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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

VOLUNTARY ANNOUNCEMENT

MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE PROPOSED ESTABLISHMENT OF JOINT VENTURE COMPANY

This announcement is made by China Vanguard Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) on a voluntary basis to keep the shareholders and potential investors informed of the latest business development of the Group.

The board of directors (the “**Board**”) of the Company is pleased to announce that on 26 December 2016, the Company, through a wholly-owned subsidiary, entered into a non-legally binding memorandum of understanding (the “**MOU**”) with 國藥（延邊）電子商務股份有限公司 (Sinopharm (Yanbian) Ecommerce Co., Ltd) (“**Sinopharm Ecommerce**”), 方舟愛客供應鏈有限公司 (IQARK Supply Chain Co., Ltd) (“**IQARK**”) and 國合跨境（上海）文化產業電子商務有限公司 (United Enterprises CBT Cultural Industrial Co., Ltd) (“**United Enterprises**”) under which all parties to the MOU expressed their intention to establish a new joint venture company (the “**JV Company**”) operating in the People's Republic of China (“**China**” or the “**PRC**”).

PRINCIPAL TERMS OF THE MOU

The principal terms of the MOU are set out as below:

Signing Date : 26 December 2016

The Parties : The Group, Sinopharm Ecommerce, IQARK, and United Enterprises.

Business Scope of the JV Company : To build a nationwide “Internet Plus Health” online-to-offline (“**O2O**”) sales platform, through online and offline channels to conduct marketing promotion and to sell non-pharmaceutical products via online distribution channel.

Roles of the Parties in the JV Company : 1. The Group will provide offline distribution channels and online marketing promotion via our proprietary interactive marketing solution to the JV Company;

2. Sinopharm Ecommerce and United Enterprises will become the suppliers of the non-pharmaceutical products for the JV Company and ensure the quality and safety of the products sold by the JV Company; and

3. IQARK will provide marketing services to the offline distribution channels and related supply chain services to the JV Company.

Equity Interest in the JV Company : The Group, Sinopharm Ecommerce, IQARK, and United Enterprises will hold 51%, 5%, 30%, and 14% of equity interest in the JV Company respectively.

Signing of Formal Agreement : The Parties agree to enter into the formal agreement within 3 months upon signing of the MOU.

The JV Company will apply for the relevant approvals and authorizations on the establishment and the operation in the PRC as required.

REASONS FOR AND BENEFITS OF ENTERING INTO THE MOU

It has become more common for the customers to order products from online channels and collect them in the physical stores. According to a third party's research report, the gross merchandise volume of O2O market in the PRC reached RMB879.7 billion in 2015, and is expected to reach RMB1.6 trillion by 2018. On the other hand, the industry scale of the health products in the PRC reached RMB161 billion by 2014 and it is expected to exceed RMB500 billion by 2020. The potential growth of O2O and health products market in the PRC is expected to be enormous.

The Board believes that entering into the MOU will be beneficial to the Parties. The business scope of the JV Company is in line with the idea of "Internet Plus" as proposed by the PRC government. Through respective strengths of the Parties, the JV Company will leverage on (1) the Group's proprietary interactive marketing solution and its lottery industry-related resources to expand the distribution networks throughout the PRC; (2) Sinopharm Ecommerce and United Enterprises' abilities to ensure stable supply of non-pharmaceutical products with quality assurance; and (3) IQARK's solid experience on operation of offline distribution channels and logistics; to share the resources of the Parties more effectively and maximize the synergy effects to the JV Company.

The Board is of the view that the cooperation in the MOU will demonstrate the value of the Group's technology and distribution channel resources, and believes such valuable experience gained from this cooperation will serve as a role model for the Group and will help to explore new cooperation structures with other parties and provide a winning formula for new business opportunities and generate new revenue streams.

ABOUT THE GROUP

The Group provides lottery equipment, software, and related services via a comprehensive lottery distribution network for China's Sports and Welfare Lottery authorities located throughout 22 provinces and regions across the PRC. Besides, the Group has an international awarded proprietary interactive marketing solution, which is currently applied in selected lottery centers in five provinces/cities of the PRC.

ABOUT SINOPHARM ECOMMERCE

Sinopharm Ecommerce was established in Jilin province in June 2015 and is directly invested by Sinopharm Traditional Chinese Medicine Co. Ltd. (國藥藥材股份有限公司), a company under China National Pharmaceutical Group (“**Sinopharm**”). Sinopharm is a pharmaceutical group which is directly under the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. The core strategy of Sinopharm Ecommerce is to establish a “Sinopharm Comprehensive Health Products Integrity Certification System” (國藥大健康商品誠信認證體系). Sinopharm Ecommerce also established a "cross-border commodity integrity trading center" with foreign merchants to ensure quality and safety of the products.

ABOUT IQARK

IQARK was established in Shanghai in September 2016 and is a logistics company which provides global commercial supply chain integrated services. IQARK uses its various technologies to execute its strategic layout of “Buy Globally; Sell Globally; Serve Globally”.

ABOUT UNITED ENTERPRISES

United Enterprises was established in Shanghai in March 2016 and is an e-commerce trading company specializing in the distribution of renowned foreign brands, while Sinopharm Ecommerce is one of its shareholders. United Enterprises has established a trading platform for foreign brands entering the PRC's market which allows foreign brands trade in the PRC's domestic market directly.

To the best of the Board's knowledge, information and belief having made all reasonable enquiries, Sinopharm Ecommerce, IQARK and United Enterprises are a third party independent of and not connected with the Company and its core connected person (as defined in the Rules Governing the Listing of Securities on the Growth Enterprise Market (“**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”)).

As at the date of this announcement, no formal agreement has been entered into. The Company will make further announcement(s) if the intent as mentioned in the MOU is materialized as and when appropriate in accordance with the GEM Listing Rules.

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, 29 December 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 publication and on the website of the Company at www.cvg.com.hk.

* *For identification purposes only*