

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



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
AND
DISCLOSEABLE TRANSACTION**

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

The Company announces that the Tarascon Deed and the Aptus Shares Charge were entered into on 26 July 2010 (after trading hours).

Pursuant to the Tarascon Deed:

- (a) the Company agrees to procure that Precise Result charges and mortgages the Aptus Shares to Tarascon as security for the obligations of the Company, Precise Result and/or Grand Promise under the Tarascon Deed;
- (b) the Company consents to Tarascon providing the Aptus Shares to the Lender as custodian as security for the Loan for the purpose of Tarascon acquiring the Amended Liberty Note;
- (c) (with effect from the Effective Date) the period during which the holder of the Amended Liberty Note may exercise its option to require redemption of the outstanding principal amounts of the Amended Liberty Note will change to “the period from 30 July 2010 to 30 November 2010 or, if 30 November 2010 is not a business day, the next following business day (inclusive);
- (d) (with effect from the Effective Date) Tarascon undertakes (i) not to exercise its put option to require redemption under the Tarascon Note prior to 30 November 2010; and (ii) exercise its put option as directed by Grand Promise; and
- (e) the Company agreed to pay the Daily Fees to Tarascon.

Please refer to the section headed “The Tarascon Deed” for a summary of the material terms of the Tarascon Deed.

The provision of the Aptus Shares as security for the Loan pursuant to the Tarascon Deed represents the granting of a financial assistance under Rule 19.04(1)(e) of the GEM Listing Rules. As the applicable ratios are more than 5% but less than 25%, that transaction is a discloseable transaction for the Company under the GEM Listing Rules. Please refer to the section headed “Discloseable Transaction” for more details.

As at the date of this announcement, no binding terms or non-binding agreements have been entered into in respect of the proposed transfer of the Amended Liberty Note from Liberty Harbor to Tarascon. The relevant negotiations are still in progress, and may or may not lead to agreements. There is also no guarantee that the Stock Exchange will grant its approval for the amendments to the Amended Liberty Note contemplated by the Tarascon Deed. Holders of the securities of the Company are therefore advised to exercise caution when dealing in the securities of the Company.

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 unless otherwise defined in this announcement.

1. BACKGROUND

Reference is made to various announcements of the Company issued during the period from 18 June 2009 to 16 July 2010 in relation to, amongst other things, the amendments to, and redemptions of, the Original Notes and the relevant arrangements between the Company, Grand Promise and the Noteholders.

2. THE TARASCON DEED

(a) Entering into of the Tarascon Deed

The Company announces that after trading hours on the date of this announcement, the Company, Grand Promise, Precise Result and Tarascon have entered into the Tarascon Deed.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Tarascon and its ultimate beneficial owner(s) are Independent Third Parties. The objective of Tarascon is capital appreciation over time, primarily through long and short investments in common stocks, futures and options contracts on the equity and derivative markets of Asia, including (but not limited to) Hong Kong, Singapore, Taiwan, Korea, Philippines, Thailand, Malaysia, Indonesia, India, Australia and Japan.

(b) Summary of the material terms

A summary of the material terms of the Tarascon Deed and relevant information is set out below:

(i) Aptus Shares Charge

(A) The Company agrees to procure that Precise Result:

(I) charges and mortgages the Aptus Shares to Tarascon as security for the obligations of the Company, Grand Promise and/or Precise Result under the Tarascon Deed;

(II) enters into the Aptus Shares Charge; and

(III) deposits 300,000,000 ordinary shares of HK\$0.01 each in the issued share capital of Aptus with the Lender.

(B) The Company consents to Tarascon providing the Aptus Shares to the Lender as custodian as security for the Loan

The provision of the Aptus Shares as security for the Loan pursuant to the Tarascon Deed represents the granting of a financial assistance under Rule 19.04(1)(e) of the GEM Listing Rules. As the applicable ratios are more than 5% but less than 25%, that transaction is a discloseable transaction for the Company under the GEM Listing Rules. Please refer to the section headed “Discloseable Transaction” below for more details.

(C) Tarascon is obliged to return (or procure that the Lender returns) the Aptus Shares to Precise Result and discharge the charge over the Aptus Shares Charge under the circumstances specified in the Tarascon Deed including without limitation (I) if Liberty Harbor and Tarascon have not entered into the Note Purchase Agreement; (II) if completion of the sale and purchase of the Amended Liberty Note has not occurred in accordance with the

Note Purchase Agreement; (III) the occurrence of the Repayment Date (as defined in paragraph (v)(B) below); or (IV) in respect of a pro-rata portion of the Aptus Shares, the occurrence of partial redemption of the Tarascon Note.

(D) If the Lender disposed of the Aptus Shares:

(I) the Aptus Shares Charge is automatically discharged and released;

(II) Tarascon will be obliged to pay an amount (“**Value Amount**”) to the Company calculated by reference to the market price and number of the Aptus Shares and, if the Value Amount is due from Tarascon to the Company, the Company may set-off the Value Amount against any amount payable by the Company or Grand Promise under the Tarascon Note or the Tarascon Deed.

(E) Tarascon acknowledges that, notwithstanding that the Aptus Shares are charged and mortgaged to it in accordance with the Aptus Shares Charge and notwithstanding that the Aptus Shares are provided to the Lender, Precise Result is and will remain the beneficial owner of the Aptus Shares unless Tarascon properly enforces the Aptus Shares Charge in accordance with its terms.

(F) Subject to the Aptus Shares Charge, any and all Aptus Shares and/or proceeds of the disposals by the Lender received by Tarascon from the Lender are held by Tarascon on trust for the Company.

(ii) Amendments to the Amended Liberty Note

Pursuant to the Tarascon Deed, the period during which the holder of the Amended Liberty Note may exercise its option to require redemption of the outstanding principal amounts of the Amended Liberty Note will change to “the period from 30 July 2010 to 30 November 2010 or, if 30 November 2010 is not a business day, the next following business day (inclusive)”.

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 Tarascon Deed) and other amendments to reflect that Tarascon is the holder of the note), the terms of the Amended Liberty Note will remain in full force and effect.

The amendments to the Amended Liberty Note described above will come into effect from the Effective Date.

(iii) Undertakings by Tarascon and the right of Grand Promise to direct Tarascon to exercise its put option

(A) Tarascon undertakes, amongst other things:

(I) that it will use the amount of the Loan only for the acquisition of the Amended Liberty Note;

(II) that it will do all things necessary to effect the transfer of the Amended Liberty Note from Liberty Harbor to it no later than 29 July 2010;

(III) that it will not borrow any amount in excess of the amount of the Loan from the Lender;

(IV) (with effect from the Effective Date) not to exercise its put option to require redemption under the Tarascon Note prior to 30 November 2010;

(V) (with effect from the Effective Date) to exercise its put option as directed by Grand Promise as summarised in paragraph (B) below; and

(B) (with effect from the Effective Date) Grand Promise has the right, but not the obligation, during the period from the Effective Date to 30 November 2010, require by written notice, Tarascon to exercise its put option.

Notwithstanding the undertakings described in paragraphs (A)(IV) and (V) above, Tarascon may exercise its put option unilaterally on 30 November 2010.

(iv) Transfer of the Tarascon Note

Tarascon must transfer the Tarascon Note to any person nominated by the Company. However, Tarascon has no obligation to transfer the Tarascon Note if the consideration that will be received by it for that transfer is less than the then outstanding principal amount under the Tarascon Note.

(v) Daily Fees

- (A) The Company agrees to pay to Tarascon recurring non-refundable fees (“**Daily Fees**”) calculated on a daily basis in respect of the period commencing on the day immediately following the Transfer Date and ending on the Repayment Date. The amount payable is to be calculated on a daily basis in accordance with a specified formula relevant to the outstanding amount under the Tarascon Note at the time of calculation.
- (B) For the purpose of the Tarascon Deed, “Repayment Date” means the first to occur of:
- (I) the date on which Tarascon receives payment in full of all principal outstanding under the Tarascon Note and accrued (but unpaid) interest in accordance with the terms of the Tarascon Note; and
- (II) the date on which Tarascon transfers the Tarascon Note to a third party or otherwise ceases to have any interest in the Tarascon Note.

The aggregate outstanding principal amounts of the Amended Liberty Note together with interest accrued are approximately US\$2,425,000 (equivalent to approximately HK\$18,794,000) as at the date of this announcement. On the assumption that the Transfer Date is 29 July 2010 and the Repayment Date is 30 November 2010 and there is no redemption (full or partial) before the Repayment Date, the Daily Fees payable to Tarascon for the period commencing on the day immediately following the Transfer Date to the Repayment Date will be approximately US\$150,350 (equivalent to approximately HK\$1,165,000).

(vi) Termination of the Tarascon Deed

If (A) completion of the transfer of the Amended Liberty Note is not achieved on or before 29 July 2010 or another date agreed by the Company and Tarascon or (B) deposit of the Aptus Shares contemplate by the Tarascon Deed does not occur on or before 29 July 2010 or another date agreed by the Company and Tarascon, the Company may, by written notice to Tarascon, terminate the Tarascon Deed.

3. THE APTUS SHARES CHARGE

The Company announces that after trading hours on the date of this announcement, Precise Result and Tarascon have entered into the Aptus Shares Charge. The entry into of the Aptus Shares Charge is an obligation assumed under the Tarascon Deed as summarised in the section headed “2. The Tarascon Deed (b) Summary of the material terms – (i) Aptus Shares Charge” above.

Pursuant to the Aptus Shares Charge, Precise Result charged and mortgaged the Aptus Shares to Tarascon as first priority security for the performance of obligations of the Company, Grand Promise and/or Precise Result under the Tarascon Deed.

4. DISCLOSEABLE TRANSACTION

The provision of the Aptus Shares as security for the Loan pursuant to the Tarascon Deed represents the granting of a financial assistance under Rule 19.04(1)(e) of the GEM Listing Rules. As the applicable ratios are more than 5% but less than 25%, that transaction is a discloseable transaction for the Company under the GEM Listing Rules. The security is provided in consideration of Tarascon acquiring the Amended Liberty Note and is based on the amount of the Loan.

The net loss attributable from continuing operations to the 300,000,000 Aptus Shares is (i) approximately HK\$9,123,000 (before taxation and extraordinary items) and approximately HK\$9,124,000 (after taxation and extraordinary items) for the financial year ended 30 June 2008 and (ii) approximately HK\$7,119,000 (before taxation and extraordinary items) and approximately HK\$7,119,000 (after taxation and extraordinary items) for the financial year ended 30 June 2009.

The book value of the 300,000,000 Aptus Shares is approximately HK\$6,120,000 as at 26 July 2010.

The CVG Group is principally engaged in (i) development and operation of technology platforms for intellectual property (“IP”) protection, collection of copyright (royalty/ license) fees on behalf of IP owners and the provision of value-added services in the entertainment sector in the PRC; (ii) lottery-related businesses in the PRC; (iii) distribution of natural supplementary products and food related and other operations; and (iv) trading business.

5. REASONS FOR ENTERING INTO THE TARASCON DEED AND THE APTUS SHARES CHARGE

The provision of the Aptus Shares as security for the Loan facilitates the proposed acquisition of the Amended Liberty Note by Tarascon. The proposed transfer of the Amended Liberty Note and proposed amendments to the Tarascon Note pursuant to the Tarascon Deed allow time for the Company, Grand Promise and Tarascon to negotiate the restructuring and/or repayment of all amounts outstanding under the Tarascon Note and will also allow the Company to seek potential refinancing of those amounts (including with third parties other than the holders of the Tarascon Note).

After taking into account these factors and considerations, the Directors (including the independent non-executive Directors) consider that the terms of the Tarascon Deed and the Aptus Shares Charge 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.

6. THE NOTE PURCHASE AGREEMENT

Grand Promise, Liberty Harbor and Tarascon have entered into negotiations in respect of the proposed transfer of the Amended Liberty Note from Liberty Harbor to Tarascon.

7. NO GUARANTEES THAT AGREEMENTS WILL BE ENTERED INTO AND/OR APPROVALS WILL BE GRANTED

As at the date of this announcement, no binding terms or non-binding agreements have been entered into in respect of the proposed transfer of the Amended Liberty Note from Liberty Harbor to Tarascon. The relevant negotiations are still in progress, and may or may not lead to agreements. There is also no guarantee that the Stock Exchange will grant its approvals of the amendments to the Amended Liberty Note contemplated by the Tarascon Deed. Holders of the securities of the Company are therefore advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Amended Liberty Note”	the Original Liberty Note as amended from time to time, most recently on 16 July 2010, the outstanding principal amount of which is US\$1,850,000 (equivalent to approximately HK\$14,337,000) as at the date of this announcement
------------------------	--

“Aptus”	Aptus Holdings Limited, a company incorporated in the Cayman Islands whose shares are listed on the Growth Enterprise Market of the Stock Exchange
“Aptus Shares”	that number of issued shares of HK\$0.01 each in the capital of Aptus owned by Precise Result that are charged and mortgaged to Tarascon, being 300,000,000 shares at the date of this announcement
“Aptus Shares Charge”	the share charge in respect of the Aptus Shares dated 26 July 2010 entered into between Precise Result and Tarascon for the purpose of securing the obligations of the Company, Grand Promise and/or Precise Result under the Tarascon Deed
“Effective Date”	the later to occur of (i) the Transfer Date and (ii) the date on which the Stock Exchange approves the amendments to the Amended Liberty Note contemplated by the Tarascon Deed
“Lender”	lender of the Loan, an Independent Third Party
“Loan”	a loan to be borrowed by Tarascon from the Lender which is proposed to be equivalent to the consideration payable for the purchase of the Amended Liberty Note pursuant to the Note Purchase Agreement
“Note Purchase Agreement”	the proposed Note Purchase Agreement to be entered into between Tarascon, Liberty Harbor and Grand Promise pursuant to which Tarascon will purchase the Amended Liberty Note from Liberty Harbor
“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
“Precise Result”	Precise Result Profits Limited (a company incorporated in the British Virgin Islands), a wholly-owned subsidiary of the Company
“Tarascon”	Tarascon Asia Absolute Fund (Cayman) Limited
“Tarascon Deed”	the deed of amendment and undertaking dated 26 July 2010 between the Company, Grand Promise, Precise Result and Tarascon in relation to, amongst other things, the amendments to the Tarascon Note
“Tarascon Note”	(if the transfer of the Amended Liberty Note is completed in accordance with the Note Purchase Agreement) the Amended Liberty Note as transferred to Tarascon and as amended by the Tarascon Deed
“Transfer Date”	the date on which the transfer of the Amended Liberty Note is completed in accordance with the Note Purchase Agreement

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, 26 July 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 the information contained in this announcement 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 in this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at 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.

** For identification purposes only*