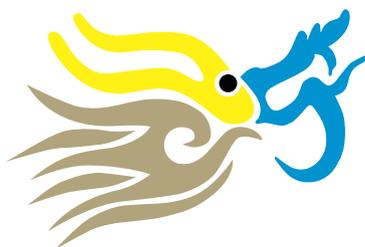


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眾彩科技股份有限公司*
CHINA VANGUARD GROUP LTD.

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8156)

MAJOR TRANSACTION FORMATION OF JOINT VENTURE

On 23 February, 2012 SG, a wholly-owned subsidiary of the Company, entered into the Shareholders' Agreement with Mr. Wong and Mr. Yuan, for the formation of the JVC. Upon its formation, the JVC will be owned as to 55% by SG, 20% by Mr. Wong and 25% by Mr. Yuan. The registered capital of the JVC is RMB 500,000,000 (equivalent to approximately HK\$615,800,000) to be satisfied wholly in cash. Accordingly, the investment amount to be contributed by SG will be RMB 275,000,000 (equivalent to approximately HK\$338,690,000) of which, 20% of the registered capital is to be paid within twenty (20) working days from the date on which the Shareholders' Agreement becomes unconditional and the remaining 80% shall be paid within twenty four (24) months from the date of the establishment of the JVC.

The JVC's business scope is new energy exploitation and development, production and advanced processing. Given the highly positive outlook for energy consumption and demand in China, the Group believes that the formation of the JVC for investment into the China energy sector will enable the Group to widen its operations and tap into opportunities to bring greater returns to our Shareholders.

LISTING RULES IMPLICATIONS

The formation of the JVC constitutes a major transaction of the Company under Chapter 19 of the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Transactions. As such, the Transactions may be approved by written Shareholders' approval in accordance with Rule 19.44 of the GEM Listing Rules. Best Frontier, which owns 1,676,457,322 Shares representing approximately 51.24% of the issued share capital of the Company as at the date hereof, has granted its written approval to the Company for the Transactions.

A circular containing, among other things, further details of the Transactions will be despatched to the Shareholders in accordance with the GEM Listing Rules. The Company expects that the circular will be despatched on or before 15 March 2012.

INTRODUCTION

On 23 February 2012 SG, a wholly-owned subsidiary of the Company, entered into the Shareholders' Agreement with Mr. Wong and Mr. Yuan, for the formation of the JVC. Upon its formation, the JVC will be owned as to 55% by SG, 20% by Mr. Wong and 25% by Mr. Yuan.

THE JOINT VENTURE AGREEMENT

Date : 23 February 2012

Parties : (1) SG;
: (2) Mr. Wong; and
: (3) Mr. Yuan.

The JVC will be owned as to 55% by SG, 20% by Mr. Wong and 25% by Mr. Yuan.

The Company confirms that, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries Mr. Wong and Mr. Yuan are third parties independent of the Company and its connected person(s).

Scope of business : New energy exploitation and development, production and advanced processing

Registered capital : RMB 500,000,000 (equivalent to approximately HK\$615,800,000)

The registered capital will be contributed into the JVC by two instalments:

- (i) 20% of the registered capital to be paid within twenty (20) working days from the date on which the Shareholders' Agreement becoming unconditional; and
- (ii) the remaining 80% shall be paid within twenty four (24) months from the date of the establishment of the JVC.

The total investment amount of the JVC is determined after taking into account factors including the capital requirement imposed by the Chinese Government for companies participating in this type of business.

The registered capital of the JVC to be contributed by SG (i.e. RMB 275,000,000) will be funded by the Group's internal resources and/or loans.

Upon formation, the JVC will be accounted for as a non wholly-owned subsidiary of the Company and therefore, will be consolidated into the Company's consolidated financial statements in accordance with the Company's interest in the JVC.

Conditions precedent : The Shareholders' Agreement is conditional upon the following conditions being fulfilled:

- (i) the Shareholders' Agreement being approved by the board of directors of SG and the Board; and
- (ii) the Transactions being approved by the shareholder of SG and the Shareholders.

Term : 50 years from the date of issue of the business license of the JVC, and to be extended subject to the parties' agreement.

Board composition : The board of the JVC will consist of five directors, three of which will be nominated by SG and each of Mr. Wong and Mr. Yuan will appoint one director. The chairman of the board of the JVC will be nominated by SG.

Transfer of equity interest : The Shareholders' Agreement contains standard restrictive provisions (such as pre-emptive rights) in relation to the transfer of the equity interests by the parties.

REASONS FOR AND BENEFITS OF THE FORMATION OF THE JVC

China's demand for energy is expected to grow significantly in the future, especially in new energy such as renewable and cleaner and more efficient and unconventional resources. The Chinese Government is continuing to initiate policy changes to encourage exploitation and development of new energy resources and opening the door wider for foreign participation in some areas.

The Group is experienced and has a profitable track record in the energy industry. Previously via our then subsidiary Aptus Holding Limited (now known as Hong Kong Life Group Holdings Limited) (“Aptus”), the Group realised an 84% return on its energy-related investments between 2005 to 2009.

The JVC’s business scope is new energy exploitation and development, production and advanced processing. Given the highly positive outlook for energy consumption and demand in China, the Group believes that the formation of the JVC for investment into the China energy sector will enable the Group to widen its operations and tap into opportunities to bring greater returns to our Shareholders.

The Directors (including the independent non-executive Directors) are of a view that the terms of the Shareholders’ Agreement are fair and reasonable and in the interest of the Group and the Shareholders as a whole.

INFORMATION ON THE GROUP

The Group is principally engaged in the provision of lottery-related software, equipment and services to the Welfare Lottery Issuing Centres in China and also the provision of equipment and value added services, such as royalty collection and lottery related services (amongst others), to the entertainment industry in China.

INFORMATION ON THE JV PARTNERS

Mr. Wang Yongchun has over 20 years working experience in the industry of oil and gas exploration and development of China. Previously, he was the deputy general manager of CNPC Huayou Group, the secretary of Party committee of CNPC Kunlun Gas Limited and was appointed other important positions in other state-owned oil and gas exploration companies.

Mr. Yuan Yong has over 15 years of experience in managing companies in China and was the manager of various companies; his presence is well established in Guizhou.

LISTING RULES IMPLICATIONS

The formation of JVC constitutes a major transaction of the Company under Chapter 19 of the GEM Listing Rules.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Transactions. As such, the Transactions may be approved by written Shareholders’ approval in accordance with Rule 19.44 of the GEM Listing Rules. Best Frontier, which owns 1,676,457,322 Shares representing approximately 51.24% of the issued share capital of the Company as at the date hereof, has granted its written approval to the Company for the Transactions.

A circular containing, among other things, further details of the Transactions will be despatched to the Shareholders in accordance with the GEM Listing Rules. The Company expects that the circular will be despatched on or before 15 March 2012.

DEFINITIONS

“Best Frontier”	Best Frontier Investments Limited, a company incorporated in the British Virgin Islands, and a substantial shareholder of the Company
“China”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of China and Taiwan
“Company”	China Vanguard Group Limited (眾彩科技股份有限公司*) company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the GEM
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of China
“Independent Third Parties”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, are third parties independent of the Company and connected persons of Company
“JV Partners”	together, Mr. Wong and Mr. Yuan
“JVC”	a joint venture company to be established in China, to be owned as to 55% by SG, 20% by Mr. Wong and 25% by Mr. Yuan
“Mr. Wong”	Mr. Wong Yongchun, a third party independent of the Company and its connected person(s)

“Mr. Yuan”	Mr. Yuan Yong, a third party independent of the Company and its connected person(s)
“SG”	Shenzhen Sheng-Gang Technology Co., Ltd., 深圳生港 科技有限公司, a limited liability company established in China and wholly-owned by the Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	shareholders of the Company from time to time
“Shareholders’ Agreement”	the conditional shareholders’ agreement dated 23 February 2012 entered into between SG, Mr. Wong and Mr. Yuan in relation to the formation of the JVC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the entering into of the Shareholders’ Agreement and the transactions contemplated thereunder
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of China
“%”	per cent.

For the purposes of illustration, amounts in this announcement expressed in the RMB have been translated into HK\$ at the rate of RMB1.00 = HK\$1.2316

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, 23 February 2012

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 Ting, Ms. Chan Siu Sarah Mr. Chan Tung Mei, and Mr. Lau Hin Kun; and four independent non-executive directors, being Mr. Zhang Xiu Fu, Mr. Tian He Nian, Mr. Yang Qing Cai 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 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*