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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

**CONNECTED TRANSACTIONS
IN RELATION TO ACQUISITION OF FURTHER EQUITY INTEREST
IN A SUBSIDIARY THROUGH RESTRUCTURING AGREEMENT**

The Board is pleased to announce that on 12 January 2016 (after trading hours), the Company has entered into the Restructuring Agreement with the Sellers and Anhui Ao Cai through its wholly-owned subsidiary, as the Purchaser, pursuant to which the Purchaser has conditionally agreed to acquire, and the Sellers have conditionally agreed to sell, the Target Interests (representing 8.54% of the equity interest in Anhui Ao Cai upon the Completion). The Consideration shall amount to approximately RMB15,297,200.

Upon the Completion, the Company, through the Purchaser, will indirectly hold 59.54% of the equity interest in Anhui Ao Cai from the previous 51%.

As at the date of this announcement, the Sellers are substantial shareholders and directors of Anhui Ao Cai. Since Anhui Ao Cai is a non-wholly-owned subsidiary of the Company prior to the Completion, the Sellers are connected persons to the Company and to the transactions contemplated under the Restructuring Agreement, which constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules.

As the applicable percentage ratios for the Acquisition are over 0.1% but less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and shareholders' approval requirement pursuant to Rule 20.74(2)(a) of the GEM Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 12 January 2016 (after trading hours), the Company entered into the Restructuring Agreement with the Sellers through its wholly-owned subsidiary, collectively as the Purchaser, pursuant to which the Purchaser has agreed to purchase, and the Sellers have agreed to sell, the Target Interests (representing 8.54% of the equity interest in Anhui Ao Cai). Upon Completion, the Company, through the Purchaser, will indirectly hold 59.54% of the equity interest in Anhui Ao Cai from the previous 51%.

RESTRUCTURING AGREEMENT

Date: 12 January 2016

Parties:

Purchaser: United Power Asia Investment Limited, directly holds 51% of the equity interest in Anhui Ao Cai;

Sellers: Mr. LYU Dong, beneficial owner of 17.15% of the equity interest in Anhui Ao Cai;

Mr. TONG Jun, beneficial owner of 17.15% of the equity interest in Anhui Ao Cai;

Mr. HOU Zong Jian, beneficial owner of 7.35% of the equity interest in Anhui Ao Cai; and

Mr. JIANG Gao, beneficial owner of 7.35% of the equity interest in Anhui Ao Cai.

As at the date of this announcement, Mr. LYU Dong, Mr. TONG Jun, Mr. HOU Zong Jian and Mr. JIANG Gao are all shareholders and directors of the Anhui Ao Cai. Therefore, all of them are connected persons of the Company (as defined under the GEM Listing Rules).

Subject Matter of the Restructuring Agreement

The Restructuring Agreement is a legally binding agreement which governs the structure and the obligations of the parties in relation to the Acquisition. The Consideration was determined and negotiated on an arm's length basis between all parties with reference to the business prospects of Anhui Ao Cai.

Upon fulfillment of all the below, the Purchaser shall acquire an additional 8.54% of the equity interest in Anhui Ao Cai. Upon the Completion, the Company, through the Purchaser, will indirectly hold 59.54% of the equity interest in Anhui Ao Cai from the previous 51%.

The principal terms of the Restructuring Agreement are as follows:—

1. 6.25% Equity Interest to be Acquired by Cash

Pursuant to the Restructuring Agreement, the Purchaser has conditionally agreed to acquire and Sellers have conditionally agreed to sell 6.25% of the equity interest in Anhui Ao Cai at a cash consideration of RMB8,500,000 upon the agreed conditions have been fulfilled as stipulated:—

- a) the Sellers shall dispose of and surrender pre-emptive right to 6.25% of their equity interest in Anhui Ao Cai (prior to the Restructuring Agreement) to the Purchaser (or other entities nominated by the Purchaser) and complete the registration with the Anhui Administration for Industry and Commerce;
- b) Within one month upon the signing of the Restructuring Agreement, the Sellers shall ensure that Anhui Ao Cai will enter into a cooperation agreement with Ningxia Hui Autonomous Region Sports Lottery Administration Centre;
- c) Within three months upon the signing of the Restructuring Agreement, the Sellers shall ensure that Anhui Ao Cai shall renew the self-service sales cooperation agreement with Anhui Sports Lottery Administration Centre. In the event of failure to achieve such renewal the Sellers shall, within one month at the end of the three month period, ensure that Anhui Ao Cai will enter into a self-service sales cooperation agreement with a provincial level Sports Lottery Administration Centre ranked amongst the top eighteen in terms of sales in 2015 according to data provided by the PRC government.

As at the date of this announcement, the Purchaser holds 51% of the equity interest in Anhui Ao Cai. Upon fulfillment of the above terms and conditions in the Restructuring Agreement, the Purchaser shall settle RMB8,500,000 pertaining to the equity interest in Anhui Ao Cai to the Sellers (or the Sellers' nominee(s)) by cash. Immediately after completion of transaction, the Purchaser will increase its equity holding in Anhui Ao Cai by 6.25% to 57.25%.

2. *Transfer of 51% Equity Interest in Shandong Guangcai*

Pursuant to the Restructuring Agreement, the Group shall conditionally transfer the SG Interest to Anhui Ao Cai for approximately RMB1,512,200. At the same consideration by way of capital injection, the Purchaser has agreed to further acquire 1.18% (effectively 0.49% net of dilution effect) of the equity interest in Anhui Ao Cai upon the Completion.

3. *Transfer of Operating Rights for Sichuan Jia Ming*

Pursuant to the Restructuring Agreement, the Company shall conditionally transfer the rights to operate certain sports lottery related business in Sichuan to Anhui Ao Cai for approximately RMB5,285,000. At the same consideration by way of capital injection, the Purchaser has agreed to further acquire 4.12% (effectively 1.8% net of dilution effect) of the equity interest in Anhui Ao Cai upon the Completion.

Conditions Precedent

Completion is conditional upon the satisfaction of all conditions precedent as stipulated in the Restructuring Agreement.

Completion

Completion shall take place within six month upon the execution of the Restructuring Agreement.

In the event that the acquisition of 6.25% of the equity interest in Anhui Ao Cai will not proceed, the adjustment mechanism in the Restructuring Agreement shall be triggered rendering the Purchaser's equity interest in Anhui Ao Cai to reach 59.60% upon the completion of transfer of SG Interest and transfer of operating rights of Sichuan Jia Ming.

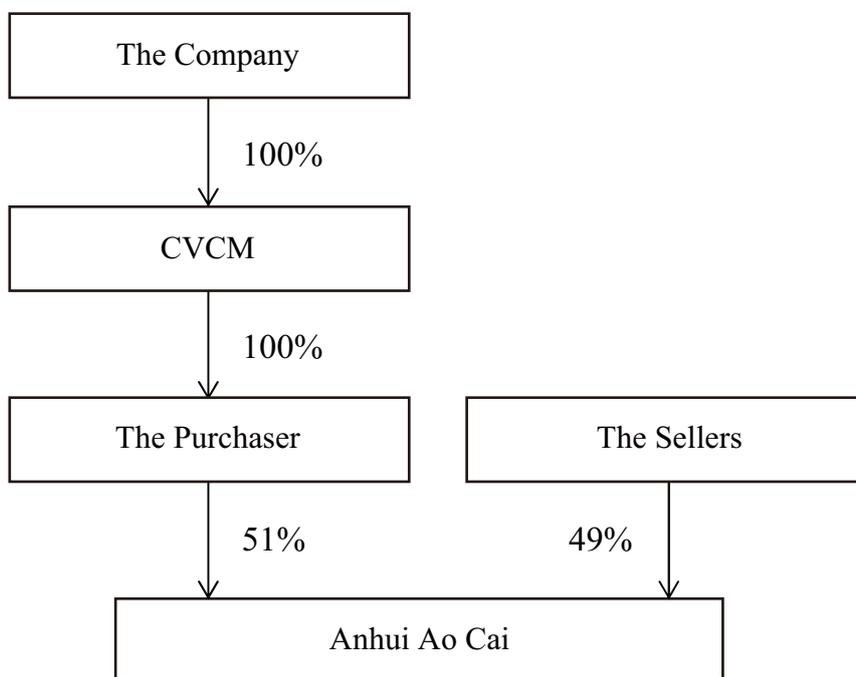
Termination

Both parties may terminate the Restructuring Agreement upon the occurrence of a force majeure event (rendering performance of the Restructuring Agreement impossible) or due to a substantial subsequent change in events at any time upon mutual agreement by both parties.

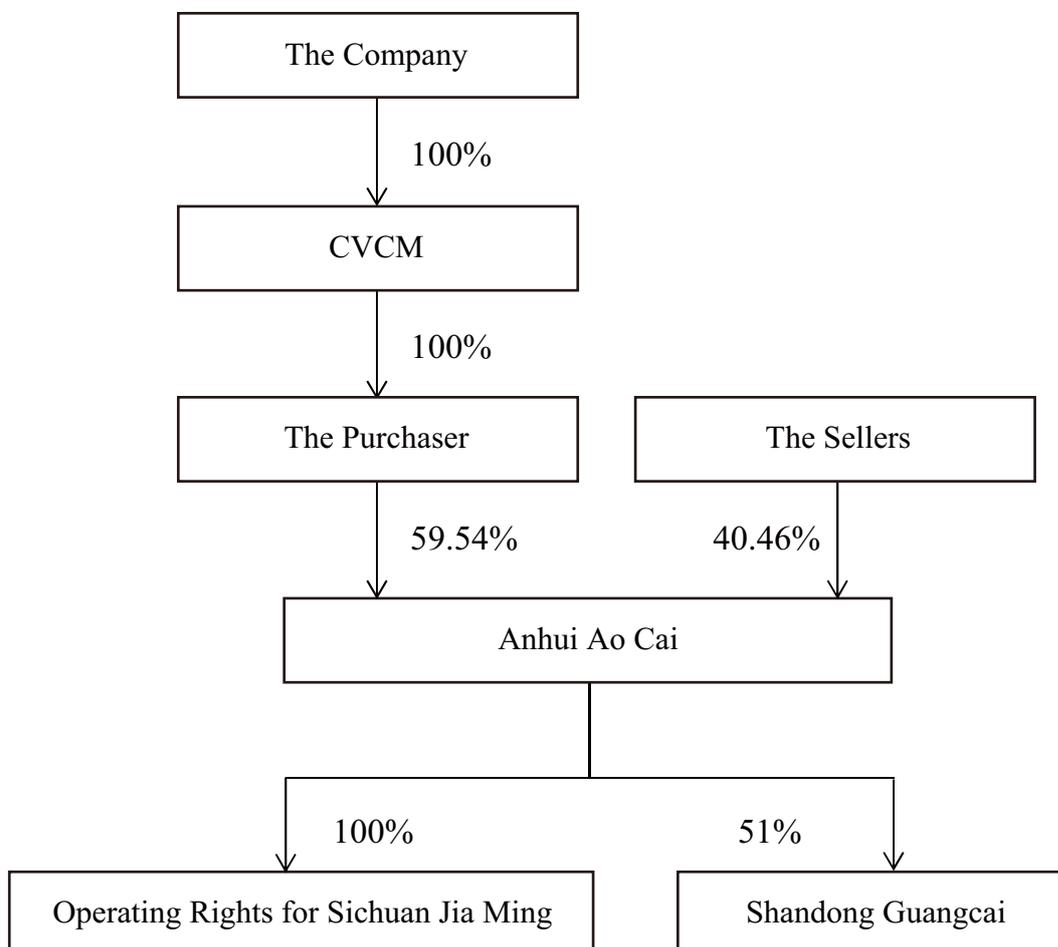
CORPORATE STRUCTURE BEFORE AND AFTER THE ACQUISITION

The shareholding structures of Anhui Ao Cai as at the date of this announcement and after the Completion are set out below:

Before:



After:



REASONS FOR AND BENEFITS OF THE ACQUISITION

The Board and the Management, in view of impending growth in the industry, considers the outlook for the Company's Sports Lottery related operations to be positive, henceforth has endeavored to realign the Company's resources to further focus its strategies on the development of its sports lottery-related operations. The Board is of the view that the restructuring will allow the Company to enhance the effective utilization of its resources and achieve greater efficiency in day to day operations.

The Board considers that the Restructuring Agreement was entered into during the ordinary course of business of the Group and on normal commercial terms upon arm's length negotiations. The Board is of the view that the terms of the Restructuring Agreement are fair and reasonable and in the interests of the Company and Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the Sellers collectively holds 49% of the equity interest in Anhui Ao Cai, Mr. LYU Dong, Mr. TONG Jun, Mr. HOU Zong Jian and Mr. JIANG Gao are all substantial shareholders and directors of the Anhui Ao Cai, as such, all of them are connected persons of the Company. The Acquisition therefore constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

As the applicable percentage ratios for the Acquisition are over 0.1% but less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and Shareholders' approval requirement pursuant to Rule 20.74(2)(a) of the GEM Listing Rules.

None of the Directors needs to abstain from voting on the Board resolutions for considering and approving the Restructuring Agreement and the transaction contemplated thereunder.

Each of the transaction within the Restructuring Agreement are to be entered into simultaneously but are deemed to be separate and not conditional towards one another. As the transactions and Acquisition are subject to a number of conditions precedents, it may or may not be completed. As the Acquisition 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 terms have the following meanings:

“Acquisition”	the proposed acquisition of the Target Interests pursuant to the Restructuring Agreement
“Anhui Ao Cai”	安徽奥彩信息科技有限公司, a limited company incorporated in the PRC, being primarily engaged in computer hardware and software technology development, technical consulting, marketing planning services; network and electronic equipment, and supplies wholesaling
“Board”	the board of Directors
“CVCM”	China Vanguard Corporate Management Limited, a company incorporated in Hong Kong, and a direct wholly-owned subsidiary of the Company
“Company”	China Vanguard Group Limited, a company incorporated in the Cayman Islands with limited liability; the shares of which are listed on the GEM of the Stock Exchange (stock code: 8156)
“Completion”	satisfaction of all terms and conditions as stipulated in the Restructuring Agreement
“connected person(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Consideration”	the total aggregate consideration of approximately RMB15,297,200 pursuant to the Restructuring Agreement
“Director(s)”	the 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 the GEM

“Group”	the Company and its subsidiary
“Hong Kong”	The Hong Kong Special Administration Region of the PRC
“HK\$”	Hong Kong Dollars as being the lawful currency of Hong Kong
“RMB”	Renmenbi, the lawful currency of the PRC
“Purchaser”	United Power Asia Investment Limited, an indirect wholly-owned subsidiary of the Company incorporated in Hong Kong as defined herewith
“PRC”	the People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Restructuring Agreement”	being the restructuring agreement dated 12 January 2016 by and among the Purchaser and the Sellers
“SG Interest”	51% of the equity interest in Shandong Guangcai held by a wholly-owned subsidiary of the Company
“Sellers”	Mr. LYU Dong, Mr. TONG Jun, Mr. HOU Zong Jian and Mr. JIANG Gao, collectively, as defined herewith
“Shandong Guangcai”	山東光彩信息科技有限公司, a limited company incorporated in the PRC, being primarily engaged in computer hardware and software technology development, technical consulting, technical services, sales and leasing; information systems integration services; network equipment, non-exclusive control communications equipment, technology promotion electronic equipment and accessories, technical service, sales and leasing; electronics repair; economic and trade consulting; market research; creative planning services; domestic trading
“Shareholder(s)”	the holder(s) of Share(s)

“Sichuan Jia Ming”	四川嘉明文化傳播有限責任公司, a limited company incorporated in the PRC, being primarily engaged in the provision of innovative lottery technology and lottery distribution services in the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Interests”	representing 8.54% of the equity interest in Anhui Ao Cai upon the Completion
“%”	per cent.

By order of the Board
CHINA VANGUARD GROUP LIMITED
眾彩科技股份有限公司*
CHAN Ting
Executive Director and Chief Executive Officer

Hong Kong, 12 January 2016

As at the date of this announcement, the Board of the Company comprises Madam CHEUNG Kwai Lan, Mr. CHAN Ting as Executive Directors, Mr. CHAN Tung Mei as Non-executive Director and Mr. ZHANG Xiu Fu, Mr. YANG Qing Cai and Mr. TO Yan Ming Edmond as Independent Non-executive Directors.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, 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*