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China Gamma Group Limited

中國伽瑪集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 164)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

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 2009 together with the comparative figures for the corresponding period in 2008. The unaudited condensed consolidated interim results have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2009

		Six months ended	
		30 September	
		2009	2008
	<i>Notes</i>	(Unaudited)	(Unaudited)
		HK\$’000	HK\$’000
			(Restated)
Turnover	2	786	2,214
Cost of sales		(262)	(1,622)
Gross profit		524	592
Net gains/(losses) on investments held for trading		30,277	(38)
Other income		550	367
Increase/(decrease) in fair value of investments held for trading		3,205	(20,936)
Administrative expenses		(40,080)	(20,353)
Increase in fair value of investment properties		5,300	–
Loss from operations	3	(224)	(40,368)
Finance costs		(870)	(1,786)
Loss before taxation		(1,094)	(42,154)
Taxation	4	(1,060)	–
Loss for the period		<u>(2,154)</u>	<u>(42,154)</u>
Attributable to:			
Equity holders of the Company		<u>(2,154)</u>	<u>(42,154)</u>
Loss per share			
Basic	5	<u>(0.40) cents</u>	<u>(7.89) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2009

	Six months ended	
	30 September	
	2009	2008
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Restated)
Loss for the period	<u>(2,154)</u>	<u>(42,154)</u>
Other comprehensive income		
Exchange differences arising on translation of foreign operations	<u>28</u>	<u>1,018</u>
Total comprehensive loss for the period	<u><u>(2,126)</u></u>	<u><u>(41,136)</u></u>
Total comprehensive loss for the period attributable to:		
Equity holders of the Company	<u><u>(2,126)</u></u>	<u><u>(41,136)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2009

	<i>Notes</i>	30 September 2009 (Unaudited) HK\$'000	31 March 2009 (Audited) HK\$'000
Non-current Assets			
Property, plant and equipment		1,616	1,898
Investment properties	6	45,852	–
Available-for-sale financial assets		2,270	2,268
Deposits paid for acquisition of subsidiaries		–	83,682
Investment deposits		–	30,000
		49,738	117,848
Current Assets			
Property under development		40,013	–
Inventories		6,521	6,388
Trade and other receivables	7	58,400	54,942
Financial assets at fair value through profit or loss		19,964	6,465
Cash and cash equivalents		38,774	9,373
		163,672	77,168
Current Liabilities			
Trade and other payables	8	37,879	22,768
Amount due to a minority shareholder of a subsidiary		17,508	16,242
Bank borrowings		11,917	25,601
		67,304	64,611
Net Current Assets		96,368	12,557
Total Assets less Current Liabilities		146,106	130,405
Non-current Liabilities			
Deferred tax liabilities		4,088	–
		4,088	–
Net Assets		142,018	130,405
Equity			
Capital and reserves attributable to the Company's equity holders:			
Share capital	9	5,579	5,344
Share premium		604,810	593,840
Other reserves		786,565	784,079
Accumulated losses		(1,254,936)	(1,252,858)
Total Equity		142,018	130,405

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2009

1. Basis of preparation and principal accounting policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the 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 Hong Kong Accounting Standard No. 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The accounting policies adopted are consistent with those of the Group’s consolidated financial statements for the year ended 31 March 2009.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2009.

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 2009.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5

HKAS 1 (Revised 2007) prohibits the presentation of items of income and expenses (that is “non-owner changes in equity”) in the statement of changes in equity, requiring “non-owner changes in equity” to be presented separately from owner changes in equity. All “non-owner changes in equity” are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected the two statements approach. The interim financial statements have been prepared under the revised disclosure requirements.

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 “Segment Reporting”, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group’s primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group’s reportable segments as compared with the reportable segments determined in accordance with HKAS 14.

The adoption of the other new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

2. Segment information

The Group has adopted HKFRS 8 “Operating Segments” with effect from 1 April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The adoption of HKFRS 8 has not resulted in a redesignation of the Group’s reportable segments as compared with the reportable segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

As a result, following the adoption of HKFRS 8, the Group’s reportable segments remain the same as prior year, including property development and investments, trading of building materials and provision of renovation services, and securities trading and investment.

An analysis of the Group's unaudited turnover and segment results by business segments is presented as follows:

Business segments

	Turnover		Segment results	
	Six months ended 30 September		Six months ended 30 September	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)		(Restated)
Property development and investments	522	–	(12,209)	(2,807)
Trading of building materials and provision of renovation services	264	2,214	(734)	(718)
Securities trading and investment	–	–	33,220	(20,993)
	<u>786</u>	<u>2,214</u>	<u>20,277</u>	<u>(24,518)</u>
Other operating income			120	144
Unallocated corporate expenses			(20,621)	(15,994)
Loss from operations			<u>(224)</u>	<u>(40,368)</u>

3. Loss from operations

Loss from operations has been arrived at after charging (crediting):

	Six months ended 30 September	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment	289	349
Interest income	(43)	(41)
Loss on disposal of property, plant and equipment	–	154
	<u>246</u>	<u>462</u>

4. Taxation

No provision for Hong Kong Profits Tax has been made in the financial statements as either the Company and its subsidiaries have no assessable profits for the six month periods ended 30 September 2008 and 2009 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.

	Six months ended 30 September	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred tax current period	<u>1,060</u>	<u>–</u>

5. Loss per share

The calculation of the basic loss per share is based on the loss for the six months ended 30 September 2009 of HK\$2,154,000 (2008: HK\$42,154,000) and on the weighted average number of 542,875,753 shares (2008: 534,386,298 shares) in issue during the period.

6. Investment properties

The Group revalued its land and buildings in the People's Republic of China (the "PRC") at 30 September 2009 and recognised a revaluation gain of about HK\$5,300,000 (2008: Nil). The valuation was carried out by Messrs. RHL Appraisal Limited.

7. Trade and other receivables

	THE GROUP	
	30 September	31 March
	2009	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	3,200	4,792
Less: allowance for doubtful debts	2,796	3,091
	<hr/>	<hr/>
Trade receivables, net	404	1,701
Other receivables and prepayments	57,996	53,241
	<hr/>	<hr/>
	58,400	54,942
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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 ageing analysis of the Group's trade receivables, based on the invoice date and net of allowances, is as follows:

	THE GROUP	
	30 September	31 March
	2009	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Up to 30 days	2	724
31 to 90 days	28	120
91 to 365 days	93	634
Over 365 days	281	223
	<hr/>	<hr/>
	404	1,701
	<hr/> <hr/>	<hr/> <hr/>

8. Trade and other payables

	THE GROUP	
	30 September 2009	31 March 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	523	367
Other payables and accruals	37,356	22,401
	<u>37,879</u>	<u>22,768</u>

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 ageing analysis of the Group's trade payables is as follows:

	THE GROUP	
	30 September 2009	31 March 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Up to 30 days	1	65
31 to 90 days	108	32
Over 90 days	414	270
	<u>523</u>	<u>367</u>

9. Share capital

	Number of shares	Amount <i>HK\$'000</i>
AUTHORISED		
Ordinary shares of HK\$0.01 each at 31 March 2009 and 30 September 2009	15,000,000,000	150,000
ISSUED AND FULLY PAID		
At 31 March 2009	534,386,298	5,344
Exercise of share options (<i>Note</i>)	23,550,000	235
At 30 September 2009	<u>557,936,298</u>	<u>5,579</u>

Note: During the six months ended 30 September 2009, the subscription rights attaching to 11,230,000, 8,400,000 and 3,920,000 share options were exercised at the exercise prices of HK\$0.27, HK\$0.323 and HK\$0.58 per share respectively, resulting in the issue of a total 23,550,000 shares of HK\$0.01 each new share capital of approximately HK\$235,000 and share premium of approximately HK\$7,784,000, together with a release of the share options reserve amounting to approximately HK\$3,186,000 which is credited to the share premium account.

10. Acquisition of subsidiaries

On 15 June 2009, the Group had completed the acquisition of the entire equity interest in 重慶旭日房地產開發有限公司 (Chongqing Sunrise Property Development Company Limited) and 重慶鳳弘吉實業有限責任公司 (Chongqing Feng Hong Ji Enterprise Company Limited). Both companies are engaged in property development in Chongqing, the PRC.

Consideration transferred

	<i>HK\$'000</i>
Cash	76,795
	<u><u>76,795</u></u>

Assets and liabilities recognised at the date of acquisition

	<i>HK\$'000</i>
Current assets	
Cash and cash equivalents	378
Trade and other receivables	21
Property under development	40,006
Non-current assets	
Plant and equipment	5
Investment properties	40,628
Current liabilities	
Trade and other payables	(1,215)
Non-current liabilities	
Deferred tax liabilities	(3,028)
	<u><u>76,795</u></u>

Net cash outflow arising on acquisition

	<i>HK\$'000</i>
Consideration paid in cash	76,795
Less: cash and cash equivalent balances acquired	(378)
	<hr/>
	76,417
	<hr/> <hr/>

Impact of acquisition on the results of the Group

The subsidiaries acquired during the period ended 30 September 2009 contributed revenue of HK\$522,000 and profit of HK\$3,914,000 to the Group for the period from 15 June 2009 to 30 September 2009.

Had the acquisition been effected at 1 April 2009, the revenue of the Group from continuing operations for the six months ended 30 September 2009 would have been HK\$745,000, and the profit for the period from continuing operations would have been HK\$3,837,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at 1 April 2009, nor is intended to be a projection of future results.

11. Contingent liabilities

At 30 September 2009 and 31 March 2009, the Company had no material contingent liabilities.

12. Capital commitments

Capital commitments in respect of investment cost attributable to acquisition of a subsidiary:

	THE GROUP	
	30 September 2009	31 March 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided for	49,938	–
Authorised but not contracted for	–	–
	<hr/>	<hr/>
	49,938	–
	<hr/> <hr/>	<hr/> <hr/>

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

13. Comparative figures

Comparative information has been restated to achieve a consistent presentation as a result of the adoption of revised HKFRSs and the presentation of sale proceeds and related cost of sales for sales of investments held for trading to reflect the nature of sales of financial assets in a more appropriate manner.

In prior periods, sale proceeds of investments held for trading were presented in the consolidated income statement within turnover and the related cost of sales were presented on the face of the income statement.

In the current period, the Group changed its presentation of turnover and cost of sales, as in the opinion of Directors, it is more appropriate to present the gain/loss on investments held for trading disposed of during the period on a net basis so as to provide more relevant information in respect of the Group's operations and to conform to market practices.

The above changes do not have any impact on the results and financial position of the Group in respect of the current and prior periods.

14. Events after the balance sheet date

On 18 July 2009, the Group entered into a sale and purchase agreement with an independent third party to dispose of two subsidiaries, 北京巨鼎源房地產開發有限公司 (Beijing Ju Din Yuen Property Development Company Limited) and 北京友聯房地產開發有限公司 (Beijing Yo Luan Property Development Company Limited), at a total consideration RMB25,000,000 (equivalent to approximately HK\$28,345,000). The Group decided to terminate the sale and purchase agreement on 17 November 2009 and, through its PRC lawyers, served relevant notice of termination on the Purchaser. Furthermore, pursuant to the sale and purchase agreement, the deposit of RMB2,500,000 (equivalent to approximately HK\$2,835,000) already paid by the purchaser had been forfeited. Details of the transaction and its subsequent termination are set out in the Company's announcements dated 20 July 2009, 23 July 2009, 31 July 2009, 25 August 2009, 5 September 2009, 30 September 2009, 2 November 2009 and 17 November 2009.

On 21 September 2009, the Board proposed the issue of bonus shares on the basis of four (4) bonus shares for every one (1) then existing share (the "Bonus Issue") by way of capitalization from the Company's share premium account. Details of the Bonus Issue are set out in the Company's circular dated 25 September 2009. The Bonus Issue has been approved by the shareholders of the Company. Accordingly, 2,250,545,192 bonus shares were issued and allotted on 20 October 2009 credited as fully paid at par.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 September 2009 (the “Interim Period”), the Group recorded turnover of approximately HK\$786,000 (2008 as restated: approximately HK\$2,214,000). The decrease in turnover was mainly attributable to reduction in trading of building materials and provision of renovation services due to the difficult operating environment. During the Interim Period, loss attributable to equity holders of the Company amounted to approximately HK\$2,154,000 (Losses in 2008: approximately HK\$42,154,000). The decrease in losses was mainly attributable to gain from securities trading and investment amidst improvement in the overall stock market conditions and increase in fair value of investment properties in Chongqing, the PRC, notwithstanding an increase in the administrative expenses. The Group has not been involved in the trading of any derivative financial instruments such as equity or currency accumulators.

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2009 (2008: Nil).

Business Review and Prospects

The Group is principally engaged in property development and investments, trading of building materials and provision of renovation services, and securities trading and investment.

Encouraged by economic stimulus packages pronounced by countries worldwide, international financial markets have witnessed improvement in the first half of 2009. Following proactive fiscal policy and easing monetary policy of the PRC Government, macro economy of the PRC has shown signs of recovery when cited GDP growth maintaining above 7% in the second and third quarters of 2009. It is widely anticipated that the PRC is one of the few first countries to recover from global financial turmoil. During the Interim Period, with a view to capturing growing opportunities in the PRC following signs of recovery of its economy, the Group has actively and prudently identified and assessed potential projects with immense development potentials and high returns and yields, in particular those with long term PRC Government’s policy support and in an industry with high entry barriers.

Proposed newly diversified business

In 2009, the PRC Government has adopted 中華人民共和國食品安全法 (Food Safety Regulations) as a start to spearhead its policy changes to impose stringent food safety standards and to promote high technology for improving food safety in combat against the lingering food safety and hygiene issues in recent years. Authoritative research suggests that cold pasteurization using advanced gamma ray technologies have a lot of advantages over other conventional methods on food preservation. Cold pasteurization of food is a process of disinfestation, shelf life extension, sprout inhibition, pest control and sterilization utilizing technologies that do not involve the exposure of the

products to increased temperature. It is able to destroy most of common foodborne micro organisms, e.g. Salmonella, Listeria, monocytogenes, etc. while retaining food's taste and freshness without any chemical residue. In addition, gamma ray technologies can also apply to sterilization of various medical products. It is a process to sterilize products without unpacking which can avoid contamination of re-packaging.

In September 2009, after having conducted comprehensive studies on the potentials of business development in gamma ray technologies applications in the PRC, the Group entered into an agreement to acquire 80% interests in a company principally engaged in cold pasteurization of food and sterilization of medical products utilizing advanced gamma ray technologies in Shandong Province, the PRC, for a total consideration of RMB44,000,000.

The target company with the required safety license duly issued by the Ministry of Environmental Protection, the PRC Government, for utilizing gamma ray technologies, has completed its first phase of facilities setup with an initial design capacity of 2,000,000 curie and commenced operations in 2009. The range of food products that can be processed by the facilities setup include frozen seafood, meat, spices, seasonings, poultry, dehydrated vegetables, fruits and pet food, and there is also sterilization of various medical products and Chinese medicine.

Its facilities setup is situated in a prime location in Zibo City, Shandong, the PRC connected with well developed transportation network of major highways to other major cities in Shandong Province, including Qingdao, Jinan and Weifang, with a wide coverage of major food production and processing areas, and in the vicinity of the main international and domestic airports and ports. Shandong is the largest food production and export hub in the PRC as well as a leading manufacturing base of medical devices. It is an ideal location for the Group to start its business in cold pasteurization of food and sterilization of medical products utilizing gamma ray technologies.

Property development and investments

The acquisition of residential project in Yubei District, Chongqing, the PRC was completed in June 2009. The site is a prime location within a short distance from Chongqing Jiangbei International Airport and adjacent to one of the largest and most advanced railway stations in the southwest China, namely Chongqing North Railway Station. It is estimated that a saleable area of approximately 35,000 sqm can be built for mainly residential purpose. The Group believes that high economic growth and urbanization will continue to have a positive effect on the land value and property prices in Chongqing.

In July 2009, the Group entered into an agreement to dispose of its entire 90% interests in 北京巨鼎源房地產開發有限公司(Beijing Ju Din Yuen Property Development Company Limited), the subsidiary of which has been participating in the 1st level of development project in Yang Jia Yuen Village, Huairou Town, Huairou District, Beijing, the PRC, to an independent purchaser for a total consideration of RMB25,000,000. Given that the purchaser has not fulfilled its payment obligations under the agreement,

the Group, having taken advice from its PRC lawyers, decided to terminate the agreement and, through its PRC lawyers, served relevant notice of termination on the purchaser. Furthermore, pursuant to the sale and purchase agreement, the deposit of RMB2,500,000 already paid by the purchaser had been forfeited. After the termination of the agreement, the Group remains to be the owner of 90% of the entire registered capital of Beijing Ju Din Yuen Property Development Company Limited.

Trading of building materials and provision of renovation services

The Group's trading of building materials and provision of renovation services business has still been under a tough time during the Interim Period as it takes substantial time for the fundamental economy and the property construction market in Hong Kong and the PRC to recover after the global financial turmoil.

Securities trading and investment

Since the inception of the Interim Period, there have been signs of restoration of confidence in the global stock markets followed by rebound in the major stock market indexes after the drastic downturn due to the global financial turmoil in late 2008. Meanwhile, the Group will continue to maintain a prudent strategy in its securities trading and investment.

Prospects

In October 2009, the resolution of proposed change of name was passed by the shareholders of the Company. The name of the Company has been changed to "China Gamma Group Limited" and the Chinese name "中國伽瑪集團有限公司" has been adopted as secondary name on 19 October 2009.

With determination to diversify into a business with immense potentials, the Group has been actively formulating strategies to enhance the management and development of the business in cold pasteurization of food and sterilization of medical products utilizing gamma ray technologies. As a start, the Group is building an efficient management team to focus on analyzing government policy on gamma ray technologies development, deepening research and development in gamma ray technologies applications, implementing business development strategies, extending marketing and sales as well as further improving operations quality control and safety. The management team has engaged an experienced consultant with substantial knowledge in gamma ray technologies and applications from the top national science institution, Chinese Academy of Sciences.

The Board believes that strong demand for food and medical products processing by gamma ray technologies will continue to be driven by the export market. Most developed countries are imposing strict import standards on imported goods, especially food and medical products. This necessitates efficient and effective processing of food and medical products by gamma ray technologies before being exported out from China to the developed countries for safety and hygiene purposes. In addition to the export market demand, the Board is convinced that in light of the adoption of Food Safety Regulations in the PRC in 2009, the regulations shall take substantive effect in the

coming years and the resultant upholding of stringent food safety standards shall trigger another more significant demand for gamma ray technologies processing in domestic markets. It is anticipated that more products are required to attain a higher level of safety in order to be eligible for selling in the market in China in the near future.

In anticipation of the immense potentials in the food and medical safety business in the PRC, the Group is confident that the newly diversified business will have positive contributions to its earnings in the near future.

Capital Investment and Commitments

At 30 September 2009, the Group had capital commitments of HK\$49,938,000 (31 March 2009: Nil) in respect of investment costs attributable to acquisition of a subsidiary.

Liquidity and Financial Resources

At 30 September 2009, the Group had cash and cash equivalents of HK\$38,774,000 (31 March 2009: HK\$9,373,000). The increase in cash and cash equivalents was mainly due to the refund of investment deposits. Bank borrowings of HK\$11,917,000 were substantially improved as compared to 31 March 2009 of HK\$25,601,000. The gearing ratio, being the ratio of total borrowings to shareholders' fund, as at 30 September 2009 was 8% (31 March 2009: 20%). The liquidity ratio of the Group, being the ratio of current assets over current liabilities, was 243% (31 March 2009: 119%).

Taking into account the financial resources available to the Group, the Group has sufficient working capital to meet its present requirements.

Contingent Liabilities

As at 30 September 2009, the Company had no significant contingent liabilities (31 March 2009: Nil).

Share Capital Structure

23,550,000 new shares of HK\$0.01 each were issued and allotted during the period upon exercise of share options granted by the Company.

Save as the above, there was no change in the share capital structure of the Company during the period under review.

Material Acquisitions and Disposals of Subsidiaries

On 14 December 2007, Unique Gold Investments Limited ("Unique Gold"), a wholly-owned subsidiary of the Company, entered into a conditional agreement with Zhuang Xu and Tang Mao (together the "Sunrise Vendors"), pursuant to which Unique Gold conditionally agreed to acquire from the Sunrise Vendors the entire equity interest in 重慶旭日房地產開發有限公司 (Chongqing Sunrise Property Development Company Limited), which was owned as to 51% by Zhuang Xu and 49% by Tang Mao (the "Sunrise Acquisition"). The total consideration for the Sunrise Acquisition was RMB45,000,000 which was to be settled in cash. Details of the acquisition are set out in the Company's circular dated 8 January 2008. The transaction was completed on 15 June 2009.

On 14 December 2007, Unique Gold entered into a conditional agreement with Zhang Xue Ping and Zhang Xue Mei (together the “Feng Hong Ji Vendors”), pursuant to which Unique Gold conditionally agreed to acquire from the Feng Hong Ji Vendors the entire equity interest in 重慶鳳弘吉實業有限責任公司 (Chongqing Feng Hong Ji Enterprise Company Limited), which was owned as to 90% by Zhang Xue Ping and 10% by Zhang Xue Mei (the “Feng Hong Ji Acquisition”). The total consideration for the Feng Hong Ji Acquisition was RMB25,000,000 which was to be settled in cash. Details of the acquisition are set out in the Company’s circular dated 8 January 2008. The transaction was completed on 15 June 2009.

On 18 July 2009, 北京德邦富策劃諮詢有限公司 (Beijing De Bang Fu Strategic Consultancy Company Limited) (“Beijing De Bang Fu”), a wholly-owned subsidiary of the Company, entered into the sales and purchase agreement with 北京晨隆佳地置業有限公司 (the “Purchaser”), pursuant to which Beijing De Bang Fu agreed to dispose of 90% of the entire issued share capital of 北京巨鼎源房地產開發有限公司 (“Beijing Ju Din Yuen”) and all the shareholder’s loan and monies due from Beijing Ju Din Yuen and its subsidiary to Beijing De Bang Fu for a consideration of RMB25,000,000. Given that the Purchaser has not fulfilled its payment obligations under the sale and purchase agreement, Beijing De Bang Fu, having taken advice from its PRC lawyers, decided to terminate the sale and purchase agreement on 17 November 2009 and, through its PRC lawyers, served relevant notice of termination on the Purchaser. Furthermore, pursuant to the sale and purchase agreement, the deposit of RMB2,500,000 already paid by the Purchaser had been forfeited. Details of the transaction and its subsequent termination are set out in the Company’s announcements dated 20 July 2009, 23 July 2009, 31 July 2009, 25 August 2009, 5 September 2009, 30 September 2009, 2 November 2009 and 17 November 2009.

On 11 September 2009, Top Field Technology Limited (“Top Field”), a wholly-owned subsidiary of the Company, entered into the acquisition agreement with 吳健 (Wu Jiang), pursuant to which Top Field agreed to acquire from 吳健 the 80% equity interests in 淄博利源高科輻照技術有限公司 (Zibo Liyuan Gamma Ray Technologies Co. Limited). The total consideration for the acquisition was RMB44,000,000 which was to be settled in cash. Details of the acquisition are set out in the Company’s announcement dated 11 September 2009. The transaction has not yet been completed up to the date of this announcement.

Apart from the above, the Group had no material acquisition and disposal of subsidiaries during the period under review.

Litigations

- (a) In July 2005, Gold United International Industries Limited (“Gold United”), a non-wholly owned subsidiary of the Company, was notified by the Hong Kong Companies Registry that an annual return of Gold United filed in May 2005 (“May Annual Return”) contained information, including information relating to members and directors of Gold United, which are significantly different from the original annual return that was presented by the Group on 29 April 2005.

On 13 July 2005, the Company filed a Writ of Summons against four persons (the “Defendants”) seeking, amongst others, declarations by the court to the effect that Winsky Management Limited, a wholly-owned subsidiary of the Company, is the beneficial owner of 51% of the issued share capital of Gold United. The Defendants were those persons who purportedly filed the false information with the Hong Kong Companies Registry and/or were identified as members and directors in the May Annual Return and other documents. Gold United is an investment holding company holding an 80% direct interest in 杭州恒運交通開發有限公司, which is engaged in the operation of a highway in the PRC.

The Writ of Summons was amended on 1 February 2006, re-amended on 10 October 2006 and re-re-amended on 13 July 2008 respectively.

In June 2009, the Group was notified by the Hong Kong Companies Registry that the various statutory returns and forms confirmed by the Group had already been filed under the public record of Gold United and that the documents submitted by the other parties would be returned.

After due consideration of the matter (including but not limited to the fact that the public record of Gold United at the Hong Kong Companies Registry has been rectified), without prejudice to the position and rights of the Group, the Board has decided not to proceed with the legal proceedings at this stage.

- (b) 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 will 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 by transfer of 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 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 of this announcement, 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.

Staff

As at 30 September 2009, the Group employed 65 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, hospitalization scheme, mandatory provident fund and share option scheme.

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

CHANGE OF COMPANY NAME

As announced by the Company on 21 September 2009, the Board proposed that the name of the Company be changed from "Premium Land Limited" to "China Gamma Group Limited" and the adoption of the Chinese name "中國伽瑪集團有限公司" as secondary name of the Company to replace the Chinese name "上海策略置地有限公司" (which was adopted for identification purpose only) (the "Change of Company Name"). The special resolution relating to the Change of Company Name was duly passed by the shareholders of the Company at the special general meeting held on 19 October 2009. Upon the approval by the Registrar of Companies in Bermuda on the Change of Company Name having been obtained, the Change of Company Name has become effective on 19 October 2009. The stock short names for trading in the shares of the Company on The Stock Exchange of Hong Kong Limited have been changed from "PREMIUM LAND" to "CHINA GAMMA" in English and from "上海策略置地" to "中國伽瑪" in Chinese with effect from 18 November 2009.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2009 (2008: Nil).

BONUS ISSUE OF SHARES

On 21 September 2009, the Board proposed the issue of bonus shares on the basis of four (4) bonus shares for every one (1) then existing share (the “Bonus Issue”) held by the qualifying shareholders whose names appear on the register of members of the Company on 19 October 2009 by way of capitalization from the Company’s share premium account. Details of the Bonus Issue are set out in the Company’s circular dated 25 September 2009. The Bonus Issue has been approved by the shareholders of the Company at the special general meeting held on 19 October 2009. Accordingly, 2,250,545,192 bonus shares were issued and allotted on 20 October 2009 credited as fully paid at par.

CORPORATE GOVERNANCE

During the six months ended 30 September 2009, the Company was in compliance with the code provisions set out in the Code on Corporate Governance Practices (the “Code”) in Appendix 14 to the Listing Rules, except for the following:

Code Provision A2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Company does not at present have a chairman nor a chief executive officer. Nevertheless, the main duties and responsibilities of a chairman and a chief executive officer are currently held by separate individuals with written guidelines for the division of responsibilities with a view to maintaining 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 officer if candidates with suitable leadership, knowledge, skills and experience can be identified within or outside the Group.

Code Provision A4.1 stipulates that non-executive directors should be appointed for special terms, subject to re-election. Save for Mr. Wong Hoi Kuen, Edmund, none of the independent non-executive Directors of the Company is appointed for a specified term but their term of office are the period up to their retirement by rotation in accordance with the Company’s bye-laws. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the Code.

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 of 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 Model Code throughout the six months ended 30 September 2009.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters in relation to the preparation of the unaudited condensed financial statements for the six months ended 30 September 2009.

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

During the period, 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 2009 is published on the websites of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) and the Company (<http://finance.thestandard.com.hk/en/0164chinagamma>) respectively. The 2009 interim report of the Company will be despatched to the shareholders and made available on the above websites on or before 31 December 2009.

By order of the Board
China Gamma Group Limited
Ho Chi Ho
Executive Director

Hong Kong, 19 November 2009

As at the date of this announcement, the Board comprises six Directors, of which an executive Director, namely Mr. Ho Chi Ho, two are non-executive Directors, namely Mr. Ma Kwok Hung, Warren and Mr. Chow Siu Ngor and three are independent non-executive Directors, namely Mr. Wong Hoi Kuen, Edmund, Mr. Chan Chi Yuen and Mr. Hung Hing Man.