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 2011

FINANCIAL RESULTS

The board of directors (the "Board") of China Gamma Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2011 together with comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2011

	Notes	**2011** *HK$'000*	2010 *HK$'000*
Turnover	3	**30,473**	3,762
Other revenue and gains, net	3	**44,430**	48,745
		74,903	52,507
Cost of sales		**(25,777)**	(1,880)
Administrative expenses		**(74,278)**	(72,408)
Impairment losses on other receivables, net	4	**(1,346)**	(24,924)
Loss from operations		**(26,498)**	(46,705)
Finance costs	5	**(558)**	(1,222)
Loss before taxation	6	**(27,056)**	(47,927)
Taxation	7	**(3,684)**	(3,305)
Loss for the year		**(30,740)**	(51,232)

	Notes	2011 HK$'000	2010 HK$'000
Attributable to:			
Equity holders of the Company		**(29,203)**	(51,194)
Non-controlling interests		**(1,537)**	(38)
		(30,740)	(51,232)
Basic loss per share	8	**(1.01) cents**	(1.84) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	2011	2010
	HK$'000	*HK$'000*
Loss for the year	**(30,740)**	(51,232)
Other comprehensive income:		
Exchange differences – net movement in exchange reserve	**6,081**	199
Total comprehensive expenses for the year	**(24,659)**	(51,033)
Attributable to:		
Equity holders of the Company	**(22,880)**	(50,995)
Non-controlling interests	**(1,779)**	(38)
Total comprehensive expenses for the year	**(24,659)**	(51,033)

CONSOLIDATED BALANCE SHEET

At 31 March 2011

	Notes	**2011** *HK$'000*	2010 *HK$'000*
Non-current Assets			
Property, plant and equipment		**33,804**	22,770
Investment properties		**–**	50,967
Land use rights		**12,201**	12,136
Goodwill		**23,592**	23,592
		69,597	109,465
Current Assets			
Inventories		**32,777**	375
Properties under development		**41,897**	40,110
Trade and other receivables	9	**35,198**	12,008
Financial assets at fair value through profit or loss		**5,522**	7,679
Cash and cash equivalents		**19,757**	7,218
		135,151	67,390
Current Liabilities			
Trade and other payables	10	**59,056**	34,973
Amount due to a non-controlling shareholder of a subsidiary		**20,827**	18,985
Current taxation payable		**79**	–
Bank borrowing		**–**	7,393
		79,962	61,351
Net Current Assets		**55,189**	6,039
Non-current Liabilities			
Bank borrowing		**9,501**	–
Deferred taxation		**10,143**	6,347
		19,644	6,347
Net Assets		**105,142**	109,157

	Notes	**2011** *HK$'000*	2010 *HK$'000*
Equity			
Capital and reserves attributable to the Company's equity holders:			
Share capital	11	**29,557**	28,677
Reserves		**70,749**	73,865
		100,306	102,542
Non-controlling interests		**4,836**	6,615
Total Equity		**105,142**	109,157

Notes:

1. **BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which also include Hong Kong Accounting Standards ("HKAS") and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets and investment properties 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 3 (Revised)	Business combinations
HKAS 27 (Revised)	Consolidated and separate financial statements
Amendments to HKFRS 5	Non-current assets held for sale and discontinued operations – Plan to sell the controlling interest in a subsidiary
Amendments to HKAS 39	Financial instruments: Recognition and measurement – Eligible hedged items
Improvements to HKFRSs (2009)	
HK(IFRIC) – Int 17	Distributions of non-cash assets to owners
HK(Int) 5	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause

The adoption of these developments to the extent that they are relevant to the Group. The adoption of the above new or revised HKFRS has no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented except that the following set out information on the significant changes in accounting policies for the current and prior accounting periods reflected in these financial statements. Accordingly, no prior period adjustment has been made.

(a) HKFRS 3 (Revised) – "Business combinations"

As a result of the adoption of HKFRS 3 (revised 2008), any business combination acquired on or after 1 April 2010 will be recognised in accordance with the new requirements and detailed guidance contained in HKFRS 3 (revised 2008). These include the following changes in accounting policies:

– Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

– If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

– Contingent consideration will be measured at fair value at the acquisition date. Subsequent changes in the measurement of that contingent consideration unrelated to facts and circumstances that existed at the acquisition date will be recognised in profit or loss, whereas previously these changes were recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

– If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

– In addition to the Group's existing policy of measuring the non-controlling interests (previously known as the "minority interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interests at fair value.

In accordance with the transitional provisions in HKFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

(b) HKAS 27 (Revised) – "Consolidation and separate financial statements"

As a result of the adoption of HKAS 27 (amended 2008), the following changes in policies will be applied as from 1 April 2010:

– If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the Group treated such transactions as step-up transactions and partial disposals, respectively.

– If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. In addition, as a result of the adoption of the amendments to HKFRS 5, if at the balance sheet date the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in HKFRS 5 are met) irrespective of the extent to which the Group will retain an interest. Previously such transactions were treated as partial disposals.

In accordance with the transitional provisions in HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

Other changes in accounting policies which are relevant to the Group's financial statements are as follows:

– As a result of the amendments to HKAS 27, as from 1 April 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

(c) Amendments to HKFRS 5 – "Non-current assets held for sale and discontinued operations – Plan to sell the controlling interest in a subsidiary"

The amendments to HKFRS 5 clarify that the disclosure requirements in HKFRS other than HKFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those HKFRS require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of HKFRS 5 and the disclosures are not already provided in the consolidated financial statements. This clarification has no effect on the disclosures of the Group's consolidated financial statements.

(d) Amendments to HKAS 39 – "Financial Instruments: Recognition and measurement – Eligible hedged items"

The amendments to HKAS 39 have had no material impact on the Group's financial statements as the amendment was consistent with policies already adopted by the Group.

(e) Improvements to HKFRSs (2009)

Improvements to HKFRSs (2009) issued in May 2009 set out amendments to a number of HKFRS. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

– HKAS 7 Statement of cash flows: requires that only expenditure that result in a recognised asset in the balance sheet can be classified as a cash flow from investing activities.

– The amendment introduced by the Improvements to HKFRSs (2009) omnibus standard in respect of HKAS 17, Leases, had no impact to the Group's financial statements as the Group does not have any Hong Kong leasehold land interest.

(f) HK(IFRIC) – Int 17 – "Distributions of non-cash assets to owners"

HK(IFRIC) – Int 17 clarifies that a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity. Under HK(IFRIC) – Int 17, the dividend should be measured at the fair value of the assets to be distributed, and any difference between the carrying amount of the dividend payable and the previous carrying amount of the assets distributed should be recognised in profit or loss when the entity settles the dividend payable. This accounting treatment has no material effect to the Group's consolidated financial statements.

(g) HK(Int) 5 – "Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause"

HK (Int) 5, Hong Kong Interpretation 5, clarifies that term loans that include a clause that gives the lender the conditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. HK (Int) 5 requires retrospective application. The adoption of HK (Int) 5 has had no material impact on the Group's financial statements as the Interpretation's conclusions were consistent with policies already adopted by the Group.

The Group has not early applied any new standard, amendment or interpretation that has been issued but is not yet effective for the current accounting period.

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2011 and which have not been early adopted in these financial statements.

		Effective for accounting periods beginning on or after
Revised HKAS 24	Related party disclosures	1 January 2011
HKFRS 9	Financial instruments	1 January 2013
Improvements to HKFRS (2010)		1 July 2010 or 1 January 2011
Amendments to HKAS 12	Income taxes	1 January 2012

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

2. SEGMENTAL INFORMATION

Business segments

For management purpose, the Group is organised into four (2010: four) major operating divisions – gamma ray irradiation services, property development, rental and sales, trading of building materials and provision of renovation services, and 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:

2011

	Gamma ray irradiation services *HK$'000*	Property development, rental and sales *HK$'000*	Trading of building materials and provision of renovation services *HK$'000*	Securities trading and investment *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2011						
REVENUE						
Turnover	**6,966**	**22,385**	**1,122**	**–**	**–**	**30,473**
Segment results	**297**	**(23,092)**	**(1,523)**	**(6,238)**	**–**	**(30,556)**
Gain on disposal of a subsidiary						**48,924**
Unallocated other operating income						**120**
Unallocated corporate expenses						**(44,986)**
Loss from operations						**(26,498)**
Finance costs						**(558)**
Loss before taxation						**(27,056)**
Taxation						**(3,684)**
Loss before non-controlling interests						**(30,740)**

	Gamma ray irradiation services *HK$'000*	Property development, rental and sales *HK$'000*	Trading of building materials and provision of renovation services *HK$'000*	Securities trading and investment *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
BALANCE SHEET AT 31 MARCH 2011						
ASSETS						
Segment assets	**70,069**	**121,327**	**1,111**	**5,522**	**–**	**198,029**
Unallocated corporate assets						**6,719**
Consolidated total assets						**204,748**
LIABILITIES						
Segment liabilities	**9,696**	**52,310**	**135**	**–**	**–**	**62,141**
Unallocated corporate liabilities						**37,465**
Consolidated total liabilities						**99,606**
OTHER INFORMATION FOR THE YEAR ENDED 31 MARCH 2011						
Capital additions	**13,547**	**61**	**–**	**–**	**467**	**14,075**
Depreciation and amortisation	**3,705**	**163**	**58**	**–**	**246**	**4,172**
Impairment losses on other receivables	**–**	**1,346**	**–**	**–**	**–**	**1,346**
Fair value gain on investment properties	**–**	**1,098**	**–**	**–**	**–**	**1,098**
Net unrealised gains on financial assets at fair value through profit or loss	**–**	**–**	**–**	**1,018**	**–**	**1,018**

2010

	Gamma ray irradiation services *HK$'000*	Property development, rental and sales *HK$'000*	Trading of building materials and provision of renovation services *HK$'000*	Securities trading and investment *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2010						
REVENUE						
Turnover	207	2,937	618	–	–	3,762
Segment results	(192)	(27,365)	(2,430)	35,069	–	5,082
Unallocated other operating income						240
Unallocated corporate expenses						(52,027)
Loss from operations						(46,705)
Finance costs						(1,222)
Loss before taxation						(47,927)
Taxation						(3,305)
Loss before non-controlling interests						(51,232)
BALANCE SHEET AT 31 MARCH 2010						
ASSETS						
Segment assets	59,749	101,661	1,052	11,744	–	174,206
Unallocated corporate assets						2,649
Consolidated total assets						176,855
LIABILITIES						
Segment liabilities	52	28,340	395	–	–	28,787
Unallocated corporate liabilities						38,911
Consolidated total liabilities						67,698

	Gamma ray irradiation services *HK$'000*	Property development, rental and sales *HK$'000*	Trading of building materials and provision of renovation services *HK$'000*	Securities trading and investment *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
OTHER INFORMATION FOR THE YEAR ENDED 31 MARCH 2010						
Addition of goodwill	23,592	–	–	–	–	23,592
Capital additions	539	88	–	–	197	824
Depreciation and amortisation	224	434	69	–	210	937
Impairment losses on other receivables	–	24,733	–	–	191	24,924
Fair value gain on investment properties	–	10,406	–	–	–	10,406
Net unrealised gains on financial assets at fair value through profit or loss	–	–	–	1,243	–	1,243

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the year (2010: 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 bank loans 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:

	2011	2010
	HK$'000	*HK$'000*
Hong Kong	**1,122**	618
The PRC	**29,351**	3,144
	30,473	3,762

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

	Carrying amount of segment assets		**Additions to goodwill and property, plant and equipment**	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**12,161**	14,822	**–**	197
The PRC	**192,587**	162,033	**14,075**	24,219
	204,748	176,855	**14,075**	24,416

Information about major customers

The Group's customer base is diversified and no single external customer exceeded 10% of the Group's revenue (2010: Nil).

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 is as follows:

	2011	2010
	HK$'000	*HK$'000*
Turnover		
Gamma ray irradiation services income	**6,966**	207
Sale proceeds from properties held for sale	**20,942**	931
Properties management fees	**369**	1,270
Rental income from investment properties	**1,074**	736
Renovation services	**111**	259
Trading of building materials	**1,011**	359
	30,473	3,762
Other revenue and gains, net		
Interest income on financial assets not at fair value through profit or loss	**24**	53
Dividend income from listed investments	**–**	16
Net realised (losses) gains on financial assets at fair value through profit or loss	**(7,321)**	33,819
Net unrealised gains on financial assets at fair value through profit or loss	**1,018**	1,243
Gain on disposal of a subsidiary	**48,924**	–
Gain on disposal of investment properties	**8**	–
Fair value gain on investment properties	**1,098**	10,406
Forfeited deposit	**–**	2,837
Reversal of allowance for impairment of doubtful debts of trade receivables, net	**–**	6
Sundry income	**679**	365
	44,430	48,745
	74,903	52,507
Gross proceeds from securities trading	**36,585**	168,209

4. IMPAIRMENT LOSSES ON OTHER RECEIVABLES, NET

	2011	2010
	HK$'000	*HK$'000*
Bad debts recovered	**–**	(8,042)
Other receivables written off	**1,346**	2,609
Prepayment for the first level of land development	**–**	30,357
	1,346	24,924

5. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Interest on:		
Bank borrowing wholly repayable within five years	**558**	1,222
Total interest expense on financial liabilities not at fair value through profit or loss	**558**	1,222

6. LOSS BEFORE TAXATION

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

	2011	2010
	HK$'000	*HK$'000*
Staff costs		
– directors' remuneration	**2,473**	5,188
– basic salaries and other benefits	**8,664**	7,911
– retirement benefits scheme contributions	**110**	106
– share-based payments	**7,101**	3,444
	18,348	16,649
Auditors' remuneration		
– Current year	**1,100**	1,000
– Under-provision in prior years	**–**	(95)
Depreciation and amortisation of property, plant and equipment	**684**	724
Amortisation of land use rights	**457**	37
Loss on disposal of property, plant and equipment	**14**	–
Loss on disposal of investment properties	**–**	9
Operating lease payments	**6,547**	4,426
Cost of sales		
– cost of inventories sold	**21,545**	1,370
– depreciation of property, plant and equipment	**3,031**	176
– direct cost and operating expenses	**1,201**	334
Write-down of inventories	**317**	5,542
Rental income net of direct outgoings of HK$nil (2010: HK$nil)	**(1,074)**	(736)

7. TAXATION IN THE CONSOLIDATED INCOME STATEMENT

	2011	2010
	HK$'000	*HK$'000*
Taxation in the consolidated income statement represents:		
Overseas tax:		
Current year	**246**	–
Under-provision in previous years	**2**	1
	248	1
Deferred tax:		
Origination and reversal of temporary differences	**3,436**	3,304
Taxation charge	**3,684**	3,305

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

8. BASIC LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to equity holders of the Company of approximately HK$29,203,000 (2010: approximately HK$51,194,000) and on the weighted average number of 2,888,604,778 (2010: 2,785,655,730) ordinary shares in issue during the year.

Diluted loss per share is not presented as the potential shares arising from share options granted during the year ended 31 March 2011 and 31 March 2010 have an anti-dilutive effect on the basic loss per share.

9. TRADE AND OTHER RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**3,774**	3,246
Less: allowance for impairment	**2,901**	2,901
Trade receivables, net	**873**	345
Other receivables and prepayments *(Note)*	**34,325**	11,663
	35,198	12,008

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

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

The Group allows an average credit period of 60 days to 90 days to its trade customers. The ageing analysis of the Group's trade receivables, based on the invoice date and net of allowances, is as follows:

	2011	2010
	HK$'000	*HK$'000*
Up to 30 days	**310**	252
31 to 90 days	**385**	46
91 to 365 days	**178**	47
	873	345

The movements on the allowance for impairment are as follows:

	2011	2010
	HK$'000	*HK$'000*
At beginning of the year	**2,901**	3,091
Impairment loss recognised	**98**	106
Uncollectible amount written off	**–**	(184)
Unused amounts reversed	**(98)**	(112)
At end of the year	**2,901**	2,901

The uncollectible amount written off for the Group during the year is in aggregate less than HK$1,000.

At 31 March 2011, trade receivables of HK$2,948,000 (2010: HK$2,901,000) were impaired. The amount of allowance for impairment was HK$2,901,000 as at 31 March 2011 (2010: HK$2,901,000). The individually impaired receivables mainly related to a number of customers that were in financial difficulties and have remained long overdue.

The ageing analysis of the trade receivables that are considered to be impaired is as follows:

	2011	2010
	HK$'000	*HK$'000*
Less than 6 months past due	**78**	–
6 months to 1 year past due	**25**	–
1 year to 2 years past due	**42**	119
Over 2 years past due	**2,803**	2,782
	2,948	2,901

The ageing analysis of the trade receivables that are not considered to be impaired is as follows:

	2011	2010
	HK$'000	*HK$'000*
Not yet past due	**545**	195
Less than 6 months past due	**328**	121
6 months to 1 year past due	**–**	29
	873	345

The maximum exposure to credit risk at the balance sheet date is the fair value of each class of receivables mentioned above. The Group does not hold any collateral or other credit enhancements over these balances. All of the other classes within trade and other receivables are neither past due nor impaired with good credit quality.

Included in trade and other receivables is the following amount denominated in a currency other than the functional currency of the Company to which they relate:

	2011	2010
	'000	*'000*
Renminbi	**30,420**	10,499

Note:

As at 31 March 2009, other receivables and prepayments included an amount of approximately HK$27,517,000 mainly paid for the first level of land development on certain areas of Huairou District of Beijing ("the Lands"). Such land development works included the removal of the existing buildings situated on the Lands, the relocation of the existing residents, the provision of infrastructure systems including roads, drainage system, water pipes, gas and electricity supply and the construction of public facilities.

The directors are of the opinion that there has not been any satisfactory progress of relocation of the existing residents since the termination of previous disposal of such project to an independent purchaser in November 2009 and, after taking the advice from its PRC lawyers, consider that the recoverability of the costs incurred for the first level of land development was remote. Accordingly, impairment loss of the amount brought forward of HK$27,517,000 has been recognised and further costs incurred of HK$2,840,000, totalling HK$30,357,000, were expensed in profit or loss for the year ended 31 March 2010.

10. TRADE AND OTHER PAYABLES

	2011	2010
	HK$'000	*HK$'000*
Trade payables	**81**	185
Other payables and accruals	**55,375**	34,788
Amount due to a director	**3,600**	–
	59,056	34,973

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 amount due to a director is unsecured, interest free and has no fixed term of repayment.

The directors consider that the carrying amount of trade payables approximates to their fair value.

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

	2011	2010
	HK$'000	*HK$'000*
Up to 30 days	**52**	7
31 to 90 days	**–**	3
Over 90 days	**29**	175
	81	185

Included in trade and other payables is the following amount denominated in a currency other than the functional currency of the Company to which they relate:

	2011	2010
	'000	*'000*
Renminbi	**14,242**	25,506

11. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each:		
Authorised:		
At 1 April 2009, 31 March 2010 and 31 March 2011	15,000,000,000	150,000
Issued and fully paid:		
At 1 April 2009	534,386,298	5,344
Exercise of share options	82,750,000	828
Bonus issue of shares	2,250,545,192	22,505
At 31 March 2010 and 1 April 2010	2,867,681,490	28,677
Exercise of share options *(Note)*	88,000,000	880
At 31 March 2011	2,955,681,490	29,557

Note:

During the year, options were exercised to subscribe for 88,000,000 ordinary shares in the Company at a consideration of HK$12,282,000 of which HK$880,000 was credited to share capital and the balance of HK$11,402,000 was credited to the share premium account together with a transfer of HK$2,298,000 from the share options reserve to the share premium account.

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

12. CAPITAL COMMITMENTS

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

13. CONTINGENT LIABILITIES

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

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

15. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform to the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the year ended 31 March 2011, turnover of the Group amounted to approximately HK$30,473,000, representing an increase of approximately 710% from $3,762,000 in the previous year ended 31 March 2010, mainly due to increase in turnover of gamma ray irradiation services and increase in sale of commercial properties held for sale including shops and car park lot in Chongqing, the PRC which were reclassified as current assets during the financial year. Loss from operations for the year amounted to HK$26,498,000 (2010: HK$46,705,000). Net loss attributable to equity holders of the Company for the year was HK$29,203,000 (2010: HK$51,194,000), which was mainly attributable to net realised losses of approximately HK$7,321,000 on financial assets held for trading in this financial year. The Group has not been involved in the trading of any derivative financial instruments such as equity or currency accumulators. Loss per share was HK1.01 cents (2010: HK1.84 cents).

As at 31 March 2011, total assets and net assets of the Group were HK$204,748,000 (2010: HK$176,855,000) and HK$105,142,000 (2010: HK$109,157,000) respectively. The Board does not recommend the payment of dividend for the year ended 31 March 2011.

Business Review

The Group is principally engaged in gamma ray irradiation services, property development, rental and sales, trading of building materials and provision of renovation services, and securities trading and investment.

Gamma Ray Irradiation Services

During the financial year ended 31 March 2011 (the "Financial Year"), the Group's gamma ray irradiation business, through 淄博利源高科輻照技術有限公司 (Zibo Liyuan Gamma Ray Technologies Co. Limited, "Zibo Liyuan") which is owned as to 80% by the Company, has been gradually developing and recorded a turnover of approximately HK$6,966,000(2010: HK$207,000) that accounted for approximately 22.9% of the Group's total turnover. This segment reported a profit of approximately HK$ 297,000(2010: loss of HK$192,000).

With an exclusive cooperation agreement with 中國人民解放軍軍事醫學科學院 (The Academy of Military Medical Sciences), the Group will seek to, amongst other things, enhance the versatile of applications and make available services across China. During the Financial Year, Zibo Liyuan extended its reach into a number of industries and established an extensive network of clients including medical and health product manufacturers, pharmaceutical companies, pre-packaged food, frozen food and food manufacturers, and pet food manufacturers.

Property Development, Rental and Sales

Turnover generated from the property development, rental and sales was approximately HK$22,385,000 for the year under review (2010: HK$2,937,000). Segment loss was HK$23,092,000 (2010: HK$27,365,000). The increase in turnover and the decrease in segmental loss were mainly attributable to increase in sale of commercial properties including shops and car park lots in Chongqing.

The Group has an entire interest in a land parcel of approximately 5,800 square meters located in Phase III Phoenix Town, No. 500 Hongjin Avenue, Longxi Street, Yubei District, Chongqing, the PRC with a total saleable area of approximately 35,000 square meters mainly for residential purpose. The project, designed to develop residential properties with ancillary commercial shops, recreational facilities and car park lots, is at the preliminary stage of development and is expected to be completed by year 2013. In view of the market conditions, though the Group will still keep the plan of developing the residential project in Yubei District, Chongqing, we do not rule out the possibilities of divesting our current residential projects if there are any good opportunities. The Group also has commercial properties including shops and car park lots located in Phase I and Phase II at the same location which were being for sale in the Financial Year.

On 21 January 2011, the Group entered into a sale and purchase agreement with an independent third party for the disposal of the entire issued share capital of Beijing Yo Luan Property Development Company Limited ("Beijing Yo Luan" 北京友聯房地產開發有限公司), in which the Company had an indirect 90% shareholding interest, and the loan due from Beijing Yo Luan to the Group, for a total consideration of RMB38,000,000 (equivalent to approximately HK$44,659,000). Beijing Yo Luan was principally and solely participating in the 1st level of development (一級開發) project at Yang Jia Yeun Village, Huai Ro Town, Huai Ro District, Beijing, the PRC (北京市懷柔區懷柔鎮楊家園村). Completion of the disposal took place in February 2011.

Trading of Building Materials and Provision of Renovation Services

The operating environments of building materials trading and renovation services remained weak during the year under review. Though this segment's turnover increased 81.6% to approximately HK$1,122,000 (2010: HK$618,000), it still suffered a loss of approximately HK$1,523,000 (2010: HK$2,430,000), which was mainly attributable to an increase in cost of sales.

Securities Trading and Investment

During the Financial Year, the global stock markets remained volatile and weak given the continued weakness in US economy and the impact of the Chinese official macro control measures on curbing inflation by stringent monetary policies. Due to the realised losses on equity investments held for trading, this segment reported a loss of HK$6,238,000 (2010: profit of HK$35,069,000).

Segment Results

Gamma ray irradiation services generated a turnover of approximately HK$6,966,000 (2010: HK$207,000) with a segment profit of approximately HK$297,000 (2010: loss of HK$192,000).

Turnover generated from property development, rental and sales was approximately HK$22,385,000 (2010: HK$2,937,000). Segment loss was approximately HK$23,092,000 (2010: HK$27,365,000).

Turnover generated from the trading of building materials and provision of renovation services amounted to approximately HK$1,122,000 (2010: HK$618,000). Segment loss was approximately HK$1,523,000 (2010: HK$2,430,000).

For the year ended 31 March 2011, gross proceeds from securities trading were approximately HK$36,585,000 (2010: HK$168,209,000). Segment loss was approximately HK$6,238,000 (2010: profit of HK$35,069,000).

Prospect

The Company has been prudently, actively identifying and pursuing potential projects with immense development potentials to broaden the income base of the Group and increase shareholders' value. The Board considers that the Group should continue to leverage its resources in exploring opportunities in industries with high entry barriers but favoured by the Chinese government policies.

The Company has entered into an agreement with its substantial shareholder regarding its subscription for a 3-year HK$105,000,000 convertible note with 1% coupon rate and an initial exercise price of HK$0.27 per share, details of which are set out in the Company's announcement dated 3 May 2011. The subscription of the convertible note will further strengthen the Group's financial position and will facilitate its acquisition of potential projects in future.

On 3 May 2011, the Group entered into a memorandum of understanding in relation to a proposed acquisition of 95% interest in a mining company whose business scope includes development of vanadium mines and mining, processing and sale of vanadium. The vanadium mines are composed of two vanadium mines adjacent to each other and are open pit mines located in Xiu Shan, Chongqing, the PRC, an area with rich resources of different minerals such as vanadium, manganese and molybdenum.

The Group is also exploring to participate in the rare earth refinery and processing business in Sichuan, the PRC, one of the largest rare earth production bases. Rare earth elements are scarce natural resources which are indispensable for high-technology and green energy technology products.

Capital Investment and Commitments

As at 31 March 2011, the Group had no significant capital commitments (31 March 2010: Nil).

Liquidity and Financial Resources

As at 31 March 2011, the Group had cash and cash equivalents of HK$19,757,000 (31 March 2010: HK$7,218,000). The increase in cash and cash equivalents was mainly due to proceeds received from disposal of a subsidiary. Short term and long term bank borrowings as at 31 March 2011 were Nil (31 March 2010: HK$7,393,000) and HK$9,501,000 (31 March 2010: Nil) respectively. The gearing ratio, being the ratio of total bank borrowings to total equity was 9% (31 March 2010: 6.8%). The liquidity ratio, being the ratio of current assets over current liabilities, improved from 109.8% as at 31 March 2010 to 169% as at 31 March 2011.

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

Pledge of Assets

At 31 March 2011, the Group's land use rights and certain property, plant and equipment with carrying amount of approximately HK$15,877,000 (31 March 2010: Nil) were pledged to a bank to secure the bank borrowing granted to the Group.

Contingent Liabilities

As at 31 March 2011, the Company had no significant contingent liabilities (31 March 2010: Nil).

Share Capital Structure

88,000,000 new shares of HK$0.01 each were issued and allotted during the year upon exercise of share options granted by the Company.

As at 31 March 2011, the total number of issued shares of the Company was 2,955,681,490. 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 21 January 2011, the Group entered into a sale and purchase agreement with 北京福發房地產開發有限公司 (Beijing Fu Fa Property Development Company Limited) for the disposal of the entire issued share capital of Beijing Yo Luan Property Development Company Limited ("Beijing Yo Luan" 北京友聯房地產開發有限公司), in which the Company has an indirect 90% shareholding interest, and the loan due from Beijing Yo Luan to the Group, for a total consideration of RMB38,000,000. Details of the transaction is set out in the Company's announcement dated 21 January 2011. The transaction has been completed in February 2011.

On 8 March 2011, the Group entered into an agreement with Citi Wonder Limited ("Citi Wonder") and Mr. Zhuang Xu in relation to a proposed acquisition of the entire issued share capital of Park Target Limited ("Park Target") and the loan due from Park Target to Citi Wonder (the "Proposed Acquisition"). On 3 May 2011, the parties entered into a memorandum of understanding in relation to the Proposed Acquisition to replace the said agreement (the "MOU"). Pursuant to the MOU, the consideration for the Proposed Acquisition is HK$350,000,000 (to be finalized and agreed between the parties if a formal sale and purchase agreement will be entered into). Details of the MOU and the Proposed Acquisition are set out in the Company's announcement dated 3 May 2011.

Save as disclosed herein, the Group had no material acquisition and disposal of subsidiaries during the year ended 31 March 2011.

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 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 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.

Employees and Remuneration Policy

As at 31 March 2011, the Group employed 57 employees (31 March 2010: 90). Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are reviewed periodically based on performance appraisal and other relevant factors. Staff benefits plans maintained by the Group include medical insurance, hospitalization scheme, mandatory provident fund and share option scheme.

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

DIVIDENDS

The Board does not recommend the payment of dividend for the year ended 31 March 2011 (2010: Nil).

CONNECTED TRANSACTION

A subscription agreement dated 8 March 2011 (the "Subscription Agreement") and a supplemental agreement to the Subscription Agreement dated 3 May 2011 were entered into between the Company and Mega Market Assets Limited ("Mega Market"), a substantial shareholder of the Company, pursuant to which, Mega Market shall subscribe for the 1% coupon 3 years unsecured convertible notes in the principal amount of HK$105,000,000 to be issued by the Company (the "Convertible Note"). The initial conversion price of the Convertible Note is HK$0.27 per share (subject to adjustment pursuant to the terms of the Convertible Note). The issue of the Convertible Note is conditional upon, among other things, the passing of the necessary resolution by the independent shareholders at a special general meeting to be held by the Company. Details of the Subscription Agreement (as amended by the supplemental agreement) and the Convertible Note are set out in the Company's announcement dated 3 May 2011.

CORPORATE GOVERNANCE

The Corporate Governance Report is included in the Group's annual report for the year ended 31 March 2011.

Good corporate governance has always been recognized as vital to the Group's success and to sustain development of the Group. We commit ourselves to a high standard of corporate governance and have devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the Company's needs.

The Company has put in place corporate governance practices to meet the code provisions that are considered to be relevant to the Group and has complied with most of the code provisions save for certain deviations from the code provisions, details of which will be explained in the relevant paragraphs in the Corporate Governance Report. The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

AUDIT COMMITTEE

The audit committee 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 2011.

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 2011.

PURCHASE, SALE AND 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 2011 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 2011 annual report and notice of the annual general meeting of the Company will be despatched to the shareholders and made available on the above websites in due course.

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

Hong Kong, 9 May 2011

As at the date of this announcement, the executive director of the Company is Mr. Ho Chi Ho; 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.