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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)

POSSIBLE DISPOSAL OF ENTIRE INTERESTS IN A SUBSIDIARY

This announcement is made pursuant to Rule 13.09 of the Listing Rules.

北京德邦富策劃諮詢有限公司 (“Beijing De Bang Fu Strategic Consultancy Company Limited” in English for translation purpose), a wholly-owned subsidiary of the Company, has agreed in principle with a purchaser (who and whose ultimate beneficial owner, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are Independent Third Parties) on a proposed disposal of:

- (1) 90% of the entire issued share capital of Beijing Ju Din Yuen (the “Sale Shares”); and
- (2) all the outstanding shareholder loans and monies due from Beijing Ju Din Yuen and Beijing Yo Luan to the Vendor (the “Sale Loan”) of approximately RMB34,000,000 (equivalent to approximately HK\$39,553,000) as at the date hereof,

for a consideration of RMB38,000,000 (equivalent to approximately HK\$44,207,000) in cash.

The Possible Disposal, if materializes, may constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules. The Company will comply with the relevant requirements under the Listing Rules and make any further announcements if necessary.

The Possible Disposal will only become effective upon the Purchaser having deposited the whole amount of the Consideration of RMB38,000,000 into an escrow account opened with a bank in the PRC. It is anticipated that the whole amount of the Consideration will be deposited by the Purchaser in the aforesaid escrow account by the end of October 2010. **The Possible Disposal has not become effective as at the date**

of this announcement and it may or may not proceed. Further announcement will be made in compliance with the Listing Rules as and when appropriate.

Shareholders and potential investors are advised to exercise caution in dealing in the Shares.

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SUMMARY OF THE POSSIBLE DISPOSAL

北京德邦富策劃諮詢有限公司 (“Beijing De Bang Fu Strategic Consultancy Company Limited” in English for translation purpose), a wholly-owned subsidiary of the Company, has agreed in principle with a purchaser (who and whose ultimate beneficial owner, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are Independent Third Parties) on a proposed disposal of:

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Shareholders and potential investors are advised to exercise caution in dealing in the Shares.

Principal terms of the Possible Disposal

The proposed consideration for the Possible Disposal is RMB38,000,000 (equivalent to approximately HK\$44,207,000) in cash. It is proposed that the whole amount of the Consideration will be escrowed by the Purchaser into a bank account maintained in the PRC and will be released to the Vendor upon completion of the Possible Disposal.

The Consideration and the payment terms thereof were arrived at after arm’s length

negotiations where the management of the Company has taken into account, amongst other things, (i) the prolonged reluctance of the remaining original village residents to agree on the relocation scheme leading to the serious delay in completion of the 1st level of development (一級開發) of the Land Project; (ii) the uncertainty as to the probability of and estimated time for such completion given the complexity and redundancy in the documentation and legal proceedings involved in future; and (iii) there having been no progress in the 1st level of development (一級開發) of the Yang Jia Yuan Village since termination of the Previous Terminated Disposal.

The Possible Disposal, if materializes, is conditional upon obtaining approval of the relevant commercial administration department of the Chinese government for the transfer of the title of the Sale Shares and the issue of the new business license of Beijing Ju Din Yuen.

INFORMATION ON THE SUBSIDIARIES UNDER POSSIBLE DISPOSAL

Beijing Ju Din Yuen is a company incorporated in the PRC and is owned as to 90% by the Vendor and as to 10% by a PRC resident who, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, is an Independent Third Party save for being a substantial shareholder of Beijing Ju Din Yuen, the Company's indirect non wholly-owned subsidiary. At the date of this announcement, the sole asset of Beijing Ju Din Yuen is the entire shareholding interest in Beijing Yo Luan.

Beijing Yo Luan is wholly owned by Beijing Ju Din Yuen and is principally and solely participating in the 1st level of development (一級開發) project at 北京市懷柔區懷柔鎮楊家園村 (Yang Jia Yeun Village, Huai Ro Town, Huai Ro District, Beijing, the PRC). Such 1st level of development (一級開發) has been carried on together with the local government authorities since the end of 2007 and has involved relocation of original village residents, demolition of existing shabby houses, installation of land infrastructures and flattening the land for building constructions.

Since the termination of the Previous Terminated Disposal and up to the date of this announcement, there has been no progress in the 1st level of development (一級開發) in the Land Project and only approximately two-third of the original village residents had joined the relocation scheme thereunder. The management of the Company was advised by the PRC lawyers that completion of the 1st level of development (一級開發) will require ample of time given that complicated judicial proceedings on enforcing removal of the remaining original village residents are likely required where nevertheless the outcome of such cannot be ascertained. Given the fact that the remaining residents have been reluctant to join the relocation scheme for a prolonged period of time, the probability of and the time for completing the 1st level of development (一級開發) is highly uncertain. In view of this and after taking the advice from our lawyers in the PRC, the Directors consider that the recoverability of the costs incurred for the 1st level of development was remote.

REASONS FOR THE POSSIBLE DISPOSAL

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.

In view that (i) there has been no progress in the 1st level of development (一級開發) of the Land Project since termination of the Previous Terminated Disposal (as of result of which the Group forfeited RMB2.5 million deposit) leading to higher uncertainties and risks in recovering The Group's investment in the Land Project; and ii) the Possible Disposal offers the Group an opportunity to avoid further capital commitment in the 1st level of development (一級開發) project and to recover most of the Group's investment in the project, the Board considers that it is in the best interest of the Company and its Shareholders as a whole to proceed to dispose of the Land Project.

It is proposed that the proceeds from the Possible Disposal, if materializes, will be utilized as general working capital of the Group and/or to fund future and other strategic investments when an appropriate opportunity arises.

The Possible Disposal has not become effective as at the date of this announcement and it may or may not proceed. Further announcement will be made in compliance with the Listing Rules as and when appropriate.

Shareholders and potential investors are advised to exercise caution in dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“Beijing Ju Din Yuen”	北京巨鼎源房地產開發有限公司 (“Beijing Ju Din Yuen Property Development Company Limited”)*, a company established in the PRC which is owned as to 90% by the Vendor and as to 10% by a PRC resident who, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, is an Independent Third Party
“Beijing Yo Luan”	北京友聯房地產開發有限公司 (“Beijing Yo Luan Property Development Company Limited”)*, a company established in the PRC which is wholly owned by Beijing Ju Din Yuen
“Board”	the board of Directors
“Company”	China Gamma Group Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange
“Consideration”	the total consideration payable by the Purchaser to the Vendor for the Possible Disposal
“Directors”	the director of the Company

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a third party independent of the Company and the connected persons (as defined under the Listing Rules) of the Company, and not a connected person (as defined under the Listing Rules) of the Company
“Land Project”	The development project at 北京市懷柔區懷柔鎮楊家園村 (Yang Jia Yeun Village, Huai Ro Town, Huai Ro District, Beijing, the PRC)
“Listing Rules”	the Rule Governing the Listing of Securities on the Stock Exchange
“Possible Disposal”	the possible disposal of the Sale Shares and the Sale Loan by the Vendor to the Purchaser
“Previous Terminated Disposal”	Termination of the previous disposal of the Sale Shares and the Sale Loan by the Vendor on 17 November 2009
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	a PRC company which is an Independent Third Party
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	90% of the entire issued share capital of Beijing Ju Din Yuen, which is beneficially owned by the Vendor and proposed to be purchased by the Purchaser
“Sale Loan”	all the shareholder loan and monies owing from Beijing Ju Din Yuen and Beijing Yo Luan to the Vendor and proposed to be assigned by the Vendor to the Purchaser
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s) of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	北京德邦富策劃諮詢有限公司 (“Beijing De Bang Fu Strategic Consultancy Company Limited”)*, a wholly-owned subsidiary of the Company
“%”	per cent

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

Hong Kong, 25 October 2010

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, Edmund, Mr. Chan Chi Yuen and Mr. Hung Hing Man.

For the purpose of this announcement, unless otherwise specified, conversion of RMB into HK\$ is based on the approximate exchange rate of HK\$1.00 to RMB0.8596. The exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been or could have been or may be exchanged at this or any other rates at all.

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