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China Gamma Group Limited
中國伽瑪集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 164)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2013

FINANCIAL RESULTS

The board of directors (the "Board") of China Gamma Group Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (together, the "Group") for the year ended 31 March 2013 together with comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2013

	Notes	**2013** ***HK$'000***	2012 *HK$'000* (restated)
Turnover	*3*	**48,523**	26,726
Other revenue and gains, net	*3*	**8,644**	22,590
		57,167	49,316
Cost of sales		**(52,329)**	(30,957)
Impairment loss on intangible asset		**(82,346)**	–
Administrative expenses		**(91,054)**	(69,609)
Loss from operations		**(168,562)**	(51,250)
Finance costs	*4*	**(48,289)**	(14,232)
Loss before taxation	*5*	**(216,851)**	(65,482)
Taxation	*6*	**2,409**	958
Loss for the year		**(214,442)**	(64,524)

	Note	2013 HK$'000	2012 HK$'000 (restated)
Loss attributable to:			
Equity shareholders of the Company		**(143,475)**	(56,198)
Non-controlling interests		**(70,967)**	(8,326)
		(214,442)	(64,524)
Loss per share for loss attributable to equity shareholders of the Company	*7*		
Basic and diluted		**(4.23) cents**	(1.76) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	2013	2012
	HK$'000	*HK$'000*
Loss for the year	**(214,442)**	(64,524)
Other comprehensive (expense)/income:		
Exchange differences – net movement in exchange reserve	**(604)**	3,204
Total comprehensive expense for the year	**(215,046)**	(61,320)
Attributable to:		
Equity shareholders of the Company	**(144,374)**	(52,709)
Non-controlling interests	**(70,672)**	(8,611)
Total comprehensive expense for the year	**(215,046)**	(61,320)

CONSOLIDATED BALANCE SHEET

At 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current Assets			
Property, plant and equipment		**26,875**	141,156
Land use rights		**11,711**	17,627
Goodwill		**23,592**	195,129
Intangible asset		**–**	533,785
		62,178	887,697
Current Assets			
Inventories		**–**	44,599
Properties under development		**–**	43,777
Trade and other receivables	8	**57,333**	42,645
Financial assets at fair value through profit or loss		**38,845**	39,606
Cash and cash equivalents		**56,437**	18,774
		152,615	189,401
Assets classified as held for sale	10	**735,204**	–
		887,819	189,401
Current Liabilities			
Trade and other payables	9	**37,405**	165,134
Bank and other borrowings		**–**	9,864
		37,405	174,998
Liabilities directly associated with the assets classified as held for sale	10	**538,063**	–
		575,468	174,998
Net Current Assets		**312,351**	14,403

	Notes	**2013** **HK$'000**	2012 *HK$'000*
Non-current Liabilities			
Amount due to a non-controlling shareholder of a subsidiary		**21,162**	20,330
Bank and other borrowings		**66,667**	424,850
Convertible note		**94,823**	88,848
Deferred taxation		**1,323**	7,659
		183,975	541,687
Net Assets		**190,554**	360,413
Equity			
Capital and reserves attributable to the Company's equity shareholders:			
Share capital	*11*	**37,987**	33,737
Reserves		**(26,037)**	77,400
		11,950	111,137
Non-controlling interests		**178,604**	249,276
Total Equity		**190,554**	360,413

Notes:

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which also include Hong Kong Accounting Standards ("HKAS") and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The HKICPA has issued certain new and revised HKFRS that are first effective for the current accounting period of the Group as follows:

Amendments to HKFRS 7	Financial instruments: Disclosures – Transfers of financial assets
Amendments to HKAS 12	Income taxes – Deferred tax: Recovery of underlying assets

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to HKFRS 7, Financial instruments: Disclosures

The amendments to HKFRS 7 require certain disclosures to be included in the financial statements in respect of transferred financial assets that are not derecognised in their entirety and for any continuing involvement in transferred financial assets that are derecognised in their entirety, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

Amendments to HKAS 12, Income taxes

Under HKAS 12 deferred tax is required to be measured with reference to the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of the asset(s) in question. In this regard, the amendments to HKAS 12 introduced a rebuttable presumption that the carrying amount of investment property carried at fair value under HKAS 40, Investment Property, will be recovered through sale. This presumption is rebutted on a property-by-property basis if the investment property in question is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendment has had no material impact on the Group's financial statements.

2. SEGMENTAL INFORMATION

Business segments

For management purpose, the Group has three (2012: three) principal lines of businesses namely (1) property business; (2) gamma ray irradiation services; and (3) resources business which, together with other operation, are organised into five (2012: five) major operating divisions – (1) property development, rental and sales; (2) trading of building materials and provision of renovation services; (3) gamma ray irradiation services; (4) rare resources; and (5) securities trading and investment. These divisions are the basis on which the Group reports its primary segment information.

Segment results, assets and liabilities

An analysis of the Group's turnover, contribution to operating results and segment assets and liabilities by business segments is presented as follows:

2013

	Property business		Gamma ray irradiation services	Resources business	Other operation		
	Property development, rental and sales *HK$'000*	Trading of building materials and provision of renovation services *HK$'000*	Gamma ray irradiation services *HK$'000*	Rare resources *HK$'000*	Securities trading and investment *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2013							
REVENUE							
Turnover	8,018	28	5,941	34,536	–	–	48,523
Segment results	(2,185)	(774)	(2,515)	(152,072)	3,076	–	(154,470)
Unallocated corporate expenses							(14,092)
Loss from operations							(168,562)
Finance costs							(48,289)
Loss before taxation							(216,851)
Taxation							2,409
Loss before non-controlling interests							(214,442)

	Property business		Gamma ray irradiation services	Resources business	Other operation		
	Property development, rental and sales *HK$'000*	Trading of building materials and provision of renovation services *HK$'000*	Gamma ray irradiation services *HK$'000*	Rare resources *HK$'000*	Securities trading and investment *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
BALANCE SHEET AT 31 MARCH 2013							
ASSETS							
Segment assets	11,817	156	64,421	–	38,845	–	115,239
Assets classified as held for sale *(note 10)*	–	–	–	735,204	–	–	735,204
Unallocated corporate assets							99,554
Consolidated total assets							949,997
LIABILITIES							
Segment liabilities	26,759	17	10,080	151,763	4,774	–	193,393
Liabilities classified as held for sale *(note 10)*	–	–	–	538,063	–	–	538,063
Unallocated corporate liabilities							27,987
Consolidated total liabilities							759,443
OTHER INFORMATION FOR THE YEAR ENDED 31 MARCH 2013							
Impairment loss on intangible asset	–	–	–	82,346	–	–	82,346
Capital additions	1,618	–	1	9,025	–	27	10,671
Depreciation and amortisation	1,158	6	4,822	57,991	–	131	64,108
Net unrealised losses on financial assets at fair value through profit or loss	–	–	–	–	6,201	–	6,201

2012

	Property business		Gamma ray irradiation services	Resources business	Other operation		
	Property development, rental and sales	Trading of building materials and provision of renovation services	Gamma ray irradiation services	Rare resources	Securities trading and investment	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2012							
REVENUE							
Turnover	16,450	866	9,404	6	–	–	26,726
Segment results (restated)	(6,345)	(392)	1,080	(25,787)	14,999	–	(16,445)
Unallocated other operating income							3
Unallocated corporate expenses							(34,808)
Loss from operations (restated)							(51,250)
Finance costs							(14,232)
Loss before taxation							(65,482)
Taxation (restated)							958
Loss before non-controlling interests							(64,524)

	Property business		Gamma ray irradiation services	Resources business	Other operation		
	Property development, rental and sales	Trading of building materials and provision of renovation services	Gamma ray irradiation services	Rare resources	Securities trading and investment	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
BALANCE SHEET AT 31 MARCH 2012							
ASSETS							
Segment assets	64,589	506	69,002	875,363	39,972	–	1,049,432
Unallocated corporate assets							27,666
Consolidated total assets							1,077,098
LIABILITIES							
Segment liabilities	35,776	420	9,965	638,180	123	–	684,464
Unallocated corporate liabilities							32,221
Consolidated total liabilities							716,685
OTHER INFORMATION FOR THE YEAR ENDED 31 MARCH 2012							
Addition to goodwill	–	–	–	171,536	–	–	171,536
Intangible asset	–	–	–	547,472	–	–	547,472
Capital additions	543	–	50	4,514	–	69	5,176
Depreciation and amortisation	73	7	4,701	15,102	–	309	20,192
Net unrealised gains on financial assets at fair value through profit or loss	–	–	–	–	9,486	–	9,486

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the year (2012: HK$Nil).

Segment results represents the profit/(loss) earned or incurred by each segment without allocation of central administration costs including directors' salaries, investment and other income, finance costs, and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments:

– all assets are allocated to reportable segments other than current and deferred tax assets. Goodwill is allocated to reportable segments. Assets used jointly by segments are allocated on the basis of the revenues earned by individual segments; and

– all liabilities are allocated to reportable segments other than certain borrowings and current and deferred tax liabilities. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

Geographical segments

All of the Group's operations are principally located in Hong Kong and the People's Republic of China (the "PRC"). The Group's administration is carried out in Hong Kong.

An analysis of the Group's turnover by geographical market, irrespective of the origin of the goods and services, is presented below:

	2013	2012
	HK$'000	*HK$'000*
Hong Kong	**28**	866
The PRC	**48,495**	25,860
	48,523	26,726

The following is an analysis of the carrying amount of segment assets, and additions to goodwill, intangible asset and property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		**Additions to goodwill, intangible asset and property, plant and equipment**	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**128,735**	59,832	**27**	38
The PRC	**821,262**	1,017,266	**10,644**	724,146
	949,997	1,077,098	**10,671**	724,184

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue are as follows:

	2013	2012
	HK$'000	*HK$'000*
Customer A[1]	**9,361**	–
Customer B[2]	**5,865**	–
Customer C[1]	**5,540**	–
Customer D[1]	**5,308**	–
Customer E[2]	**–**	2,835

[1] *Revenue from rare resources*

[2] *Revenue from properties held for sale*

3. TURNOVER, OTHER REVENUE AND GAINS, NET

Turnover represents the aggregate of the net amounts received and receivable from third parties during the year. An analysis of the Group's turnover, other revenue and gains, net for the year is as follows:

	2013	2012
	HK$'000	*HK$'000*
Turnover		
Rare resources	**34,536**	6
Gamma ray irradiation services income	**5,941**	9,404
Sale proceeds from properties held for sale	**8,014**	16,179
Rental income from properties	**4**	271
Renovation services	**18**	161
Trading of building materials	**10**	705
	48,523	26,726
Other revenue and gains, net		
Interest income on financial assets not at fair value through profit or loss	**34**	27
Dividend income from listed investments	**782**	249
Net realised gains on financial assets at fair value through profit or loss	**8,505**	5,275
Net unrealised (losses)/gains on financial assets at fair value through profit or loss	**(6,201)**	9,486
Gain on disposal of subsidiaries	**1,656**	–
Bad debts recovered	**–**	5,114
Reversal of allowance for impairment of trade receivables, net	**–**	192
Government grants *(Note)*	**3,704**	–
Exchange gain	**–**	1,152
Sundry income	**164**	1,095
	8,644	22,590
	57,167	49,316
Gross proceeds from securities trading	**70,094**	98,389

Note: The government grants represented the amounts received from the local government by a subsidiary of the Group for rare resources technology innovation and improvement. All specific conditions have been fulfilled (if any).

4. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Interest on:		
Bank borrowing wholly repayable within five years	**766**	797
Other borrowings wholly repayable within five years	**40,491**	10,387
Convertible note	**7,025**	3,048
Other	**7**	–
Total interest expense on financial liabilities not at fair value through profit or loss	**48,289**	14,232

5. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging/(crediting):

	2013	2012
	HK$'000	*HK$'000*
Staff costs#		
– directors' remuneration	**1,155**	979
– basic salaries and other benefits	**12,762**	7,951
– retirement benefits scheme contributions	**1,288**	321
– share-based payments	**4,532**	–
	19,737	9,251
Auditors' remuneration		
– Current year	**1,344**	1,177
– Underprovision in prior year	**200**	–
Depreciation and amortisation of property, plant and equipment#	**13,146**	6,147
Amortisation of intangible asset	**50,364**	13,537
Amortisation of land use rights	**598**	508
Exchange loss	**1,240**	–
Loss on disposal of property, plant and equipment	**–**	1
Operating lease payments	**5,679**	4,918
Cost of sales#	**52,329**	30,957
Write-down of inventories	**–**	9,826
Rental income net of direct outgoings of HK$Nil (2012: HK$Nil)	**(4)**	(271)

Cost of sales includes HK$7,734,000 (2012: HK$4,632,000) relating to staff costs and depreciation expenses, which amount is also included in the respective total amounts disclosed separately above and other direct operating expenses of HK$2,985,000 (2012: HK$1,109,000).

6. TAXATION IN THE CONSOLIDATED INCOME STATEMENT

	2013	2012
	HK$'000	*HK$'000*
		(restated)
Taxation in the consolidated income statement represents:		
Current tax:		
Corporate income tax	**143**	433
PRC land appreciation tax	**895**	1,448
	1,038	1,881
Deferred tax:		
Origination and reversal of temporary differences	**(3,447)**	(2,839)
Taxation credit	**(2,409)**	(958)

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Company and its subsidiaries in Hong Kong have no assessable profits for both years. Taxation for the PRC subsidiaries is charged at the appropriate current rate of taxation ruling in the PRC.

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds on sales of properties less deductible expenditures including costs of land use rights and all property development expenditure.

7. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to equity shareholders of the Company of approximately HK$143,475,000 (2012: approximately HK$56,198,000) and on the weighted average number of 3,389,106,147 (2012: 3,198,951,982) ordinary shares in issue during the year.

The calculation of diluted loss per share for the year ended 31 March 2013 and 31 March 2012 has not included the potential effect of share options outstanding and the deemed conversion of the convertible note into ordinary shares as they have an anti-dilutive effect on the basic loss per share for the year.

8. TRADE AND OTHER RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**3,140**	3,491
Less: allowance for impairment	**2,632**	2,632
Trade receivables, net	**508**	859
Other receivables and prepayments	**56,825**	41,786
	57,333	42,645

In the opinion of the Directors, all of the above trade and other receivables are expected to be recovered or recognised as expense within one year.

The Directors consider that the carrying amounts of trade and other receivables approximate to their fair values.

The Group allows an average credit period of 60 days to 90 days to its trade customers. The following is an analysis of trade receivables by age, presented based on the invoice date. The analysis below includes those classified as part of assets classified as held for sale, net of allowance for doubtful debts:

	2013	2012
	HK$'000	*HK$'000*
Up to 30 days	**6,916**	627
31 to 90 days	**67**	231
91 to 365 days	**252**	1
	7,235	859

9. TRADE AND OTHER PAYABLES

	2013	2012
	HK$'000	*HK$'000*
Trade payables	**1**	35,425
Other payables and accruals	**37,404**	129,709
	37,405	165,134

In the opinion of the Directors, all of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

The following is an analysis of trade payables by age based on the invoice date. The analysis below includes those classified as part of liabilities classified as held for sale.

	2013	2012
	HK$'000	*HK$'000*
Up to 30 days	**6,173**	10,440
31 to 90 days	**–**	6,271
Over 90 days	**38,066**	18,714
	44,239	35,425

10. ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE

Currently, the demand and price of rare earth products still remain low. Given the uncertainty of the current rare earth market, the Group started to rationalise the resources business by considering the possibilities of restructuring the rare earth refinery and processing business. Before the balance sheet date, the Group made a plan to sell a group of subsidiaries that engaged in the rare earth refinery and processing business as if the assets value would be better reflected by such a sale transaction rather than through continuing use. The rare earth refinery and processing business is mainly conducted through 冕寧縣茂源稀土科技有限公司 (Mianning Mao Yuan Rare Earth Technology Company Limited*), a 54% owned subsidiary of the Group. The Group is actively seeking buyers for the rare earth refinery and processing business and expects to complete the sale in one year subject to commercial circumstances. Preliminary discussions with potential buyers were on going and as at the balance sheet date, negotiations for the sale were still in progress and the assets and liabilities of the subsidiaries were classified as non-current assets and liabilities held for sale.

The results of the assets/liabilities classified as held for sale (i.e. rare earth refinery and processing business) that are included in the consolidated income statement and the consolidated statement of cash flows are shown as below.

	2013	2012
	HK$'000	*HK$'000*
Loss for the year from rare earth refinery and processing business:		
Turnover	**34,536**	6
Other income	**3,716**	–
Cost of sales	**(37,843)**	(6)
Impairment loss on intangible asset	**(82,346)**	–
Administrative expenses	**(68,081)**	(22,803)
Loss before taxation	**(150,018)**	(22,803)
Taxation	**(1,507)**	–
Loss for the year	**(151,525)**	(22,803)

	2013	2012
	HK$'000	*HK$'000*
Loss for the year from rare earth refinery and processing business has been arrived at after charging the following:		
Depreciation of property, plant and equipment	**7,516**	1,538
Amortisation of intangible asset	**50,364**	13,537
Amortisation of land use rights	**112**	28
Cash flows from rare earth refinery and processing business:		
Net cash inflows (outflows) from operating activities	**6,563**	(45,927)
Net cash outflows from investing activities	**(9,025)**	(4,514)
Net cash inflows from financing activities	**–**	53,021
Net cash (outflows) inflows	**(2,462)**	2,580
The major classes of assets and liabilities classified as held for sale as at year end are as follows:		
Property, plant and equipment	**111,961**	–
Intangible asset	**401,735**	–
Land use rights	**5,340**	–
Goodwill	**171,748**	–
Inventories	**27,890**	–
Trade and other receivables	**16,329**	–
Cash and cash equivalents	**201**	–
Assets classified as held for sale	**735,204**	–
Trade and other payables	**(116,757)**	–
Other borrowings	**(419,799)**	–
Deferred taxation	**(1,507)**	–
Liabilities directly associated with the assets classified as held for sale	**(538,063)**	–
Net assets directly associated with the assets classified as held for sale	**197,141**	–
Cumulative income recognised in other comprehensive income relating to the assets/liabilities classified as held for sale:		
Foreign exchange translation adjustments	**609**	–

11. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each:		
Authorised:		
At 1 April 2011, 31 March 2012 and 31 March 2013	15,000,000,000	150,000
Issued and fully paid:		
At 1 April 2011	2,955,681,490	29,557
Exercise of share options	418,000,000	4,180
At 31 March 2012	3,373,681,490	33,737
Exercise of share options *(Note a)*	5,000,000	50
Issue of shares *(Note b)*	420,000,000	4,200
At 31 March 2013	**3,798,681,490**	**37,987**

Notes:

(a) During the year, options were exercised to subscribe for 5,000,000 ordinary shares in the Company at a consideration of HK$580,000 of which HK$50,000 was credited to share capital and the balance of HK$530,000 was credited to the share premium account together with a transfer of HK$134,000 from the share options reserve to the share premium account.

(b) On 13 March 2013, Mega Market Assets Limited ("Mega Market"), a substantial shareholder of the Company, placed an aggregate 420,000,000 existing ordinary shares of the Company to certain independent third parties, at a price of HK$0.097 per share, for a total cash consideration of HK$40,740,000, and Mega Market subscribed for 420,000,000 new ordinary shares of the Company at the same price on 21 March 2013. The net proceeds of HK$40,075,000, out of which HK$4,200,000 and HK$35,875,000 were recorded in share capital and share premium respectively, are intended to be used as general working capital of the Group.

All the ordinary shares issued during the year ranked *pari passu* with the existing ordinary shares in all respects.

12. CAPITAL COMMITMENTS

At 31 March 2013, the Group had capital commitments contracted for but not provided for in the consolidated financial statements in respect of the purchase of plant and machinery amounting to approximately HK$346,000 (2012: approximately HK$678,000).

The Company had no significant capital commitments at both balance sheet dates.

13. CONTINGENT LIABILITIES

(a) At 31 March 2013, the Company had given guarantees to two lenders in respect of other borrowings utilised by a subsidiary to an extent of RMB256,000,000 (equivalent to approximately HK$316,049,000) (2012: equivalent to approximately HK$315,193,000). The Directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at 31 March 2013 under the guarantees by the Company is the aggregate amount of the borrowings drawn down by the subsidiary and the outstanding interests payable. In the opinion of the Directors, the fair value of these guarantees is not significant.

(b) The Company had contingent liabilities in respect of financial support given to certain subsidiaries which have capital deficiencies to allow them to continue as a going concern and to meet their liabilities as and when they fall due.

(c) Other than those mentioned in (a) above, the Group had no other significant contingent liabilities as at both balance sheet dates.

14. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform to the current year's presentation. For better presentation, the amount of PRC land appreciation tax charged to consolidated income statement is presented under taxation instead of being included in administrative expenses. This reclassification has no effect on the results and the financial position of the Group and the Company for the current and prior years.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the year ended 31 March 2013, the Group recorded a turnover of HK$48,523,000 (2012: HK$26,726,000), representing an increase of 82% compared with previous financial year. The increase was mainly attributable to the operating results from rare earth refinery and processing business which began trial production in February 2012. During the financial year, the Group also recorded a transaction proceed of disposing subsidiaries holding properties in China amounted to approximately HK$42,840,000.

Loss from operations for the year was HK$168,562,000 (2012 as restated: HK$51,250,000), which was mainly attributable to the recognition of an impairment loss of HK$82,346,000 (2012: HK$Nil) as stated in the Company's September 2012 interim results, and the amortisation HK$50,364,000 (2012: HK$13,537,000) of the intangible asset of the rare earth refinery and processing business. Loss attributable to equity shareholders of the Company for the year increased to HK$143,475,000 (2012: HK$56,198,000).

As at 31 March 2013, the total assets and net assets of the Group were HK$949,997,000 and HK$190,554,000 (2012: HK$1,077,098,000 and HK$360,413,000) respectively. The Board does not recommend the payment of dividend for the year ended 31 March 2013.

Business Review

During the year under review, the Group is mainly engaged in property business, gamma ray irradiation services and resources business.

Property Business

The Group's property business includes property development, rental and sales and trading of building materials and provision of renovation services.

As discussed in the Interim Report 2012 of the Company, the growth of property market in the PRC slowed down in recent years. In light of the uncertainty of market conditions, the Group took the opportunity to transact its properties under development which located in Chongqing, the PRC in August 2012. The disposal realized a total proceeds of RMB35,000,000 (equivalent to approximately HK$42,840,000) and recognized a gain of approximately HK$1,656,000.

Total proceed generated from our property business was HK$50,886,000 (2012: HK$17,316,000) including the proceed of disposing subsidiaries holding properties in China, turnover of property development, rental and sales and trading of building materials and provision of renovation services, which were approximately HK$42,840,000, HK$8,018,000 and HK$28,000 for the year (2012: HK$Nil, HK$16,450,000 and HK$866,000) respectively. Segment loss from property development, rental and sales narrowed down to HK$2,185,000 (2012 as restated: HK$6,345,000) while loss for trading of building materials and provision of renovation services was HK$774,000 (2012: HK$392,000).

Gamma Ray Irradiation Services

Gamma ray irradiation is a proven effective means of cold pasteurization of food and sterilization of medical products. The Group's gamma ray irradiation business is conducted through 淄博利源高科輻照技術有限公司 (Zibo Liyuan Gamma Ray Technologies Co. Limited*), a 80% owned subsidiary of the Group which is licensed by Ministry of Environmental Protection of the PRC for provisioning of irradiation services by utilizing gamma ray technologies. Turnover generated from the gamma ray irradiation services for the financial year was HK$5,941,000 (2012: HK$9,404,000). This segment reported a loss of HK$2,515,000 (2012: Profit of HK$1,080,000). During the financial year under review, an increase in competition which resulted in a decline in margins amidst weaker market demand have affected the operating performance of the business. As such, the Group has increased its marketing efforts, including conducting more seminars to expand customer base during the year. Despite moderate competition may happen in the short term, the Group believes there will be long term sustainable growth in this industry.

Resources Business

Since the Group has set up its resources division, it has been exploring and expanding into resources business with great potentials and applications in various industries in China and other regions. We started with midstream business in the resources industry and our first project is related to rare earth refinery and processing business in China. It is conducted through 冕寧縣茂源稀土科技有限公司 (Mianning Mao Yuan Rare Earth Technology Company Limited*), a 54% owned subsidiary of the Group, which operates a major rare earth refinery and processing plant situated in Mianning, Sichuan province.

As discussed in the Company's interim report for the six months period ended 30 September 2012, due to a change in the market situation e.g. price drop, decrease in demand, PRC government policies controlling the supply of rare earth raw materials etc., particularly since August 2012, the whole rare earth industry has been disrupted. In view of the abrupt worsening of the business environment, and the uncertain timing of a recovery of the demand for rare earth products, the Group took a prudent approach to procure less rare earth raw materials and reduced its rare earth oxides production. The Group also prudently reviewed the asset value of the business and recognised an impairment loss on intangible asset of the rare earth refinery and processing business which amounted to HK$82,346,000 (2012: HK$Nil).

Currently, the demand and price of rare earth products still remain low and the prospects of the rare earth market is an uncertainty. In view of this, the Group started to rationalize the resources business by considering the possibilities of restructuring the rare earth refinery and processing business, and made a plan to sell a group of subsidiaries that engaged in the rare earth refinery and processing business if the assets value would be better reflected by such a sale transaction rather than through continuing use. The Group is actively seeking buyers for the said business. As such, the rare earth refinery and processing business is reclassified as assets and liabilities held for sale and the details are presented under the heading "Assets/ liabilities classified as held for sale" in the Group's consolidated financial statements in accordance with the Hong Kong Financial Reporting Standards.

Meanwhile, the Group has been actively exploring into different opportunities related to value chain of resources from upstream, midstream to downstream. A number of potential resources projects have been assessed and various studies on these potential projects were made. The resources division will continue to evaluate the viability and economics of these potential projects. We hope that through these evaluations, the Group will be able to identify and develop suitable resources projects which generate profitable return to the shareholders.

For the financial year under review, turnover from the Group's resources business amounted to HK$34,536,000 (2012: HK$6,000). The segment reported a loss of HK$152,072,000 (2012: HK$25,787,000), after the recognition of an impairment loss on and amortisation of intangible asset of the rare earth refinery and processing business which in total amounted to HK$132,710,000 (2012: HK$13,537,000).

Other Operation

During the year under review, Hong Kong stock markets remained volatile amid sluggish global economies. Due to both unrealised and realised gains on equity investments held for trading, the securities trading and investment business reported a profit of HK$3,076,000 (2012: HK$14,999,000).

Prospect

The global economic condition has shown signs of improvement but remains weak. The economy of the United States has been growing slowly while the risk of the Euro zone debt crisis is not over yet. The Chinese economy also sees some modest growth although the momentum of recovery has been slow. Domestic demand remains sluggish.

Property Business

Against the backdrop of a more stable policy environment in the real estate industry, new home sales in China have recovered since the second half of 2012, and the momentum should remain steady. As for non-residential property in China, the development of commercial properties, and property related to cultural and tourism development is getting mature which creates more opportunities for developers. The Group has always been devoting resources to land bank acquisitions in China and other regions for different types of property development. The Group continues to explore opportunities in property development and investment in China and other regions, to leverage on our expertise and experience in the property business, as well as to support the development of our other businesses.

Gamma Ray Irradiation Services

In view of sluggish Chinese demand and slow global economic recovery, demand for food irradiation and sterilization of medical devices using gamma ray technologies for export will likely be impacted in the near term. However, higher domestic food and drug hygiene standard and safety requirements and the government's commitment to enforce related regulations should encourage domestic food and drug manufactures to adopt gamma ray irradiation in sterilization. In order to cater for the sustainable growth of gamma ray irradiation services in China, the Group plans to expand its services to products with high margins, such as health food, drugs and chemicals, as well as to provinces such as Henan, Hebei and Jiangsu. The Group will also increase its marketing efforts, including conducting more seminars to food and drug safety bureau, and food and drug enterprises in China, to increase potential domestic customers awareness of gamma ray irradiation applications, with a view to expand domestic customer base. In addition, the Group will continue to enhance its technology to strengthen our competitive position. The Group believes that its gamma ray irradiation business would benefit from the remarkable growth of food and drug industry in the long term.

Resources Business

Since the establishment of our resources division, the Group has been exploring different opportunities related to value chain of resources from upstream, midstream to downstream. The division strives for becoming one of the key players in upstream, midstream and downstream businesses and becoming a full vertically integrated player in the industry. While we are at an early stage in exploring into potential resources projects, a number of potential resources projects have been assessed and various studies on these potential projects were made. Our resources division will continue to evaluate the viability and economics of these potential projects. We hope that through this continuous review, the Group will be able to develop a suitable portfolio of resources business with stable and profitable return to the shareholders.

Capital Investment and Commitments

At 31 March 2013, the Group had capital commitments contracted for but not provided for in the consolidated financial statements in respect of the purchase of plant and machinery amounting to approximately HK$346,000 (2012: approximately HK$678,000).

The Company had no significant capital commitments at both balance sheet dates.

Liquidity and Financial Resources

The Group raised net proceeds of approximately HK$40,075,000 for general working capital upon the completion of placing and top-up subscription of 420,000,000 ordinary shares in March 2013. As at 31 March 2013, the Group had cash and cash equivalents of HK$56,437,000 (31 March 2012: HK$18,774,000). Short term bank borrowings, long term bank and other borrowings, and liability component of convertible note as at 31 March 2013 were HK$Nil (31 March 2012: HK$9,864,000), HK$66,667,000 (31 March 2012: HK$424,850,000) and HK$94,823,000 (31 March 2012: HK$88,848,000) respectively. The gearing ratio, being the ratio of the sum of total borrowings and convertible note to total equity was 85% as at 31 March 2013 (31 March 2012: 145%). The liquidity ratio, being the ratio of current assets over current liabilities, was 154% as at 31 March 2013 (31 March 2012: 108%). The improvement of the liquidity was mainly due to reclassification of assets and liabilities of the rare earth refinery and processing business as held for sale in current year. In order to further improve the Group's liquidity and to increase its working capital, the Company is considering different fund raising options so as to strengthen the Group's financial base.

Pledge of Assets

At 31 March 2013, the Group's land use rights and certain property, plant and equipment with carrying amount of approximately HK$18,467,000 (31 March 2012: HK$15,885,000) were pledged to a bank to secure the bank borrowing granted to the Group.

Contingent Liabilities

At 31 March 2013, the Company had given guarantees to two lenders in respect of other borrowings utilised by a subsidiary to an extent of RMB256,000,000 (equivalent to approximately HK$316,049,000) (2012: equivalent to approximately HK$315,193,000). The Directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at 31 March 2013 under the guarantees by the Company is the aggregate amount of the borrowings drawn down by the subsidiary and the outstanding interests payable. In the opinion of the Directors, the fair value of these guarantees is not significant.

The Company had contingent liabilities in respect of financial support given to certain subsidiaries which have capital deficiencies to allow them to continue as a going concern and to meet their liabilities as and when they fall due.

The Group had no other significant contingent liabilities as at both balance sheet dates.

Share Capital Structure

5,000,000 new shares of HK$0.01 each were issued and allotted during the year upon exercise of share options granted by the Company.

As a result of the placing and the top-up subscription being completed on 21 March 2013, 420,000,000 new shares of HK$0.01 each were allotted and issued to Mega Market Assets Limited at HK$0.097 per share. Details of which are set out in the Company's announcements dated 13 March 2013 and 21 March 2013 respectively.

As at 31 March 2013, the total number of issued shares of the Company was 3,798,681,490. Save as the above, there was no change in the share capital structure of the Company during the year under review.

Convertible Note

In October 2011, the Company issued the convertible note to Mega Market Assets Limited with principal amount of HK$105,000,000 in a term of 3 years (the "Convertible Note"). The Convertible Note bear interest at the rate of 1% per annum payable semi-annually in arrears. Each Convertible Note will be convertible into fully paid Shares at an initial conversion price of HK$0.27 per share. As a result of the placing and top-up subscription of the Company being completed on 21 March 2013, pursuant to the terms and conditions of the Convertible Note, the conversion price of the Convertible Note has been adjusted from HK$0.27 per share to HK$0.2422 per share. Based on the current outstanding principal amount of the Convertible Note (HK$105,000,000), the number of shares to be issued and allotted upon full conversion of the Convertible Note after adjustment to the conversion price shall be 433,526,011 shares. The aforesaid adjustment has been effective from 21 March 2013. At 31 March 2013, the principal amount of the Convertible Note outstanding was HK$105,000,000 (31 March 2012: HK$105,000,000).

Material Acquisitions and Disposals of Subsidiaries

On 17 August 2012, Fame Plus International Limited ("Fame Plus"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Mr. Guo Qingguo (the "Purchaser"), pursuant to which Fame Plus has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire issued share capital of Unique Gold Investments Limited ("Unique Gold") at a consideration of RMB10,000,000 (the "Sale and Purchase Agreement"). Unique Gold owned the entire equity interest in 重慶鳳弘吉實業有限責任公司 (Chongqing Feng Hong Ji Enterprise Company Limited*) (the "Project Company"). In addition, when the Sale and Purchase Agreement has been entered into, the Purchaser shall pay RMB25,000,000 to the Project Company to settle and repay the current debts and other relevant debts between 重慶旭日房地產開發有限公司 (Chongqing Sunrise Property Development Company Limited*), an indirect wholly-owned subsidiary of the Company, and the Project Company. Details of the transaction are set out in the Company's announcement dated 17 August 2012. The transaction has been completed on 17 August 2012.

Save as disclosed herein, the Group had no material acquisition and disposal of subsidiaries during the year ended 31 March 2013.

Litigations

On 24 October 2007, Silver Wind International Limited ("Silver Wind"), a wholly owned subsidiary of the Company, entered into a conditional agreement (the "Acquisition Agreement") with Stronway Development Limited ("Stronway Development"), pursuant to which Silver Wind agreed to acquire from Stronway Development the entire equity interest in Winmax Asia Investment Limited ("Winmax Asia"). Under the arrangement, Winmax Asia would in turn acquire the entire equity interest in Beijing Jianxing Real Estate Development Co. ("Jianxing") along with Jianxing's standalone villas development project in Beijing known as "新星花園". The aggregate consideration payable for the acquisition was RMB433,000,000 which was to be settled in cash, and two villas. In December 2007, RMB20,000,000 was paid under the Acquisition Agreement to Stronway Development by Silver Wind as deposit (the "Deposit"). Details of the acquisition are set out in the Company's circular dated 14 December 2007.

In April 2008, on the grounds, amongst other things, that the subject matter under the Acquisition Agreement was frustrated, Silver Wind decided to terminate the Acquisition Agreement and, through its legal representative has served a notice of termination to Stronway Development. In order to protect the position of Silver Wind and to recover, amongst other things, the Deposit from Stronway Development, the legal proceedings were instigated against Stronway Development on this matter in the High Court of Hong Kong on 15 April 2008.

As at the date hereof, the legal proceedings against Stronway Development are still pending and there is no significant development.

Exposure to Exchange Rate Risk and Interest Rate Risk

The Group's transactions are denominated in Hong Kong dollars and Renminbi. The Group did not enter into any foreign exchange forward contracts to hedge against exchange rates fluctuations. Foreign exchange risk arising from the normal course of operations is considered to be minimal and the management will closely monitor the fluctuation in the currency and take appropriate actions when condition arises.

In terms of the interest rate risk exposures, the Group does not have any significant interest rate risk as both the borrowings of the Group and the interest rates currently remain at low levels.

Employees and Remuneration Policy

As at 31 March 2013, the Group employed 222 employees (31 March 2012: 250). Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are reviewed periodically based on performance appraisal and other relevant factors. Staff benefits plans maintained by the Group include medical insurance, hospitalization scheme, mandatory provident fund and share option scheme.

Employees in the PRC are remunerated according to the prevailing market conditions in the locations of their employments.

DIVIDENDS

The Board does not recommend the payment of dividend for the year ended 31 March 2013 (2012: HK$Nil).

CORPORATE GOVERNANCE

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not, throughout the year, in compliance with the code provisions (the "Code Provision(s)") under the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except the following deviations:

Under the Code Provision A.2.1, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. The Company does not at present have a Chairman nor a Chief Executive. Nevertheless, the main duties and responsibilities of a Chairman and a Chief Executive are currently held by separate individuals with written guidelines for the division of responsibilities with a view to maintain an effective segregation of duties between the management of the Board and the day-to-day management of the Group's business and operations. The Company will continue to review the effectiveness of the Group's corporate governance structure and consider the appointment of a Chairman of the Board and a Chief Executive if candidates with suitable leadership, knowledge, skills and experience can be identified within or outside the Group.

Under the Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. Currently, the non-executive Directors are not appointed for a specific term, but are subject to retirement by rotation at the Company's annual general meeting as specified in the Company's bye-laws.

Further information is set out in the Corporate Governance Report contained in annual report for the year ended 31 March 2013.

AUDIT COMMITTEE

The audit committee of the Company has reviewed with the management and the Company's external auditors, the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting process including the review of the financial statements for the year ended 31 March 2013.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made to all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 March 2013.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The results announcement of the Group for the year ended 31 March 2013 is published on the websites of The Stock Exchange of Hong Kong Limited (http://www.hkexnews.hk) and the Company (http://www.aplushk.com/clients/00164chinagamma/index.html) respectively. The 2013 annual report and notice of the annual general meeting of the Company will be despatched to the shareholders of the Company and made available on the above websites in due course.

By order of the Board
China Gamma Group Limited
Wong King Shiu, Daniel
Executive Director

Hong Kong, 21 June 2013

As at the date of this announcement, the executive director of the Company is Mr. Wong King Shiu, Daniel; the non-executive directors of the Company are Mr. Ma Kwok Hung, Warren and Mr. Chow Siu Ngor; and the independent non-executive directors of the Company are Mr. Wong Hoi Kuen, Mr. Chan Chi Yuen and Mr. Hung Hing Man.

* *The English translation of Chinese names or words are for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*