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 2014

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 2014 together with comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2014

	Notes	**2014** ***HK\$'000***	2013 *HK\$'000*
Turnover	*3*	**41,018**	48,523
Other revenue and gains, net	*3*	**1,078**	8,644
		42,096	57,167
Cost of sales		**(41,358)**	(52,329)
Impairment loss on intangible asset		**–**	(82,346)
Administrative expenses		**(25,201)**	(91,054)
Loss from operations		**(24,463)**	(168,562)
Finance costs	*4*	**(30,294)**	(48,289)
Loss before taxation	*5*	**(54,757)**	(216,851)
Taxation	*6*	**34**	2,409
Loss for the year		**(54,723)**	(214,442)

	Note	2014	2013
		HK$'000	*HK$'000*
Loss attributable to:			
Equity shareholders of the Company		**(51,471)**	(143,475)
Non-controlling interests		**(3,252)**	(70,967)
		(54,723)	(214,442)
Loss per share for loss attributable to equity shareholders of the Company	*7*		
Basic and diluted		**(1.27) cents**	(4.23) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2014

	2014	2013
	HK$'000	*HK$'000*
Loss for the year	**(54,723)**	(214,442)
Other comprehensive income/(expense):		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries		
– net movement in exchange reserve	**10,482**	(604)
Total comprehensive expense for the year	**(44,241)**	(215,046)
Attributable to:		
Equity shareholders of the Company	**(43,864)**	(144,374)
Non-controlling interests	**(377)**	(70,672)
Total comprehensive expense for the year	**(44,241)**	(215,046)

CONSOLIDATED BALANCE SHEET

At 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current Assets			
Property, plant and equipment		**22,146**	26,875
Land use rights		**11,436**	11,711
Goodwill		**23,592**	23,592
		57,174	62,178
Current Assets			
Trade and other receivables	*8*	**56,862**	57,333
Financial assets at fair value through profit or loss		**19,604**	38,845
Cash and cash equivalents		**33,453**	56,437
		109,919	152,615
Assets classified as held for sale	*10*	**758,175**	735,204
		868,094	887,819
Current Liabilities			
Trade and other payables	*9*	**29,221**	37,405
Bank and other borrowings		**10,063**	–
Convertible note		**101,272**	–
Liabilities directly associated with the assets classified as held for sale	*10*	**513,292**	538,063
Current taxation		**21**	–
		653,869	575,468
Net Current Assets		**214,225**	312,351

	Note	2014 HK$'000	2013 HK$'000
Non-current Liabilities			
Amount due to a non-controlling shareholder of a subsidiary		**21,839**	21,162
Bank and other borrowings		**52,044**	66,667
Convertible note		**–**	94,823
Deferred taxation		**1,337**	1,323
		75,220	183,975
Net Assets		**196,179**	190,554
Equity			
Capital and reserves attributable to the Company's equity shareholders:			
Share capital	*11*	**42,987**	37,987
Reserves		**(25,035)**	(26,037)
		17,952	11,950
Non-controlling interests		**178,227**	178,604
Total Equity		**196,179**	190,554

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 the predecessors 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:

HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: 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 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 1 Amendments	Amendments to HKAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Except for as described below, the application of the above new or revised HKFRS in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The principal effects of adopting these new and revised HKFRS are summarised as follows:

(a) Amendments to HKAS 1

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of profit or loss and other comprehensive income in these financial statements has been modified accordingly. In addition, the Group has still chosen to use the existing titles of "income statement" and "statement of comprehensive income" instead of using the new titles of "statement of profit or loss" and "statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

(b) HKAS 19 (2011)

HKAS 19 (2011) introduces a number of amendments to the accounting for defined benefit plans. Among them, HKAS 19 (2011) eliminates the "corridor method" under which the recognition of actuarial gains and losses relating to defined benefit schemes could be deferred and recognised in profit or loss over the expected average remaining service lives of employees. Under the HKAS 19 (2011), all actuarial gains and losses are required to be recognised immediately in other comprehensive income. HKAS 19 (2011) also changed the basis for determining income from plan assets from expected return to interest income calculated at the liability discount rate, and requires immediate recognition of past service cost, whether vested or not. The adoption of the HKAS 19 (2011) does not have any material impact on the Group's financial statements as the Group does not have any defined benefit plan.

(c) Amendments to HKFRS 7

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, Financial instruments: Presentation and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on these financial statements because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7 during the periods presented.

(d) HKFRS 10

HKFRS 10 replaces the requirements in HKAS 27, Consolidated and separate financial statements relating to the preparation of consolidated financial statements and HK-SIC 12 Consolidation – Special purpose entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 April 2013.

(e) HKFRS 11

HKFRS 11, which replaces HKAS 31, Interests in joint ventures, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice. The adoption of HKFRS 11 does not have any material impact on the Group's consolidated financial statements.

(f) HKFRS 12

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. The adoption of HKFRS 12 does not have any material impact on the Group's consolidated financial statements.

(g) HKFRS 13

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

(h) Annual Improvements to HKFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 1 has been amended to clarify that an opening balance sheet is required only when a retrospective application of an accounting policy, a retrospective restatement or a reclassification has a material effect on the information presented in the opening balance sheet. The amendments also remove the requirement to present related notes to the opening balance sheet when such statement is presented. The adoption of these amendments does not have any material impact on the Group's consolidated financial statements.

2. SEGMENTAL INFORMATION

Business segments

For management purpose, the Group has three (2013: 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. 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:

2014

	Property business *HK$'000*	Gamma ray irradiation services *HK$'000*	Resources business *HK$'000*	Other operation – securities trading and investment *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2014						
REVENUE						
Turnover	1,011	5,906	34,101	–	–	41,018
Segment results	(694)	(2,565)	(3,559)	(176)	–	(6,994)
Unallocated corporate expenses						(17,469)
Loss from operations						(24,463)
Finance costs						(30,294)
Loss before taxation						(54,757)
Taxation						34
Loss before non-controlling interests						(54,723)

	Property business HK$'000	Gamma ray irradiation services HK$'000	Resources business HK$'000	Other operation – securities trading and investment HK$'000	Unallocated HK$'000	Total HK$'000
BALANCE SHEET AT 31 MARCH 2014						
ASSETS						
Segment assets	9,765	59,179	–	19,605	–	88,549
Assets classified as held for sale *(note 10)*	–	–	758,175	–	–	758,175
Unallocated corporate assets						78,544
Consolidated total assets						925,268
LIABILITIES						
Segment liabilities	25,184	10,335	134,929	1,269	–	171,717
Liabilities classified as held for sale *(note 10)*	–	–	513,292	–	–	513,292
Unallocated corporate liabilities						44,080
Consolidated total liabilities						729,089
OTHER INFORMATION FOR THE YEAR ENDED 31 MARCH 2014						
Capital additions	–	51	–	–	–	51
Depreciation and amortisation	758	4,838	–	–	115	5,711
Net unrealised losses on financial assets at fair value through profit or loss	–	–	–	4,072	–	4,072

2013

	Property business *HK$'000*	Gamma ray irradiation services *HK$'000*	Resources business *HK$'000*	Other operation – securities trading and investment *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2013						
REVENUE						
Turnover	8,046	5,941	34,536	–	–	48,523
Segment results	(2,959)	(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 HK$'000	Gamma ray irradiation services HK$'000	Resources business HK$'000	Other operation – securities trading and investment HK$'000	Unallocated HK$'000	Total HK$'000
BALANCE SHEET AT 31 MARCH 2013						
ASSETS						
Segment assets	11,973	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	26,776	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	1,164	4,822	57,991	–	131	64,108
Net unrealised losses on financial assets at fair value through profit or loss	–	–	–	6,201	–	6,201

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the year (2013: 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:

	2014	2013
	HK$'000	*HK$'000*
Hong Kong	**1,011**	28
The PRC	**40,007**	48,495
	41,018	48,523

The following is an analysis of the carrying amount of non-current assets analysed by the geographical area in which the assets are located:

	2014	2013
	HK$'000	*HK$'000*
Hong Kong	**59**	104
The PRC	**57,115**	62,074
	57,174	62,178

Information about major customers

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

	2014	2013
	HK$'000	*HK$'000*
Customer A[1]	**–**	9,361
Customer B[2]	**–**	5,865
Customer C[1]	**13,976**	5,540
Customer D[1]	**–**	5,308
Customer E[1]	**19,083**	–

[1] *Revenue from resources business*

[2] *Revenue from property business*

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:

	2014	2013
	HK$'000	*HK$'000*
Turnover		
Resources business	**34,101**	34,536
Gamma ray irradiation services income	**5,906**	5,941
Property business	**1,011**	8,046
	41,018	48,523
Other revenue and gains, net		
Interest income on financial assets not at fair value through profit or loss	**906**	34
Dividend income from listed investments	**734**	782
Net realised gains on financial assets at fair value through profit or loss	**3,172**	8,505
Net unrealised losses on financial assets at fair value through profit or loss	**(4,072)**	(6,201)
Gain on disposal of subsidiaries	**–**	1,656
Government grants *(Note)*	**–**	3,704
Sundry income	**338**	164
	1,078	8,644
	42,096	57,167
Gross proceeds from securities trading	**100,178**	70,094

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

	2014	2013
	HK$'000	*HK$'000*
Interest on:		
Bank borrowing wholly repayable within five years	**753**	766
Other borrowings		
– wholly repayable within five years	**21,496**	40,491
– not wholly repayable within five years	**546**	–
Convertible note	**7,499**	7,025
Other	**–**	7
Total interest expense on financial liabilities not at fair value through profit or loss	**30,294**	48,289

5. LOSS BEFORE TAXATION

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

	2014	2013
	HK$'000	*HK$'000*
Staff costs#		
– directors' remuneration	**1,155**	1,155
– basic salaries and other benefits	**5,630**	12,762
– retirement benefits scheme contributions	**419**	1,288
– share-based payments	**–**	4,532
	7,204	19,737
Auditors' remuneration		
– Current year	**1,356**	1,344
– Underprovision in prior year	**–**	200
Depreciation and amortisation of property, plant and equipment#	**5,216**	13,146
Amortisation of intangible asset	**–**	50,364
Amortisation of land use rights	**495**	598
Exchange loss	**7,503**	1,240
Loss on disposal of property, plant and equipment	**50**	–
Operating lease payments	**3,075**	5,679
Cost of sales#	**41,358**	52,329
Write-down of inventories	**2,066**	–
Rental income net of direct outgoings of HK$Nil (2013: HK$Nil)	**–**	(4)

\# *Cost of sales includes HK$4,748,000 (2013: HK$7,734,000) 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$1,680,000 (2013: HK$2,985,000).*

6. TAXATION IN THE CONSOLIDATED INCOME STATEMENT

	2014	2013
	HK$'000	*HK$'000*
Taxation calculated in the consolidated income statement represents:		
Current tax:		
PRC corporate income tax	**119**	143
PRC land appreciation tax	**–**	895
	119	1,038
Deferred tax:		
Origination and reversal of temporary differences	**(153)**	(3,447)
Taxation credit	**(34)**	(2,409)

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 expenditures.

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$51,471,000 (2013: approximately HK$143,475,000) and on the weighted average number of 4,053,476,011 (2013: 3,389,106,147) ordinary shares in issue during the year.

The calculation of diluted loss per share for the year ended 31 March 2014 and 31 March 2013 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

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**255**	3,140
Less: allowance for impairment	**–**	2,632
Trade receivables, net	**255**	508
Other receivables and prepayments	**56,607**	56,825
	56,862	57,333

In the opinion of the directors of the Company (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:

	2014	2013
	HK$'000	*HK$'000*
Up to 30 days	**22,545**	6,916
31 to 90 days	**36**	67
91 to 365 days	**177**	252
	22,758	7,235

9. TRADE AND OTHER PAYABLES

	2014	2013
	HK$'000	*HK$'000*
Trade payables	**3**	1
Other payables and accruals	**29,218**	37,404
	29,221	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 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.

	2014	2013
	HK$'000	*HK$'000*
Up to 30 days	**20,987**	6,173
31 to 90 days	**3**	–
Over 90 days	**38,654**	38,066
	59,644	44,239

10. ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE

Before 31 March 2013, the Group started to rationalise the resources business by considering the possibilities of restructuring the rare earth refinery and processing business. The Group 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 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*) ("Mianning Mao Yuan"), a 54% owned subsidiary of the Group. The Group is still actively seeking buyers for the rare earth refinery and processing business and expects to complete the sale within one year subject to commercial circumstances. Preliminary discussions with potential buyers were on going and as at 31 March 2014, negotiations for the sale were still in progress and the assets and liabilities of the subsidiaries continued to be classified as non-current assets and liabilities held for sale. Subsequent to the balance sheet date, a letter of intent for sale of rare earth refinery and processing business has been signed with a potential buyer *(note 15)*.

A business valuation of Mianning Mao Yuan as at 31 March 2013 and 2014 respectively has been performed. The valuations were carried out by an independent valuer, Roma Appraisals Limited, who has appropriate qualifications and recent experiences in the valuation of similar businesses. The Group's management have discussed with the valuer on the valuation assumptions and valuation results when the valuations were performed. The market value of Mianning Mao Yuan has been determined based on discounted cash flow method which uses projections of the future cash flows approved by management covering a 5-year (2013: 9-year) period. The discount rate applied to cash flow projection is 22.01% (2013: 21.98%) and cash flow beyond the 5-year (2013: 9-year) period is extrapolated using a steady 3.12% (2013: 2.86%) per annum growth rate. The growth rate used does not exceed the long-term average growth rate for the rare earth industry. Management determined the budgeted sales and gross margins based on past performance, market trends of the rare earth industry and planned production strategy. The discount rate used is pre-tax and reflects specific risks relating to rare resources industry.

The Directors consider that as at 31 March 2014 the recoverable amount of Mianning Mao Yuan exceeds its net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

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.

	2014	2013
	HK$'000	*HK$'000*
Loss for the year from rare earth refinery and processing business:		
Turnover	**34,101**	34,536
Other income	**250**	3,716
Cost of sales	**(34,930)**	(37,843)
Impairment loss on intangible asset	**–**	(82,346)
Administrative expenses	**(2,980)**	(68,081)
Loss before taxation	**(3,559)**	(150,018)
Taxation	**153**	(1,507)
Loss for the year	**(3,406)**	(151,525)
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
Amortisation of intangible asset	**–**	50,364
Amortisation of land use rights	**–**	112

In accordance with HKFRS 5, when a non-current asset is classified as held for sale or included within a disposal group that is classified as held for sale, it is not depreciated or amortised.

Cash flows from rare earth refinery and processing business:

	2014	2013
Net cash (outflows)/inflows from operating activities	**(132)**	6,563
Net cash outflows from investing activities	**–**	(9,025)
Net cash outflows	**(132)**	(2,462)

	2014	2013
	HK$'000	*HK$'000*
The major classes of assets and liabilities classified as held for sale as at year end are as follows:		
Property, plant and equipment	**114,073**	111,961
Intangible asset	**409,314**	401,735
Land use rights	**5,441**	5,340
Goodwill	**174,989**	171,748
Inventories	**22,585**	27,890
Trade and other receivables	**31,700**	16,329
Cash and cash equivalents	**73**	201
Assets classified as held for sale	**758,175**	735,204
Trade and other payables	**(186,907)**	(116,757)
Other borrowings	**(325,002)**	(419,799)
Deferred taxation	**(1,383)**	(1,507)
Liabilities directly associated with the assets classified as held for sale	**(513,292)**	(538,063)
Net assets directly associated with the assets classified as held for sale	**244,883**	197,141
Cumulative income recognised in other comprehensive income relating to the assets/liabilities classified as held for sale:		
Foreign exchange translation adjustments	**10,947**	609

11. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each:		
Authorised:		
At 1 April 2012, 31 March 2013 and 31 March 2014	15,000,000,000	150,000
Issued and fully paid:		
At 1 April 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
Issue of shares *(Note c)*	500,000,000	5,000
At 31 March 2014	**4,298,681,490**	**42,987**

Notes:

(a) During the year ended 31 March 2013, 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, were intended to be used as general working capital of the Group.

(c) Pursuant to a subscription agreement dated 19 September 2013 entered into between the Company, Jumbo Wealth International Limited ("Jumbo Wealth"), a subsidiary wholly owned by the Company, 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. The capitalised amount of HK$49,866,000 (after deducting transaction costs of HK$134,000) was recorded in share capital and share premium at HK$5,000,000 and HK$44,866,000 respectively.

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 2014, 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 (2013: approximately HK$346,000).

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

13. CONTINGENT LIABILITIES

(a) At 31 March 2014, the Company had given guarantees to two lenders in respect of other borrowings utilised by a subsidiary to an extent of HK$325,002,000 (2013 restated: HK$366,713,000). 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 2014 under the guarantees by the Company is the aggregate amount of the borrowings drawn down by the subsidiary and the outstanding interest 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 figures have been reclassified to conform to the current year's presentation.

15. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Group planned to sell a group of subsidiaries that engaged in the rare earth refinery business if the assets value would be better reflected by such a sale transaction rather than through continuing use. The Group has been actively seeking buyers for the said business. Meanwhile, a potential buyer, who is an independent third party, has been identified and negotiation for the sale is in progress. On 25 June 2014, a letter of intent has been entered into between a subsidiary of the Group and the potential buyer, pursuant to which due diligence of the said business will be conducted by the potential buyer within a reasonable period and the possible sale will be subject to further negotiation, satisfaction of certain conditions and corporate approvals. Currently no binding agreements have been reached between the parties.

MANAGEMENT DISCUSSION AND ANALYSIS

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, trading of building materials and provision of renovation services.

During the year under review, the Group has been devoting resources to land bank acquisitions. The land market in China was heated up with more transactions taking place. While competition was very intense in auctions, the Group sought to identify premium land sites at the right opportunity and refrained from making aggressive bids. The Group continues to focus on exploring mixed use property development and investment in China. During the year under review, the Group has not launched new property projects for sale and turnover of property business was HK$1,011,000 (2013: HK$8,046,000), of which turnover from trading of building materials and provision of renovation services amounted to HK$1,011,000 (2013: HK$28,000). Segment loss narrowed down to HK$694,000 (2013: HK$2,959,000).

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 the provision of irradiation services by utilising gamma ray technologies. Turnover generated from the gamma ray irradiation services for the financial year was HK$5,906,000 (2013: HK$5,941,000). This segment reported a loss of HK$2,565,000 (2013: HK$2,515,000).

During the year under review, slow global economic recovery and weak export demand have affected the operating performance of the business. In response to weak demand, the Group has expanded its services to new products with high margins, such as agricultural, health food, seafood and chemical products. The Group also strengthened business relation with existing and new customers to increase business volume. In addition, the Group increased its marketing efforts to tap into potential domestic customers, including conducting market research on various products application, as well as seminars for food and drug safety bureau, and food and drug enterprises in China.

Resources Business

The Group's first project of rare earth refinery and processing business in China 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. It operates a major rare earth refinery and processing plant situated in Mianning, Sichuan province.

During the year under review, global economic growth remained slow and prices of most resources were under pressure. Weak downstream demand has negatively impacted the rare earth industry and prices of most rare earth products. Meanwhile, the Chinese government has imposed more regulatory measures on the rare earth industry and promoted consolidation of domestic large rare earth enterprises. These should restore the order of the industry in longer term. 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 during the year.

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 may provide opportunities to the Group to invest in potential resources projects at attractive valuation.

For the year ended 31 March 2014, turnover from the Group's resources business amounted to HK$34,101,000 (2013: HK$34,536,000). The segment loss was reduced to HK$3,559,000 (2013: HK$152,072,000) as a result of implementation of cost reduction initiatives during the year.

Other Operation

During the year under review, Hong Kong stock markets remained range-bound amid slowing Chinese economy. Due to both unrealised and realised gains on equity investments held for trading, the securities trading and investment business reported a loss of HK$176,000 (2013: profit of HK$3,076,000).

Prospect

Property Business

As the Chinese economy slows, domestic residential property sales are expected to be slow this year with more supply of new home units and tight credit environment. As for non-residential properties in China, the development of commercial properties remained steady in key cities. With more competitive operating environment in residential property market, the Group will continue to focus on mixed use property development and investment in China to cater for 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

Although global economic recovery remains slow, demand for food irradiation and sterilisation of medical devices using gamma ray technologies has shown signs of stabilisation recently. As application of gamma ray technologies in food irradiation has increased in recent years, the Group believes there will be long term sustainable growth in this industry. As such, 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.

Resources Business

As disclosed in the Company's 2013 Annual Report and 2013 Interim Report, the Group planned 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 has been actively seeking buyers for the said business. Meanwhile, a potential buyer, who is an independent third party, has been identified and negotiation for the sale is in progress. On 25 June 2014, a letter of intent has been entered into between a subsidiary of the Group and the potential buyer, pursuant to which due diligence of the said business will be conducted by the potential buyer within a reasonable period and the possible sale will be subject to further negotiation, satisfaction of certain conditions and corporate approvals. Currently no binding agreements have been reached between the parties. The Group will make announcements in accordance with the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited as and when appropriate.

As global economic growth remains slow with China in particular, prices of most resources and industrial commodities have been under pressure on weak demand, and are likely to stay low in the near term. However, current downturn in the resources industry may provide opportunities for the Group to explore and invest in potential resources projects at attractive valuation. Our resources division will closely monitor the industry trend, 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 year ended 31 March 2014, the Group took several initiatives to further improve the 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 year under review, the gross proceeds raised from the Placing Notes was HK$20,000,000 (net proceeds of approximately HK$18,457,000). As at 31 March 2014, the Group has utilised the net proceeds from the Placing Notes as to approximately 35% for the general working capital of the Group (including operating expenses such as employee benefit expenses, office expenses and utilities, professional fees and general administration costs) and approximately 65% for refinancing of existing debts. 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. The Group has also negotiated with the lenders of other borrowings and successfully lowered their respective interest rates. Such arrangements have reduced the Group's financing costs markedly and improved 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 83% (2013: 85%).

During the year under review, the Group recorded a turnover of HK$41,018,000 (2013: HK$48,523,000), representing a decrease of 15% compared with the previous financial year. The decrease was mainly attributable to no property projects for sale during the year.

Loss from operations for the year ended 31 March 2014 amounted to HK$24,463,000 (2013: HK$168,562,000). Net loss attributable to equity shareholders of the Company for the year was reduced to HK$51,471,000 (2013: HK$143,475,000), which was mainly attributable to the absence of impairment loss on and amortisation of intangible asset in this year. Impairment loss on intangible asset and amortisation of intangible asset of the rare earth refinery and processing business recognised for the year ended 31 March 2013 was HK$82,346,000 and HK$50,364,000 respectively.

As at 31 March 2014, the total assets and net assets of the Group were HK$925,268,000 and HK$196,179,000 (2013: HK$949,997,000 and HK$190,554,000) respectively. The Board does not recommend the payment of dividend for the year ended 31 March 2014.

Liquidity and Financial Resources

For the year ended 31 March 2014, the Group has raised gross proceeds of HK$20,000,000 (net proceeds of approximately HK$18,457,000) for general working capital and refinancing existing debts by the Placing Notes. As at 31 March 2014, the Group had cash and cash equivalents of HK$33,453,000 (2013: HK$56,437,000). Short term bank borrowing, long term bank and other borrowings and liability component of convertible note as at 31 March 2014 were HK$10,063,000 (2013: HK$Nil), HK$52,044,000 (2013: HK$66,667,000) and HK$101,272,000 (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 83% as at 31 March 2014 (2013: 85%). The liquidity ratio, being the ratio of current assets over current liabilities, was 133% as at 31 March 2014 (2013: 154%). The improvement in the gearing ratio was mainly due to capitalisation of loan during the year under review. In order to further improve the Group's liquidity and to increase its working capital, the Company has been considering different fund raising and capital restructuring options so as to strengthen the Group's financial base.

Capital Commitments

At 31 March 2014, 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 (2013: approximately HK$346,000).

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

Contingent Liabilities

As at 31 March 2014, the Company had given guarantees to two lenders in relation to other borrowings utilised by a subsidiary to the extent of HK$325,002,000 (2013 restated: HK$366,713,000). 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 as at 31 March 2014 under the guarantees by the Company is the aggregate amount of the borrowings drawn down by the subsidiary and the outstanding interest 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.

Pledge of Assets

As at 31 March 2014, the Group's land use rights and certain property, plant and equipment with carrying amount of approximately HK$17,928,000 (2013: HK$18,467,000) were pledged to a bank to secure the bank borrowing granted to the Group.

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 ordinary shares of HK$0.01 each (the "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 31 March 2014, 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 year under review.

Convertible Note

In October 2011, the Company issued a 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 of the Company (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.

As at 31 March 2014, the principal amount of the Convertible Note outstanding was HK$105,000,000 (2013: HK$105,000,000). Each Convertible Note will be convertible into fully paid Shares at the Adjusted Conversion Price of HK$0.2158 per Share upon conversion.

Material Acquisitions and Disposals of Subsidiaries

The Group had no material acquisition and disposal of subsidiaries during the year ended 31 March 2014.

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.

Employee and Emolument Policy

As at 31 March 2014, the Group employed 151 employees (2013: 222).

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.

DIVIDENDS

The Board does not recommend the payment of dividend for the year ended 31 March 2014 (2013: 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 (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 2014.

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 2014.

SCOPE OF WORK OF TING HO KWAN & CHAN

The figures in respect of the preliminary announcement of the Group's annual results for the year ended 31 March 2014 have been agreed by the Group's auditor, Ting Ho Kwan & Chan ("THKC"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by THKC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by THKC on the preliminary announcement.

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 2014.

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 2014 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 2014 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, 27 June 2014

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.*