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**眾彩科技股份有限公司\***  
**CHINA VANGUARD GROUP LTD.**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8156)**

## **PRICE SENSITIVE INFORMATION**

This announcement is made pursuant to Rule 17.10 of the GEM Listing Rules.

The Company announces that the Fifth Amendment Deeds, the Restatement Agreement and the Variation Letter were entered into on 13 January 2010 after trading hours.

Pursuant to the Fifth Amendment Deeds, the period during which the Noteholders may require redemption of the outstanding principal amounts of the Amended Notes has been changed from “30 November 2009 to 13 January 2010 (inclusive)” to “14 January 2010 to 26 February 2010 (inclusive)”. The amendments to the Amended Notes contemplated under the Fifth Amendment Deeds came into effect on 13 January 2010.

Pursuant to the Restatement Agreement, amongst other things, with effect from 13 January 2010 the definition of the term “Undertaking Period” was amended and new provisions were added to the Amended Undertaking governing the Disposals and application of the Disposal Proceeds as summarised in the sub-section headed “No Disposals”. In consideration for Evolution and Liberty Harbor agreeing to enter into the Fifth Amendment Deeds, the Company agreed to pay the non-refundable one-off fees of US\$160,650 (equivalent to approximately HK\$1,245,000) and US\$64,290 (equivalent to approximately HK\$498,000) to Liberty Harbor and Evolution respectively.

Pursuant to the Variation Letter, the terms of the Extension Letter were amended to the effect that the obligation of the Company to pay a daily extension fee has been changed from the payment of a fixed daily fee of HK\$28,100 and HK\$11,200 for Liberty Harbor and Evolution respectively (so long as the Current Notes remain outstanding) to the payment of the lesser of (a) US\$1,933.75 (equivalent to approximately HK\$15,000) per day (in the case of payment to Liberty Harbor) and US\$778.86 (equivalent to approximately HK\$6,000) per day (in the case of payment to Evolution); and (b) an amount in US\$ to be calculated in accordance with a specified formula relevant to the outstanding principal under the Current Notes at the time of calculation.

The previous amendments to the Original Notes have allowed time for the Company and Grand Promise to seek financing for redemption. During this time, Grand Promise had redeemed the Original Notes partially and successfully reduced the aggregate outstanding principal amounts of the Original Notes together with interest accrued from approximately HK\$327,710,000 on 3 July 2009 to approximately HK\$145,767,000 as at the date of this announcement.

This announcement is made pursuant to Rule 17.10 of the GEM Listing Rules. Capitalised terms used in this announcement have the meaning given to them in the announcement of the Company dated 18 June 2009 (the “**June Announcement**”) unless otherwise defined in this announcement.

## **1. BACKGROUND**

Reference is made to the June Announcement and the announcements of the Company dated 15 July 2009, 4 August 2009, 28 August 2009, 14 September 2009, 22 September 2009, 29 September 2009 and 30 October 2009 respectively.

### **(a) The Original Notes as amended by the First Amendment Deeds, the Second Amendment Deeds, the Third Amendment Deeds and the Fourth Amendment Deeds**

In the June Announcement, it was announced, amongst other things, that the First Amendment Deeds had been entered into amending the Original Notes. The Original Notes were subsequently amended by the Second Amendment Deeds as described in the announcement of the Company dated 4 August 2009 and the Third Amendment Deeds as described in the announcement of the Company dated 22 September 2009.

Pursuant to the amendments contemplated under the Fourth Amendment Deeds, being the latest amendments prior to the coming into effect of the Fifth Amendment Deeds, the Noteholders may require redemption of the outstanding principal amounts of the Original Notes from 30 November 2009 to 13 January 2010 (inclusive).

**(b) The Original Undertaking as amended by the Previous Undertaking Amendment Agreements**

In the June Announcement, it was announced, amongst other things, that the Company, Grand Promise, Evolution and Liberty Harbor had entered into the Original Undertaking. Pursuant to the Original Undertaking, restrictions were imposed on the CVG Group Member and Aptus on withdrawals or transfers from bank accounts during the Undertaking Period (being the period commencing on 18 June 2009 and ending on the first to occur of (A) 15 July 2009 and (B) the date on which the Company, Grand Promise and the Noteholders have executed definitive legally binding and enforceable documentation to restructure all amounts outstanding under the Original Notes (the “**Notes Restructuring Documents**”).

The Original Undertaking was subsequently amended by the Previous Undertaking Amendment Agreements as disclosed in the announcements of the Company dated 15 July 2009, 4 August 2009, 28 August 2009, 14 September 2009, 22 September 2009, 29 September 2009 and 30 October 2009 respectively.

**2. THE FIFTH AMENDMENT DEEDS**

**(a) Entering into of the Fifth Amendment Deeds**

The Company announces that after trading hours on the date of this announcement:

- (i) the Company, Grand Promise and Evolution have entered into the Fifth Evolution Amendment Deed; and
- (ii) the Company, Grand Promise and Liberty Harbor have entered into the Fifth Liberty Amendment Deed.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, both Evolution and Liberty Harbor and their ultimate beneficial owner(s) are Independent Third Parties.

The Fifth Evolution Amendment Deed and the Fifth Liberty Amendment Deed are made on the same terms and conditions.

**(b) Amendments to the Amended Notes relating to the Noteholders’ option to require redemption during the period from 30 November 2009 to 13 January 2010 (inclusive) pursuant to the Fourth Amendment Deeds**

Under the terms of the Amended Notes, if on 30 November 2009, the holder of the note has not exercised its right to exchange the note into the shares of the Company, the holder of the note had the option, but not the obligation,

during the period from 30 November 2009 to 13 January 2010 (inclusive) to require Grand Promise to redeem all or any part of its outstanding note at the Early Redemption Amount.

Pursuant to the Fifth Amendment Deeds, the period (the “**Option Period**”) during which the Noteholders may exercise their options to require redemption of the outstanding principal amounts of the Amended Notes (the “**Holder Put Options**”) has been changed from “the period from 30 November 2009 to 13 January 2010 (inclusive)” to “the period from 14 January 2010 to 26 February 2010 (inclusive)”. The amendments to the Amended Notes contemplated under the Fifth Amendment Deeds came into effect on 13 January 2010.

Save and except as amended pursuant to the amendment described above and incidental amendments (for example, amending the definition of the term “Transaction Documents” to include the Fifth Amendment Deeds and clarifying the original intention of the drafting of the Original Notes that the Holder Put Options may be exercised by the Noteholders from time to time and on multiple occasions during the Option Period), the terms of the Amended Notes remain in full force and effect.

**(c) Approval of the Stock Exchange**

The Stock Exchange has granted its approval of the amendments to the Amended Notes contemplated under the Fifth Amendment Deeds as required under the GEM Listing Rules.

**3. THE RESTATEMENT AGREEMENT**

The Company announces that the Company, Grand Promise, Evolution and Liberty Harbor have entered into the Restatement Agreement after trading hours on the date of this announcement.

Pursuant to the Restatement Agreement, with effect from the date of the Restatement Agreement (i.e. 13 January 2010), the definition of the term “Undertaking Period” was amended to the effect that the Undertaking Period commenced on 18 June 2009 and ends on the first to occur of (i) 26 February 2010 and (ii) the date on which the Company, Grand Promise and the Noteholders have executed the Notes Restructuring Documents and the new material provisions as summarised below were added to the Amended Undertaking:

**(a) No Disposals**

During the period from 13 January 2010 to the last day of the Undertaking Period (such period, the “**No-Disposal Period**”), the Company shall not (and the Company shall ensure that no CVG Group Member (other than Aptus) shall) sell or transfer (or enter into any transaction with the substantial economic effect of a sale or transfer of) any asset (except stock in trade

disposed in the ordinary course of business), undertaking or business (whether by a voluntary or involuntary single transaction or series of transactions) (each, a “**Disposal**”) unless:

- (i) the Company has provided Evolution and Liberty Harbor with at least 5 business days prior written notice of such Disposal (other than an involuntary Disposal) and all of the consideration received by any CVG Group Member (together with (but excluding any involuntary Disposal) any amount discharged by way of set-off of debt owed to an entity other than a CVG Group Member provided that such amount discharged is at less than fair market value, taking into consideration the commercial circumstances of the Disposal, and for which purposes the shortfall between the amount so discharged and the fair market value (after taking into consideration the commercial circumstances of the Disposal) shall constitute the “Disposal Proceeds”) for such Disposal (subject to deduction for reasonable expenses and all taxes incurred thereunder, the “**Disposal Proceeds**”) is applied pro rata (unless otherwise agreed by each of Evolution and Liberty Harbor) towards repayment of the Current Liberty Note and the Current Evolution Note;
- (ii) the Disposal Proceeds of such Disposal (together with the Disposal Proceeds of any other Disposals made by any CVG Group Member (other than Aptus) during the No-Disposal Period) do not exceed HK\$10,000,000 in aggregate; or
- (iii) the Disposal is made to another CVG Group Member (other than Aptus).

**(b) One-off Fees**

In consideration for Evolution and Liberty Harbor agreeing to enter into the Fifth Amendment Deeds, the Company agrees to pay the non-refundable one-off fees of approximately US\$160,650 (equivalent to approximately HK\$1,245,000) and US\$64,290 (equivalent to approximately HK\$498,000) to Liberty Harbor and Evolution respectively within 10 business days of 13 January 2010.

**4. VARIATION LETTER**

The Company has entered into a variation letter dated 13 January 2010 with Evolution and Liberty Harbor (the “**Variation Letter**”) varying the terms of the extension letter dated 30 October 2009 (the “**Extension Letter**”) with effect from 13 January 2010. The material terms of the Extension Letter have been summarised in the announcement of the Company dated 30 October 2009.

Pursuant to the Variation Letter, the terms of the Extension Letter were varied with effect from 13 January 2010 to the effect that the obligation of the Company to pay a daily extension fee has been changed from the payment of a fixed daily fee of HK\$28,100 and HK\$11,200 for Liberty Harbor and Evolution respectively (so long as the Current Notes remain outstanding) to the payment of the following:

the lesser of:

- (a) US\$1,933.75 (equivalent to approximately HK\$15,000) per day (in the case of payment to Liberty Harbor) and US\$773.86 (equivalent to approximately HK\$6,000) per day (in the case of payment to Evolution); and
- (b) an amount in US\$ to be calculated in accordance with a specified formula relevant to the outstanding expressed principal under the Current Notes at the time of calculation.

The daily extension fees accrued but unpaid for the period up to (and including) 13 January 2010 have become due and the Company will pay such fees within 10 business days of 13 January 2010.

## **5. REASONS FOR ENTERING INTO THE FIFTH AMENDMENT DEEDS, THE RESTATEMENT AGREEMENT AND THE VARIATION LETTER**

The previous amendments to the Original Notes have allowed time for the Company and Grand Promise to seek financing for redemption. During this time, Grand Promise had redeemed the Original Notes partially and successfully reduced the aggregate outstanding principal amounts of the Original Notes together with interest accrued from approximately HK\$327,710,000 on 3 July 2009 to approximately HK\$145,767,000 as at the date of this announcement.

The entry into of the Fifth Amendment Deeds, the Restatement Agreement and the Variation Letter allows time for the Company, Grand Promise and the Noteholders to continue the negotiation on restructuring and/or repayment of all amounts outstanding under the Current Notes and to also allow the Company to seek potential refinancing of those amounts (including with third parties other than Evolution and Liberty Harbor). After taking into account these factors and considerations, the Directors (including the independent non-executive Directors) consider that the terms of the Fifth Amendment Deeds, the Restatement Agreement and the Variation Letter are fair and reasonable, on normal commercial terms and in the interest of the CVG Group and the shareholders of the Company as a whole.

## DEFINITIONS

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

“Amended Evolution Note”	the Original Evolution Note as amended by the First Evolution Amendment Deed, the Second Evolution Amendment Deed, the Third Evolution Amendment Deed and the Fourth Evolution Amendment Deed
“Amended Liberty Note”	the Original Liberty Note as amended by the First Liberty Amendment Deed, the Second Liberty Amendment Deed, the Third Liberty Amendment Deed and the Fourth Liberty Amendment Deed
“Amended Notes”	collectively the Amended Evolution Note and the Amended Liberty Note
“Amended Undertaking”	the Original Undertaking as amended by the Previous Undertaking Amendment Agreements
“Aptus”	Aptus Holdings Limited, an indirect non wholly-owned subsidiary of the Company and, for the purpose this announcement, includes its subsidiaries
“Current Evolution Note”	the Original Evolution Note as amended by the First Evolution Amendment Deed, the Second Evolution Amendment Deed, the Third Evolution Amendment Deed, the Fourth Evolution Amendment Deed and the Fifth Evolution Amendment Deed, the outstanding principal amount of which being US\$4,286,000 (equivalent to approximately HK\$33,217,000) as at the date of this announcement
“Current Liberty Note”	the Original Liberty Note as amended by the First Liberty Amendment Deed, the Second Liberty Amendment Deed, the Third Liberty Amendment Deed, the Fourth Liberty Amendment Deed and the Fifth Liberty Amendment Deed, the outstanding principal amount of which being US\$10,710,000 (equivalent to approximately HK\$83,003,000) as at the date of this announcement
“Current Notes”	collectively the Current Evolution Note and the Current Liberty Note
“Fifth Amendment Deeds”	collectively the Fifth Evolution Amendment Deed and the Fifth Liberty Amendment Deed

“Fifth Evolution Amendment Deed”	the fifth amendment deed dated 13 January 2010 between the Company, Grand Promise and Evolution amending the Original Evolution Note
“Fifth Liberty Amendment Deed”	the fifth amendment deed dated 13 January 2010 between the Company, Grand Promise and Liberty Harbor amending the Original Liberty Note
“Fifth Undertaking Amendment Agreement”	the fifth amendment and undertaking agreement dated 22 September 2009 between the Company, Grand Promise, Evolution and Liberty Harbor further amending the Original Undertaking
“First Amendment Deeds”	collectively the First Evolution Amendment Deed and the First Liberty Amendment Deed
“First Evolution Amendment Deed”	the amendment deed dated 17 June 2009 between the Company, Grand Promise and Evolution amending the Original Evolution Note
“First Liberty Amendment Deed”	the amendment deed dated 17 June 2009 between the Company, Grand Promise and Liberty Harbor amending the Original Liberty Note
“First Undertaking Amendment Agreement”	the amendment and undertaking agreement dated 15 July 2009 between the Company, Grand Promise, Evolution and Liberty Harbor amending the Original Undertaking
“Fourth Amendment Deeds”	collectively the Fourth Evolution Amendment Deed and the Fourth Liberty Amendment Deed
“Fourth Evolution Amendment Deed”	the fourth amendment deed dated 30 October 2009 between the Company, Grand Promise and Evolution amending the Original Evolution Note
“Fourth Liberty Amendment Deed”	the fourth amendment deed dated 30 October 2009 between the Company, Grand Promise and Liberty Harbor amending the Original Liberty Note
“Fourth Undertaking Amendment Agreement”	the fourth amendment and undertaking agreement dated 14 September 2009 between the Company, Grand Promise, Evolution and Liberty Harbor further amending the Original Undertaking

“Noteholders”	holders of the Original Notes (as amended from time to time) from time to time, being Evolution and Liberty Harbor as at the date of this announcement
“Original Evolution Note”	the senior convertible redeemable note dated 30 November 2007 in the original principal amount of US\$10,000,000 issued by Grand Promise to Evolution the maturity date of which is 30 November 2012
“Original Liberty Note”	the senior convertible redeemable note dated 30 November 2007 in the original principal amount of US\$25,000,000 issued by Grand Promise to Liberty Harbor the maturity date of which is 30 November 2012
“Original Notes”	collectively the Original Evolution Note and the Original Liberty Note
“Original Undertaking”	the undertaking agreement dated 17 June 2009 between the Company, Grand Promise, Evolution and Liberty Harbor
“Previous Undertaking Amendment Agreements”	collectively the First Undertaking Amendment Agreement, the Second Undertaking Amendment Agreement, the Third Undertaking Amendment Agreement, the Fourth Undertaking Amendment Agreement, the Fifth Undertaking Amendment Agreement, the Sixth Undertaking Amendment Agreement and the Seventh Undertaking Amendment Agreement
“Restatement Agreement”	the amendment and restatement agreement dated 13 January 2010 amending and restating the Amended Undertaking between the Company, Grand Promise, Evolution and Liberty Harbor
“Second Amendment Deeds”	collectively the Second Evolution Amendment Deed and the Second Liberty Amendment Deed
“Second Evolution Amendment Deed”	the second amendment deed dated 4 August 2009 between the Company, Grand Promise and Evolution further amending the Original Evolution Note
“Second Liberty Amendment Deed”	the second amendment deed dated 4 August 2009 between the Company, Grand Promise and Liberty Harbor further amending the Original Liberty Note

“Second Undertaking Amendment Agreement”	the second amendment and undertaking agreement dated 4 August 2009 between the Company, Grand Promise, Evolution and Liberty Harbor further amending the Original Undertaking
“Seventh Undertaking Amendment Agreement”	the seventh amendment and undertaking agreement dated 30 October 2009 between the Company, Grand Promise, Evolution and Liberty Harbor further amending the Original Undertaking
“Sixth Undertaking Amendment Agreement”	the sixth amendment and undertaking agreement dated 29 September 2009 between the Company, Grand Promise, Evolution and Liberty Harbor further amending the Original Undertaking
“Third Amendment Deeds”	collectively the Third Evolution Amendment Deed and the Third Liberty Amendment Deed
“Third Evolution Amendment Deed”	the third amendment deed dated 22 September 2009 between the Company, Grand Promise and Evolution amending the Original Evolution Note
“Third Liberty Amendment Deed”	the third amendment deed dated 22 September 2009 between the Company, Grand Promise and Liberty Harbor amending the Original Liberty Note
“Third Undertaking Amendment Agreement”	the amendment and undertaking agreement dated 28 August 2009 between the Company, Grand Promise, Evolution and Liberty Harbor further amending the Original Undertaking

*For the purposes of illustration, amounts in this announcement expressed in the United States dollars have been translated into Hong Kong dollars at the rate of US\$1.00 = HK\$7.75.*

By Order of the Board  
**China Vanguard Group Limited**  
 眾彩科技股份有限公司\*  
**CHAN Siu Sarah**  
*Director*

Hong Kong, 13 January 2010

*As at the date of this announcement, the board of directors of the Company comprises five executive directors, being Madam Cheung Kwai Lan, Mr. Chan Tung Mei, Mr. Chan Ting, Ms. Chan Siu Sarah and Mr. Lau Hin Kun; and three independent non-executive directors, being Mr. Tian He Nian, Mr. Zhang Xiu Fu and Mr. To Yan Ming Edmond.*

*This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for a minimum period of 7 days from the date of its posting and on the website of the Company at [www.cvg.com.hk](http://www.cvg.com.hk).*

*\* For identification purposes only*