in the Production Place of a Surface Mine

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss.

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be subsequently reclassified to profit or loss; and (b) items that may be subsequently reclassified to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

3. **Principal accounting policies** *(continued)*

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income (continued)

Other than the above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these Interim Financial Statements.

The Group has not early adopted new and revised HKASs, HKFRSs, interpretations and amendments issued by the HKICPA that have been issued but are not yet effective for the current interim period.

4. **Segment information**

The Group is engaged in a single reportable and operating segment, being the provision of advertising media services, after the disposal of the two businesses, namely building construction business and renovation, repairs and maintenance business ("Discontinued Operations") during the current interim period as disclosed in Note 9. Since the Group is engaged in a single reportable and operating segment, no segment information is provided.

Geographical information

The Group's operation was located in Hong Kong. All of the Group's turnover was generated in Hong Kong and substantially all of the non-current assets are located in Hong Kong as at the reporting date and the correspondent reporting date in previous year.

5. **Turnover and other revenue**

An analysis of Group's turnover and other revenue from its' continuing operations is as follows:

	Six months ended 30 September	
	2013	2012
	HK$'000	HK$'000
	(Unaudited)	(Unaudited) (restated)
Continuing operations		
Turnover:		
Advertising income	**2,553**	2,248
	2,553	2,248
Other revenue:		
Sundry income	**23**	–
	23	–

6. Loss from operating activities

The Group's loss from operating activities of its continuing operations is arrived at after charging:

	Six months ended 30 September 2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited) (restated)
Continuing operations		
Auditors' remuneration	181	135
Depreciation	85	660
Less: Amount classified as cost of sales	–	(526)
	85	134
Directors' emoluments	114	174
Staff costs (excluding directors remuneration)		
Staff's salaries and allowances	796	212
Pension scheme contributions	46	10
	842	222

7. Finance cost

	Six months ended 30 September 2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited)
Continuing operations		
Interest on amount due to a related party	–	759
Imputed interest on promissory notes	12,092	8,653
Interest on amount due to a shareholder	895	–
	12,987	9,412

8. Taxation

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits arising in Hong Kong during the six months ended 30 September 2013 (30 September 2012: 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.

9. **Discontinued operations**

Disposal of building construction operation

On 30 September 2013, the Group entered into a sale and purchase agreement to dispose of its entire equity interest in Wing Hong Contractors Limited ("WH Contractors") which carried out all of the Group's building construction operation. The disposal of the building construction operation is consistent with the Group's long term policy to focus more on business in the new media business. The disposal of WH Contractors was completed on 30 September 2013, on which date control of the building construction operation passed to the acquirer. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed in note 23.

Disposal of renovation, repairs and maintenance

On 30 September 2013, the Group entered into a sale and purchase agreement to dispose of its entire equity interest in Wing Hong Interior Contracting Limited ("WH Interior") which carried out all of the Group's renovation, repairs and maintenance operation. The disposal of the renovation, repairs and maintenance operation is consistent with the Group's long term policy to focus more on business in the new media business. The disposal of WH Interior was completed on 30 September 2013, on which date control of the renovation, repairs and maintenance operation passed to the acquirer. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed in note 23.

Analysis of results for the six months ended from discontinued operations

The combined results of the discontinued operations included in the loss for the period are set out below. The comparative figures and cash flows from discontinued operations have been re-presented to include those operations classified as discounted in the current interim period.

	Six months ended 30 September	
	2013	2012
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Turnover	–	–
Administrative expenses	(1,500)	(1,694)
Impairment loss in respect of other receivables	(10,436)	–
Finance costs	(25)	–
Taxation	(13)	–
Loss for the period from discontinued operations (attributable to owners of the Company)	(11,974)	(1,694)
Loss for the period from discontinued operations include the following:		
Auditor remuneration	10	60
Depreciation	10	12
Cash flows from Discounted Operations		
Net cash outflows from operating activities	(4,414)	(393)
Net cash outflows from investing activities	(23)	(4)
Net cash inflows from financing activities	2,846	142
Net cash outflows	(1,591)	(255)

10. Dividends

No dividend was paid, declared or proposed during the six months ended 30 September 2013 and 30 September 2012. The Board do not recommend the payment of an interim dividend in respect of the six month ended 30 September 2013 (30 September 2012: Nil).

11. Loss per share

From continuing and discontinued operations

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

	Six months ended 30 September	
	2013	2012
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	**90,624**	11,906

	Six months ended 30 September	
	2013	2012
Number of Shares	**'000**	'000
	(Unaudited)	(Unaudited)
Weighted average number of ordinary Shares for the purpose of basic and diluted loss per shares	**8,919,561**	2,657,600

Diluted loss per share for the six months ended 30 September 2013 and 2012 were the same as basic loss per share as there was no dilutive potential ordinary Share.

From continuing operations

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

	Six months ended 30 September	
	2013	2012
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Loss figures are calculated as follows:		
Loss for the period attributable to owners of the Company	**90,624**	11,906
Less: Loss for the period from discontinued operations	**(11,974)**	(1,694)
Loss for the purposes of basic and diluted loss per share from continuing operations	**78,650**	10,212

The denominators used are the same as those detailed above for basic and diluted loss per share.

11. Loss per share *(continued)*

From Discontinued Operations

For the six months ended 30 September 2013, basic and diluted loss per share from Discontinued Operations is approximately HK0.14 cents per share, based on the loss for the period from Discontinued Operations of approximately HK$11,974,000 and the denominators detailed above for both basic and diluted loss per shares. For the six months ended 30 September 2012, basic and diluted loss per share from Discontinued Operations is approximately HK0.07 cents per share (restated), based on the loss for the period from Discontinued Operations of approximately HK$1,694,000 and the denominators detailed above for both basic and diluted loss per share.

12. Movements in property, plant and equipment

During the six months ended 30 September 2013, the Group acquired furniture, fixtures and office equipment of approximately HK$69,000 (for the six months ended 30 September 2012: furniture, fixtures and office equipment of HK$35,000 and tools and equipment of HK$4,000 respectively).

13. Goodwill

	HK$'000
Costs	
At 31 March 2013 and 1 April 2013 and 30 September 2013	663,158
Accumulated impairment losses:	
At 31 March 2013 and 1 April 2013	92,651
Impairment loss recognized for the period	70,137
At 30 September 2013	162,788
Carrying amount:	
At 30 September 2013	**500,370**
At 31 March 2013	570,507

The Directors engaged an independent professional valuer ("Valuer") to conduct a valuation of the goodwill from the Group's advertising at mobile devices and retail chain unit ("CGU") as at 30 September 2013. The valuer calculated the fair values of the goodwill from CGU as at 30 September 2013 using the income approach and a discount rate of approximately 14.88%. Profit forecast of the CGU was determined based on past performance and management's expectation on market development. The recoverable amount of the goodwill was determined on the base of value in use. As the book value of the goodwill as at 30 September 2013 exceeded the calculated fair value, the Group has made an impairment loss of approximately HK$70,137,000. Any adverse change in the key assumptions could increase the impairment loss.

The main factor contributing to the impairment was the decrease in profit forecasts in relation to the CGU. In the opinion of the Directors, the extended approval time for the Apps on APPLE Inc.'s iOS platform and the continuous rising operating costs of the cost sensitive Food and Beverage industry in Hong Kong lead to reduce on their advertising budget by the merchants was the major factors leading to the slows down of the CGU's business development and lower in profit forecasts.

14. Accounts receivable

The majority of the Group's sales are on open account in accordance with terms specified in the contracts governing relevant transactions. An aged analysis of accounts receivable, net of provisions, as at the end of the reporting period is as follows:

	At 30 September 2013 HK$'000 (Unaudited)	At 31 March 2013 HK$'000 (Audited)
Within 30 days	**436**	393
31–90 days	**69**	490
91–180 days	**139**	375
Over 180 days	**1,151**	770
	1,795	2,028

Accounts Receivables that were past due but not impaired relate to a number of independent customers that with no recent history of default. Management believes that no provision for impairment is necessary and these balances are expected to be fully recovered.

15. Accounts payable

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

	At 30 September 2013 HK$'000 (Unaudited)	At 31 March 2013 HK$'000 (Audited)
Within 30 days	**179**	255
31–90 days	**107**	375
91–180 days	**25**	59
Over 180 days	**16**	1,318
	327	2,007

16. Loans from a shareholder/shareholders

At 30 September 2013, loan from a shareholder of HK$32,617,000 (31 March 2013: HK$40,722,000) was due to Rich Place, which held by RBTT Trust Co-operation ("RBTT"), a company acting in its capacity as the trustee of the Wing Hong Trust. The Wing Hong Trust is a discretionary trust whose beneficiaries are the family members of the Directors. The loan from Rich Place is unsecured, interests carries at Hong Kong Dollar Best Lending Rate by HSBC per annum and repayable on demand. During the current interim period, HK$8,000,000 was repaid to Rich Place.

Pursuant to a letter date 27 September 2013, Rich place has agreed not to demand for repayment of the total outstanding balance of approximately HK$32,617,000 for at least eighteen months from 30 September 2013.

A loan from Million Honest Limited, which held by a former Director, was fully repaid during the current interim period (amounts due on 31 March 2013: HK$400,000).

17. Promissory notes

At 12 August 2011, Beast Media Limited, a wholly owned subsidiary of the Company, issued a promissory note with a principal amount of HK$15,800,000, interest bearing at 2% per annum and are repayable in second anniversary from the date of issue of promissory note (the "Maturity Date #1"), to Win Today Limited (the "Win Today") for acquiring 7% issued share capital of China New Media (Hong Kong) Limited (the "Note #1"). The Note #1 may be assignable, transferable or endorsable in whole or in part.

The Note #1 is denominated in Hong Kong dollars. The principal of the Note #1 can be prepaid in full or in part at any time and Beast Media Limited will repaid on the Maturity Date #1 the outstanding principal amounts, together with the interests accrued, in full.

The fair value of Note #1 on initial recognition was calculated based on the present value of the principal amount determinated by an independent valuer. The discount rate used in the calculation is approximately 10.3785% per annum and the fair value of the Note #1 was approximately HK$13,540,000 on 12 August 2011. In subsequent periods, the principal of Note #1 is carried at amortized cost using the effective interest method. The effective interest rate of the principal of Note #1 is approximately 10.3785% per annum.

Pursuant to a letter dated 28 March 2013, Win Today, agreed to extend the maturity date of the Note #1 from 12 August 2013 to 12 August 2014 (the "New Maturity Date #1) and undertake not to request repayment of any amounts accruing to Win Today from Note #1 until the New Maturity Date #1. The modification of the terms on Note #1 was accounted for as an extinguishment of the original Note #1 and the recognition of new Note #1. The carrying amount of the original Note #1 was derecognized and the fair values of the new Note #1 were determinated by an independent valuer and recognized on 28 March 2013. The difference between the carrying amount and the fair value was recognized in profit and loss as gain on early extinguishment of promissory rates. The cost of debt applicable to the Group on 28 March 2013 is 14.18% per annum. In subsequent periods, the effective interest rate of the principal of Note #1 is 14.18% per annum.

At 31 March 2012, Capital Marks Limited, a wholly owned subsidiary of the Company, issued a promissory note with a principal amount of HK$200,000,000, interest bearing at 2% per annum and is repayable in second anniversary from the date of issue of promissory note (the "Maturity Date #2") to Huge Leader Holdings Limited, as part of the consideration for acquiring the entire issued share capital of Huge Leader Development Limited (the "Note #2"). The Note #2 may be assignable, transferable or endorsable in whole or in part to any person other than a connected person as defined in the Listing Rules.

The Note #2 is denominated in Hong Kong dollars. The principal of the Note #2 can be prepaid in full or in part at any time and Capital Marks Limited will repaid on the Maturity Date #2 the outstanding principal amounts, together with the interests accrued, in full.

The fair value of Note #2 on initial recognition was calculated based on the present value of the principal amount determinated by an independent valuer. The discount rate used in the calculation is approximately 9.3313% per annum and the fair value of the Note #2 was approximately HK$174,617,000 on 31 March 2012. In subsequent periods, the principal of Note #2 is carried at amortized cost using the effective interest method. The effective interest rate of the principal of Note #2 is approximately 9.3313% per annum.

Pursuant to a letter dated 25 March 2013, Huge Leader Holdings Limited agreed to extend the maturity date of the Note #2 from 31 March 2014 to 31 March 2015 (the "New Maturity Date #2") and undertake not to request repayment of any amounts accruing to Huge Leader Holdings Limited from Note #2 until the New Maturity Date #2 subject to the following conditions as follow:

(a) The nature of Capital Marks Limited and its subsidiaries operations and product offerings do not materially change from their present operations and product offerings, and

(b) Capital Marks Limited continues to seek alternative sources of financing including any debt or equity offerings sufficient to repay the Note.

17. **Promissory notes** *(continued)*

The modification of the terms on Note #2 was accounted for as an extinguishment of the original Note #2 and the recognition of new Note #2. The carrying amount of the old Note #2 was derecognized and the fair values of the new Note #2 were determinated by an independent valuer and recognized on 25 March 2013. The difference between the carrying amount and the fair value was recognized in profit and loss as gain on early extinguishment of promissory rates. The cost of debt applicable to the Group on 25 March 2013 is 14.56% per annum. In subsequent periods, the effective rate is of the principal of Note #2 is 14.56% per annum.

The amount of the imputed interest expenses on the promissory notes are disclosed in note 7.

The movement of the carrying amount of the promissory notes during the current interim period is set out as below:

	HK$'000
At 31 March 2013 and 1 April 2013	173,158
Interest charged at effective interest rate	12,092
Interest payable	(2,165)
At 30 September 2013	183,085

Promissory notes are repayable as follows:

	At 30 September 2013 HK$'000	At 31 March 2013 HK$'000
Carrying amount repayable	**183,085**	173,158
Less: Amounts shown under current liabilities	**(14,275)**	–
	168,810	173,158

18. **Ordinary share capital**

Ordinary Share of HK$0.01 each

	Number of shares	Nominal value of shares HK$'000
Authorised:		
Ordinary Shares of HK$0.01 each		
At 31 March 2013, 1 April 2013 and 30 September 2013	**10,000,000,000**	**100,000**
Issued and fully paid:		
Ordinary Shares of HK$0.01 each:		
At 31 March 2013 and 1 April 2013	3,123,830,000	31,238
Issue of Shares pursuant to the placing *(note (a) & (c))*	88,200,000	882
Issue of Shares pursuant to the conversion of convertible preference shares *(note (b) & (c))*	333,000,000	3,330
At 30 September 2013	**3,545,030,000**	**35,450**

18. Ordinary share capital *(continued)*

Notes:

(a) On 7 June 2013, 88,200,000 Shares of HK$0.01 each were issued by the way of placing at a price of HK$0.34 per share each for consideration of HK$29,988,000. The excess of the placing price over the par value of the shares issued was credited to the share premium amount.

(b) During the six months ended 30 September 2013, 333,000,000 Shares of HK$0.01 each were issued upon the conversion of convertible preference shares at a conversion price of HK$0.07 per share.

(c) The shares issued during the period rank pari passu with the existing shares in all respects.

19. Non-voting convertible preference shares

Non-voting convertible preference Shares, issued and fully paid:

	Number of shares	Nominal value of shares HK$'000
Authorised:		
At 31 March 2013, 1 April 2013 and 30 September 2013	**7,000,000,000**	**490,000**
Issued and fully paid:		
Non-voting convertible preference Shares of HK$0.07 each		
At 31 March 2013 and 1 April 2013	5,740,000,000	401,800
Conversion of convertible preference Shares *(note)*	(333,000,000)	(23,310)
At 30 September 2013	**5,407,000,000**	**378,490**

Note:

During the period ended 30 September 2013, 333,000,000 ordinary shares of HK$0.01 each were issued upon the conversion of the convertible preference shares at a conversion price of HK$0.07 per share.

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

No share option was granted, exercised, cancelled or lapsed under the Scheme during the six months ended 30 September 2013 and 2012, respectively.

21. Operating lease commitments

The Group leases warehouse 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 2013 HK$'000 (Unaudited)	As at 31 March 2013 HK$'000 (Audited)
Within one year	128	139
In the second to fifth years, inclusive	–	58
	128	197

22. Related party transactions

During the six months ended 30 September 2013, in addition to the balance disclosed in note 16, the Group had the following material transactions with related parties:

(a) Key management personnel

	Six months ended 30 September	
	2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited)
Short-term employee benefits	518	419
	518	419

The remuneration of Directors and key executives of the Group is determined by the remuneration Committee of the Company having regard to the performance of individual and market trends.

(b)

	Six months ended 30 September	
	2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited)
Management service fee paid to abc Multiactive (Hong Kong) Ltd ("abc Multiactive")	78	78
	78	78

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

The ultimate holding Company of abc Multiactive is controlled by the family member of the executive Directors.

23. Disposal of subsidiaries

On 30 September 2013, the Group disposed of its entire equity interests in WH Contractors and WH Interior ("Disposal") which carried out the Group's entire building construction operation and renovation, repairs and maintenance operations respectively.

Analysis of assets and liabilities over which control was lost:

	WH Contractors HK$'000	WH Interior HK$'000	**Total HK$'000**
Prepayments, deposits and other receivables	4,265	575	**4,840**
Cash and cash equivalents	61	47	**108**
Accounts payable	(692)	(220)	**(912)**
Other payables and accruals	(5,752)	(3,897)	**(9,649)**
Net liabilities disposed of	(2,118)	(3,495)	**(5,613)**
Gain on disposal of subsidiary:			
Consideration	50	50	**100**
Net liabilities disposed of	2,118	3,495	**5,613**
Other reserve – shareholder's contribution in form of waiver of shareholder's loan reclassified from equity to profit or loss on loss of control of a subsidiary	1,850	–	**1,850**
Gain on disposal	4,018	3,545	**7,563**
Net cash (outflow)/inflow on disposal of a subsidiary:			
Consideration received in cash and cash equivalents	50	50	**100**
Less: cash and cash equivalents disposed of	(61)	(47)	**(108)**
	(11)	3	**(8)**

24. Events after the reporting period

On 8 October 2013, the Group announced a wholly owned subsidiary of the Company entered into a memorandum of understanding ("MOU") with i-Marker culture & media investments limited ("i-Marker"), a third party independent of the Company and its connected persons, in relation to the proposed exclusive co-operation in import and distribution of foreign films and television contents into the People Republic of China ("PRC").

As at the date of the report, the Group was in the processing of negotiating with i-Marker for a series of agreements to establish the exclusive business cooperation to executive the business pursuant to the cooperation agreement entered into between i-Marker and China National Culture & Art Corporation (中國文化藝術有限公司). Details of the MOU as set out in the Company's announcement dated 8 October 2013. Further announcement in related to this transaction will be made when required.

Business Review

During the current interim period, the Group recorded a turnover of approximately HK$2,553,000, including the advertising business which is classified as continuing operations and building construction business and renovation, repairs and maintenance which are classified as Discontinued Operations, in comparing to approximately HK$2,248,000 in corresponding period last year. Loss for the period attributable to owners of the Company was approximately HK$90,624,000, as compared to approximately HK$11,906,000 for the corresponding period last year.

Advertising business

The operating conditions for the current interim period were challenging and we had experienced many difficulties in the operation. The volatile economic environment in both Hong Kong and the PRC leading to the erosion of consumer confidence. The Food and Beverage ("F&B") sector in Hong Kong was generally suffered by overall increase in operating costs and keen competition during the period under review. As the F&B industry is highly sensitive to costs, the merchants impose more stringent cost control and reduce their budget on advertising.

In view of the less-than-expected paid subscribers growth from the individual Dining Apps, the Group has devised plans to enhance the Dining Apps platform by introducing an alternative master Dining Apps for their target customers. New features, such as group buying function, were added to the new master Dinning Apps platform.

Though the business environment were challenging, the Group's revenue for its advertising business reached approximately HK$2,553,000, an increased of approximately 13.57% as compared to the approximately HK$2,248,000 in corresponding period last year.

In addition, on May 2013, the Group successfully launched the beta version of a new Buffet Apps on the Android market. The new Buffet Apps provides all-in-one information about buffet style meal in Hong Kong. Within a short period of time, this new apps was well received by its customers.

Subsequent to the reporting period, the Directors engaged a "Valuer" to conduct a valuation of the goodwill from the CGU as at 30 September 2013. The valuer calculated the fair values of the goodwill from CGU as at 30 September 2013 using the income approach and a discount rate of approximately 14.88%. Profit forecast of the CGU was determined based on past performance and management's expectation on market development. The recoverable amount of the goodwill was determined on the base of value in use. As the book value of the goodwill as at 30 September 2013 exceeded the calculated fair value, the Group has made an impairment loss of approximately HK$70,137,000.

Building construction business and renovation, repair and maintenance business

During the current interim period and the corresponding period last year, none of the Group's revenue came from its Building Construction business and Renovation, Repair and Maintenance business. After the disposal of WH Contractors and WH Interior on 30 September 2013, both of these businesses are treated as Discontinued Operations.

During the current interim period, the Group recorded a gross profit of approximately HK$106,000, a 83.54% decrease in compared with approximately HK$644,000 in corresponding period last year mainly due to losing of high margin advertising servicing income customers in the current interim period. The Group's administrative expenses, including continuing and discontinued operations, increased by approximately 40.05% to approximately HK$4,745,000 during the current interim period, which was mainly attributable to the increase in staff headcounts and salaries and legal professional fee. The Group had made appropriate amount of impairment loss on long aged other receivables in the discontinued operation amounting to approximately HK$10,436,000. Finance costs including continuing and discontinued operations, increased by approximately 38.25% to approximately HK$13,012,000 during the current interim period, which was mainly attributable to the increase in imputed interest on promissory notes.

Nevertheless, during the current interim period and up to the date of the report, the Company has completed a placing with net proceeds amounting to approximately HK$29 million. Partial of debts were repaid by the net proceeds and majority of the proceeds were used as working capital of the Group.

Financial Review

Liquidity and financial resources

The Group had no outstanding bank borrowings at 30 September 2013. The Group's net current liabilities were approximately HK$3,571,000.

The Group's gearing ratio, calculated by aggregate of loans from shareholders and promissory notes over total assets, increased to 41.08% at 30 September 2013 from 36.52% at 31 March 2013.

The Group finances it operations primarily with internally generated cash flow and loan facilities from shareholders. At 30 September 2013, the Group had cash and bank balance of approximately HK$17,500,000, representing an increase of approximately HK$14,999,000 as compared to the year ended date. The increase was mainly due to the net proceeds received from placing of Shares during the current interim period.

On 27 September 2013, a letter has received from Rich Place to confirm that Rich Place will not demand repayment of the outstanding shareholder loan amounting to approximately HK$32,617,000 within next eighteen months from 30 September 2013.

Capital Structure

On 7 June 2013, 88,200,000 Shares of HK$0.01 each were allotted and issued by the way of placing at a price of HK$0.34 per share.

In order to strengthen the capital base of the Group and to improve the Group's financial position, the Directors have been considering various alternatives to strengthen the capital base of the Company.

Interim Dividend

The Board has resolved not to declare on interim dividend for the current interim period.

Material Disposal

On 30 September 2013, the Group entered into sale and purchase agreements for disposal of the entire equity interest in WH Contractors and WH Interior respectively. Details of the Disposal are disclosed in notes 9 and 23 of the Interim Financial Statements.

Treasury policies

Cash and bank deposits of the Group are mainly in Hong Kong dollars or Renminbi ("RMB"). The Group conducts its core business transaction mainly in Hong Kong 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. However, management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Pledge of assets

At 30 September 2013, no asset was being pledged for the Group.

Capital commitment

At 30 September 2013, the Group had no material capital commitment.

Contingent liabilities

At 30 September 2013, the Group had no material contingent liabilities.

Employment information

At 30 September 2013, the Group had 19 full time employees whom are employed in Hong Kong and the PRC. They are remunerated at market level with benefits such as medical, retirement benefit and share option scheme.

Events after the reporting period

On 8 October 2013, the Group entered into a MOU with a third party independent of the Company and its connected persons, in related to the proposed exclusive co-operation in import and distribution of foreign films and television contents into the PRC. Details of the MOU as set out in the Company's announcement dated 8 October 2013.

Prospect

The economic outlook for 2013 remains uncertain. We expect the F&B sector in Hong Kong will exhibit some similarities with the conditions that prevailed in the first half of the financial year. While overall consumption sentiment remains uncertain, it is our Group strategy to focus on the new media market in Hong Kong and we will further strengthen our footing in the new media sector by the launch of the new Dining app and Buffet app. With the 100% population covered by mobile cellular telephone network and the increasing numbers of mobile broadband subscribers in recent years, the Group is conservatively optimistic about the new media market in Hong Kong.

On another front, the Group will continue to explore business opportunities which will provide long-term benefits to the shareholders of the Company.

Pursuant to the announcement dated 8 October 2013, the Group entered into a MOU with a third party independent of the Company and its connected persons, in related to the proposed exclusive co-operation in import and distribution of foreign films and television contents into the PRC.

Despite the challenging environment ahead, the Group is equipped to confront the difficulties and will continue to employ business strategy of cautious expansion and prudent financial management to bring fruitful results to the shareholders of the company in future.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 30 September 2013, the interests and short positions of the Directors and the chief executives of the Company in the Shares, 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 require notification to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), were as follows:

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

Name of Directors	Capacity and nature of interests	Numbers of Shares and underlying Shares held (long position)	Approximate percentage of shareholding
Hui Chi Yung	Settlor/Founder of the Wing Hong Trust Interests held by controlled corporation	743,918,560 *(note (a), (b) & (c))*	20.98%
Yih Chuen Yung, Grace	Interests held by controlled corporation	743,918,560 *(note (a), (b) & (c))*	20.98%

Notes:

(a) 618,918,560 Shares are held by Rich Place, which is wholly owned by RBTT, 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. Mr. Hui Chi Yung, an executive Director, is the son of Mr. Hui Kau Mo. 125,000,000 Shares are held by Wise Win Enterprises Limited, which is wholly owned by Rich Place.

(b) The interests refer to same parcel of underlying Shares.

(c) Ms. Yih Chuen Yung, Grace, an executive Director, is the spouse of Mr. Hui Chi Yung. By virtue of the SFO, Ms. Yih Chuen Yung, Grace also deemed to be interested in all Shares in which Mr. Hui Chi Yung is interested or deemed to be interested.

Save as disclosed above, none of the Directors and the chief executive of the Company had registered an interest or short position in Shares, underlying Shares or debentures of the Company or any of its associated corporations that was required to be recorded in the register pursuant to section 352 of the SFO, or as otherwise require notification to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2013, the interests and short positions of the person (other than the Directors and chief executive of the Company) holding 5% or more in Shares or underlying Shares as required to recorded in the register or required to notify 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 of shareholders	Capacity	Numbers of Shares held (long position)	Numbers of underlying Shares held (long position)	Approximate percentage of shareholding
The Wing Hong Trust	Beneficial Owner	743,918,560 *note (a) & (e)*		20.98%
Hui Kau Mo	Corporate Interest	743,918,560 *note (a)*		20.98%
Hui Chi Yung	Corporate Interest	743,918,560 *note (a)*		20.98%
Yih Chuen Yung, Grace	Corporate Interest	743,918,560 *note (a) & (f)*		20.98%
Huge Leader Holdings Limited	Beneficial Owner	613,000,000 *note (b) & (g)*	4,931,200,000 *note (b) & (g)*	156.39%

Name of shareholders	Capacity	Numbers of Shares held (long position)	Numbers of underlying Shares held (long position)	Approximate percentage of shareholding
Chan Ka Wai	Corporate Interest	613,000,000 *note (b)*	4,931,200,000 *note (b)*	156.39%
Galaxy Wide Group Limited	Beneficial Owner	333,000,000 *note (c) & (h)*		9.39%
Zhang Pan	Corporate Interest	333,000,000 *note (c)*		9.39%
Leader Triumph International Limited	Beneficial Owner	200,732,000 *notes (d) & (i)*		6.25%
Tsang Ming Hin. Christopher	Corporate Interest	200,732,000 *note (d)*		6.25%

Notes:

(a) The interests refer to the same parcel of Shares.

(b) The interests refer to the same parcel of Shares and underlying Shares.

(c) The interests refer to the same parcel of Shares.

(d) The interests refer to the same parcel of Shares.

(e) 618,918,560 Shares are held by Rich Place, which is wholly owned by RBTT, 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. Mr. Hui Chi Yung, an executive Director, is the son of Mr. Hui Kau Mo. 125,000,000 Shares are held by Wise Win Enterprises Limited, which is wholly owned by Rich Place.

(f) Ms. Yih Chuen Yung Grace is the spouse of Mr. Hui Chi Yung.

(g) Huge Leader Holdings Limited is legally and beneficially 40% owned by Ms. Chan Ka Wai.

(h) Galaxy Wide Group Limited is legally and beneficially wholly owned by Mr. Zhang Pan.

(i) Leader Triumph International Limited is legally and beneficially wholly owned by Mr. Tsang Ming Hin. Christopher.

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its listed securities during the current interim period.

Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the current interim period.

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 Listing Rules during the current interim period 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.

Code provision A.4.1 of the CG Code stipulates that the non-executive directors should be appointed for a specific term and subject to re-election. None of the existing non-executive Directors is appointed for a specific term. However, the non-executive Directors are subject to retirement by rotation under the Bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices in this respect are no less exacting than those of the CG Code.

Code provision A.6.7 of the CG Code stipulates that independent non-executive Directors and other non-executive Directors should attend general meetings. Due to other business engagement, Mr. Sit Hing Wah and Dr. Hu Chung Kuen, David, the non-executive Directors, were unable to attend the annual general meeting of the Company held on 29 August 2013.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted 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 current interim period.

AUDIT COMMITTEE

At 30 September 2013 and the date of this report, the Audit Committee comprises three independent non-executive Directors. The primary functions and duties of the Audit Committee are to recommend the appointment, re-appointment and removal of the external auditor, oversee the integrity of financial information of the Company and its disclosure, provide independent review of the effectiveness of the financial controls, internal control and risk management systems of the Group, and review the accounting principles and practices adopted by the Group.

The Audit Committee has reviewed this report, which was prepared based on (i) the accounting principles and practices adopted by the Group, and (ii) the unaudited condensed consolidated interim financial information for the six months ended 30 September 2013. After review and discussions, the Audit Committee recommended the Board to approve the unaudited condensed consolidated interim financial information for the six months ended 30 September 2013.

On behalf of the Board
China Railsmedia Corporation Limited

Hui Chi Yung
Chairman

Hong Kong, 21 November 2013