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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 Evolution Agreement and the Termination Agreement were entered into on 29 July 2010 (after trading hours).

Pursuant to the Evolution Agreement:

- (a) (with effect from the Amendment Effective Date) the period during which the holder of the Amended Evolution Note may exercise its option to require redemption of the outstanding principal amounts of the Amended Evolution 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)”;
- (b) (with effect from the Amendment Effective Date) Evolution undertakes (i) not to exercise its put option to require redemption under the Current Evolution Note prior to 13 August 2010 or during the period commencing on 14 August 2010 and ending on 29 November 2010; and (ii) exercise its put option as directed by Grand Promise; and
- (c) the Company agreed to pay the New Step-Up Fees and the Delay Fees to Evolution.

The Evolution Agreement is effective on and from the Termination Effective Date. Please refer to the section headed “The Evolution Agreement” for a summary of the material terms of the Evolution Agreement.

Pursuant to the Termination Agreement, with effect from the Termination Effective Date, the Undertaking is terminated and ceases to have any effect.

The amendments to the Amended Evolution Note pursuant to the Evolution Agreement allow time for the Company, Grand Promise and Evolution to negotiate the restructuring and/or repayment of all amounts outstanding under the Current Evolution Note and to also allow the Company to seek potential refinancing of those amounts (including with third parties other than the holders of the Current Evolution Note) and are, therefore, in the interest of the CVG Group and the shareholders of the Company as a whole.

The amendments to the Amended Evolution Note contemplated by the Evolution Agreement depend on the Termination Effective Date having occurred and the approval of the Stock Exchange being granted. There is no guarantee that these conditions will be fulfilled. 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 announcements of the Company dated 18 June 2009 or 26 July 2010 (as the context may require) unless otherwise defined in this announcement.

1. BACKGROUND

Reference is made to the various announcements issued by the Company during the period from 18 June 2009 to 28 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 and other actions taken by the Company in relation to the repayment of the Original Notes.

2. THE EVOLUTION AGREEMENT

(a) Entering into of the Evolution Agreement

The Company announces that after trading hours on the date of this announcement, the Company, Grand Promise and Evolution have entered into the Evolution Agreement. The Evolution Agreement is effective on and from the Termination Effective Date.

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

(b) Summary of the material terms

A summary of the material terms of the Evolution Agreement and relevant information is set out below:

(i) Amendments to the Amended Evolution Note

Pursuant to the Evolution Agreement, the period during which the holder of the Amended Evolution Note may exercise its option to

require redemption of the outstanding principal amounts of the Amended Evolution 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 Evolution Agreement), the terms of the Amended Evolution Note will remain in full force and effect.

The amendments to the Amended Evolution Note contemplated by the Evolution Agreement will come into effect on the Amendment Effective Date.

(ii) *Restructuring*

In consideration for the agreement of Evolution to the amendments to the Amended Evolution Note contemplated by the Evolution Agreement, Grand Promise agrees that it shall, on or prior to 13 August 2010, enter into definitive legally binding and enforceable documentation (in form and substance reasonably satisfactory to each of Grand Promise and Evolution) required to implement the restructuring of all amounts outstanding under the Current Evolution Note.

(iii) *Undertakings not to exercise put option or transfer the note and the right of Grand Promise to direct Evolution to exercise its put option*

(A) Evolution undertakes:

- (I) not to exercise its put option to require redemption under the Amended Evolution Note prior to 30 July 2010;
- (II) not to transfer the Amended Evolution Note prior to 30 July 2010;
- (III) (with effect from the Amendment Effective Date) not to exercise its put option to require redemption under the Current Evolution Note prior to 13 August 2010 or during the period commencing on 14 August 2010 and ending on 29 November 2010;
- (IV) (with effect from the Amendment Effective Date) not to transfer the Current Evolution Note prior to 13 August 2010 or during the period commencing on 14 August 2010 and ending on 29 November 2010; and

- (V) to exercise its put option as directed by Grand Promise as summarised in paragraph (B) below.
- (B) Grand Promise has the right, but not the obligation, during the period from the Termination Effective Date to 30 November 2010, require by written notice, Evolution to exercise its put option.

Notwithstanding the undertakings given by Evolution as described in paragraph (iii)(A) above, Evolution may exercise its put option unilaterally on 13 August 2010 or 30 November 2010.

(iv) *New Step-Up Fees*

- (A) The Company agrees to pay to Evolution recurring non-refundable fees (“**New Step-Up 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 amounts payable is to be calculated on a daily basis in accordance with a specified formula relevant to the outstanding amount under the Current Evolution Note at the time of calculation.
- (B) For the purpose of the Evolution Agreement:

“Repayment Date” means the first to occur of:

- (I) the date on which Evolution receives payment in full of all principal outstanding under the Current Evolution Note and accrued (but unpaid) interest in accordance with the terms of the Current Evolution Note; and
- (II) the date on which Evolution transfers the Current Evolution Note to a third party or otherwise ceases to have any interest in the Current Evolution Note.

The aggregate outstanding principal amounts of the Amended Evolution Note together with interest accrued are approximately US\$4,084,000 (equivalent to approximately HK\$31,651,000) 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 New Step-Up Fees payable to Evolution for the period commencing on the day immediately following the Transfer Date to the Repayment Date will be approximately US\$70,000 (equivalent to approximately HK\$542,000).

(v) *No entitlement to the Evolution Dis-Incentive Fees*

Evolution acknowledges that it has no entitlement to the Evolution Dis-Incentive Fees.

(vi) *Delay Fees*

(A) The Company agrees to pay to Evolution non-refundable fees in an amount equivalent to 2.5% of the face value of the outstanding principal under the Current Evolution Note as at 21 July 2010, being US\$77,850 (equivalent to approximately HK\$603,000) (“**Delay Fees**”).

(B) Evolution has no entitlement to the Delay Fees under certain circumstances specified in the Evolution Agreement. These circumstances include (without limitation) (I) if as at 13 August 2010, there is no amount outstanding to Evolution under the Current Evolution Note; (II) if Evolution does not exercise the put option available to it under the Current Evolution Note by delivering to Grand Promise on 13 August 2010 a written notice in accordance with the applicable provision of the Current Evolution Note to require Grand Promise to redeem all outstanding principal under the Current Evolution Note; or (III) Evolution has not cooperated in good faith to promptly implement a proposal which is acceptable to it (acting reasonably) to redeem, transfer or restructure the Current Evolution Note prior to 13 August 2010.

3. TERMINATION AGREEMENT

(a) Background

In consideration of Evolution agreeing to enter into the Previous Evolution Amendment Deeds and Liberty Harbor agreeing to enter into the Previous Liberty Amendment Deeds, the Company has given the Undertaking.

(b) Entering into of the Termination Agreement

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

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

(c) Summary of material terms

Pursuant to the Termination Agreement:

- (i) with effect on and from the Termination Effective Date, the Undertaking is terminated and ceases to have any effect;
- (ii) subject to paragraph (iii) below, on and from the Termination Effective Date, each party to the Termination Agreement irrevocably, unconditionally and absolutely releases and forever discharges each other party from any claims that it has or may thereafter have against that other party arising in respect of the Undertaking; and
- (iii) if any payment made to Liberty Harbor or Evolution pursuant to the Undertaking is subject to claw-back, reduction or avoidance pursuant to any bankruptcy, insolvency or similar laws, the release under paragraph (ii) above shall not apply to the rights of Liberty Harbor or Evolution (as the case may be) against the Company and Grand Promise to receive that payment pursuant to the Undertaking.

“Termination Effective Date” means the date on which:

- (A) Liberty Harbor and Evolution have received the Current Step-Up Fees for the period from 21 July 2010 to the Transfer Date (inclusive); and
- (B) completion of the transfer of the Amended Liberty Note has occurred in accordance with the Note Purchase Agreement,

or such other date agreed by the parties to the Termination Agreement in writing.

4. REASONS FOR ENTERING INTO THE EVOLUTION AGREEMENT AND THE TERMINATION AGREEMENT

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. After the partial redemptions occurred prior to the date of this announcement, the aggregate outstanding principal amounts of the Original Notes together with interest accrued were reduced from approximately HK\$327,710,000 on 3 July 2009 to approximately HK\$50,455,000 as at the date of this announcement.

The amendments to the Amended Evolution Note pursuant to the Evolution Agreement allow time for the Company, Grand Promise and Evolution to negotiate the restructuring and/or repayment of all amounts outstanding under the Current Evolution Note and to also allow the Company to seek potential refinancing of those amounts (including with third parties other than the holders of the Current Evolution Note).

The Termination Agreement was entered into in contemplation of the completion of the transfer of the Amended Liberty Note for the purpose of dealing with the rights of Liberty Harbor and Evolution under the Undertaking.

After taking into account these factors and considerations, the Directors (including the independent non-executive Directors) consider that the terms of the Evolution Agreement and the Termination Agreement 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.

The amendments to the Amended Evolution Note contemplated by the Evolution Agreement depend on the Termination Effective Date having occurred and the approval of the Stock Exchange being granted. There is no guarantee that these conditions will be fulfilled. 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:

“Amendment Effective Date”	the date on which the Stock Exchange gives written notice that it has approved the amendment of the Amended Evolution Note contemplated by the Evolution Agreement
“Amended Evolution Note”	the Original Evolution Note as amended by the Previous Evolution Amendment Deeds, the outstanding principal amount of which is US\$3,114,000 (equivalent to approximately HK\$24,134,000) as at the date of this announcement
“Amended Liberty Note”	the Original Liberty Note as amended by the Previous Liberty Amendment Deeds, 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

“Current Evolution Note”	the Amended Evolution Note as amended by the Evolution Agreement
“Current Step-Up Fees”	has the meaning given to it in the announcement of the Company dated 16 July 2010
“Evolution Agreement”	the amendment and undertaking agreement dated 29 July 2010 between the Company, Grand Promise and Evolution in relation to, amongst other things, the amendments to the Amended Evolution Note
“Evolution Dis-Incentive Fees”	the fees which the Company agreed to pay to Evolution as described in the section headed “3. The Fifth Restatement Agreement – (a) Summary of the material terms – (v) Dis-Incentive Fees – (B) Evolution Dis-incentive Fees” in the announcement of the Company dated 16 July 2010
“Noteholders”	holders of the Original Notes (as amended from time to time) from time to time
“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
“Previous Evolution Amendment Deeds”	the nine amendment deeds amending the Original Evolution Note dated 17 June 2009, 4 August 2009, 22 September 2009, 30 October 2009, 13 January 2010, 25 February 2010, 31 March 2010, 30 April 2010 and 16 July 2010 respectively, each between Evolution, the Company and Grand Promise

“Previous Liberty Amendment Deeds”	the nine amendment deeds amending the Original Liberty Note dated 17 June 2009, 4 August 2009, 22 September 2009, 30 October 2009, 13 January 2010, 25 February 2010, 31 March 2010, 30 April 2010 and 16 July 2010 respectively, each between Liberty Harbor, the Company and Grand Promise
“Termination Agreement”	the termination agreement dated 29 July 2010 between the Company, Grand Promise, Liberty Harbor and Evolution pursuant to which, amongst other things, the Undertaking is terminated
“Transfer Date”	the date on which the transfer of the Amended Liberty Note from Liberty Harbor to Tarascon is registered in accordance with the Amended Liberty Note
“Undertaking”	the undertakings given by the Company in the undertaking dated 17 June 2009 between the Company, Grand Promise, Evolution and Liberty Harbor in consideration of Evolution agreeing to enter into the Previous Evolution Amendment Deeds and Liberty Harbor agreeing to enter the Previous Liberty Amendment Deeds (as amended and/or restated from time to time, most recently on 16 July 2010)

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, 29 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*