

---

## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

---

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Gamma Group Limited (the “Company”), you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

---

### China Gamma Group Limited

中國伽瑪集團有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 164)**

**CONNECTED TRANSACTION –  
SUBSCRIPTION CN AGREEMENT  
(AS AMENDED BY THE SUPPLEMENTAL AGREEMENT)  
IN RELATION TO THE SUBSCRIPTION OF CONVERTIBLE NOTES  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

**Independent Financial Adviser  
to the Independent Board Committee and the Independent Shareholders**



**Yuanta  
Securities (Hong Kong)**

---

A notice convening a special general meeting of the Company to be held at Unit 3411, 34/F., COSCO Tower, Grand Millennium Plaza, 183 Queen’s Road Central, Hong Kong on Tuesday, 5 July 2011 at 4:30 p.m. is set out on pages 41 to 43 of this circular.

Whether or not you are able to attend and vote at the SGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar in Hong Kong, Tricor Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong as soon as practicable and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

17 June 2011

---

## CONTENTS

---

	<i>Pages</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	5
<b>Letter from the Independent Board Committee</b> .....	19
<b>Letter from the Independent Financial Adviser</b> .....	21
<b>Appendix – General Information</b> .....	37
<b>Notice of Special General Meeting</b> .....	41

---

## DEFINITIONS

---

*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“Announcement”	the announcement of the Company dated 3 May 2011 in relation to, among other things, the subscription of the Subscription CN
“associates”	has the same meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than Saturday and Sunday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
“Company”	China Gamma Group Limited, a company incorporated in Bermuda and the issued Shares are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the same meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) 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 People’s Republic of China
“Independent Board Committee”	an independent committee of the Board, comprising all of the independent non-executive Directors, namely Mr. Wong Hoi Kuen, Mr. Chan Chi Yuen and Mr. Hung Hing Man, formed to advise the Independent Shareholders in respect of the Subscription CN Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder

---

## DEFINITIONS

---

“Independent Shareholder(s)”	Shareholder(s) other than the Subscriber and its associates including Mr. Chan How Chung, Victor and Kingly Profits Corporation
“Last Trading Day”	8 March 2011, being the last trading day on which the Shares were traded on the Stock Exchange prior to suspension of trading in the Shares pending the release of the Announcement
“Latest Practicable Date”	14 June 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	memorandum of understanding dated 3 May 2011 entered into among Grand Surplus International Limited (as the purchaser), Citi Wonder Limited (as the vendor), the Company and Mr. Zhuang Xu (as the guarantor) in relation to the Proposed Acquisition
“PRC”	Peoples’ Republic of China which, for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Proposed Acquisition”	the proposed acquisition of the Sale Share and the Sale Loan (if any) by Grand Surplus International Limited from Citi Wonder Limited
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 8 March 2011 entered into among Grand Surplus International Limited (as the purchaser), Citi Wonder Limited (as the vendor), the Company and Mr. Zhuang Xu (as the guarantor) in relation to the Proposed Acquisition

---

## DEFINITIONS

---

“Sale Loan”	all obligations, liabilities and debts owing or incurred by the Target Company to Citi Wonder Limited as at and after the completion of the Proposed Acquisition, whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on the completion of the Proposed Acquisition
“Sale Share”	all the issued share capital of the Target Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting of the Company to be held at Unit 3411, 34/F., COSCO Tower, Grand Millennium Plaza, 183 Queen’s Road Central, Hong Kong on Tuesday, 5 July 2011 at 4:30 p.m.
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Mega Market Assets Limited, a company incorporated in the British Virgin Islands
“Subscription CN”	the 1% coupon unsecured convertible notes in the principal amount of HK\$105,000,000 due on the third anniversary of the date of issue which shall be issued by the Company to the Subscriber under the Subscription CN Agreement (as amended by the Supplemental Agreement)
“Subscription CN Agreement”	a conditional agreement entered into between the Company and the Subscriber dated 8 March 2011 in relation to the subscription of the Subscription CN
“Subscription Completion”	completion of the Subscription CN Agreement (as amended by the Supplemental Agreement) in accordance with the terms thereof

---

## DEFINITIONS

---

“Subscription Completion Date”	the date of Subscription Completion, which shall be the date as agreed by the Company and the Subscriber after the fulfillment or waiver of the conditions set out in the paragraph headed “Conditions Precedent” under the section “Subscription CN Agreement (as amended by the Supplemental Agreement)” have been fulfilled or waived either in whole or in part (as the case may be), or such other date as may be agreed by the parties
“Supplemental Agreement”	a supplemental agreement dated 3 May 2011 entered into between the Company and the Subscriber in relation to the amendment to the Subscription CN Agreement
“Takeovers Code”	The Code on Takeovers and Mergers
“Target Company”	Park Target Limited, a company incorporated in the British Virgin Islands and wholly owned by Citi Wonder Limited
“Yuanta” or “Independent Financial Adviser”	Yuanta Securities (Hong Kong) Company Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) of the regulated activities under the SFO and the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription CN Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder
“%”	per cent.

---

## LETTER FROM THE BOARD

---

### China Gamma Group Limited

### 中國伽瑪集團有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 164)**

*Executive Director:*

Ho Chi Ho

*Non-executive Directors:*

Ma Kwok Hung, Warren

Chow Siu Ngor

*Independent non-executive Directors:*

Wong Hoi Kuen

Chan Chi Yuen

Hung Hing Man

*Registered office:*

Clarendon House

Church Street

Hamilton HM11

Bermuda

*Principal place of business*

*in Hong Kong:*

Unit 3411, 34/F., COSCO Tower

Grand Millennium Plaza

183 Queen's Road Central

Hong Kong

17 June 2011

*To the Shareholders*

Dear Sir/Madam,

**CONNECTED TRANSACTION –  
SUBSCRIPTION CN AGREEMENT  
(AS AMENDED BY THE SUPPLEMENTAL AGREEMENT)  
IN RELATION TO THE SUBSCRIPTION OF CONVERTIBLE NOTES  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

#### INTRODUCTION

Reference is made to the announcement of the Company dated 3 May 2011.

As disclosed in the Announcement, among other things, the Company entered into the Subscription CN Agreement (as amended by the Supplemental Agreement) with the Subscriber in relation to the subscription of the Subscription CN of a principal amount of HK\$105,000,000.

---

## LETTER FROM THE BOARD

---

The Independent Board Committee comprising Mr. Wong Hoi Kuen, Mr. Chan Chi Yuen and Mr. Hung Hing Man, being all independent non-executive Directors, has been formed by the Board to advise the Independent Shareholders as to the fairness and the reasonableness of the terms of the Subscription CN Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder. Yuanta has been appointed as the independent financial adviser to give its advice and recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Subscription CN Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder.

The purpose of this circular is to provide you with (i) information regarding the Subscription CN Agreement (as amended by the Supplemental Agreement) in relation to the subscription of the Subscription CN; and (ii) the notice of SGM at which an ordinary resolution will be proposed to consider and, if thought fit, approve (i) above.

### **THE SUBSCRIPTION CN AGREEMENT (AS AMENDED BY THE SUPPLEMENTAL AGREEMENT)**

On 8 March 2011, the Company entered into the Subscription CN Agreement with the Subscriber under which, the Subscriber shall subscribe for the Subscription CN of a principal amount of HK\$105,000,000 subject to, amongst other things, the Sale and Purchase Agreement becoming unconditional.

As the Sale and Purchase Agreement was replaced in its entirety by the MOU, the Company and the Subscriber entered into a Supplemental Agreement to amend or remove certain terms of the Subscription CN Agreement that has made a reference to the Sale and Purchase Agreement.

The main terms of the Subscription CN Agreement (as amended by the Supplemental Agreement) are as follows:

Date:	8 March 2011 (as amended by the Supplemental Agreement)
Issuer:	the Company as the issuer of the Subscription CN

---

## LETTER FROM THE BOARD

---

Subscriber: Mega Market Assets Limited

To the best of Directors' knowledge, information and belief, having made all reasonable enquiries, the Subscriber is a substantial Shareholder which together with its associates hold 918,147,585 Shares, representing 28.62% of the total issued share capital of the Company as at the Latest Practicable Date

Subscription Amount: Aggregate principal amount of HK\$105,000,000 with an initial conversion price of HK\$0.27 per Share

Pursuant to the Subscription CN Agreement (as amended by the Supplemental Agreement), the Company conditionally agreed to issue and the Subscriber conditionally agreed to subscribe for the Subscription CN in an aggregate principal amount of HK\$105,000,000 free from encumbrances.

The initial conversion price of the Subscription CN is HK\$0.27 and it represents:

- (i) a premium of approximately 17.90% to the closing price of the Shares of HK\$0.2290 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 29.81% to the closing price of the Shares of HK\$0.2080 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 46.66% to the average of the closing prices of the Shares of approximately HK\$0.1841 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 57.99% to the average of the closing prices of the Shares of approximately HK\$0.1709 per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day; and
- (v) a premium of approximately 631.71% to the audited net asset value per Share of approximately HK\$0.0369, which is calculated based on the audited net asset value of the Company of HK\$109,157,000 as at 31 March 2010 as stated in its 2010 annual report divided by its total number of 2,955,681,490 issued Shares as at the Last Trading Day.

---

## LETTER FROM THE BOARD

---

The initial conversion price of the Subscription CN was determined after arm's length negotiations between the Subscriber and the Company with reference to, amongst other things, the recent trading price of the Shares and the recent market sentiment of the financial market in Hong Kong. The Directors consider that the initial conversion price of the Subscription CN is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Assuming exercise of all the conversion rights under the Subscription CN, 388,888,888 conversion shares (subject to adjustment) will be allotted and issued which shall represent:

- (i) approximately 13.16% of the issued share capital of the Company as at the date of the Subscription CN Agreement;
- (ii) approximately 12.12% of the issued share capital of the Company as at the Latest Practicable Date; and
- (iii) approximately 10.81% of the total issued share capital of the Company as at the Latest Practicable Date as enlarged by the allotment and issue of the conversion shares, assuming full exercise of all the conversion rights under the Subscription CN.

The conversion shares under the Subscription CN will be allotted and issued pursuant to the specific mandate to be sought at the SGM and will be allotted and issued upon exercise of the conversion rights under the Subscription CN. The conversion shares under the Subscription CN, when allotted and issued, shall rank *pari passu* in all respects amongst themselves and with the Shares in issue on the date of allotment and issue of such conversion shares and be entitled to dividends and other rights carried by the Shares.

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the conversion shares under the Subscription CN on the Stock Exchange.

### **Conditions Precedent:**

Completion of the Subscription CN Agreement (as amended by the Supplemental Agreement) is subject to and conditional upon the satisfaction of the following conditions:

- (i) the passing of the necessary resolutions by the Shareholders in general meeting approving:
  - (a) the execution, delivery and performance of the Subscription CN Agreement (as amended by the Supplemental Agreement);
  - (b) the issue of the Subscription CN; and

---

## LETTER FROM THE BOARD

---

- (c) the issue of the Shares upon conversion of the Subscription CN, in accordance with the bye-laws of the Company and the requirements of the Listing Rules;
- (ii) the Listing Committee of the Stock Exchange granted (either unconditionally or subject only to conditions to which neither the Company nor the Subscriber have any reasonable objection) the listing of, and permission to deal in, the conversion shares falling to be issued upon exercise of conversion rights attached to the Subscription CN;
- (iii) all other necessary waivers, consents and approvals (if required) from the relevant governmental or regulatory authorities in Hong Kong and Bermuda (including the Bermuda Monetary Authority), with respect to the Company, for the Subscription CN Agreement (as amended by the Supplemental Agreement) and the transactions contemplated therein having been obtained and fulfilled;
- (iv) the approval from the board of directors of the Subscriber having been obtained; and
- (v) the Company's representations, warranties and undertakings referred to in the Subscription CN Agreement (as amended by the Supplemental Agreement) remaining true and accurate in all material respects and not misleading in any material respect as of the Subscription Completion Date by reference to the facts and circumstances subsisting as at the Subscription Completion Date.

If any of the above conditions precedent is not fulfilled (or waived, where applicable) on or before 30 November 2011 (or such other date as may be agreed between the Company and the Subscriber), the Subscription CN Agreement (as amended by the Supplemental Agreement) shall lapse and become null and void and both the Company and the Subscriber will be released from all obligations under the Subscription CN Agreement (as amended by the Supplemental Agreement), except in respect of this provision, confidentiality and announcement, notices, costs and the governing law and jurisdiction provisions and save for liabilities for any antecedent breaches thereof.

---

## LETTER FROM THE BOARD

---

### **Completion:**

Completion of the Subscription CN Agreement (as amended by the Supplemental Agreement) shall take place at such place and such date and time as the Company and the Subscriber may agree after fulfillment or waiver of all the above conditions precedent.

### **Principal terms of the Subscription CN:**

Maximum principal amount: HK\$105,000,000

Maturity date: The third anniversary of the date of issue of the Subscription CN

Interest: 1% per annum on the outstanding principal amount of the Subscription CN, and interest shall accrue from day to day and be payable by every six months in arrears and shall be calculated on the basis of the actual number of days that elapsed in a 360-day year

Redemption: Subject to the events of defaults as set out in the terms and conditions of the Subscription CN (which include the event where (a) the Shares cease to be listed on any recognised stock exchange, or (b) the Company materially defaults in performance or compliance with any of its obligations contained under the terms and conditions therein which breach is incapable of remedy, or (c) an encumbrancer takes possession or a receiver, manager or other similar officer is appointed, or (d) the Company or its major subsidiary becomes insolvent or is unable to pay its debts as they mature, or (e) an order is made or an effective resolution passed for winding up of the Company or any major subsidiary, or (f) the Company defaults in the payment of the principal of the Subscription CN when due and such default is not remedied by the Company) and unless previously converted, redeemed, purchased or cancelled in accordance with such terms and conditions, the Subscription CN shall be redeemed by the Company on the maturity date at its principal amount outstanding together with all accrued and unpaid interest upon the presentation of the original of the certificate for the Subscription CN to the Company

---

## LETTER FROM THE BOARD

---

**Conversion Price:** The conversion price shall be the price at which each conversion share under the Subscription CN will be issued upon a conversion of all or any part of the Subscription CN, being HK\$0.27 per Share (which shall in any case, from time to time, be subject to usual anti-dilution adjustments in certain events such as share consolidation, share subdivision, capital distribution and capitalization issue of profits or reserves)

**Conversion:** Subject to receipt by the Company of the documents referred to in the terms and conditions and subject to the restrictions set out below, the holder of the Subscription CN shall have the right to convert on any Business Day during the period commencing on the issue date of the Subscription CN and expiring on the maturity date, the whole or any part(s) of the principal amount of the Subscription CN into Shares at any time and from time to time at the conversion price provided that such part of the principal amount of the Subscription CN has not previously been converted or redeemed or purchased or cancelled

Subject as hereinafter provided and that any conversion of the Subscription CN shall not be exercised by the holder of the Subscription CN if, and to the extent that immediately following the conversion (i) the Company will be unable to meet the public float requirement (as defined in the Listing Rules) prescribed under the Listing Rules; and (ii) the relevant holder of the Subscription CN together with the parties acting in concert with it will hold or control 30% or more of the Company's voting power or such amount of the Company's voting power at general meetings as may trigger a mandatory general offer under the Takeovers Code and in effect at the material time (whether or not a waiver of the mandatory general offer obligation has been granted)

---

## LETTER FROM THE BOARD

---

Status of the Subscription CN: The obligations of the Company arising under the Subscription CN constitute general, unconditional, unsecured and unsubordinated obligations of the Company and rank equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Company (except for obligations accorded preference by mandatory provisions of applicable law) equally

Transferability: Subscription CN may be freely assigned and transferred at any time with the prior written approval of the Company provided that such assignment or transfer shall be in compliance with the conditions set out thereunder and further subject to (where applicable) the conditions, approvals, requirements and any other provisions of or under the Stock Exchange (and any other stock exchange on which the Shares may be listed at the relevant time) or its rules and regulations, and the Listing Rules and all applicable laws. The permitted assignment or transfer of this Subscription CN may be in respect of the whole or any part(s) of the outstanding principal amount of this Subscription CN. The Subscription CN or any part(s) thereof may only be transferred by execution of the transfer form by the transferor and the transferee (or their duly authorised representatives)

Voting Rights: holder of the Subscription CN will not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of it being the holder of the Subscription CN

Application for Listing: No application will be made for a listing of the Subscription CN on the Stock Exchange or any stock or securities exchange

---

## LETTER FROM THE BOARD

---

The conversion price of the Subscription CN at the time of issue upon Subscription Completion shall be HK\$0.27 per Share, which shall be subject to adjustments in the events of consolidation or subdivision of the Shares before Subscription Completion. If the Company issues new securities before Subscription Completion and such new securities will exceed 2% of the total number of Shares on a fully diluted basis, the conversion price shall be adjusted to the effect that the percentage of the conversion shares into which the Subscription CN can be fully converted over the total number of Shares on a fully diluted basis will be the same as such percentage as at the date of the Subscription CN Agreement. For this purpose, “**fully-diluted basis**” refers to the issued securities issued by the Company and the securities that the Company agrees to issue, including the conversion shares to be issued under the Subscription CN Agreement and the new Shares issued upon exercise of options which have been granted as at the date of the Subscription CN Agreement pursuant to the Company’s share option scheme adopted on 24 April 2002.

### USE OF PROCEEDS

Proceeds from the subscription of the Subscription CN of HK\$105,000,000 after netting off all the administration expenses including publication of circulars will be used for financing the proposed acquisition of controlling stake in rare earth refinery and processing business in the PRC by the Group at a cash consideration of RMB380,000,000, details of the transaction are set out in the Company’s announcement dated 11 May 2011. In the event such proposed acquisition will not be completed, proceeds from the subscription of the Subscription CN will be used for financing the acquisition of potential projects in the future, and for the general working capital of the Company. As announced by the Company on 3 May 2011, the Group has entered into the MOU for the Proposed Acquisition in relation to a vanadium mining project. The Proposed Acquisition will be subject to the execution and completion of the formal sale and purchase agreement, which is conditional upon the satisfaction of certain conditions including the Group having received the relevant reserve report, feasibility study report, technical report and valuation report in respect of the vanadium mines as described in the MOU. As at the Latest Practicable Date, such reports are still under preparation and no formal sale and purchase agreement has been executed.

### INFORMATION ON THE SUBSCRIBER

The Subscriber is a company incorporated with limited liability in the British Virgin Islands and is wholly-owned by Mr. Chan How Chung, Victor. The Subscriber is an investment holding company.

---

## LETTER FROM THE BOARD

---

### REASONS FOR ENTERING INTO THE SUBSCRIPTION CN AGREEMENT (AS SUPPLEMENTED)

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 investments. As stated in the 2011 annual report of the Company, 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 favoured by the PRC government policies.

The Board is of the view that the subscription of the Subscription CN will further strengthen the Group's financial position and will facilitate acquisitions of potential projects in future.

After arm's length negotiations with the Subscriber, the Company agreed to issue and the Subscriber agreed to subscribe for Subscription CN. The subscription of the Subscription CN, which is subject to, amongst other things, the Independent Shareholders' vote, can enable the Group to have sufficient funds together with the internal resources to be held by the Group.

The Directors consider that the Subscription CN Agreement (as amended by the Supplemental Agreement) was entered into upon normal commercial terms and its terms are fair and reasonable and are in the interest of the Company and the Shareholders as a whole. The Company has not conducted any fund raising activities in the past twelve months before the Latest Practicable Date.

## LETTER FROM THE BOARD

### EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table summarises the shareholding structure of the Company (a) as at the Latest Practicable Date; (b) immediately after allotment and issue of the conversion shares under the Subscription CN (assuming the conversion rights are exercised at the initial conversion price to the extent that the relevant holders of the Subscription CN together with the parties acting in concert with them, if any, do not hold or control 30% or more of the voting rights of the Company); and (c) immediately after allotment and issue of the conversion shares under the Subscription CN (assuming full exercise of all the conversion rights at the initial conversion price).

The scenarios below are for illustration and reference purposes only. Pursuant to the terms of the Subscription CN, it is provided that any conversion of the Subscription CN shall not: (i) result in the Company being unable to meet the public float requirement (as defined in the Listing Rules) prescribed under the Listing Rules; and (ii) result in the relevant holders of the Subscription CN together with the parties acting in concert with them respectively holding or controlling the Company's voting power at general meetings that may trigger a mandatory general offer under the Takeovers Code and in effect at the material time (whether or not a waiver of the mandatory general offer obligation has been granted).

Shareholder	(a) as at the Latest Practicable Date		(b) immediately after allotment and issue of the conversion shares under the Subscription CN (assuming the conversion rights are exercised at the initial conversion price to the extent that the relevant holders of the Subscription CN together with the parties acting in concert with them, if any, do not hold or control 30% or more of the voting rights of the Company)		(c) immediately after allotment and issue of the conversion shares under the Subscription CN (assuming full exercise of all the conversion rights at the initial conversion price) (Note 1)	
	No. of Shares	% of shareholding	No. of Shares	% of shareholding	No. of Shares	% of shareholding
The Subscriber	665,097,585	20.73%	728,159,441	22.26%	1,053,986,473	29.30%
Mr. Chan How Chung, Victor (Note 2)	157,550,000	4.91%	157,550,000	4.81%	157,550,000	4.38%
Kingly Profits Corporation (Note 3)	95,500,000	2.98%	95,500,000	2.92%	95,500,000	2.66%
<b>Sub-total of the Subscriber and persons acting in concert with it</b>	918,147,585	28.62%	981,209,441	29.99%	1,307,036,473	36.34%
Public	2,290,033,905	71.38%	2,290,033,905	70.01%	2,290,033,905	63.66%
<b>Total</b>	<b>3,208,181,490</b>	<b>100.00%</b>	<b>3,271,243,346</b>	<b>100.00%</b>	<b>3,597,070,378</b>	<b>100.00%</b>

---

## LETTER FROM THE BOARD

---

*Notes:*

1. For illustration purpose only. Such scenario will never occur as the conversion of the Subscription CN will be restricted such that any conversion of the Subscription CN will not result in the shareholding interest of the holder of the Subscription CN immediately after the exercise of the Subscription CN, together with any Shares already owned or agreed to be acquired by such holder of the Subscription CN and/or parties acting in concert with it representing 30% or more of the then issued Shares.
2. Mr. Chan How Chung, Victor is the ultimate beneficial owner of the Subscriber.
3. Kingly Profits Corporation, a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Chan How Chung, Victor.

### LISTING RULES IMPLICATIONS

The Subscriber is the substantial Shareholder of the Company and together with its associates, hold 918,147,585 Shares as at the Latest Practicable Date, representing 28.62% of the total issued share capital of the Company, of which 665,097,585 Shares were held by the Subscriber, 157,550,000 Shares were held by Mr. Chan How Chung, Victor, the ultimate beneficial owner of the Subscriber, and 95,500,000 Shares were held by Kingly Profits Corporation, a company which is wholly-owned by Mr. Chan How Chung, Victor.

As such, the Subscriber is a connected person of the Company and the Subscription CN also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one of or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Subscription CN are greater than 5%, the entering into the Subscription CN Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder are subject to the requirements of reporting, announcement and approval of the Independent Shareholders at the SGM by way of poll pursuant to Chapter 14A of the Listing Rules.

An Independent Board Committee has been formed to advise the Independent Shareholders and an independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription CN Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder. The Subscriber and its associates including Mr. Chan How Chung, Victor, who are substantial Shareholders of the Company shall abstain from voting at the SGM.

**The transactions contemplated under the Subscription CN Agreement (as amended by the Supplemental Agreement) are subject to the fulfillment of a number of conditions precedent and therefore it may or may not be completed. Shareholders and potential investors should exercise extreme caution when dealing in the Shares.**

---

## LETTER FROM THE BOARD

---

### SPECIAL GENERAL MEETING

A notice convening the SGM to be held at Unit 3411, 34/F., COSCO Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong on Tuesday, 5 July 2011 at 4:30 p.m. is set out on pages 41 to 43 of this circular. The SGM will be convened and held for the purpose of considering and, if thought fit, passing with or without amendments the resolution as set out therein, to approve the Subscription CN Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder, including the issue of the Subscription CN and the conversion shares upon exercise of the conversion rights attached to the Subscription CN.

A form of proxy for use by the Shareholders at the SGM is also enclosed. Whether or not you intend to attend and vote at the SGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as practicable but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Further announcement on the results of the poll vote will be made by the Company after the SGM.

Any connected person and Shareholder with a material interest in the Subscription CN Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder, will not vote at the SGM. In this regard, the Subscriber and its associates including Mr. Chan How Chung, Victor, who are substantial Shareholders of the Company, and Kingly Profits Corporation, will abstain from voting at the SGM. As at the Latest Practicable Date, the Subscriber and its associates held an aggregate of 918,147,585 Shares, representing approximately 28.62% of the entire issued share capital of the Company. As at the Latest Practicable Date, none of the Directors had any material interest in the transactions contemplated under the Subscription CN Agreement (as amended by the Supplemental Agreement).

---

## LETTER FROM THE BOARD

---

### RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee which is set out on pages 19 to 20 of this circular. The Independent Board Committee, after taking into account the advice and recommendations of Yuanta, considers that the terms of the Subscription CN Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Subscription CN Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder.

The letter from the Independent Board Committee to the Independent Shareholders is set out on pages 19 to 20 of this circular and the letter from Yuanta to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 36 of this circular.

### ADDITIONAL INFORMATION

Your attention is also drawn to the information as set out in the Appendix to this circular.

Yours faithfully,  
By order of the Board  
**CHINA GAMMA GROUP LIMITED**  
**Ho Chi Ho**  
*Executive Director*

---

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

---

### China Gamma Group Limited

中國伽瑪集團有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 164)**

17 June 2011

*To the Independent Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION –  
SUBSCRIPTION CN AGREEMENT  
(AS AMENDED BY THE SUPPLEMENTAL AGREEMENT)  
IN RELATION TO  
THE SUBSCRIPTION OF CONVERTIBLE NOTES**

We refer to the circular issued by the Company on 17 June 2011 (the “**Circular**”), of which this letter forms a part. Capitalised terms used in this letter shall bear the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee, established to consider the Subscription CN Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder and to advise the Independent Shareholders as to whether the terms of the Subscription CN Agreement (as amended by the Supplemental Agreement) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Yuanta has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in these respects.

Details of the advice of Yuanta, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 21 to 36 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 5 to 18 of the Circular which contains, inter alia, information in respect of the Subscription CN Agreement (as amended by the Supplemental Agreement), and the additional information set out in the Appendix to this circular.

---

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

---

Having considered the advice given by Yuanta, the Independent Board Committee is of the opinion that the terms of the Subscription CN Agreement (as amended by the Supplemental Agreement) on the whole are fair and reasonable so far as the Independent Shareholders are concerned and the Subscription CN Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder is in the interests of the Company and the Shareholders as a whole.

Accordingly, the Independent Board Committee recommends you to vote in favour of the resolution to approve the Subscription CN Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder to be proposed at the SGM.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Wong Hoi Kuen**

*Independent*

*non-executive Director*

**Chan Chi Yuen**

*Independent*

*non-executive Director*

**Hung Hing Man**

*Independent*

*non-executive Director*

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

*The following is the full text of the letter from Yuanta Securities (Hong Kong) Company Limited setting out its advice in respect of the Subscription CN Agreement (as amended by the Supplemental Agreement), which has been prepared for the purpose of inclusion in this circular.*



Yuanta Securities (Hong Kong) Company Limited  
23 Floor, Li Po Chun Chambers  
189 Des Voeux Road Central  
Hong Kong

17 June 2011

*To the Independent Board Committee and the Independent Shareholders  
of China Gamma Group Limited*

Dear Sirs/Madams,

### **CONNECTED TRANSACTION IN RELATION TO ISSUANCE AND SUBSCRIPTION OF CONVERTIBLE NOTES**

#### **INTRODUCTION**

We, Yuanta Securities (Hong Kong) Company Limited (“**Yuanta**”, “we”, “us” or “our”, as the case may be) refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with respect to the Subscription CN Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder (the “**Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 17 June 2011 to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter have the same meaning as defined elsewhere in the Circular unless the context requires otherwise.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

As the Subscriber is a substantial Shareholder and together with its associates, hold 918,147,585 Shares as at the Latest Practicable Date, representing approximately 28.62% of the total issued share capital of the Company, of which 665,097,585 Shares were held by the Subscriber, 157,550,000 Shares were held by Mr. Chan How Chung, Victor, the ultimate beneficial owner of the Subscriber, and 95,500,000 Shares were held by Kingly Profits Corporation, a company which is wholly-owned by Mr. Chan How Chung, Victor. As such, the Subscriber is a connected person of the Company, and the Transactions constitute a connected transaction for the Company under Chapter 14A of the Listing Rules. Accordingly, the Transactions are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. An SGM will be convened and held to consider and, if though fit, to approve the Transactions, including the issue of the Subscription CN and the conversion shares upon exercise of the conversion rights attached to the Subscription CN. The Subscriber and its associates shall abstain from voting to approve the Transactions at the SGM. In this regard, the Subscriber and its associates including Mr. Chan How Chung, Victor, both of whom are substantial Shareholders of the Company, and Kingly Profits Corporation, will abstain from voting at the SGM.

The Independent Board Committee, comprising all the independent non-executive Directors, Mr. Wong Hoi Kuen, Mr. Chan Chi Yuen and Mr. Hung Hing Man, has been established to advise the Independent Shareholders in relation to the Transactions. We, Yuanta, have been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Transactions are fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied, without assuming any responsibility for independent verification, on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company, Directors and management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, opinions and representations contained or referred to in the Circular, which have been provided by the Company, Directors and management of the Company and for which they are solely and wholly responsible, were true and accurate and complete at the time when they were made and continue to be true at the date of the SGM.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

We have assumed that all statements of belief, opinion and intention made by the Directors and management of the Company as set forth in the Circular were reasonably made after due and careful enquiries and that there are no other facts or representations, the omission of which would make any statement, information, opinion or representation in the Circular, including this letter, misleading in any material respects. We have not, however, conducted any independent investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and management of the Company.

We have not commented on the merits or otherwise of the Transactions other than to form an opinion, solely from a financial point of view, as to the fairness and reasonableness of the Transactions for the purpose of making a recommendation to the Independent Board Committee and the Independent Shareholders. We have not assumed any responsibility for any aspect of the work that any professional advisers have produced regarding the Transactions and we have assumed as true and accurate and not misleading any work produced by such advisers.

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change this opinion and that we do not have any obligation to update, revise or reaffirm this opinion.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion regarding the Transactions, we have considered the following principal factors and reasons:

**A. Reasons for entering into the Subscription CN Agreement (as amended by the Supplemental Agreement)**

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 investments. As stated in the Company's annual report for the year ended 31 March 2011 (the "2011 Annual Report"), 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 the Shareholders' value. The Board also considers that the Group should continue to leverage its resources in exploring opportunities in industries favoured by the PRC government policies.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

As stated in the Board Letter, the Group entered into the Sale and Purchase Agreement regarding the acquisition of controlling stake in a rare earth refinery and processing business in the PRC (the “**Acquisition**”) at the consideration of RMB380,000,000. The consideration for the Acquisition will be financed by the Group’s internal resources, bank financing and the proceeds from the issue of the Subscription CN. Taking into account that the cash position of the Group as at 31 March 2011 as stated in the 2011 Annual Report was approximately HK\$19,757,000, the Directors consider that the issue of the Subscription CN provides an opportunity to the Group for financing the Acquisition. In the event that the Acquisition will not be completed, the Board will consider applying the proceeds from the issue of the Subscription CN to finance the Group’s acquisition of potential projects in the future and/or for the general working capital of the Group. As announced by the Company on 3 May 2011, the Group has entered into the MOU for the Proposed Acquisition in relation to a vanadium mining project. The Proposed Acquisition will be subject to the execution and completion of the formal sale and purchase agreement, which is conditional upon the satisfaction of certain conditions including the Group having received the relevant reserve report, feasibility study report, technical report and valuation report in respect of the vanadium mines as described in the MOU. As at the Latest Practicable Date, such reports are still under preparation and no formal sale and purchase agreement had been executed by the Group.

The Directors are of the view that the issue and subscription of the Subscription CN strengthens the Company’s financial position and facilitates the Acquisition. We concur with the view of the Directors and consider that the entering into the Transactions is to the benefit and in the interest of the Company and the Independent Shareholders as a whole based on the following:

- (i) the Transactions enable the Group to partially satisfy the financial requirement for the Acquisition in a timely matter in the event that the Acquisition is approved by the Shareholders;
- (ii) the Transactions enable the Group to finance its acquisition of potential projects in the future such as the Proposed Acquisition in a timely matter in the event that the Acquisition is not completed; and
- (iii) the Transactions enable the Group to reduce external financings, if any, which may require pledging of the Group’s assets to the financial institutions.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### B. Financing alternatives available to the Group

As advised by the Directors, the Company has considered other alternative means of financing, including bank borrowings and other forms of equity financing.

As stated in the 2011 Annual Report, the secured bank borrowing of the Group as at 31 March 2011 amounted to HK\$9,501,000 with the average effective interest rate of 7.313% per annum, which is higher than the interest rate of the Subscription CN of 1% per annum. In addition, we note that as at the Latest Practicable Date, the Hong Kong dollar best lending rate offered by The Hongkong and Shanghai Banking Corporation Limited is 5% per annum (the “**Best Lending Rate**”). Since the Best Lending Rate generally represents the fair cost of capital at which companies may obtain bank loans, the interest rate of the Subscription CN of 1% is favorable to the Company as it enables the Company to obtain debt capital at a lower cost. As such, it is considered that bank borrowings will inevitably create a higher financing cost to the Group as (i) the lending interest rate of bank financing will not be attractive as compared to the coupon rate of the Subscription CN and (ii) bank borrowings may require securities for collateral.

Fund raising by way of placement of new Shares will create immediate dilution on the shareholdings of the existing Shareholders. It is also common that the investors will request the relevant placement price to be set at a discount to the prevailing market price of the Shares whereas the conversion price of the Subscription CN is set at (i) a premium of approximately 29.81% over the closing price of HK\$0.2080 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a premium of approximately 46.66% over the average closing prices of approximately HK\$0.1841 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day; (iii) a premium of approximately 57.99% to the average of the closing prices of the Shares of approximately HK\$0.1709 per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day; and (iv) a premium of approximately 631.71% to the audited net asset value per Share of approximately HK\$0.0369, which is calculated based on the audited net asset value of the Company of HK\$109,157,000 as at 31 March 2010 as stated in the Company’s annual report for the year ended 31 March 2010 (“2010 Annual Report”) divided by the Company’s total number of 2,955,681,490 issued Shares as at the Last Trading Day. Please refer to the section headed “C. Key terms of the Subscription CN” below for the detailed analysis of the conversion price of the Subscription CN.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Concerning fund raising through rights issue or open offer, the Directors are of the view that (i) the Shareholders' reception of a rights issue or open offer, under which participating Shareholders have to bear a financial burden, would be uncertain; and (ii) it is not easy for the Company to engage an underwriter with underwriting commission lower than the interest rate of the Subscription CN given that the Group had recorded loss in the past three years as stated under the section headed "D. Financial effects of the Transactions" in this letter. In addition, the open offer and rights issue may require a considerable time to complete when compared with the issue of the Subscription CN. Thus, we are of the view that the substantial cost incurred in the form of underwriting commission and the longer time frame required for completion under a rights issue or open offer may not be favourable to the Company and the Independent Shareholders when compared to the issue of the Subscription CN.

Taking into account that (i) bank borrowings, if available, may create a higher financing cost to the Group; (ii) the placement price in a placement of new Shares may be set at a discount to the prevailing market price of the Shares; and (iii) rights issue and/or open offer may take a longer time to complete and incur higher costs to the Group in the form of underwriting commission, we concur with the views of the Directors that the issue of the Subscription CN allows the Group to raise funds with relatively lower costs and sizable proceeds as compared to other aforementioned means of fund raising available to the Group and is a more favourable and acceptable mean of financing for the Acquisition given the Group's limited financial resources. As such, we are of the view that the issue of Subscription CN are in the interest of the Company and the Independent Shareholders as a whole.

### **C. Key terms of the Subscription CN**

Pursuant to the Subscription CN Agreement (as amended by the Supplemental Agreement), the Subscriber has agreed to subscribe for the Subscription CN in an aggregate principal amount of HK\$105,000,000. Principal terms of Subscription CN are set out in the Board Letter in the Circular.

In order to evaluate the fairness and reasonableness of the terms of the Subscription CN, we have identified, to the best of our knowledge and as far as we are aware of, 10 transactions, from 9 September 2010 to the Last Trading Day, conducted by the other listed companies on the Stock Exchange which involved the issue of convertible bonds/notes to connected persons (the "**Comparables**").

Shareholders should note that the businesses, operations and prospects of the Company are not the same as the Comparables and we have not conducted any investigation into the business and operations of the Comparables.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

The Comparables are hence only used to provide a general reference for the common market practice of companies listed on the Main Board and the GEM Board of the Stock Exchange in transactions which involved the issue of convertible bonds/notes to connected persons. The table below illustrates our findings:

	Date of announcement	Company name	Stock code	Premium/discount of the conversion price over/to closing price per share on last trading day prior to/on the date of the relevant announcement in relation to the transaction	Term (Year)	Interest rate
1	21 February 2011	ITC Properties Group Limited	199	19.57%	2.5	3.25%
2	15 February 2011	TLT Lottotainment Group Limited	8022	16.67%	2	0%
3	9 February 2011	China Star Entertainment Limited	326	9.59%	5	8%
4	1 February 2011	China Daye Non-Ferrous Metals Mining Limited	661	-15.30%	5	0%
5	3 December 2010	China Uptown Group Company Limited	2330	2.72%	3	0%
6	9 November 2010	Solargiga Energy Holdings Limited	757	6.08%	2	0%
7	4 November 2010	Zhongda International Holdings Limited	909	28.21%	1.5	0%
8	2 November 2010	Asia Coal Limited	835	-24.53%	5	0%
9	8 October 2010	Sino-Tech International Holdings Limited	724	-16.67%	5	0%
10	29 September 2010	China Tycoon Beverage Holdings Limited ( <i>Note</i> )	209	29.81%	3	2%
			Average	5.62%	3.4	1.33%
		The Company		29.81%	3	1%

*Source: www.hkex.com.hk*

*Note:* The name of the company has been changed from Sewco International Holdings Limited to China Tycoon Beverage Holdings Limited with effect from 26 January 2011.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

*(a) Conversion Price*

The conversion price of the Subscription CN, being HK\$0.27 per conversion share (the “**Conversion Price**”) (which shall in any case, from time to time, be subject to usual anti-dilution adjustments in certain events such as share consolidation, share subdivision, capital distribution and capitalization issue of profits or reserves), represents:

- (i) a premium of approximately 17.90% to the closing price of the Shares of HK\$0.2290 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 29.81% to the closing price of the Shares of HK\$0.2080 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 46.66% to the average of the closing prices of the Shares of approximately HK\$0.1841 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 57.99% to the average of the closing prices of the Shares of approximately HK\$0.1709 per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day; and
- (v) a premium of approximately 631.71% to the audited net asset value per Share of approximately HK\$0.0369, which is calculated based on the audited net asset value of the Company of HK\$109,157,000 as at 31 March 2010 as stated in its 2010 Annual Report divided by its total number of 2,955,681,490 issued Shares as at the Last Trading Day.

The conversion price of the Comparables ranged from a discount of approximately 24.53% to a premium of approximately 29.81% with an average of a premium of 5.62% over the closing prices of their shares on the last trading day prior to/on the date of announcements in relation to the respective issues of convertible notes/bonds. The Conversion Price is hence within the said market range and considered a normal commercial term.

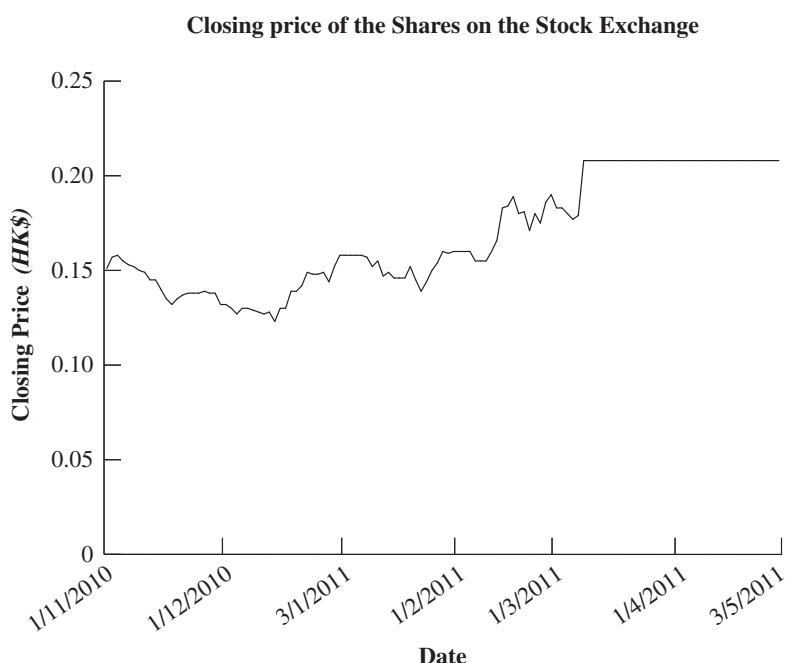
---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

We concur with the Directors' view that the premium of the Conversion Price over the prevailing price of the Shares demonstrates the confidence of the management of the Company and the Subscriber in the business of the Group. In order to assess the fairness and reasonableness of setting the Conversion Price at HK\$0.27 per Share, we also compare the Conversion Price with historical performance of the Share prices for the period since 1 November 2010 up to and including 3 May 2011, being the date of the announcement made by the Company in relation to the Transactions (the “**Review Period**”).

The below charts show the closing prices and daily trading volume of the Shares during the Review Period.



Source: [www.hkex.com.hk](http://www.hkex.com.hk)

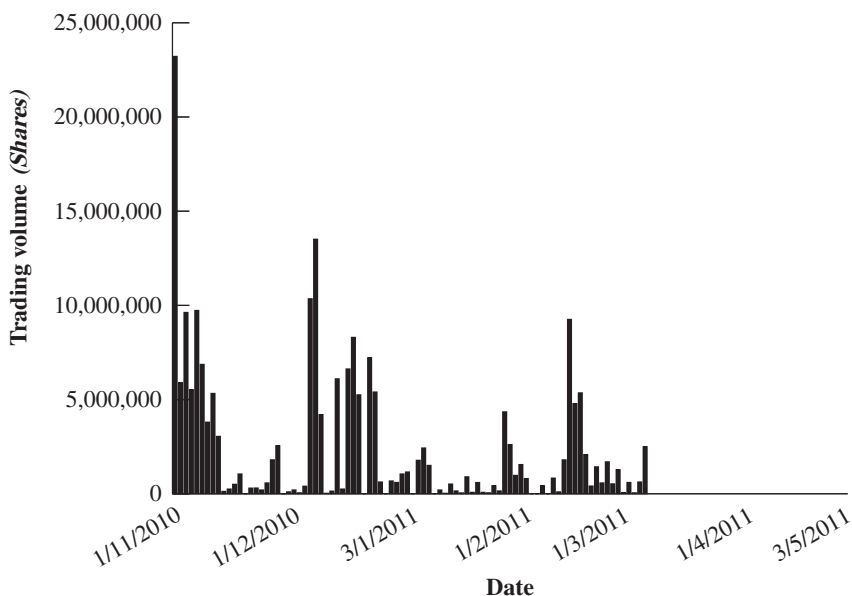
Note: The trading of the shares was suspended from 9 March 2011 to 3 May 2011 pending the issue of the Announcement.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Daily trading volume of the Shares on the Stock Exchange



Source: [www.hkex.com.hk](http://www.hkex.com.hk)

During the Review Period, the closing prices of the Shares ranged from the lowest of HK\$0.123 per Share (recorded on 14 December 2010) to the highest of HK\$0.208 per Share (recorded on 8 March 2011). The average closing price of the Shares for the Review Period is approximately HK\$0.168 per Share. The Conversion Price is approximately 60.7% higher than the average closing price of the Shares for the Review Period. There are 89 trading dates during the Review Period, in which all of the closing prices of the Shares are below the Conversion Price.

Based on the aforementioned factors, we consider the Conversion Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

**(b) Interest**

The Subscription CN carries an interest at 1% per annum on the basis of the actual number of days that elapsed in a 360-day year. As mentioned above, having taken into account of (i) the possible less attractive lending interest rate of bank financing (if available) and (ii) the unsecured nature of the Subscription CN, the Directors consider that the issuance of the Subscription CN is the preferred method of financing to bank borrowings. The bank may offer short term bank loan with even less attractive terms in the event that the Company does not provide assets for collateral.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

The interest rate of the Subscription CN, being 1% per annum, falls within the range of the annual interest rates of the Comparables from 0% to 8% and below the average of the aforesaid annual interest rates of 1.33%.

Based on the aforementioned factors, we consider that the 1% interest rate of the Subscription CN is fair and reasonable.

**(c) Conversion**

Provided that any conversion of the Subscription CN (i) does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the holder of the Subscription CN, which exercises the conversion rights of the Subscription CN, and its party(ies) acting in concert, and (ii) will not cause the public float of the Shares unable to meet the requirements under Rule 8.08 of the Listing Rules immediately following such conversion, the holder of the Subscription CN shall have the right at any time during the conversion period of the Subscription CN to convert the whole or part of the outstanding principal amount of the Subscription CN at the Conversion Price. Although the Subscriber might not be able to exercise the rights attached to the Subscription CN due to the above conditions, the Subscriber could instead sell a portion of its existing equity interest in the Company prior to exercising the rights attaching to the Subscription CN to ensure the above conditions are satisfied. In the event that the Subscriber decides to sell a portion of its existing equity interest in the Company, it may put pricing pressure on the price of the Shares. We have discussed with the Company and noted that the Subscriber has no intention of selling any of its equity interest in the Company as at the Latest Practicable Date.

As such, we do not consider that there is any disadvantage to the Independent Shareholders in view of the restrictions on the exercising of the conversion rights save for mentioned above.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

**(d) Other terms of the Subscription CN**

The maturity of the Subscription CN is three years and the Company is only obliged to redeem the outstanding principal amount of the Subscription CN on the maturity date. Subject to the terms and conditions of the Subscription CN and unless previously converted, redeemed, purchased or cancelled in accordance with such terms and conditions, the Subscription CN shall be redeemed by the Company on the maturity date at its principal amount outstanding together with all accrued and unpaid interest upon the presentation of the original of the certificate for the Subscription CN to the Company.

The Subscription CN is transferable subject to (i) the consent of the Company; and (ii) relevant approval from the Stock Exchange if so required under the Listing Rules. The Company is also not obliged to issue any conversion shares pursuant to the Subscription CN Agreement (as amended by the Supplemental Agreement), if and to the extent the issue of the relevant conversion shares would lead to an insufficient public float for the Shares (as required under the Listing Rules).

We are of the view and concur with the view of the Directors that the aforementioned terms are in line with the market practice and that the availability of such terms also provides protection to the Company for the purpose of listing compliance.

Based on the above, we concur with the Directors' views that the terms of the Subscription CN are on normal commercial terms and fair and reasonable, and that the entering into of the Transactions are in the interests of the Company and the Shareholders as a whole.

**D. Financial effects of the Transactions**

The following are the summaries of the results of the Group for each of the three years ended 31 March 2011:

	<b>31 March 2009</b>	<b>31 March 2010</b>	<b>31 March 2011</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3,902	3,762	30,473
Profit/(Loss) for the year	(78,812)	(51,232)	(30,740)
Net asset value	130,405	109,157	105,142
Cash	9,373	7,218	19,757

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

**(a) Net asset value**

As advised by the Company, the Subscription CN to be issued by the Company will be accounted for in two separate components, including a liability component and an equity component, in the Company's balance sheet on initial recognition. The liability component will be included in the total liabilities of the Company, whereas the total assets will be increased by the net proceeds from the issue of the Subscription CN. The net effect of the aforementioned will be the increase in the equity component in the Company's balance sheet. Accordingly, there will be positive impact on the net asset value of the Company upon the issue of the Subscription CN.

**(b) Earning**

The liability component of the Subscription CN will be carried out at amortized cost using the effective interest method. Only the effective interest expenses of the Subscription CN will be charged to the Company's consolidated income statement subsequent to the completion of issue of the Subscription CN and for three years onward. The effective interest expenses of the Subscription CN will continuously be incurred by the Company until conversion and/or redemption of the Subscription CN in full. No gain or loss will be recognized in the Company's consolidated income statement upon initial recognition, conversion or expiration of the Subscription CN.

Although the carrying interest of the Subscription CN will create negative impact on the future earnings of the Group, the issue of the Subscription CN is considered necessary in order to allow the Group to facilitate the Acquisition.

**(c) Liquidity and working capital**

As at 31 March 2011, the Group had cash and cash equivalent of approximately HK\$19,757,000. Immediately upon completion of the issue of the Subscription CN, the Group would raise net proceeds of approximately HK\$105,000,000 and the liability portion of the Subscription CN will be treated as non-current liability of the Group. Accordingly, the liquidity and working capital position of the Group will be improved immediately upon completion of the issue of the Subscription CN.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### E. Potential dilution effect on the shareholdings of the Independent Shareholders

The following table sets out the shareholding structure of the Company (a) as at the Latest Practicable Date; (b) immediately after allotment and issue of the conversion shares under the Subscription CN (assuming conversion of the Subscription CN at the Conversion Price to the extent that the relevant holders of the Subscription CN together with the parties acting in concert with them, if any, do not hold or control 30% or more of the voting power of the Company); and (c) immediately after allotment and issue of the conversion shares under the Subscription CN (assuming full exercise of all the conversion rights at the Conversion Price):

Shareholder	(a) as at the Latest Practicable Date		(b) immediately after allotment and issue of the conversion shares under the Subscription CN (assuming the conversion rights are exercised at the Conversion Price to the extent that the relevant holders of the Subscription CN together with the parties acting in concert with them, if any, do not hold or control 30% or more of the voting power of the Company)		(c) immediately after allotment and issue of the conversion shares under the Subscription CN (assuming full exercise of all the conversion rights at the Conversion Price) (Note 1)	
	<i>No. of Shares</i>	<i>% of shareholding</i>	<i>No. of Shares</i>	<i>% of shareholding</i>	<i>No. of Shares</i>	<i>% of shareholding</i>
The Subscriber	665,097,585	20.73%	728,159,441	22.26%	1,053,986,473	29.30%
Mr. Chan How Chung, Victor (Note 2)	157,550,000	4.91%	157,550,000	4.81%	157,550,000	4.38%
Kingly Profits Corporation (Note 3)	95,500,000	2.98%	95,500,000	2.92%	95,500,000	2.66%
<b>Sub-total of the Subscriber and persons acting in concert with it</b>	<b>918,147,585</b>	<b>28.62%</b>	<b>981,209,441</b>	<b>29.99%</b>	<b>1,307,036,473</b>	<b>36.34%</b>
Public	2,290,033,905	71.38%	2,290,033,905	70.01%	2,290,033,905	63.66%
<b>Total</b>	<b>3,208,181,490</b>	<b>100.00%</b>	<b>3,271,243,346</b>	<b>100.00%</b>	<b>3,597,070,378</b>	<b>100.00%</b>

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

*Notes:*

1. For illustration purpose only. Pursuant to the terms of the Subscription CN, any conversion of the Subscription CN shall not be exercised by the holder of the Subscription CN if, and to the extent that immediately following the conversion the relevant holder of the Subscription CN together with the parties acting in concert with it will hold or control 30% or more of the Company's voting power or such amount of the Company's voting power at general meetings as may trigger a mandatory general offer under the Takeovers Code and in effect at the material time (whether or not a waiver of the mandatory general offer obligation has been granted). As such this scenario will never occur as the conversion of the Subscription CN will be restricted such that any conversion of the Subscription CN will not result in the shareholding interest of the holder of the Subscription CN immediately after the exercise of the Subscription CN, together with any Shares already owned or agreed to be acquired by such holder of the Subscription CN and/or parties acting in concert with it representing 30% or more of the then issued Shares.
2. Mr. Chan How Chung, Victor is the ultimate beneficial owner of the Subscriber.
3. Kingly Profits Corporation, a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Chan How Chung, Victor.
4. Pursuant to the terms of the Subscription CN, any conversion of the Subscription CN shall not be exercised by the holder of the Subscription CN if, and to the extent that immediately following the conversion the Company will be unable to meet the public float requirement (as defined in the Listing Rules) prescribed under the Listing Rules.

Full conversion of the Subscription CN would result into an issue of 388,888,888 new Shares (based on the Conversion Price), which represents approximately 13.16% of the issued share capital of the Company as at the date of the Subscription CN Agreement; approximately 12.12% of the existing issued share capital of the Company as at the Latest Practicable Date and 10.81% of the enlarged issued share capital of the Company as at the Latest Practicable Date as a result of the full conversion of the Subscription CN. Although the resulting dilution effect on the existing public Shareholders will be approximately 10.90%, the Directors still consider the Subscription CN as the preferred method of financing to bank borrowings and other forms of equity financing such as placement of new Shares, rights issue and open offer for the reasons mentioned above. We concur with the view of the Directors that the issue and subscription of the Subscription CN are in the interests of the Group and the Shareholders as a whole.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we consider that the terms of the Transactions are on normal commercial terms, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole so far as the Independent Shareholders are concerned. We therefore recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution relating to the Transactions at the SGM. We also recommend the Independent Shareholders to vote in favour of the resolution relating to the Transactions at the SGM.

Yours faithfully,

For and on behalf of

**Yuanta Securities (Hong Kong) Company Limited**

**Michael Chum**

*Managing Director*

**1. RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

**2. DISCLOSURE OF INTERESTS**

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

**Long position in the Shares**

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Number of Shares held</b>	<b>Approximate percentage of existing issued share capital of the Company</b>
Ho Chi Ho	Beneficial owner	75,000,000	2.34%
Ma Kwok Hung, Warren	Beneficial owner	3,000,000	0.09%
Hung Hing Man	Beneficial owner	500,000	0.02%

## Long position in underlying Shares

Name of Director	Nature of interest	Number of share options held	Approximate percentage of existing issued share capital of the Company
Ho Chi Ho	Beneficial owner	150,000,000	4.68%
Chow Siu Ngor	Beneficial owner	3,000,000	0.09%
Chan Chi Yuen	Beneficial owner	3,000,000	0.09%

Save as disclosed above, as at the Latest Practicable Date:

- (i) none of the Directors or chief executive of the Company held any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange; and
- (ii) none of the Directors had any material interest in the transactions contemplated under the Subscription CN Agreement (as amended by the Supplemental Agreement).

### 3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any of its subsidiaries other than contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

**4. EXPERT AND CONSENT**

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

<b>Name</b>	<b>Qualification</b>
Yuanta Securities (Hong Kong) Limited	A corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Yuanta has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter of advice and references to its name and logo, in the form and context in which they respectively appear.

As at the Latest Practicable Date, Yuanta did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

**5. DIRECTORS' AND EXPERT'S INTEREST IN ASSETS, CONTRACTS OR ARRANGEMENT**

As at the Latest Practicable Date, none of the Directors and Yuanta had, or have, any direct or indirect interest in any assets which had been or are proposed to be acquired, disposed of by or leased to, any member of the Group since 31 March 2011, the date to which the latest published audited financial statements of the Company were made up. None of the Directors and Yuanta is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

**6. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors or their respective associate(s) was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

**7. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2011, the date to which the latest published audited financial statements of the Group were made up.

**8. MISCELLANEOUS**

- (i) The company secretary of the Company is Mr. Chan Chun Lam, who is a fellow member of both The Association of Chartered Certified Accountants and The Hong Kong Institute of Certified Public Accountants.
- (ii) The registered office of the Company is located at Clarendon House, Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company is located at Unit 3411, 34/F., COSCO Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong.
- (iii) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (iv) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong, Unit 3411, 34/F., COSCO Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong during normal business hours on any Business Day from the date of this circular up to and including the date of the SGM:

- (i) the Subscription CN Agreement;
- (ii) the Supplemental Agreement;
- (iii) the written consent from Yuanta as referred to in section 4 headed "Expert and Consent" in this appendix;
- (iv) the letter from the Independent Board Committee, the text of which is set out on pages 19 to 20 in this circular;
- (v) the letter of advice from Yuanta to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 21 to 36 in this circular; and
- (vi) this circular.

---

## NOTICE OF SPECIAL GENERAL MEETING

---

### China Gamma Group Limited

### 中國伽瑪集團有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 164)**

**NOTICE IS HEREBY GIVEN** that the special general meeting (the “**Meeting**”) of China Gamma Group Limited (the “**Company**”) will be held at Unit 3411, 34/F., COSCO Tower, Grand Millennium Plaza, 183 Queen’s Road Central, Hong Kong on Tuesday, 5 July 2011 at 4:30 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution of the Company:

#### **ORDINARY RESOLUTION**

**“THAT**

- (a) the subscription agreement dated 8 March 2011 (the “**Subscription Agreement**”) as amended by the supplemental agreement dated 3 May 2011 (the “**Supplemental Agreement**”) entered into between the Company and Mega Market Assets Limited (“**Mega Market**”) in relation to the issue of the convertible notes in the principal amount of HK\$105,000,000 (the “**Convertible Notes**”) by the Company to Mega Market in accordance with the terms of the Subscription Agreement (as amended by the Supplemental Agreement) (a copy of the Subscription Agreement is marked “A” and a copy of the Supplemental Agreement is marked “B” have been produced to this Meeting and signed by the chairman of the Meeting for identification purposes) and the transactions contemplated thereunder be and are hereby ratified, confirmed and approved;
- (b) the allotment and issue of ordinary shares of HK\$0.01 each in the share capital of the Company at the initial conversion price of HK\$0.27 per share (subject to adjustments) (the “**Conversion Shares**”) which may fall to be issued upon the exercise of the conversion rights attaching to the Convertible Notes and that the unconditional specific mandate granted to the directors of the Company (the “**Directors**”) to exercise the powers of the Company to allot, issue and deal with the Conversion Shares be and is hereby approved; and

---

## NOTICE OF SPECIAL GENERAL MEETING

---

- (c) any one or more of the Directors be and is/are hereby authorised on behalf of the Company to sign, seal, execute, perfect and deliver all such documents and do all such acts, deeds, matters and things and execute all such documents which he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Subscription Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder including but not limited to the allotment and issue of Convertible Notes and the Conversion Shares.”

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

Hong Kong, 17 June 2011

*As at the date of this circular, 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.*

*Registered office:*  
Clarendon House  
2 Church Street  
Hamilton, HM11  
Bermuda

*Principal place of business*  
*in Hong Kong:*  
Unit 3411, 34/F., COSCO Tower  
Grand Millennium Plaza  
183 Queen’s Road Central  
Hong Kong

---

## NOTICE OF SPECIAL GENERAL MEETING

---

*Notes:*

1. Any shareholder entitled to attend and vote at the Meeting shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company. A shareholder who is the holder of two or more shares may appoint more than one proxy to attend and vote on the same occasion.
2. Where there are joint registered holders of any share(s), any one of such joint holders may attend and vote at the Meeting, either in person or by proxy in respect of such share(s) as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the Meeting or any adjourned meeting thereof (as the case may be), the more senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
3. In order to be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority must be deposited at the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the Meeting (or any adjourned meeting thereof) (as the case may be).
4. Completion and return of the form of proxy will not preclude shareholders from attending and voting at the Meeting or any adjourned meeting thereof (as the case may be) should they so wish and in such event, the form of proxy shall be deemed to be revoked.