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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)

DISCLOSEABLE TRANSACTION
DISPOSAL OF ENTIRE INTERESTS IN A SUBSIDIARY

Reference is made to the announcements of the Company dated 25 October 2010 and 30 October 2010 respectively (the "Previous Announcements") in relation to, inter alia, a possible disposal by Beijing De Bang Fu of 90% of the entire issued share capital of Beijing Ju Din Yuen and all the outstanding shareholder loans and monies due from Beijing Ju Din Yuen and Beijing Yo Luan to Beijing De Bang Fu. As such previous potential purchaser failed to deposit the proposed consideration for a long time, such possible disposal has never become effective and has been null and void.

Meanwhile, Beijing De Bang Fu and Beijing Ju Din Yuen were approached by another Purchaser and the parties entered into the Sale and Purchase Agreement on 21 January 2011.

THE SALE AND PURCHASE AGREEMENT

The Board announces that on 21 January 2011, the Vendors, a wholly-owned subsidiary of the Company and an indirect non wholly-owned subsidiary of the Company, entered into the Sales and Purchase Agreement with the Purchaser, pursuant to which the Vendors agreed to dispose of and the Purchaser agreed to purchase 100% of the entire issued share capital of 北京友聯房地產開發有限公司 ("Beijing Yo Luan Property Development Company Limited" in English for translation purpose) and the Sale Loan for a total Consideration of RMB38,000,000 (equivalent to approximately HK\$44,659,000).

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios under Rule 14.06(2) of the Listing Rules applicable to the Disposal exceed 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under the Listing Rules.

Reference is made to the Previous Announcements in relation to, inter alia, a possible disposal by Beijing De Bang Fu to a potential purchaser, an Independent Third Party, of 90% of the entire issued share capital of Beijing Ju Din Yuen and all the outstanding shareholder loans and monies due from Beijing Ju Din Yuen and Beijing Yo Luan to Beijing De Bang Fu for a proposed consideration of RMB38,000,000. As set out in the Previous Announcements, such possible disposal would only have become effective upon the potential purchaser having deposited the whole amount of the proposed consideration into an escrow account opened with a bank in the PRC. However, given that the potential purchaser failed to deposit such amount in the aforesaid escrow account for a long time, such possible disposal has never become effective and has been null and void.

Meanwhile, Beijing De Bang Fu and Beijing Ju Din Yuen were approached by the Purchaser and the parties entered into the Sale and Purchase Agreement on 21 January 2011.

THE SALE AND PURCHASE AGREEMENT

Date : 21 January 2011

Parties :

Vendor A : 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.

Vendor B : 北京巨鼎源房地產開發有限公司 (“Beijing Ju Din Yuen Property Development Company Limited” in English for translation purpose), an indirect non wholly-owned subsidiary of the Company.

Purchaser : 北京福發房地產開發有限公司 (“Beijing Fu Fa Property Development Company Limited” in English for translation purpose).

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Purchaser is principally engaged in real estate development in the PRC and the Purchaser and its ultimate beneficial owner are Independent Third Parties.

Assets to be disposed of

Pursuant to the Sale and Purchase Agreement, the Vendors agreed to dispose of and the Purchaser agreed to acquire:

(1) 100% of the entire issued share capital of Beijing Yo Luan (the “Sale Shares”); and

- (2) all the outstanding shareholder loans and monies due from Beijing Yo Luan to Vendor A (the “Sale Loan”) as at the date of the Sale and Purchase Agreement.

At the date of the Sale and Purchase Agreement, the amount of the Sale Loan was approximately RMB35,000,000 (equivalent to approximately HK\$41,133,000). It is anticipated that there will be no material changes to the Sale Loan up to completion of the Sale and Purchase Agreement.

Consideration

The total consideration for the Disposal is RMB38,000,000 (equivalent to approximately HK\$44,659,000), out of which i) RMB3,000,000 (equivalent to approximately HK\$3,526,000) are for the disposal of the Sale Shares, and ii) RMB35,000,000 (equivalent to approximately HK\$41,133,000) are for the disposal of the Sale Loan. The whole amount of the Consideration has been deposited in an account maintained in the name of the Purchaser (the “Account”) with a licensed bank in the PRC (the “Bank”) on the date of signing of the Sale and Purchase Agreement. The parties have executed necessary documents to effect the change of signing arrangement of the Account so that the Account will be operated jointly by Vendor A and the Purchaser. The Bank has confirmed that its internal procedures will take around 3 business days to effect the change of signing arrangement, after which the transfer of the title of the Sale Shares will be processed. The whole amount of the Consideration will be released to the Vendors upon completion of the Sale and Purchase Agreement.

The Consideration and the payment terms thereof were arrived at after arm’s length negotiations between the parties to the Sale and Purchase Agreement 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.

Condition and Completion

Completion of the Disposal is conditional upon the Purchaser having obtained approval of the relevant commercial administration department of the Chinese government for the transfer of the title of the Sale Shares and the new business license of Beijing Yo Luan. It is anticipated by both parties that completion shall take place in around 15 business days.

Upon Completion, the Company will dispose of all its interest in Beijing Yo Luan, and Beijing Yo Luan will cease to be an indirect non wholly-owned subsidiary of the Company.

INFORMATION ON 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 the Sale and Purchase Agreement, 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 may be 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 management of the Company considers that the recoverability of the costs incurred for the 1st level of development (一級開發) was remote.

Provision of the amount brought forward of HK\$27,517,000 has been made and further costs incurred of HK\$2,840,000 were expensed for the year ended 31 March 2010. As a result of the Disposal, the Company expects to recognize a gain on disposal of approximately RMB40,193,000 (equivalent to approximately HK\$45,780,000) which is the sum of the unaudited net liabilities of Beijing Yo Luan and the consideration for the disposal of the Sale Shares.

The audited net loss before and after taxation of Beijing Yo Luan for the year ended 31 March 2010 and 31 March 2009 amounted to approximately RMB28,421,000 (equivalent to approximately HK\$32,260,000) and approximately RMB6,502,000 (equivalent to approximately HK\$7,364,000) respectively. At 31 December 2010, Beijing Yo Luan had an unaudited net liabilities of approximately RMB37,193,000 (equivalent to approximately HK\$43,711,000).

USE OF PROCEEDS

The proceeds from the Disposal will be utilized as general working capital of the Group and/or to fund future and other strategic investments when opportunities arise.

REASONS FOR AND BENEFITS OF THE 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 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 enter into the Sale and Purchase Agreement to dispose of the Land Project. It is expected that as a result of the Disposal, the Group will recognize a gain on disposal of approximately RMB40,193,000 (equivalent to approximately HK\$45,780,000) in the financial statements for the year ending 31 March 2011.

The Board considers that the Disposal will not constitute any material adverse effect to the trading and financial position of the Group.

The Directors (including the independent non-executive directors of the Company) consider that the terms and conditions of the Disposal are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios under Rule 14.06(2) of the Listing Rules applicable to the Disposal exceed 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under the Listing Rules.

DEFINITIONS

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

“Beijing De Bang Fu” or “Vendor A”	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 and is owning 90% of the entire issued share capital of Vendor B
“Beijing Ju Din Yuen” or “Vendor B”	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 Vendor A and as to 10% by a PRC resident who, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, 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 Vendor B
“Board”	the board of Directors
“Company”	China Gamma Group Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Shares and the Sale Loan in accordance with the terms and conditions of the Sale and Purchase Agreement
“Consideration”	the total consideration payable by the Purchaser to the Vendors for the Disposal
“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Shares and the Sale Loan by the Vendors as contemplated under the Sale and Purchase Agreement
“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 Yuen Village, Huai Ro Town, Huai Ro District, Beijing, the PRC)*
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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

“Previous Terminated Disposal”	the previous disposal of 90% of the entire issued share capital of Beijing Ju Din Yuen and all the shareholder loans and monies due from Beijing Ju Din Yuen and Beijing Yo Luan to Beijing De Bang Fu, which was terminated by Beijing De Bang Fu on 17 November 2009
“Purchaser”	北京福發房地產開發有限公司 (“Beijing Fu Fa Property Development Company Limited”)*, a company established in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 21 January 2011 entered into between the Vendors and the Purchaser in relation to the sale and purchase of the Sale Shares and the Sale Loan
“Sale Loan”	all the shareholder loans and monies owing from Beijing Yo Luan to Vendor A as at the date of the Sale and Purchase Agreement and to be assigned by Vendor A to the Purchaser pursuant to the Sale and Purchase Agreement
“Sale Shares”	100% of the entire issued share capital of Beijing Yo Luan, which is beneficially owned by Vendor B and to be purchased by 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
“Vendors”	Beijing De Bang Fu and Beijing Ju Din Yuen
“%”	per cent.

By order of the Board
CHINA GAMMA GROUP LIMITED
Ho Chi Ho
Executive Director

Hong Kong, 21 January 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, Edmund, Mr. Chan Chi Yuen and Mr. Hung Hing Man.

For the purposes of this announcement, unless otherwise specified, conversion of RMB into HK\$ is based on the approximate exchange rate of HK\$1.00 to RMB0.8509. 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 translations 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.*