China Gamma Group Limited
中國伽瑪集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 164)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

INTERIM RESULTS

The board of directors (the "Board") of China Gamma Group Limited (the "Company") hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (together, the "Group") for the six months ended 30 September 2013 together with the comparative figures for the corresponding period in 2012. The unaudited condensed consolidated interim results have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 September	
		2013	2012
		(Unaudited)	(Unaudited) (Restated)
	Notes	***HK$'000***	*HK$'000*
Turnover	*4*	**17,789**	37,099
Other revenue and gains, net	*4*	**446**	4,632
		18,235	41,731
Cost of sales		**(16,793)**	(36,730)
Impairment loss on intangible asset		**–**	(81,840)
Amortisation of intangible asset		**–**	(27,239)
Net unrealised losses on financial assets at fair value through profit or loss		**(862)**	(2,187)
Net realised losses on financial assets at fair value through profit or loss		**(1,370)**	(356)
Administrative expenses		**(19,192)**	(22,056)
Loss from operations	*5*	**(19,982)**	(128,677)
Finance costs		**(26,598)**	(22,828)
Loss before taxation		**(46,580)**	(151,505)
Taxation	*6*	**564**	2,504
Loss for the period		**(46,016)**	(149,001)

	Note	Six months ended 30 September **2013** (Unaudited) *HK$'000*	2012 (Unaudited) *HK$'000*
Loss attributable to:			
Equity shareholders of the Company		**(44,466)**	(92,505)
Non-controlling interests		**(1,550)**	(56,496)
		(46,016)	(149,001)
Loss per share attributable to the equity shareholders of the Company during the period	*7*		
– Basic		**(1.17) cents**	(2.74) cents
– Diluted		**(1.17) cents**	(2.74) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss for the period	**(46,016)**	(149,001)
Other comprehensive income:		
Exchange differences arising from translation of financial statements of foreign operations	**11,090**	(7,590)
Total comprehensive loss for the period	**(34,926)**	(156,591)
Attributable to:		
Equity shareholders of the Company	**(36,758)**	(98,256)
Non-controlling interests	**1,832**	(58,335)
Total comprehensive loss for the period	**(34,926)**	(156,591)

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**At 30 September 2013 (Unaudited) *HK$'000***	At 31 March 2013 (Audited) *HK$'000*
Non-current Assets			
Property, plant and equipment		**24,431**	26,875
Land use rights		**11,684**	11,711
Goodwill		**23,592**	23,592
		59,707	62,178
Current Assets			
Trade and other receivables	*8*	**68,226**	57,333
Financial assets at fair value through profit or loss	*9*	**26,089**	38,845
Cash and cash equivalents		**32,594**	56,437
		126,909	152,615
Assets classified as held for sale	*12*	**763,457**	735,204
		890,366	887,819
Current Liabilities			
Trade and other payables	*10*	**33,634**	37,405
Bank and other borrowings	*11*	**10,063**	–
		43,697	37,405
Liabilities directly associated with the assets classified as held for sale	*12*	**536,517**	538,063
		580,214	575,468
Net Current Assets		**310,152**	312,351
Total Assets less Current Liabilities		**369,859**	374,529

	Notes	At 30 September 2013 (Unaudited) HK$'000	At 31 March 2013 (Audited) HK$'000
Non-current Liabilities			
Amount due to a non-controlling shareholder of a subsidiary		**21,560**	21,162
Bank and other borrowings	*11*	**33,500**	66,667
Placing notes		**10,000**	–
Convertible note		**97,968**	94,823
Deferred taxation		**1,337**	1,323
		164,365	183,975
Net Assets		**205,494**	190,554
Equity			
Capital and reserves attributable to the equity shareholders of the Company:			
Share capital	*13*	**42,987**	37,987
Reserves		**(17,929)**	(26,037)
		25,058	11,950
Non-controlling interests		**180,436**	178,604
Total Equity		**205,494**	190,554

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2013

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention, except for certain financial assets and financial liabilities which are carried at fair value.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2013.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations issued by the HKICPA, which are effective for the Group's financial year beginning on 1 April 2013.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009 – 2011 Cycle
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 19 (Revised in 2011)	Employee Benefits
HKAS 27 (Revised in 2011)	Separate Financial Statements
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures

The adoption of the new or revised Hong Kong Financial Reporting Standards ("HKFRSs") had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented.

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

Amendments to HKAS 32	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
HK(IFRIC) Interpretation 21	Levies[1]
HKFRS 9	Financial Instruments[2]

[1] *Effective for annual periods beginning on or after 1 January 2014*
[2] *Effective for annual periods beginning on or after 1 January 2015*

The Group has not early adopted the new HKFRSs that have been issued but not yet effective. The directors of the Company (the "Directors") are currently assessing the impact of these new HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group's result of operations and financial position.

3. SEGMENT INFORMATION

For management purpose, the Group has three (2012: three) principal lines of businesses namely (1) property business (including property development, trading of building materials and provision of renovation services); (2) gamma ray irradiation services; and (3) resources business, which, together with other operation – securities trading and investment, are the basis on which the Group reports its segment information.

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

Segment results

For the six months ended 30 September 2013

	Property business (Unaudited) *HK$'000*	Gamma ray irradiation services (Unaudited) *HK$'000*	Resources business (Unaudited) *HK$'000*	Other operation – securities trading and investment (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
INCOME STATEMENT					
REVENUE					
Turnover	**998**	**2,838**	**13,953**	**–**	**17,789**
Segment results	**(1,404)**	**(1,363)**	**(2,448)**	**(1,806)**	**(7,021)**
Unallocated other operating income					**1**
Unallocated corporate expenses					**(12,962)**
Loss from operations					**(19,982)**
Finance costs					**(26,598)**
Loss before taxation					**(46,580)**
Taxation					**564**
Loss before non-controlling interests					**(46,016)**

Segment assets and liabilities
As at 30 September 2013

	Property business (Unaudited) *HK$'000*	Gamma ray irradiation services (Unaudited) *HK$'000*	Resources business (Unaudited) *HK$'000*	Other operation – securities trading and investment (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
BALANCE SHEET					
ASSETS					
Segment assets	**10,745**	**62,031**	**–**	**29,736**	**102,512**
Assets classified as held for sale *(note 12)*	**–**	**–**	**763,457**	**–**	**763,457**
Unallocated corporate assets					**84,104**
Consolidated total assets					**950,073**
LIABILITIES					
Segment liabilities	**27,150**	**10,190**	**131,582**	**551**	**169,473**
Liabilities classified as held for sale *(note 12)*	**–**	**–**	**536,517**	**–**	**536,517**
Unallocated corporate liabilities					**38,589**
Consolidated total liabilities					**744,579**

Segment results
For the six months ended 30 September 2012

	Property business (Unaudited) *HK$'000*	Gamma ray irradiation services (Unaudited) *HK$'000*	Resources business (Unaudited) *HK$'000*	Other operation – securities trading and investment (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
INCOME STATEMENT					
REVENUE					
Turnover	7,467	2,948	26,684	–	37,099
Segment results (restated)	(512)	(1,227)	(121,952)	(2,276)	(125,967)
Unallocated other operating income (restated)					2,694
Unallocated corporate expenses (restated)					(5,404)
Loss from operations					(128,677)
Finance costs					(22,828)
Loss before taxation					(151,505)
Taxation					2,504
Loss before non-controlling interests					(149,001)

Segment assets and liabilities
As at 31 March 2013

	Property business (Audited) *HK$'000*	Gamma ray irradiation services (Audited) *HK$'000*	Resources business (Audited) *HK$'000*	Other operation – securities trading and investment (Audited) *HK$'000*	Total (Audited) *HK$'000*
BALANCE SHEET					
ASSETS					
Segment assets	11,973	64,421	–	38,845	115,239
Assets classified as held for sale *(note 12)*	–	–	735,204	–	735,204
Unallocated corporate assets					99,554
Consolidated total assets					949,997
LIABILITIES					
Segment liabilities	26,776	10,080	151,763	4,774	193,393
Liabilities classified as held for sale *(note 12)*	–	–	538,063	–	538,063
Unallocated corporate liabilities					27,987
Consolidated total liabilities					759,443

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the period (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.

4. TURNOVER, OTHER REVENUE AND GAINS, NET

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

	Six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
		(Restated)
	HK$'000	*HK$'000*
Turnover		
Property business	**998**	7,467
Gamma ray irradiation services	**2,838**	2,948
Resources business	**13,953**	26,684
	17,789	37,099
Other revenue and gains, net		
Other income	**446**	381
Gain on disposal of subsidiaries	**–**	1,557
Exchange gain	**–**	2,694
	446	4,632
	18,235	41,731

5. LOSS FROM OPERATIONS

	Six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Amortisation of land use rights	**246**	297
Amortisation of intangible asset	**–**	27,239
Impairment loss of intangible asset	**–**	81,840
Cost of sales[#]	**16,793**	36,730
Write-down inventories	**–**	7,643
Depreciation of property, plant and equipment[#]	**2,911**	5,375
Loss on disposal of property, plant and equipment	**50**	–
Interest income	**(3)**	(17)

[#] *Cost of sales includes HK$2,105,000 (2012: HK$2,048,000) relating to depreciation expenses, which amount is also included in the respective total amounts disclosed separately above.*

6. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company and its subsidiaries in Hong Kong have no assessable profits for the six months ended 30 September 2013 and 2012 respectively. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rate of taxation prevailing in the countries in which the Group operates.

The amount of income tax expense in the condensed consolidated income statement represents:

	Six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current taxation		
Overseas Tax		
– Provision for the period	**71**	91
Deferred taxation		
– Origination and reversal of temporary differences	**(635)**	(2,595)
Income tax credit	**(564)**	(2,504)

7. LOSS PER SHARE

The calculation of basic loss per share for the six months ended 30 September 2013 is based on the loss for the period attributable to the equity shareholders of the Company of approximately HK$44,466,000 (2012: HK$92,505,000) and on the weighted average number of 3,809,610,452 shares (2012: 3,374,227,938 shares) in issue during the period.

The calculation of diluted loss per share for the six months ended 30 September 2013 and 30 September 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 respective period.

8. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	At 30 September 2013	At 31 March 2013
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade receivables	**2,816**	3,140
Less: allowance for impairment	**2,632**	2,632
Trade receivables, net	**184**	508
Other receivables and prepayments	**68,042**	56,825
	68,226	57,333

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:

	THE GROUP	
	At 30 September 2013 (Unaudited)	At 31 March 2013 (Audited)
	HK$'000	*HK$'000*
Up to 30 days	**8,987**	6,916
31 to 90 days	**7,549**	67
91 to 365 days	**4,184**	252
	20,720	7,235

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP	
	At 30 September 2013 (Unaudited)	At 31 March 2013 (Audited)
	HK$'000	*HK$'000*
Listed securities held for trading:		
– Equity securities – Hong Kong, at market value	**26,089**	38,845

10. TRADE AND OTHER PAYABLES

	THE GROUP	
	At 30 September 2013 (Unaudited)	At 31 March 2013 (Audited)
	HK$'000	*HK$'000*
Trade payables	**5**	1
Other payables and accruals	**33,629**	37,404
	33,634	37,405

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 amounts of trade and other payables approximate to their fair values.

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:

	THE GROUP	
	At 30 September 2013 (Unaudited) *HK$'000*	At 31 March 2013 (Audited) *HK$'000*
Up to 30 days	**8,302**	6,173
31 to 90 days	**7,111**	–
Over 90 days	**42,679**	38,066
	58,092	44,239

11. BANK AND OTHER BORROWINGS

	THE GROUP	
	At 30 September 2013 (Unaudited) *HK$'000*	At 31 March 2013 (Audited) *HK$'000*
Current		
Bank borrowing – secured *(Note)*	**10,063**	–
Non-current		
Bank borrowing – secured *(Note)*	**–**	9,877
Other borrowings – unsecured		
– Loan from a company controlled by a substantial shareholder	**33,500**	56,790
Total bank and other borrowings	**43,563**	66,667
Bank borrowing repayable		
Within one year	**10,063**	–
In the second year	**–**	9,877
	10,063	9,877
Other borrowings repayable		
In the second year	**33,500**	56,790
Total bank and other borrowings	**43,563**	66,667

Note:

At 30 September 2013 and 31 March 2013, the bank borrowing is secured by certain leasehold buildings and land use rights of the Group.

12. 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 for the year ended 31 March 2013, 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 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 is shown as below:

	Six months ended 30 September	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss for the period from rare earth refinery and processing business:		
Turnover	**13,953**	26,684
Other income	**–**	11
Cost of sales	**(13,146)**	(26,593)
Impairment loss on intangible asset	**–**	(81,840)
Administrative expenses	**(2,874)**	(39,820)
Loss before taxation	**(2,067)**	(121,558)
Taxation	**635**	–
Loss for the period	**(1,432)**	(121,558)
Loss for the period from rare earth refinery and processing business has been arrived at after charging the following:		
Depreciation of property, plant and equipment *(Note a)*	**–**	3,095
Amortisation of intangible asset *(Note a)*	**–**	27,239
Amortisation of land use rights *(Note a)*	**–**	56

	At 30 September 2013 (Unaudited) *HK$'000*	At 31 March 2013 (Audited) *HK$'000*
The major classes of assets and liabilities classified as held for sale as at the period end are as follows:		
Property, plant and equipment	**114,073**	111,961
Intangible asset	**409,315**	401,735
Land use rights	**5,441**	5,340
Goodwill	**174,989**	171,748
Inventories	**28,416**	27,890
Trade and other receivables	**31,072**	16,329
Cash and cash equivalents	**151**	201
Assets classified as held for sale	**763,457**	735,204
Trade and other payables	**(135,366)**	(116,757)
Other borrowings *(Note b)*	**(400,255)**	(419,799)
Deferred taxation	**(896)**	(1,507)
Liabilities directly associated with the assets classified as held for sale	**(536,517)**	(538,063)
Net assets directly associated with the assets classified as held for sale	**226,940**	197,141
Cumulative income recognised in other comprehensive income relating to the assets/liabilities classified as held for sale:		
Foreign exchange translation adjustments	**10,938**	609

Notes:

(a) According to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations, an entity shall not depreciate or amortise a non-current asset while it is classified as held for sale.

(b) Other borrowings include two loans ("Loan A" and "Loan B") obtained by a wholly-owned subsidiary of the Company from independent third parties and interest accrued thereon. Loan A amounting to HK$176,415,000 (31 March 2013: RMB180,000,000) is due for repayment in full in December 2014. The Company and a wholly-owned subsidiary entered into a subscription agreement with the lender of Loan A on 19 September 2013, the lender subscribed for 500,000,000 shares of the Company at a subscription price HK$0.1 each for a consideration of HK$50,000,000, which was settled by way of capitalisation of part of the Loan A (see note 13 – Share Capital). Loan B amounting to RMB76,000,000 (31 March 2013: RMB76,000,000) is due for repayment in full in December 2014.

The remaining balance represents a borrowing advanced by an individual. This borrowing has no fixed term of repayment.

13. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 31 March 2013 and at 30 September 2013	15,000,000,000	150,000
Issued and fully paid:		
At 31 March 2013	3,798,681,490	37,987
Issue of shares upon completion of subscription *(Note)*	500,000,000	5,000
At 30 September 2013	**4,298,681,490**	**42,987**

Note:

Pursuant to a subscription agreement dated 19 September 2013 entered into between the Company, Jumbo Wealth International Limited, a subsidiary wholly owned by the Company ("Jumbo Wealth"), and Hondex Investments Limited ("Hondex"), Hondex subscribed for 500,000,000 shares of the Company at a subscription price HK$0.1 each for a consideration of HK$50,000,000, which was settled by way of capitalisation of part of the loan due from Jumbo Wealth to Hondex.

14. CONTINGENT LIABILITIES

(a) At 30 September 2013, the Company had given guarantees to two lenders in relation to other borrowings utilised by a subsidiary to the extent of HK$176,415,000 (31 March 2013: RMB180,000,000 (equivalent to approximately HK$222,222,000)) and RMB76,000,000 (equivalent to approximately HK$95,597,000) (31 March 2013: RMB76,000,000 (equivalent to approximately HK$93,827,000)) respectively. 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 30 September 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 as above, the Group had no other significant contingent liabilities as at both balance sheet dates.

15. CAPITAL COMMITMENTS

At 30 September 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$352,000 (31 March 2013: approximately HK$346,000).

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

16. OPERATING LEASE COMMITMENTS

The Group as lessee

The Group made minimum lease payments of approximately HK$2,037,000 (2012: approximately HK$2,917,000) under operating leases during the period.

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	At 30 September 2013 (Unaudited) *HK$'000*	At 31 March 2013 (Audited) *HK$'000*
Within one year	**1,388**	3,304
In the second to fifth year inclusive	**55**	385
	1,443	3,689

Operating lease payments represent rentals payable by the Group for certain of its office premises, staff quarter, warehouses and motor vehicle. Leases are negotiated and fixed for an average term of one to three years.

17. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

During the period, the Group had significant transactions with the following related parties, together with balances with them as at the balance sheet date, details of which are as follows:

	Six months ended 30 September	
	2013 (Unaudited) *HK$'000*	2012 (Unaudited) *HK$'000*
Key management compensation of the Group:		
Fees, salaries and other short-term employee benefits	**570**	570
Pension scheme contributions	**8**	6
	578	576
Substantial shareholders:		
Interest on convertible note	**522**	522
Interest on other borrowing	**14,942**	12,687

	At 30 September 2013 (Unaudited) *HK$'000*	At 31 March 2013 (Audited) *HK$'000*
Substantial shareholders:		
Convertible note	**105,000**	105,000
Other borrowing	**225,781**	239,443
A company controlled by a substantial shareholder:		
Other borrowing	**33,500**	56,790

Save as disclosed above, there were no other significant transactions with related parties during the period or significant balances with them at the end of the period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period 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, trading of building materials and provision of renovation services. As discussed in the 2013 Annual Report of the Company, our properties under development located in Chongqing, the PRC were sold in August 2012. Since then, the Group has not launched any new property projects for sale, and has not recognised contract sales during the period under review.

During the period under review, turnover of property business was HK$998,000 (2012: HK$7,467,000), of which turnover from trading of building materials and provision of renovation services amounted to HK$998,000 (2012: HK$13,000). Segment loss increased to HK$1,404,000 (2012: HK$512,000). Looking forward, the Group will continue to focus on mixed use property development and investment in China to cater for strong end-users' demand for high quality residential and commercial properties.

Gamma Ray Irradiation Services

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 utilising gamma ray technologies. Turnover generated from the gamma ray irradiation services for the period was HK$2,838,000 (2012: HK$2,948,000). This segment reported a loss of HK$1,363,000 (2012: HK$1,227,000). During the period under review, weak global economic recovery and export demand have affected the operating performance of the business. As such, the Group has started to expand its services to new products with high margins. Discussions and negotiation were made with potential clients in agricultural, seafood and chemical products. Marketing efforts have been increased to arouse potential domestic customers awareness of gamma ray irradiation applications, and seminars were conducted to food and drug safety bureau, and food and drug enterprises in China. The Group will also expand its geographical reach to provide irradiation services in provinces nearby Shandong, so as to increase its domestic customer base.

Resources Business

Since the Group has set up its resources division, we started our first project of 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 2013 Annual Report of the Company, currently the demand and price of rare earth products still remain low and the prospects of the rare earth market is uncertain. In order to reduce losses incurred by the business, the Group prudently procured less rare earth raw materials and substantially reduced its rare earth oxides production, but increased trading of rare earth resources. Meanwhile, the Group's plan to sell a group of subsidiaries that engaged in the said business if the assets value would be better reflected by such a sale transaction rather than through continuing use is ongoing. The Group is actively seeking buyers for the said business and discussions with potential buyers and negotiations for the sale are still in progress.

Meanwhile, the Group has been continually exploring into different opportunities related to value chain of resources from upstream, midstream to downstream. Current downturn in the resources industry opened more opportunities to us to invest in potential resources projects at attractive valuation. Our resources division has assessed various resources projects and will continue to explore and evaluate potential resources projects with an eye for opportunities to acquire and develop suitable resources projects at attractive prices.

For the period under review, turnover from the Group's resources business amounted to HK$13,953,000 (2012: HK$26,684,000). The segment loss was reduced to HK$2,448,000 (2012 as restated: HK$121,952,000) as a result of implementation of cost reduction initiatives during the period.

Other Operation

During the period under review, Hong Kong stock markets remained volatile amid weak global economies. Due to both unrealised and realised gains on equity investments held for trading, the securities trading and investment business reported a loss of HK$1,806,000 (2012: HK$2,276,000).

PROSPECT

Property Business

While China's economic growth has slowed, it is expected that current government administrative policies in the real estate industry to remain in place to promote healthy development of the sector. This offers a stable operating environment for the Group to develop its property business in China. As urbanisation continues to drive demand for property in China, the Group will focus on mixed use property development and investment in China to cater for strong end-users' demand for high quality residential and commercial properties. The Group will also explore opportunities in property development and investment in other regions to support the development of our other businesses.

Gamma Ray Irradiation Services

Against the backdrop of slow global economic recovery, demand for food irradiation and sterilisation of medical devices using gamma ray technologies for export will still be impacted. Nevertheless, the Group will stick to its plans to expand its services to new products with high margins, such as health food, drugs and chemicals, and will increase its marketing effort to source new clients in these respective segments. It will also expand its services to other provinces in China, such as Henan, Hebei and Jiangsu. Despite slow demand in the near term, 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

With slower-than-expected growth of the global economy, prices of most resources and industrial commodities have been under pressure on concerns of over-capacity. As the Group is still at an early stage in exploring into potential resources projects, current downturn in the resources industry provides opportunities for us to invest in potential resources projects at attractive valuation. Our resources division will closely monitor the industry, continue to explore and evaluate potential resources projects with an eye for opportunities to acquire and develop suitable resources projects at attractive prices.

FINANCIAL REVIEW

For the six months ended 30 September 2013, the Group took several initiatives to further improve a Group's liquidity and strengthen its financial base. In August 2013, the Company entered into a placing agreement in relation to the placing of 7-year 5% unsecured notes in the denomination of HK$2,000,000 each with aggregate principal amount of up to HK$300,000,000 (the "Placing Notes") for a placing period of twelve months. During the six months ended 30 September 2013, the gross proceeds raised from the Placing Notes was HK$10,000,000 (net proceeds of approximately HK$9,500,000). The issuance of a 7-year debt instrument was a significant step towards establishing a longer-term debt profile for the Group. The Group has also been actively working to replace certain financing that carries higher interest rates. In September 2013, the Company issued and allotted 500,000,000 shares of the Company of HK$0.01 each (the "Shares") to Hondex Investments Limited ("Hondex") at a subscription price HK$0.1 per Share for a consideration of HK$50,000,000, which was settled by way of capitalisation of part of the loan due to Hondex from Jumbo Wealth International Limited, a subsidiary wholly owned by the Company. By such arrangement, this reduced the Group's financing costs and the gearing level of the Group thereby strengthening the financial position of the Group for its continuous development of its business. The gearing ratio of the Group, being the ratio of the sum of total borrowings and convertible note to total equity was lowered to 74% (31 March 2013: 85%).

During the period under review, the Group recorded a turnover of HK$17,789,000 (2012: HK$37,099,000), representing a decrease of 52% compared with previous corresponding period. The decrease was mainly attributable to a decline in turnover from its rare earth refinery and processing business as a result of a reduction in rare earth oxides production.

Loss from operations for the period amounted to HK$19,982,000 (2012: HK$128,677,000). Net loss attributable to equity shareholders of the Company for the period improved and was reduced to HK$44,466,000 (2012: HK$92,505,000), which was mainly attributable to the absence of impairment loss on and amortisation of intangible asset in this period. Impairment loss on intangible asset and amortisation of intangible asset of the rare earth refinery and processing business recognised for the six months ended 30 September 2012 was HK$81,840,000 and HK$27,239,000 respectively.

As at 30 September 2013, the unaudited total assets and net assets of the Group were HK$950,073,000 and HK$205,494,000 (31 March 2013: HK$949,997,000 and HK$190,554,000) respectively. The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2013.

Liquidity and Financial Resources

As at 30 September 2013, the Group has raised gross proceeds of HK$10,000,000 (net proceeds of approximately HK$9,500,000) for general working capital by the Placing Notes. As at 30 September 2013, the Group had cash and cash equivalents of HK$32,594,000 (31 March 2013: HK$56,437,000). Short term bank borrowing, long term bank and other borrowings, placing notes, and liability component of convertible note as at 30 September 2013 were HK$10,063,000 (31 March 2013: HK$Nil), HK$33,500,000 (31 March 2013: HK$66,667,000), HK$10,000,000 (31 March 2013: HK$Nil) and HK$97,968,000 (31 March 2013: HK$94,823,000) respectively. The gearing ratio, being the ratio of the sum of total borrowings and convertible note to total equity was 74% as at 30 September 2013 (31 March 2013: 85%). The liquidity ratio, being the ratio of current assets over current liabilities, was 153% as at 30 September 2013 (31 March 2013: 154%). The improvement of the gearing ratio was mainly due to capitalisation of loan in September 2013. In order to further improve the Group's liquidity and to increase its working capital, the Company is considering different fund raising and capital restructuring options so as to strengthen the Group's financial base.

Property, Plant and Equipment

During the period under review, there were additions of HK$51,000 (2012: HK$1,632,000) to property, plant and equipment to expand the Group's operations.

Capital Commitments

Details of significant capital commitments of the Group and the Company are set out in note 15 to the financial statements.

Pledge of Assets

At 30 September 2013, the Group's land use rights and certain property, plant and equipment with carrying amount of approximately HK$18,373,000 (31 March 2013: HK$18,467,000) were pledged to a bank to secure the bank borrowing granted to the Group.

Contingent Liabilities

Details of contingent liabilities of the Group and the Company are set out in note 14 to the financial statements.

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.

Share Capital

As a result of the subscription of new Shares by way of capitalisation of loan being completed on 27 September 2013, 500,000,000 Shares were issued and allotted by the Company. Details of which are set out in the Company's announcements dated 19 September 2013 and 27 September 2013 respectively.

As at 30 September 2013, the total number of issued shares of the Company was 4,298,681,490. Save as the above, there was no change in the share capital structure of the Company during the period 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 with 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 ordinary Shares at the conversion price of HK$0.2422 per Share (as adjusted by the completion of placing and top-up subscription of the Company on 21 March 2013), subject to adjustment in accordance with the terms and conditions of the Convertible Note at any time during the period commencing from the date of issuance. As a result of the completion of subscription of new Shares by way of capitalisation of loan on 27 September 2013, the conversion price of the Convertible Note has been adjusted from HK$0.2422 per Share to HK$0.2158 per Share (the "Adjusted Conversion Price"). 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 at the Adjusted Conversion Price shall be 486,561,631 Shares. The aforesaid adjustment has been effective from 27 September 2013.

At 30 September 2013, the principal amount of the Convertible Note outstanding was HK$105,000,000 (31 March 2013: HK$105,000,000).

Material Acquisitions and Disposals of Subsidiaries

The Group had no material acquisition and disposal of subsidiaries during the six months ended 30 September 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.

Employee and Emolument Policy

As at 30 September 2013, the Group employed 153 employees.

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, hospitalisation 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.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 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 six months period, in compliance with the code provisions (the "Code Provision(s)") under the Corporate Governance Code as set out in Appendix 14 to 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.

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 as the code of conduct regarding securities transactions by the Directors. Specific enquiry has been made to all the Directors and the Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2013.

AUDIT COMMITTEE

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 September 2013.

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

During the six months ended 30 September 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The results announcement of the Group for the six months ended 30 September 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 interim report 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, 13 November 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.*