
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 stockbroker or other registered dealer 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, you should at once hand this circular together with the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)

**PROPOSALS FOR GRANT OF GENERAL MANDATES
TO ISSUE AND TO REPURCHASE SHARES,
RE-ELECTION OF RETIRING DIRECTORS,
ADOPTION OF NEW SHARE OPTION SCHEME,
TERMINATION OF EXISTING SHARE OPTION SCHEME
AND
NOTICE OF ANNUAL GENERAL MEETING**

A notice convening the AGM of China Gamma Group Limited to be held at Unit 3411, 34/F., COSCO Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong on Monday, 22 August 2011 at 4:30 p.m. is set out on pages 25 to 30 of this circular.

Whether or not you intend to attend and vote at the AGM in person, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company 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 later than 48 hours before the time appointed for holding of the AGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment thereof should you so wish.

3 June 2011

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DEFINITIONS

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

“Adoption Date”	the date on which the New Share Option Scheme be adopted by ordinary resolution of the Company in the AGM
“AGM”	the annual 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 Monday, 22 August 2011 at 4:30 p.m.
“Board”	the board of Directors
“Bye-Laws”	the bye-laws of the Company
“Company”	China Gamma Group Limited, an exempted company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“Connected Person(s)”	has the meaning ascribed to it in the Listing Rules
“Directors”	the directors of the Company
“Eligible Employee”	an employee or a director holding salaried office or employment with an Employer, whether or not the contract of appointment or employment is written or oral and comprised in one or more documents and whether full time or part time (except an employee or a director who has submitted his resignation to his Employer or whose contract of appointment or employment has been terminated (summarily dismissed or otherwise) by his Employer)
“Eligible Person(s)”	subject to the terms and conditions of the New Share Option Scheme, any Eligible Employee or director (who is not an Eligible Employee) of the Group or consultant, agent, supplier, customer or contractor of the Group who or which may participate in the New Share Option Scheme
“Employer”	in relation to an Eligible Employee, the member of the Group which employs or has appointed him
“Existing Share Option Scheme”	the existing share option scheme of the Company adopted on 24 April 2002
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Issue Mandate”	the proposed general mandate to be granted to the Directors to allot, issue and deal with new Shares not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of the ordinary resolution granting such mandate
“Latest Practicable Date”	26 May 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
“Option(s)”	a right to subscribe for Shares pursuant to the New Share Option Scheme
“Other Share Option Scheme(s)”	other than the New Share Option Scheme, any share option scheme involving the grant by the Company of options over Shares (i) in accordance with Chapter 17 of the Listing Rules or (ii) which is determined by the Stock Exchange to be analogous to a share option scheme as described in Chapter 17 of the Listing Rules, including the Existing Share Option Scheme
“New Share Option Scheme”	the share option scheme for Eligible Persons proposed to be conditionally approved at the AGM, a summary of the rules of which is set out in Appendix III to this circular
“Repurchase Mandate”	the proposed general mandate to be granted to the Directors to permit the repurchase of fully paid up Shares listed on the Stock Exchange of up to 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of the ordinary resolution granting such mandate
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“%”	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:

Unit 3411, 34/F., COSCO Tower

Grand Millennium Plaza

183 Queen's Road Central

Hong Kong

3 June 2011

To the Shareholders

Dear Sir/Madam,

**PROPOSALS FOR GRANT OF GENERAL MANDATES
TO ISSUE AND TO REPURCHASE SHARES,
RE-ELECTION OF RETIRING DIRECTORS,
ADOPTION OF NEW SHARE OPTION SCHEME,
TERMINATION OF EXISTING SHARE OPTION SCHEME
AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with information regarding resolutions to be proposed at the AGM in relation to (i) the Issue Mandate; (ii) the Repurchase Mandate; (iii) the re-election of retiring Directors; and (iv) the adoption of the New Share Option Scheme and the termination of the Existing Share Option Scheme.

LETTER FROM THE BOARD

GENERAL MANDATES TO ISSUE AND TO REPURCHASE SHARES

At the annual general meeting of the Company held on 3 September 2010, the Shareholders passed resolutions granting the Directors general mandates to allot and issue new Shares and to repurchase Shares. Such mandates will expire and lapse at the conclusion of the AGM. It is therefore proposed to renew the general mandates to issue, allot and deal with Shares and to repurchase Shares at the AGM.

The Issue Mandate

At the AGM, an ordinary resolution will be proposed to the Shareholders to consider and, if thought fit, approve the Issue Mandate which will enable the Directors to exercise the power of the Company to allot, issue and otherwise deal with new Shares not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of passing such resolution. In addition, an ordinary resolution will also be proposed to the Shareholders to consider and, if thought fit, approve the extension of the Issue Mandate by adding to the aggregate number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to the Issue Mandate the number of Shares repurchased under the Repurchase Mandate, if granted.

As at the Latest Practicable Date, the issued and fully paid up share capital of the Company comprised 3,180,181,490 Shares. Assuming that there is no change in the issued and fully paid up share capital of the Company between the period from the Latest Practicable Date and the date of passing the resolution approving the Issue Mandate, the maximum number of Shares which may be issued pursuant to the Issue Mandate will be 636,036,298 Shares.

Details of the Issue Mandate and the extension of the Issue Mandate are respectively set out in ordinary resolutions numbered 4 and 6 in the notice of the AGM set out on pages 25 to 30 of this circular.

The Repurchase Mandate

At the AGM, an ordinary resolution will be proposed for the Shareholders to consider and, if thought fit, approve the Repurchase Mandate which will enable the Directors to exercise the power of the Company to repurchase Shares up to 10% of the issued and fully paid up share capital of the Company as at the date of passing of such resolution. The Company's authority is restricted to repurchase Shares in the market in accordance with the Listing Rules.

As at the Latest Practicable Date, the issued and fully paid up share capital of the Company comprised 3,180,181,490 Shares. Assuming that there is no change in the issued and fully paid up share capital of the Company between the period from the Latest Practicable Date and the date of passing the resolution approving the Repurchase Mandate, the maximum number of Shares which may be repurchased pursuant to the Repurchase Mandate will be 318,018,149 Shares.

Pursuant to the Listing Rules, an explanatory statement containing all the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the ordinary resolution to approve the Repurchase Mandate is set out in Appendix I of this circular.

LETTER FROM THE BOARD

Details of the Repurchase Mandate are set out in ordinary resolution numbered 5 in the notice of the AGM set out on pages 25 to 30 of this circular.

Both the Issue Mandate and the Repurchase Mandate will expire upon the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-Laws or any applicable law to be held; or
- (iii) the revocation or variation of such authority by an ordinary resolution of the Shareholders in general meeting.

RE-ELECTION OF RETIRING DIRECTORS

Pursuant to Bye-Law 87(2), Messrs. Chow Siu Ngor and Hung Hing Man shall retire from office at the AGM and being eligible, would offer themselves for re-election. Details of the retiring Directors proposed for re-election at the AGM are set out in Appendix II of this circular.

ADOPTION OF NEW SHARE OPTION SCHEME AND TERMINATION OF EXISTING SHARE OPTION SCHEME

The Existing Share Option Scheme was adopted by the Company on 24 April 2002 and unless otherwise terminated, will remain valid and effective for a period of 10 years from 24 April 2002. As the Existing Share Option Scheme will expire on 23 April 2012, the Board has taken this opportunity to review and consider the rules of the Existing Share Option Scheme. Should the Board propose the adoption of a new share option scheme in the annual general meeting to be held in 2012, there may be a period during which the Existing Share Option Scheme will have already expired, but a new share option scheme has not yet been approved. To enable the continuity of the share option scheme of the Company, the Board proposes to recommend to the Shareholders at the AGM to approve and adopt the New Share Option Scheme in place of the Existing Share Option Scheme.

At the AGM, an ordinary resolution will be proposed to the Shareholders for the purpose of considering and, if though fit, approving the adoption of the New Share Option Scheme pursuant to which the Eligible Person may be granted the Options to subscribe for Shares of the Company upon and subject to the terms and conditions of the New Share Option Scheme. Upon the New Share Option Scheme becoming unconditional, the Existing Share Option Scheme will terminate such that no further options shall be granted thereunder but in all other respects the provisions of the Existing Share Option Scheme shall remain in full force and effect and all options granted thereunder prior to such termination will continue to be valid and exercisable in accordance with their terms of issue.

Up to the Latest Practicable Date, 254,500,000 options are outstanding under the Existing Share Option Scheme.

A summary of the rules of the New Share Option Scheme proposed to be approved and adopted by the Company at the AGM is set out in Appendix III to this circular.

LETTER FROM THE BOARD

Adoption of the New Share Option Scheme is conditional on:

- (a) the passing of the necessary resolution to adopt the New Share Option Scheme by the Shareholders of the Company at the AGM; and
- (b) the Listing Committee of the Stock Exchange granting approval of the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of any such Options.

The purpose of the New Share Option Scheme is to provide incentive or reward to Eligible Persons for their contribution to, and continuing efforts to promote the interests of, the Group.

Under the provisions of the New Share Option Scheme, the Board has the discretion to set a minimum period for which an Option has to be held before it may be exercised. This discretion allows the Board to provide incentives to an Eligible Person to remain as an Eligible Person during the minimum period and thereby enable the Group to continue to benefit from the services of such Eligible Person during such period. This discretion, coupled with the power of the Board to impose any performance target as they may consider appropriate before any Option can be exercised and the discretion of the Board to determine the exercise price subject to the Listing Rules, enables the Group to provide incentives to the Eligible Persons to use their best endeavours in assisting the growth and the development of the Group and places the Group in a better position to attract human resources that are valuable to the growth and the development of the Group as a whole. The scope of participants under the New Share Option Scheme is more specific than that under the Existing Share Option Scheme so that not only does it encompass any employee, Director or consultant of the Group, but it also encompasses agents, suppliers, customers and contractors of the Group, which are not expressly included in the scope of participants under the Existing Share Option Scheme. Moreover, in order to facilitate the operation and administration of the New Share Option Scheme, the circumstances under which an Option will automatically lapse and will not vest are more particularly set out in the New Share Option Scheme. Save as above, there will be no material difference between the terms of the Existing Share Option Scheme and the proposed New Share Option Scheme.

Subject to the obtaining of Shareholders' approval with respect to the adoption of the New Share Option Scheme at the AGM, the total number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and Other Share Option Scheme(s) (other than the Existing Share Option Scheme which will terminate upon the New Share Option Scheme becoming unconditional) must not in aggregate exceed 10% of the total issued share capital of the Company as at the Adoption Date unless the Company obtains a fresh approval from Shareholders to renew the 10% limit, provided that the maximum aggregate number of Shares which may be issued upon the exercise of all outstanding Options granted and yet to be exercised under the New Share Option Scheme and any Other Share Option Scheme(s) shall not exceed 30% of the total issued share capital of the Company from time to time.

As at the Latest Practicable Date, there were 3,180,181,490 Shares in issue. Assuming no further Shares are issued prior to the date of adoption of the New Share Option Scheme, Options to subscribe for a total of 318,018,149 Shares may be granted under the New Share Option Scheme, representing 10% of the total issued share capital of the Company as at the Adoption Date.

No trustees will be appointed under the New Share Option Scheme.

LETTER FROM THE BOARD

The Directors consider that it is inappropriate to value all the Options that can be granted under the New Share Option Scheme on the assumption that they were granted on the Latest Practicable Date as a number of factors crucial for the valuation cannot be reasonably determined. Such factors include the exercise period, fluctuation in future share price, and the conditions, if any, that an Option is subject to. Accordingly, any valuation of the Options based on a large number of speculative assumptions would not be meaningful but may be misleading to the Shareholders.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of the Options granted under the New Share Option Scheme, to the extent of 10% of the total number of Shares in issue as at the Adoption Date.

ANNUAL GENERAL MEETING

A notice convening the AGM to be held at Unit 3411, 34/F., COSCO Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong on Monday, 22 August 2011 at 4:30 p.m. is set out on pages 25 to 30 of this circular.

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 AGM.

Whether or not you intend to attend and vote at the AGM 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 AGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment thereof should you so wish.

DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the New Share Option Scheme is available for inspection at the principal place of business of the Company at Unit 3411, 34/F., COSCO Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong during normal business hours from the date of this circular up to the date of the AGM.

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.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors consider that the proposals for granting of the Issue Mandate, the Repurchase Mandate, the extension of the Issue Mandate, the re-election of the retiring Directors and the adoption of New Share Option Scheme and the termination of Existing Share Option Scheme are in the best interests of the Company and the Shareholders as a whole and, accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the AGM.

GENERAL INFORMATION

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

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

This appendix serves as an explanatory statement required by the Listing Rules to provide you with all the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the ordinary resolution to approve the Repurchase Mandate.

1. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprise 3,180,181,490 Shares.

Subject to the passing of the proposed ordinary resolution approving the Repurchase Mandate and on the basis that none of the outstanding share options of the Company is exercised and no further Shares are issued, allotted or repurchased by the Company prior to the AGM, the exercise of the Repurchase Mandate in full would enable the Company to repurchase up to 318,018,149 Shares during the period ending on the earliest of (i) the conclusion of the next annual general meeting of the Company following the passing of the resolution referred to herein; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-Laws or any applicable law to be held; or (iii) the date on which such authority is revoked or varied by an ordinary resolution of the Shareholders at a general meeting of the Company.

2. REASONS FOR SHARE REPURCHASES

Although the Directors have no present intention of repurchasing the Shares, they believe that it is in the best interests of the Company and the Shareholders to continue to have a general authority from the Shareholders to enable the Directors to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and its assets and/or its earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders as a whole.

3. FUNDING OF REPURCHASES

It is envisaged that any repurchase of Shares would be financed out of funds which are legally available for such purpose in accordance with the memorandum of association and Bye-Laws, the Listing Rules and the applicable laws of Bermuda. Under the laws of Bermuda, the repurchased shares will be cancelled and the Company's issued share capital will be reduced by the nominal value of those repurchased shares accordingly.

The Directors are not aware of any material adverse impact on the working capital or gearing level of the Company as compared with the position disclosed in its most recent published audited financial statements as at 31 March 2011 in the event that the Repurchase Mandate is exercised in full. The Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse impact on the working capital or gearing level of the Company which in the opinion of the Directors are from time to time appropriate for the Company.

4. SHARE PRICES

The highest and lowest market prices at which the Shares have traded on the Stock Exchange during each of the previous twelve months preceding the Latest Practicable Date were as follows:

Month	Highest HK\$	Lowest HK\$
2010		
May	0.168	0.145
June	0.168	0.150
July	0.173	0.145
August	0.156	0.135
September	0.141	0.130
October	0.137	0.120
November	0.158	0.132
December	0.158	0.123
2011		
January	0.160	0.139
February	0.190	0.155
March (<i>Note</i>)	0.208	0.177
April (<i>Note</i>)	–	–
May (<i>Note</i>) (up to the Latest Practicable Date)	0.320	0.227

Note: Trading in the Shares has been suspended with effect from (a) 9:00 a.m. on 9 March 2011 and resumed with effect from 9:00 a.m. on 4 May 2011; and (b) 1:30 p.m. on 11 May 2011 and resumed with effect from 9:00 a.m. on 12 May 2011.

5. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, none of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective associates have any present intention to sell any Shares to the Company or its subsidiaries (as defined in the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)) in the event that the Repurchase Mandate is approved by the Shareholders.

As at the Latest Practicable Date, no Connected Person has notified the Company that he/she has a present intention to sell any Shares to the Company or has undertaken not to sell any of the Shares held by him/her to the Company, in the event that the Repurchase Mandate is approved by the Shareholders.

6. UNDERTAKING OF THE DIRECTORS

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will only exercise the Repurchase Mandate in accordance with the memorandum of association and Bye-Laws, the Listing Rules and the applicable laws of Bermuda.

7. EFFECT OF THE TAKEOVERS CODE AND MINIMUM PUBLIC FLOAT

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition of voting rights for the purposes of the Takeovers Code. Accordingly, a Shareholder, or group of Shareholders acting in concert, depending on the level of increase in the Shareholder's interests, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, the following substantial Shareholders have or are taken to have interests under the SFO as set out below:

Name of substantial Shareholder	Number of Shares (including underlying Shares) held	Approximate percentage of existing shareholding	Approximate percentage of shareholding if the Repurchase Mandate is exercised in full
Chan How Chung, Victor	1,211,536,473 <i>(Note)</i>	38.10%	42.33%
Mega Market Assets Limited	1,053,986,473 <i>(Note)</i>	33.14%	36.82%

Note:

Mega Market Assets Limited, which is directly interested in 1,053,986,473 Shares in the Company, is beneficially wholly owned by Mr. Chan How Chung, Victor. As at the Latest Practicable Date, Mr. Chan had a personal interest in 157,550,000 Shares.

On the basis that none of the outstanding share options of the Company is exercised and no further Shares are issued or repurchased prior to the AGM, in the event that the Directors exercise in full the Repurchase Mandate, the interests of the above substantial Shareholders would be increased to such percentages shown in the last column above.

As at the Latest Practicable Date, Mr. Chan How Chung, Victor is interested in approximately 38.10% of the existing issued share capital of the Company. In the event that the Directors should exercise in full the power to repurchase Shares, which is proposed to be granted to the Directors pursuant to the Repurchase Mandate, the interests of Mr. Chan How Chung, Victor may be increased to 42.33% of the issued share capital of the Company which would trigger his obligations to make a mandatory offer under Rule 26 of the Takeovers Code. The Directors have no intention to repurchase Shares to such an extent that would give rise to an obligation to make a mandatory offer under the Takeovers Code.

Assuming that none of the outstanding share options of the Company is exercised and no further issue of Shares between the Latest Practicable Date and the date of a repurchase, the exercise of the Repurchase Mandate in whole or in part will not result in less than 25% of the issued share capital of the Company being held by the public as required by Rule 8.08 of the Listing Rules. The Directors have no intention to exercise the Repurchase Mandate to an extent as may result in a public shareholding of less than such prescribed percentage.

8. SHARE REPURCHASES BY THE COMPANY

The Company has not repurchased any of its Shares (whether on the Stock Exchange or otherwise) in the six months preceding the Latest Practicable Date.

APPENDIX II DETAILS OF RETIRING DIRECTORS PROPOSED FOR RE-ELECTION

The following are the particulars of the Directors who will retire and, being eligible, shall offer themselves for re-election at the AGM pursuant to the Bye-Laws and the Listing Rules:

Mr. Chow Siu Ngor, aged 55, is a non-executive Director of the Company. Mr. Chow joined the Board on 30 April 2006. He is a practicing solicitor in Hong Kong. Mr. Chow graduated from the Chinese University of Hong Kong in 1981 with an honors degree in Social Science. He then obtained an honors degree in Laws from the University of Birmingham in England in 1987. Mr. Chow was admitted as a solicitor of the Supreme Court of Hong Kong in 1990 and has been in private practice since then. Currently, Mr. Chow is a Partner of Messrs. King & Wood, Solicitors, Hong Kong. He now serves as an independent non-executive director of CCT Tech International Limited and REXLot Holdings Limited, both are listed companies in Hong Kong. Mr. Chow was also an independent non-executive director of China Solar Energy Holdings Limited from 5 October 1998, a listed company in Hong Kong, until his retirement on 23 September 2008.

Mr. Chow is a member of the audit committee and the remuneration committee of the Company. Save as disclosed above, Mr. Chow does not hold any position with the Company or other members of the Group, nor did he act as director in any other listed public company in the past three years preceding the date hereof.

Mr. Chow does not have any relationships with any other Directors, senior management, substantial shareholders or controlling shareholders (as defined in the Listing Rules) of the Company. As at the Latest Practicable Date, Mr. Chow has 3,000,000 share options granted under the Existing Share Option Scheme adopted by the Company on 24 April 2002, entitling him to subscribe for 3,000,000 Shares. Save as disclosed above, Mr. Chow does not have any interest in the securities of the Company within the meaning of Part XV of the SFO.

No service contract was entered into between the Company and Mr. Chow. There is no fixed term of service with the Company but he is subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the Bye-Laws of the Company. Currently Mr. Chow is entitled to receive an annual director's fee of HK\$120,000. His director's remuneration shall be reviewed by the remuneration committee of the Company and determined by the Board with reference to his duties and responsibilities with the Company and the prevailing market condition and subject to the approval of the Shareholders.

Save as disclosed above, there is no other matter that needs to be brought to the attention of the Shareholders and there is no other information that should be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

APPENDIX II DETAILS OF RETIRING DIRECTORS PROPOSED FOR RE-ELECTION

Mr. Hung Hing Man, aged 40, is an independent non-executive director of the Company. Mr. Hung joined the Board on 31 March 2009. He holds a masters degree in Business Administration from the University of Western Sydney. He is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong and a member of the Society of Chinese Accountants and Auditors. Mr. Hung is currently a proprietor of a certified public accountants firm. He has over 14 years of working experience in corporate finance, accounting, auditing and taxation sectors. Mr. Hung was an independent non-executive director of SMI Corporation Limited from July 2009 to December 2009 and is currently an independent non-executive director of Madex International (Holdings) Limited and Eternity Investment Limited (formerly known as China Star Investment Holdings Limited), companies whose shares are listed on the Stock Exchange.

Mr. Hung is a member of the audit committee and the remuneration committee of the Company. Save as disclosed above, Mr. Hung does not hold any position with the Company or other members of the Group, nor did he act as director in any other listed public company in the past three years preceding the date hereof.

Mr. Hung does not have any relationships with any other Directors, senior management, substantial shareholders or controlling shareholders (as defined in the Listing Rules) of the Company. As at the Latest Practicable Date, Mr. Hung has beneficial interest in 500,000 Shares. Save as disclosed above, Mr. Hung does not have any interest in the securities of the Company within the meaning of Part XV of the SFO.

No service contract was entered into between the Company and Mr. Hung. There is no fixed term of service with the Company but he is subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the Bye-Laws of the Company. Currently Mr. Hung is entitled to receive an annual director's fee of HK\$120,000. His director's remuneration shall be reviewed by the remuneration committee of the Company and determined by the Board with reference to his duties and responsibilities with the Company and the prevailing market condition and subject to the approval of the Shareholders.

Save as disclosed above, there is no other matter that needs to be brought to the attention of the Shareholders and there is no other information that should be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

The following is a summary of the rules of the New Share Option Scheme proposed to be adopted at the AGM to be held on 22 August 2011.

PURPOSE OF THE SCHEME

The purpose of the New Share Option Scheme is to provide incentive or reward to Eligible Persons for their contribution to, and continuing efforts to promote the interests of, the Group.

WHO MAY JOIN

The Board may in its absolute discretion grant Options to any Eligible Person.

GRANT AND ACCEPTANCE OF OPTIONS

The Board shall be entitled at any time within a period of 10 years commencing on the Adoption Date to make an offer to subscribe for such number of Shares to any Eligible Person as the Board may in its absolute discretion select. Such offer shall be made to an Eligible Person by letter and will remain open for acceptance by the Eligible Person concerned on a day specified in the letter of grant which such date shall be no longer than 30 days from the date of the letter of grant. The Option(s) shall be deemed to have been granted and accepted and taken effect when the duplicate letter comprising acceptance of the Option(s) is duly signed by the Eligible Person together with a remittance in favour of the Company of HK\$1.00 for each acceptance of grant of the Option(s). Subject to the terms of the New Share Option Scheme and all applicable laws, the Board has the power to determine the period within which payments or calls must or may be made.

SUBSCRIPTION PRICE OF SHARES

Options may be exercised at a subscription price determined by the Board (subject to adjustments as provided in the rules of the New Share Option Scheme) and notified to an Eligible Person, which shall be at least the highest of (i) the nominal value of the Shares; (ii) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of the Options, which must be a business day (as defined in the New Share Option Scheme); and (iii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the offer of the Options.

MAXIMUM NUMBER OF SHARES AVAILABLE FOR SUBSCRIPTION

The maximum number of Shares which may be issued upon the exercise of all options to be granted under the New Share Option Scheme and Other Share Option Scheme(s) shall not exceed 10% of the number of issued Shares as at the date of Shareholders' approval of the New Share Option Scheme (or such number of shares as will result from a sub-division or a consolidation of the Shares from time to time) (the "**Scheme Mandate Limit**"). Unless approved as referred to in the paragraph below, no Options or options granted under any Other Share Option Scheme(s) may be granted if such grant will result in the Scheme Mandate Limit being exceeded. For the avoidance of doubt, Shares which may be issued upon the exercise of the options granted under the Existing Share Option Scheme before its termination and outstanding as at the Adoption Date shall not be included in the calculation of the Scheme Mandate Limit as at the Adoption Date.

The Company may refresh the Scheme Mandate Limit by ordinary resolution of the Shareholders in general meeting, provided that:

- (a) the Scheme Mandate Limit so refreshed shall not exceed 10% of the total number of issued Shares as at the date of Shareholders' approval of the refreshment of the Scheme Mandate Limit;
- (b) Options or options previously granted under the New Share Option Scheme or Other Share Option Scheme(s) (including options outstanding, cancelled, or lapsed in accordance with the relevant scheme rules or exercised) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed; and
- (c) a circular regarding the proposed refreshment has been despatched to the Shareholders of the Company in a manner complying with, and containing the matters specified in the relevant provisions of Chapter 17 of the Listing Rules.

Subject to the Listing Rules, the maximum number of Shares which may be issued upon exercise of all outstanding vested or unvested options granted and yet to be exercised under the New Share Option Scheme and any Other Share Option Scheme(s) must not in aggregate exceed 30% of the total number of Shares in issue from time to time (the "**Overriding Limit**"). No options granted under the New Share Option Scheme or any Other Share Option Scheme(s) may be granted if it will result in the Overriding Limit being exceeded.

As at the Latest Practicable Date, there were 3,180,181,490 Shares in issue. Assuming no further Shares are issued prior to the Adoption Date, Options to subscribe for a total of 318,018,149 Shares may be granted under the New Share Option Scheme (and the Existing Share Option Scheme on or after the Adoption Date and before its termination) pursuant to the Scheme Mandate Limit, representing 10% of the total issued share capital of the Company as at the Adoption Date.

Subject to the Overriding Limit, the Company may seek separate approval from the Shareholders for granting Options which will result in the Scheme Mandate Limit being exceeded, provided that the grant is to persons specifically identified by the Company before the approval is sought and a circular regarding the grant has been despatched to the Shareholders in a manner complying with the relevant provisions of Chapter 17 of the Listing Rules.

The maximum number of Shares (issued and to be issued) in respect of which Options may be granted under the New Share Option Scheme and any Other Share Option Scheme(s) (whether exercised, cancelled or outstanding) to any Eligible Person in any 12-month period shall not exceed 1% of the total number of Shares in issue unless such grant has been duly approved by ordinary resolution of the Shareholders in general meeting at which the relevant Eligible Person and his associates abstained from voting and the Company has issued a circular in accordance with the relevant provisions of Chapter 17 of the Listing Rules.

In calculating the aforesaid limit of 1%, Options that have lapsed shall not be counted.

GRANT OF OPTIONS TO CONNECTED PERSONS

Any grant of Options to a Director, chief executive or substantial Shareholders of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is a prospective grantee of the Option).

Where Options are proposed to be granted to a substantial Shareholder or an independent non-executive Director or any of their respective associates, and the proposed grant of Options would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted under the New Share Option Scheme and Other Share Option Scheme(s) (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the grant of such options to represent in aggregate over 0.1% of the total number of issued Shares for the time being and have an aggregate value (based on the closing price of a Share at each date of the grant of these options) exceeding HK\$5,000,000, the proposed grant shall be subject to:

- (a) the issue of a circular to the Shareholders containing the details of the grant in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules (including in particular, a recommendation from the independent non-executive Directors (excluding the independent non-executive Director who is the prospective grantee of the Option) to the independent Shareholders as to voting); and
- (b) the approval of the Shareholders in general meeting in accordance with the requirements of the Listing Rules at which all Connected Persons abstained from voting (but a Connected Person may vote against the resolution at the general meeting provided that his intention to do so has been stated in the circular).

Any change in the terms of any Option granted to a substantial Shareholder or an independent non-executive Director (or their respective associates) which would result in the number and value of Shares issued and to be issued upon exercise of all Options and options granted under any Other Share Option Scheme(s) exceeding that set out in the paragraph above shall not be valid unless a circular regarding the change has been despatched to the Shareholders in a manner complying with the relevant provisions of Chapter 17 of the Listing Rules, and the change has been approved by the Shareholders in general meeting, at which all Connected Persons abstained from voting (but a Connected Person may vote against the resolution at the general meeting if his intention to do so has been stated in the circular).

In calculating the aforesaid limit of 0.1%, Options that have lapsed shall not be counted.

TIME FOR EXERCISE OF OPTIONS

The grantee of an Option may subscribe for Shares during such period as may be determined by the Board (which shall not be more than 10 years commencing on the date on which the Option is granted and accepted in accordance with the New Share Option Scheme) (the “**Option Period**”). Unless otherwise determined by the Board and stated in the offer of the grant of Options to a grantee, there is no minimum period for which an Option must be held before it can be exercised.

PERFORMANCE TARGETS

Save as otherwise provided in the letter of grant of the Option(s), the New Share Option Scheme provides that there are no performance targets that need to be met before a grantee is entitled to exercise an Option duly granted.

RIGHTS ARE PERSONAL TO GRANTEE

Except for the transmission of an Option on the death of an individual grantee to his personal representative(s) as provided for in the New Share Option Scheme, an Option shall be personal to the grantee of the Option and shall not be assignable nor transferable and that no grantee shall sell, transfer, charge, mortgage or encumber or create any interest in favour of a person over or in relation to any Option. If the grantee of an Option commits a breach of the above, the Option will automatically lapse and will not vest and cannot be exercised.

RIGHTS ON CEASING EMPLOYMENT

Subject to the provisions in the paragraphs below headed “RIGHTS ON DEATH, ILLNESS, REDUNDANCY, RETIREMENT ETC.” and “RIGHTS ON CHANGE OF SHAREHOLDING OR OWNERSHIP OF GRANTEE” and the sub-paragraph (ii) under the paragraph below headed “LAPSE OF OPTION”, each as more particularly set out in the New Share Option Scheme, if a holder of an Option ceases to be an Eligible Person, (a) any unvested Option held by such grantee will automatically lapse and (b) any vested Option held by such grantee (to the extent not exercised) may be exercised (in whole or in part) before the expiry of one month after the date of such cessation, which date shall be deemed to be: (i) if he is an Eligible Employee, his last actual working day with the Employer whether salary is paid in lieu of notice or not; or (ii) if he is not an Eligible Employee, the date on which the relationship constituting him an Eligible Person ceases. Any vested Option not exercised prior to the expiry of such period will automatically lapse.

RIGHTS ON DEATH, ILLNESS, REDUNDANCY, RETIREMENT ETC.

If the grantee who is an Eligible Employee on the date on which the Option is accepted ceases to be an Eligible Employee because of:

- (a) death; or
- (b) ill health, serious injury or disability which in the opinion of the Board renders the Eligible Employee unfit to perform his duties of his employment or his office for a continuous period of 12 months and provided such illness or injury or disability is not self-inflicted; or
- (c) redundancy or retirement according to his contract of appointment or employment with his Employer; or
- (d) early retirement by agreement with his Employer; or

- (e) his employment or office being in a company which ceases to be a member of the Group or under the Control (as defined in the New Share Option Scheme) of the Group or relating to a business, or a part of the business which is transferred to a person who is not a member of the Group or is not under the Control of a member of the Group or if the Company or the relevant Employer or member of the Group is reorganised or merged or consolidated with another entity (and the provisions under the paragraphs headed “RIGHTS ON A GENERAL OFFER”, “RIGHTS ON WINDING UP” and “RIGHTS ON A SCHEME OF ARRANGEMENT” as more particularly set out in the New Share Option Scheme do not apply) such that such Employer or new entity ceases to be a member of the Group or under the Control of a member of the Group,

his unvested Option will lapse and he or his personal representative(s) (as the case may be) may exercise all his vested Options (in whole or in part only) within the period of twelve months after the grantee ceases to be an Eligible Employee pursuant to any of the above. Any vested Option not exercised prior to the expiry of such period will automatically lapse. An Eligible Employee will be regarded as remaining as an Eligible Employee notwithstanding that he ceases to be an employee of a member of the Group if he immediately becomes or stays as an Eligible Employee of another member of the Group.

RIGHTS ON DETERMINATION OF MISCONDUCT

If the Board determines that a grantee (including a grantee who has ceased to be an Eligible Person but his Options continue to subsist in accordance with the discretion):

- (a) is guilty of misconduct; or
- (b) has been convicted of any offence involving his integrity or honesty, whether or not in connection with his relationship with the Group; or
- (c) has committed any act or offence which would justify the termination of his employment contract or office, his engagement with the Group or his contract with the relevant member of the Group at common law or pursuant to any applicable law, rule or regulation (or, in the case of an Eligible Employee who has ceased to be an employee, would have justified the termination of his employment contract but which does not become known to the Group until after he has ceased employment with any member of the Group); or
- (d) has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally; or
- (e) has disclosed confidential information of the Group; or
- (f) has entered into competition with the Group or breached any non-solicitation provisions in his employment, service agency, consultancy or engagement contract with any member of the Group (irrespective of whether such provisions are upheld or declared void and unenforceable by a court with competent jurisdiction),

then, in the case of an Eligible Employee, whether or not he is summarily dismissed by the Employer or is still employed or engaged by the Employer, or in the case of other eligible person, his relationship with the Group is terminated by the relevant member of the Group, then (i) any unvested Option held by such grantee will automatically lapse and (ii) any vested Option held by such grantee (to the extent not exercised) cannot be exercised.

RIGHTS ON CHANGE OF SHAREHOLDING OR OWNERSHIP OF GRANTEE

In the event that the grantee is a person other than an individual, if there is any change in the direct or indirect shareholding or ownership of the grantee since the date of offer of the Options, then (i) any unvested Option held by such grantee will automatically lapse and (ii) any vested Option held by such grantee (to the extent not exercised) shall lapse and cannot be exercised whether or not an exercise notice has been received by the Company before such change, provided that the Company may waive the application of this paragraph as more particularly set out in the New Share Option Scheme to any grantee on a conditional or unconditional basis.

EFFECT OF ALTERATIONS TO CAPITAL

In the event of a capitalisation issue, rights issue, open offer, consolidation, subdivision or reduction of the share capital of the Company, the Company shall make corresponding alternations (if any) to:

- (I) the number of Shares subject to the Overriding Limit and the Scheme Mandate Limit (as refreshed from time to time);
- (II) the number of Shares subject to Options already granted so far as it remains exercisable; and/or
- (III) the subscription price (as defined in the New Share Option Scheme);

provided that

- (i) any such alterations must be made so that each grantee is given the same proportion of the equity capital of the Company as that to which he was previously entitled;
- (ii) no alternation shall be made which would result in the subscription price for a Share being less than its nominal value;
- (iii) no such alterations shall be made in respect of an issue of securities by the Company as consideration in a transaction or in satisfaction of a dividend declared by the Company;
- (iv) any such alterations, save as those made on a capitalisation issue, shall be confirmed by the auditors of the Company or the independent financial adviser by way of written confirmation to the Directors as satisfying the requirements of the foregoing paragraphs (I) to (III); and

- (v) any such alterations made pursuant to a subdivision or consolidation of share capital shall be made on the basis that the aggregate subscription price payable by a grantee on full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event.

RIGHTS ON A GENERAL OFFER

If a general offer to acquire Shares (whether by way of a takeover offer, share repurchase offer, privatisation proposal by a scheme of arrangement between the Company and its members or otherwise in a like manner) is made to the Shareholders pursuant to the Takeovers Code, the Company will use reasonable endeavours to procure that such offer is extended to all the grantees in respect of the outstanding Options on the terms required by the Takeovers Code or the relevant practice note(s) on the Takeovers Code. If the offer becomes or is declared unconditional in all respects, all unvested Options will automatically lapse on the date on which the offer becomes or is declared unconditional. The grantee (or his personal representative(s)) may exercise the outstanding vested Options (in whole or in part) at any time up to five business days before the close of the offer (or any revised offer), or five business days before the record date for entitlements under the scheme of arrangement, as the case may be. Unless otherwise approved by Shareholders who do not have interests in any outstanding Options, any vested Option not exercised prior to the expiry of the aforementioned period will automatically lapse.

RIGHTS ON WINDING UP

If an effective resolution is passed for the voluntary winding-up of the Company, all unvested Options will immediately and automatically lapse and a grantee can send an exercise notice to the Company within 15 business days after the date of such resolution to exercise all his outstanding vested Options (in whole or in part) as set out in the exercise notice. If the grantee has sent such exercise notice he will be deemed to have sent the exercise notice immediately before the passing of the voluntary winding-up resolution. In this case the Company will not allot any Option share to the grantee but instead will pay to the grantee out of the assets available in the liquidation *pari passu* with the holders of Shares such sum as would have been received in respect of the Shares the subject of such election had the grantee been a member of the Company in respect of those Shares at the time of the resolution, reduced by an amount equal to the subscription price which would otherwise have been payable in respect of the vested Options so exercised.

RIGHTS ON A SCHEME OF ARRANGEMENT

If provisions under the paragraph headed “RIGHTS ON A GENERAL OFFER” do not apply and if a compromise or arrangement between the Company and its members or creditors is proposed in connection with a scheme for the reconstruction of the Company or amalgamation of the Company with another company or companies (other than a relocation scheme as contemplated in Rule 7.14(3) of the Listing Rules). The Company will give notice to all grantees on the same date as it gives notice to its members or creditors to hold a meeting to consider, and if thought fit approve, such a compromise or arrangement, thereupon all unvested Options will lapse. A grantee (or his personal representative(s)) may exercise all outstanding vested Options (in whole or in part) by sending an exercise notice to the Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given (or if the Company has agreed that the subscription price shall be payable to the Company in any other manner, the grantee shall pay or cause to be paid the subscription

price to the Company in such manner as may be agreed by the Company), which must be received by the Company not later than five business days prior to the record date for ascertaining entitlements to attend and vote at the proposed meeting. The Company will upon receipt of the exercise notice and full payment of the total subscription price and prior to the said record date, allot and issue such number of option shares to the grantee (or his estate) as may fall to be issued on the exercise of the relevant vested Options credited as fully paid and register the grantee (or his estate) as the holder of the Shares allotted and issued upon a valid exercise of any vested Option. Any vested Option not exercised prior to the expiry of the period mentioned above will automatically lapse.

RANKING OF SHARES

Shares allotted on the exercise of Options will rank *pari passu* with the other Shares in issue at the date of exercise of the relevant Options except in respect of any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor is before the relevant exercise date. A Share allotted upon the exercise of an Option shall not carry voting rights until the name of the grantee (or his personal representative) has been duly entered into the register of members of the Company as the holder thereof.

PERIOD OF THE SCHEME

Subject to early termination as provided in the New Share Option Scheme and described in the paragraph headed “TERMINATION OF THE SCHEME” below and as more particularly set out in the New Share Option Scheme, the New Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date. Upon the expiry or termination of the New Share Option Scheme as aforesaid, no further Options shall be granted but in all other respects, in particular, in respect of Options remaining outstanding on the expiry or termination of the New Share Option Scheme, the provisions of the New Share Option Scheme shall remain in full force and effect for the purpose of giving effect to the exercise of such unexercised Options or otherwise as may be required in accordance with the New Share Option Scheme.

VARIATION TO THE SCHEME AND TO THE TERMS OF OPTIONS GRANTED

The New Share Option Scheme may be altered in any respect by resolution of the Board except that certain provisions as to:

- (i) the definitions of grantee and Eligible Person;
- (ii) the provisions relating to the matters set out in Rule 17.03 of the Listing Rules including those relating to the purpose, duration and administration of the New Share Option Scheme, grant of Options (except for the provisions that an offer shall be in writing and contain the terms of the offer and that an offer may be accepted in full or in part), subscription price, exercise of Options, lapse of Options, maximum number of Shares available for subscription, reorganization of capital structure, alteration of the New Share Option Scheme and cancellation of Options granted and termination as more particularly set out in the New Share Option Scheme;

shall not be altered to the advantage of grantees or prospective grantees except with the prior approval of the Shareholders in general meeting (with participants and their respective associates abstaining from voting). No alterations to the New Share Option Scheme shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alterations and subject to the terms and conditions of the relevant Option, the Board cannot alter the terms and conditions of any Option granted under the New Share Option Scheme except:

- (a) if the alteration affects only one grantee, with the written consent of the grantee concerned;
- (b) if the alteration affects some but not all outstanding Options, with the written consent of such number of grantees as will together hold Options of the class affected in respect of not less than three-fourths in nominal value of all Shares then the subject of such Options or with the sanction, given by resolution at a meeting of the relevant grantees, passed by such majority of grantees in respect of the nominal value of all Shares then the subject of the outstanding Options of the class affected as would be required at a meeting of the Shareholders under the Bye-Laws for a variation of rights attached to the Shares; or
- (c) if the alteration affects all outstanding Options, with the written consent of such number of grantees as will together hold Options in respect of not less than three-fourths in nominal value of all Shares then the subject of such Options or with the sanction, given by resolution at a meeting of the grantees passed by such majority of the grantees in respect of the nominal value of all Shares then the subject of the outstanding Options as would be required at a meeting of the Shareholders under the Bye-Laws for a variation of rights attached to the Shares.

If so required by the Listing Rules, any alteration to the provisions of the New Share Option Scheme which are of a material nature (except where alterations take effect automatically under the provisions of the New Share Option Scheme) or any change to the terms of Options granted must be approved by the Shareholders in general meeting. Any change to the authority of the Board in relation to any alterations to the terms of the New Share Option Scheme must be approved by the Shareholders in general meeting.

The amended terms of the New Share Option Scheme must comply with Chapter 17 of the Listing Rules in force from time to time.

TERMINATION OF THE SCHEME

The Company, by resolution in general meeting or the Board, may terminate the operations of the New Share Option Scheme at any time and no further Options will be offered under the New Share Option Scheme. But in all other respects the provisions of the New Share Option Scheme shall remain in full force and effect and the Options granted prior to such termination shall continue to be valid and exercisable in accordance with the New Share Option Scheme.

LAPSE OF OPTION

An Option will automatically lapse and will not vest and cannot be exercised upon the earliest of:

- (i) the expiry of the Option period as described in the above paragraph headed “TIME FOR EXERCISE OF OPTIONS” and as more particularly set out in the New Share Option Scheme;
- (ii) in the time that the relevant Option lapses in the manner described in the paragraphs above headed “RIGHTS ON CEASING EMPLOYMENT”, “RIGHTS ON DEATH, ILLNESS, REDUNDANCY, RETIREMENT ETC.”, “RIGHTS ON DETERMINATION OF MISCONDUCT”, “RIGHTS ON CHANGE OF SHAREHOLDING OR OWNERSHIP OF GRANTEE”, “RIGHTS ON A GENERAL OFFER”, “RIGHTS ON WINDING UP” and “RIGHTS ON A SCHEME OF ARRANGEMENT” and as more particularly set out in the New Share Option Scheme; and
- (iii) the date on which the grantee commits a breach of the provision of the New Share Option Scheme that an Option shall be personal to the grantee and shall not be assignable nor transferable and that no grantee shall sell, transfer, charge, mortgage or encumber or create any interest in favour of a third party over or in relation to any Option.

CANCELLATION OF UNEXERCISED OPTIONS

The Company may cancel any vested Options granted or any unvested Options under the New Share Option Scheme but not exercised on any terms and conditions with the approval of the grantee of such Option. No options may be granted under the New Share Option Scheme or any Other Share Option Scheme(s) to an Eligible Person in place of his cancelled options granted under the New Share Option Scheme or any Other Share Option Scheme(s) unless there are available unissued options under the New Share Option Scheme or any Other Share Option Scheme(s) (excluding the cancelled options) within the Overriding Limit and the Scheme Mandate Limit approved by the Shareholders as mentioned in the paragraph headed “MAXIMUM NUMBER OF SHARES AVAILABLE FOR SUBSCRIPTION” above and as more particularly set out in the New Share Option Scheme.

NOTICE OF ANNUAL 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 annual 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 Monday, 22 August 2011 at 4:30 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and consider the audited financial statements and the reports of the directors of the Company and auditors for the year ended 31 March 2011.
2. To re-elect retiring directors and to authorize the board of directors to fix the directors’ remuneration.
3. To re-appoint auditors and to authorize the board of directors to fix their remuneration.

AS SPECIAL BUSINESS

4. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

“THAT:

- (a) subject to paragraph (c) of this resolution, the exercise by the directors of the Company (“Directors”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company (the “Shares”) and to make or grant offers, agreements, options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into Shares) which might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this resolution shall authorize the Directors during the Relevant Period to make or grant offers, agreements, options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into Shares) which might require the exercise of such power after the end of the Relevant Period;

NOTICE OF ANNUAL GENERAL MEETING

- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to the general mandate in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined) or (ii) any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Bye-Laws of the Company or (iii) any grant or exercise of any option granted under any scheme or similar arrangement for the time being adopted for the grant or issue of options to subscribe for, or rights to acquire Shares or (iv) the exercise of any rights of subscription or conversion under any existing warrants, bonds, debentures, notes and other securities issued by the Company which carry rights to subscribe for or are convertible into Shares, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution and the said approval shall be limited accordingly; and

- (d) for the purposes of this resolution,
 - (i) “Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:
 - (aa) the conclusion of the next annual general meeting of the Company;
 - (bb) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-Laws of the Company or any applicable laws to be held; or
 - (cc) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in a general meeting; and

 - (ii) “Rights Issue” means an offer of Shares or issue of options, warrants, or other securities giving the right to subscribe for Shares, open for a period fixed by the Directors to holders of Shares whose names appear on the register of members of the Company (and, where appropriate, to holders of other securities entitled to the offer) on a fixed record date in proportion to their then holdings of such Shares (or, where appropriate, such other securities), (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, or any recognized regulatory body or any stock exchange applicable to the Company).”

NOTICE OF ANNUAL GENERAL MEETING

5. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

“THAT:

- (a) subject to sub-paragraph (c) of this resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company repurchase Shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the Shares may be listed and recognized by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or requirements of the Stock Exchange or other applicable rules and regulations as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the approval in sub-paragraph (a) of this resolution shall, in addition to any other authorization given to the Directors, authorize the Directors on behalf of the Company during the Relevant Period to procure the Company to purchase its own Shares at a price to be determined by the Directors;
- (c) the aggregate nominal amount of the Shares to be repurchased or agreed conditionally or unconditionally to be repurchased by the Company during the Relevant Period pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue and fully paid-up as at the date of the passing of this resolution and the said approval shall be limited accordingly; and
- (d) for the purposes of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-Laws of the Company or any applicable law to be held; or
 - (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

NOTICE OF ANNUAL GENERAL MEETING

6. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

“**THAT** conditional upon the passing of resolutions numbered 4 and 5 above, the general mandate granted to the Directors and for the time being in force to exercise the power of the Company to allot, issue or otherwise deal with Shares pursuant to the said resolution numbered 4 be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of Shares repurchased by the Company under the authority granted pursuant to the said resolution numbered 5, provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of the said resolution numbered 5.”

7. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

“**THAT:**

- (a) the rules of the new share option scheme of the Company (the “New Share Option Scheme”) (a copy of which has been submitted to the Meeting and signed by the Chairman of the Meeting for the purpose of identification and a summary of the terms and conditions of which has been set out in the circular dated 3 June 2011) be and are hereby approved and adopted as the new share option scheme of the Company subject to the conditions set out therein, and that the Directors be and are hereby authorized to do such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the New Share Option Scheme, notwithstanding that they or any of them may be interested in the same including without limitation to:
- (i) implement the New Share Option Scheme and to grant options to persons eligible under the New Share Option Scheme to subscribe for Shares;
 - (ii) modify and/or amend the New Share Option Scheme from time to time provided that such modification and/or amendment is/are effected in accordance with the terms and provisions of the New Share Option Scheme in relation to modifications and/or amendments and the requirement of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
 - (iii) allot and issue and deal with from time to time such number of Shares as may be required to be issued pursuant to the exercise of the options granted under the New Share Option Scheme provided that the total number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and other share option scheme(s) (excluding the Existing Share Option Scheme, as defined below) shall not exceed 10% of the issued share capital of the Company as at the date of passing this resolution (the “Scheme

NOTICE OF ANNUAL GENERAL MEETING

Mandate Limit”), with the acknowledgment that the Company may seek an approval from the shareholders in general meeting to refresh the Scheme Mandate Limit from time to time but provided always that the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and other share option scheme(s) shall not in aggregate exceed 30% of the issued share capital of the Company from time to time; and

- (iv) make application at the appropriate time or times to The Stock Exchange of Hong Kong Limited and any other stock exchanges, if appropriate, for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of options granted under the New Share Option Scheme; and
- (b) the existing share option scheme adopted by the Company on 24 April 2002 (the “Existing Share Option Scheme”) be terminated upon the New Share Option Scheme becoming unconditional such that thereafter no further options shall be offered under the Existing Share Option Scheme but in all other respects the provisions of the Existing Share Option Scheme shall remain in full force and effect and options granted thereunder prior to such termination shall continue to be valid and exercisable in accordance with their terms of issue.”

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

Hong Kong, 3 June 2011

As at the date hereof, 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.

NOTICE OF ANNUAL 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.
4. Completion and return of the form of proxy will not preclude members from attending and voting at the annual general 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.