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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)

LOAN CAPITALIZATION ISSUE OF SHARES UNDER GENERAL MANDATE

THE LOAN CAPITALIZATION AND ISSUE OF SHARES UNDER GENERAL MANDATE

On 11 December 2012 after trading hours of the Stock Exchange, the Company and the Investor entered into the Subscription Agreement whereby the Investor agreed to subscribe and the Company agreed to issue and allot the Subscription Shares at the Subscription Price of HK\$0.071 per Subscription Share to be settled by capitalizing a loan due to the Investor. The Directors consider the Loan Capitalization and the Subscription can broaden the Company's capital base, repay the borrowings, reduce interests cost and enhance the financial position of the Group.

GEM LISTING RULES IMPLICATION

As at the date of this announcement, the Investor, the ultimate beneficial owner and their associates are Independent Third Parties. The Subscription Shares will be issued and allotted pursuant to general mandate granted by shareholders in annual general meeting held on 6 November 2012. The Company will apply to the Listing Committee for the listing of, and permission to deal in the Subscription Shares.

After Completion, the Investor will become a substantial shareholder of the Company and will be a Connected Person. Pursuant to the Subscription Agreement, the Company will repay the remaining balance of the indebtedness within five (5) Business Days from Completion.

THE SUBSCRIPTION AGREEMENT

Date

11 December 2012

Parties

- (1) The Company as the issuer
- (2) The Investor as the Subscriber

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Investor, the ultimate beneficial owner and their associates are Independent Third Parties.

Number of Subscription Shares subscribed for

The Investor will subscribe for 500,000,000 Shares. Such Subscription Shares represent approximately 15.28% of the existing total issued share capital of the Company. Immediately after Completion, the Investor will hold 500,000,000 Subscription Shares representing approximately 13.26% of the enlarged total issued share capital of the Company.

Subscription Price

The Investor will, at the Subscription Price of HK\$0.071 per Subscription Share, subscribe for 500,000,000 Subscription Shares in the Company. The aggregate consideration for the Subscription is HK\$35,500,000, which will be settled by capitalizing the Indebtedness due from the Company to the Investor upon Completion.

The Subscription Price of HK\$0.071 per Subscription Share was agreed after arm's length negotiations between the parties representing:

- (i) a discount of approximately 8.97% to the Closing Price of HK\$0.078 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a discount of approximately 8.97% to the average of the Closing Price per Share of approximately HK\$0.078 as quoted on the Stock Exchange for the last five consecutive Trading Days up to and including the Last Trading Day; and
- (iii) a discount of approximately 1.39% to the average of the Closing Price per Share of approximately HK\$0.072 as quoted on the Stock Exchange for the last fifteen consecutive Trading Days up to and including the Last Trading Day.

The Subscription Price was determined and negotiated on an arm's length basis between the Company and the Investor with reference to the prevailing market price of the Shares.

The Directors consider that the Subscription Price to be fair and reasonable and is in the best interest of the Company and Shareholders as a whole.

Lock-up

The Investor agrees with and undertakes to the Company that the Investor shall not sell or transfer more than 50% of Subscription Shares for such period of not less than six (6) months as required by applicable laws, legislation or regulatory rules or as required or requested by the relevant governmental or regulatory authorities with jurisdiction over the Subscription.

General Mandate to issue the Subscription Shares

The Subscription Shares will be allotted and issued under the General Mandate granted to the Directors by shareholders at the annual general meeting of the Company held on 6 November 2012 to issue up to 654,378,767 new Shares. The Company has not issued any Shares pursuant to the General Mandate so far, thus the General Mandate still comprises 654,378,767 new Shares as at the date of this announcement. The 500,000,000 Subscription Shares to be allotted and issued will utilize approximately 76.41% of the General Mandate.

Ranking of Subscription Shares

The Subscription Shares shall rank *pari passu* in all respects among themselves and with the existing issued Shares on the date of allotment and issue of the Subscription Shares.

Conditions of the Loan Capitalization and Subscription

The Loan Capitalization and Subscription is conditional upon:

- (a) all necessary consents and approvals required to be obtained on the part of the Company and the Subscriber in respect of the Subscription Agreement and the transactions contemplated thereunder having been obtained; and
- (b) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Subscription Shares.

If any of the above condition is not fulfilled by 31 January 2013 (or such other date as may be agreed by the parties thereto), the Subscription Agreement will be terminated forthwith and cease to have any effect.

Completion

The Subscription shall complete within five (5) Business Days after the satisfaction of the conditions set out above (or such later date as may be agreed by the parties thereto).

Pursuant to the Subscription Agreement, the Company will settle the Remaining Balance due to the Investor within five (5) Business Days after Completion.

Termination

The Subscriber may, by notice to the Company given at any time prior to Completion, terminate the Subscription Agreement in any of the following circumstances:

- (a) in the reasonable opinion of the Investor, the success of the Subscription contemplated hereunder would be materially and adversely affected by:
 - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Investor materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Subscription contemplated hereunder; or
 - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Investor materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and makes it inexpedient or inadvisable to proceed with the Subscription contemplated hereunder; or
 - (iii) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Investor is likely to materially or adversely affect the success of the subscription contemplated hereunder or otherwise makes it inexpedient or inadvisable to proceed with the Subscription contemplated hereunder; or
 - (iv) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or

- (v) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than fifteen (15) consecutive Business Days, excluding any suspension in connection with the clearance of the announcement, the circular (if any) or other documents in connection with the subscription contemplated hereunder; or
- (vi) any material breach of any of the representations, warranties or undertakings contained in the Subscription Agreement above comes to the knowledge of the Investor.

If at any time prior to Completion to the Company any such notice as is referred above is given by the Investor, the Subscription Agreement shall cease and determine and no party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with this Agreement save in respect of any antecedent breach of any obligation hereof.

APPLICATION FOR LISTING

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS PRIOR TO THE DATE OF THIS ANNOUNCEMENT

Save as disclosed above, the Company has not conducted any other fund raising activities in the past twelve months before the date of this announcement.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND USE OF THE PROCEEDS

The Company is an investment holding company. The Group is engaged in: (i) supply of software, equipment and services to the lottery industry and the establishment of traditional and non-traditional lottery outlets in the PRC; (ii) land and property development in the PRC; and (iii) supply of equipment and services to the entertainment industry in the PRC.

As at the date of this announcement, the Company has the Indebtedness due to the Investor at prevailing normal commercial market terms where no security over the assets of the Company has been provided. The Directors consider the Loan Capitalization and the Subscription will broaden its capital base, repay the borrowings, reduce interests cost and enhance the financial position of the Group. The Directors believe the Loan Capitalization and the Subscription is justifiable when considering the current economic markets.

EFFECT OF THE SUBSCRIPTION AND CAPITALIZATION ON SHAREHOLDING

The shareholding structure of the Company as at the date of this announcement and immediately after the Completion is as follows:

	As at the date of this announcement		Immediately after the completion of the Subscription	
	Number of shares	Approximately %	Number of shares	Approximately %
Best Frontier (<i>Note 1</i>)	1,676,457,322	51.24%	1,676,457,322	44.45%
Madam Cheung and her associate (<i>Notes 1 & 2</i>)	1,678,527,322	51.30%	1,678,527,322	44.50%
Investor	0	0%	500,000,000	13.26%
Public Shareholders	1,593,366,517	48.70%	1,593,366,517	42.24%
Total	3,271,893,839	100%	3,771,893,839	100%

Notes:

- (1) These 1,676,457,322 shares are held by Best Frontier which is owned as to approximately 99.89% and 0.11% by Madam Cheung and Mr. Chan respectively. Each of Madam Cheung and Mr. Chan who is spouse to each other. Accordingly, Madam Cheung is deemed to be interested in the shares held by Best Frontier and Mr. Chan is deemed to be interested in all the 1,676,457,322 shares by virtue of being the spouse of Madam Cheung under the SFO.
- (2) The 2,070,000 shares are owned by Madam Cheung who is the spouse of Mr. Chan. Accordingly, Mr. Chan is deemed to be interested in the shares under the SFO.

Completion of the Subscription is subject to the satisfaction of the conditions precedent under the Subscription Agreement. As the Subscription may or may not proceed, shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meaning ascribed to them below:

“associate(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Best Frontier”	Best Frontier Investments Limited, a company incorporated in the British Virgin Islands with limited liability
“Board”	board of the Directors
“Business Day(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Closing Price”	in respect of a Share, the closing price published in the Stock Exchange’s daily quotation sheet
“Company”	China Vanguard Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on GEM
“Completion”	completion of the Subscription Agreement
“Conditions”	the terms and conditions endorsed in the Subscription Agreement in definitive form as they may from time to time be modified in accordance with their provision as contained therein
“Connected Person”	has the meaning ascribed thereto in 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
“General Mandate”	the general mandate granted to the Directors at the annual general meeting of the Company held on 6 November 2012, pursuant to which a maximum of 654,378,767 new Shares might be allotted and issued
“Group”	the Company and its subsidiaries

“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons of the Company in accordance with the GEM Listing Rules
“Indebtedness”	the indebtedness of approximately HK\$35,532,000 due from the Company to the Investor as at the date of this announcement
“Investor”	Capital Day Investments Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by Mr. Ng Kim Ming, an Independent Third Party
“Last Trading Day”	10 December 2012, being the last trading day prior to the date of the Subscription Agreement
“Listing Committee”	the listing committee of the Stock Exchange for considering applications for listing and the granting of listing
“Loan Capitalization”	the capitalization of the Loan in the amount of HK\$35,500,000 to satisfy the consideration of the Subscription in full
“Madam Cheung”	Madam Cheung Kwai Lan, an Executive Director of the Company and the chairman of the Board
“Mr. Chan”	Mr. Chan Tung Mei, a Non-executive Director of the Company
“PRC”	the People’s Republic of China which for the purposes of the announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Remaining Balance”	the remaining balance of the Indebtedness after Loan Capitalization in the amount of approximately HK\$32,000
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) as amended from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscription”	the subscription of the Subscription Shares in the Company at the Subscription Price by the Investor
“Subscription Agreement”	the agreement entered into between the Company and the Investor on 11 December 2012 in relation to the Subscription
“Subscription Price”	the subscription price of HK\$0.071 (subject to adjustment) per Subscription Share under the Subscription Agreement
“Subscription Shares”	the number of 500,000,000 Shares to be issued by the Company under General Mandate
“Trading Day(s)”	has the meaning ascribed to this terms under GEM Listing Rules
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

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, 11 December 2012

As at the date of this announcement, the board of directors of the Company comprises four executive directors, being Madam Cheung Kwai Lan, Mr. Chan Ting, Mr. Wang Yong Chun, Ms. Chan Siu Sarah, one non-executive director being Mr. Chan Tung Mei and three independent non-executive directors, being Mr. Zhang Xiu Fu, 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