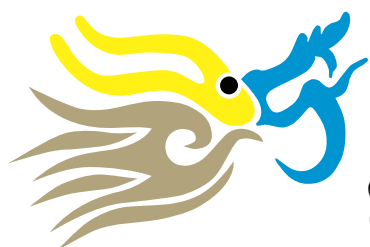


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眾彩科技股份有限公司*
CHINA VANGUARD GROUP LTD.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8156)

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF 49% EQUITY INTEREST IN
CHEERFULL GROUP HOLDINGS LIMITED**

THE ACQUISITION

On 15 April 2011 (after trading hours), Ace Bingo, an indirect wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendors, pursuant to which Ace Bingo has conditionally agreed to purchase and the Vendors have conditionally agreed to sell the Sale Shares, representing 49% equity interest in Cheerfull, for the consideration of HK\$27,200,000. The Consideration will be satisfied fully in cash.

Further, pursuant to the Acquisition Agreement, Bozone has agreed to purchase and Ms. Liu has agreed sell the LF Sale Share, representing 1% of the equity interest in Longjiang Feng Cai, for the consideration of HK\$300,000 (equivalent to approximately RMB252,100). The LF Consideration will be satisfied fully in cash.

Cheerfull is a limited liability company established in the BVI and holds 100% equity interest in Bozone. The Group currently holds 51% equity interest in Cheerfull and the financial results of the Cheerfull Group are consolidated to the financial statements of the Group. Bozone is a wholly foreign-owned enterprise established in the PRC principally engaged in providing services to the Welfare Lottery Centres of Heilongjiang, Zhejiang and Shenzhen. Bozone Group's suite of services include: software development, integration of network systems, network security solutions, lottery operation solutions and services, and research and development into and the supply and maintenance of POS machines. Longjiang Feng Cai is owned as to 99% by Bozone and 1% by Ms. Liu; it provides the full spectrum of the services to the Welfare Lottery Centre in the Zhejiang province.

GEM LISTING RULES IMPLICATIONS

As the applicable ratios for the Acquisition exceed 25% but less than 100%, the Acquisition constitutes a major transaction of the Company pursuant to Chapter 19 of the GEM Listing Rules and is subject to the Shareholders' approval at the EGM.

As the applicable ratios for the Acquisition exceed 25% and the aggregate of the Consideration and LF Consideration exceed HK\$10,000,000, the Acquisition constitutes a non-exempted connected transaction for the Company and is subject to the announcement and reporting requirements pursuant to Chapter 20 of the GEM Listing Rules and requires the approval of the Independent Shareholders. If any of the Vendors hold Share(s) as at the date of the EGM, they and their respective associates (as defined under the GEM Listing Rules) are required to abstain from voting on the ordinary resolution(s) in respect of the Acquisition at the EGM. Save for the above, to the best knowledge of the Directors, no other Shareholders are required to abstain from voting on the ordinary resolution(s) for the approval of the Acquisition at the EGM and such approval shall be obtained by way of poll pursuant to Rule 17.47(4) of the GEM Listing Rules.

An Independent Board Committee (comprising of all the independent non-executive Directors) will be formed to advise the Independent Shareholders as to the fairness and reasonableness of the Acquisition. An Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

GENERAL

A circular containing, (i) further details of the Acquisition; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Acquisition; (iii) the recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition; (iv) a notice of the EGM; and (v) other information as required by the GEM Listing Rules is expected to be dispatched to the Shareholders on or about 12 May 2011.

Shareholders and potential investors should note that completion of the Acquisition is subject to fulfilment of the conditions precedent under the Acquisition Agreement. As the Acquisition may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

THE ACQUISITION

The Board announces that Ace Bingo and the Vendors entered into the conditional Acquisition Agreement on 15 April 2011 after trading hours, whereby Ace Bingo conditionally agreed to purchase and the Vendors conditionally agreed to sell the Sale Shares, representing 49% of the entire issued share capital of Cheerfull, for the consideration of HK\$27,200,000. The Consideration will be satisfied fully in cash.

Further, pursuant to the Acquisition Agreement, Bozone has agreed to purchase and Ms. Liu has agreed sell the LF Sale Share, representing 1% of the equity interest in Longjiang Feng Cai, for the consideration of HK\$300,000 (equivalent to approximately RMB252,100). The LF Consideration will be satisfied fully in cash.

Date: 15 April 2011, after trading hours

Parties:

Purchasers: (i) Ace Bingo – purchaser of the Sale Shares; and

(ii) Bozone – purchaser of the LF Sale Shares

Vendors: (i) Xu Ming (許明), a 30.8% shareholder of Cheerfull, a director of Cheerfull and a connected person of the Company;

(ii) Li Jun (李軍), a 4.8% shareholder of Cheerfull;

(iii) Lin Zhiwei (林志偉), a 4.9% shareholder of Cheerfull;

(iv) Miao Jian (苗劍), a 2.5% shareholder of Cheerfull;

(v) Jiang Chuan (姜川), a 1.9% shareholder of Cheerfull;

(vi) Zhu Yuan (朱原), a 0.6% shareholder of Cheerfull;

(vii) Gao Lei (高蕾), a 0.4% shareholder of Cheerfull;

(viii) Zhao Peng (趙鵬), a 0.6% shareholder of Cheerfull, a director of Bozone and a connected person of the Company;

(ix) Lv Jie (呂杰), a 0.6% shareholder of Cheerfull, a director of Bozone and a connected person of the Company; and

(x) Ms. Liu, a 1.9% shareholder of Cheerfull, a 1% shareholder of Longjiang Feng Cai, a 10% shareholder of HLJ Bozone and a connected person of the Company.

Assets to be acquired

Pursuant to the Acquisition Agreement, Ace Bingo has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares, representing 49% of the equity interest of Cheerfull as at the date of this announcement. Cheerfull currently holds 100% equity interest in Bozone.

Further, pursuant to the Acquisition Agreement, Bozone has agreed to purchase and Ms. Liu has agreed sell the LF Sale Share, representing 1% of the equity interest in Longjiang Feng Cai as at the date of this announcement. Bozone currently holds 99% equity interest in Longjiang Feng Cai.

Consideration

The total consideration for the Sale Shares is HK\$27,200,000 and shall be payable in cash by Ace Bingo to the Vendors upon the date of Completion.

The total consideration payable to Ms. Liu by Bozone for the sale and purchase of the LF Sale Share is HK\$300,000 (equivalent to approximately RMB252,100) payable in cash in accordance with the terms of the LF Transfer Agreement.

The Consideration and LF Consideration were the result of arm's-length commercial negotiation and were arrived at with reference to the net book value of the net assets of the Bozone Group. The Company takes the view that the social welfare lottery in the PRC is still at an expanding stage with huge growth potential. The lottery-related business under Bozone Group is also a growing section of the Group's businesses and is profitable. The Acquisition will expand the Group's profit base and will increase the Group's administrative efficiency as the Bozone Group will be wholly-owned by the Company following Completion of the Acquisition.

Waiver of Loan

The Vendors agree that, from the date of Completion, they will waive all their rights, interest, benefits and claims in the Loan and that the Ace Bingo and Bozone will no longer be liable to repay the Loan or any other amount to the Vendors. Each Vendor agrees that, upon receipt of the Consideration, he/she will not have any claim or right or interest in or against Bozone or any of its affiliates

Conditions precedent

Completion of the Transaction and the LF Transaction will take place simultaneously and is subject to the following:

1. the clearance of announcement(s) and circular(s) required to be issued by the Company under the GEM Listing Rules and granting of all approvals, if necessary by the Stock Exchange in respect of the Transaction;

2. the passing by the Shareholders at an EGM of the Company to be convened and held of an ordinary resolution approving the Acquisition Agreement and the transaction contemplated thereunder;
3. no event having occurred from the date of the Acquisition Agreement to Completion, the consequence of which is to materially and adversely affect the financial position, business or property, results of operations or business prospects of the Bozone Group;
4. the representations and warranties of each Vendor in the Acquisition Agreement remain true, accurate and complete in all material respects and are not misleading as at date of Completion and at all times between the date of the Acquisition Agreement and date of Completion, and a certificate to such effect is delivered by such Vendor;
5. all approvals, consents, authorizations and licenses (so far as necessary) required to be obtained on the part of Ace Bingo in relation to the Transaction contemplated under the Acquisition Agreement having been obtained;
6. all approvals, consents, authorizations and licenses (so far as necessary) required to be obtained on the part of the Vendors in relation to the Transaction contemplated under the Acquisition Agreement having been obtained;
7. all approvals, consents, authorizations and licenses (so far as necessary) required to be obtained on the part of the Bozone in relation to the LF Transaction contemplated under the Acquisition Agreement having been obtained;
8. the LF Transfer Agreement having been filed with the Market Supervision Administration of Shenzhen Municipality; and
9. if applicable, all approvals, waiver of rights or consents being obtained from the existing convertible bonds holders of the Company to enable the transactions contemplated under the Acquisition Agreement to proceed without resulting in any breach or termination or acceleration of obligations under such convertible bonds.

Ace Bingo may at any time by notice in writing to the Vendors waive any of the conditions set out in Clauses 3 to 9. Conditions set out in Clauses 1 and 2 are incapable of being waived. The Acquisition Agreement shall be terminated forthwith in the event that any of the above conditions precedent cannot be fulfilled or waived three (3) months after the date of the Acquisition Agreement, unless the parties to the Acquisition Agreement agree otherwise in writing.

Completion

Completion for the Acquisition shall take place on the third Business Day after fulfilments (or waiver) of the conditions precedent but shall not take place later than three (3) months after the date of the Acquisition Agreement unless all parties to the Acquisition Agreement otherwise have agreed in writing to postpone the date of Completion to a later date. Ace Bingo and Bozone may choose to but are not obliged to complete the Transaction and the LF Transaction simultaneously.

INFORMATION ON CHEERFULL GROUP

Cheerfull is an investment holding company incorporated on 6 October 2005 in the BVI with limited liability. Bozone is principally engaged in providing services to the Welfare Lottery Centres of Heilongjiang, Zhejiang and Shenzhen and was incorporated on 8 March 2002 in the PRC with limited liability.

Set out in the below is the unaudited financial information on the Cheerfull Group for the two financial year ended 30 June 2009 and 30 June 2010 prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the year ended	
	30 June	
	2009	2010
	<i>(HK\$ '000)</i>	<i>(HK\$ '000)</i>
Profit before taxation	13,802	23,239
Profit after taxation	11,945	19,791

The unaudited net assets of the Cheerfull Group as at 30 June 2010 were approximately HK\$60,357,000.

INFORMATION ON THE GROUP

The Group is principally engaged in (i) development and operation of technology platforms for IP protection; collection of copyright/royalty fees on behalf of IP owners and the provision of value-added services in karaoke venues in the PRC and (ii) lottery-related businesses in the PRC via Bozone Group.

REASONS FOR THE ACQUISITION

The Company takes the view that the social welfare lottery in the PRC is a still at an expanding stage with huge growth potential. The lottery-related business carried out by the Bozone Group is also a growing section of the Group's businesses and is profitable. The Completion of the Acquisition will increase the Group's shareholding in Cheerfull Group from 51% to 100% and would enhanced the Group's return from this business division. Also, the aggregate of the Consideration and the LF Consideration to be paid as compared to the net asset value of the Bozone Group is very attractive. The increase

to 100% ownership in Cheerfull will also reinforce the Company's control over the business division and increase flexibility in utilizing various resources and business units within the Group to create further synergy.

Taking into account the benefits of the Acquisition, the Board is of the view that the terms of the Acquisition are fair and reasonable and the Acquisition is in the interests of the Group and the Shareholders as a whole.

GEM LISTING RULES IMPLICATION

As the applicable ratios for the Acquisition exceed 25% but less than 100%, the Acquisition constitutes a major transaction of the Company pursuant to Chapter 19 of the GEM Listing Rules and is subject to the Shareholders' approval at the EGM.

As the applicable ratios for the Acquisition exceed 25% and the aggregate of the Consideration and LF Consideration exceed HK\$10,000,000, the Acquisition constitutes a non-exempted connected transaction for the Company and is subject to the announcement and reporting requirements pursuant to Chapter 20 of the GEM Listing Rules and requires the approval of the Independent Shareholders. If any of the Vendors hold Share(s) as at the date of the EGM, they and their respective associates (as defined under the GEM Listing Rules) are required to abstain from voting on the resolution(s) in respect of the Acquisition at the EGM. Save for the above, to the best knowledge of the Directors, no other Shareholders are required to abstain from voting on the ordinary resolution(s) for the approval of the Acquisition at the EGM and such approval shall be obtained by way of poll pursuant to Rule 17.47(4) of the GEM Listing Rules.

An Independent Board Committee (comprising of all the independent non-executive Directors) will be formed to advise the Independent Shareholders as to the fairness and reasonableness of the Acquisition. An Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

GENERAL

A circular containing, (i) further details of the Acquisition; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Acquisition; (iii) the recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition; (iv) a notice of the EGM; and (v) other information as required by the GEM Listing Rules is expected to be dispatched to the Shareholders on or about 12 May 2011.

Shareholders and potential investors should note that completion of the Acquisition is subject to fulfilment of the conditions precedent under the Acquisition Agreements. As the Acquisition may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meaning:

“Ace Bingo”	Ace Bingo Group Limited, a company incorporated in the BVI with limited liability, an indirect wholly-owned subsidiary of the Company currently holding 51% equity interest in Cheerfull
“Acquisition”	together, the acquisition of the Sale Shares and LF Sale Shares
“Acquisition Agreement”	the sale and purchase agreement of the Sale Shares and LF Sale Share entered into by Ace Bingo, Bozone, and the Vendors dated 15 April 2011
“BVI”	British Virgin Islands
“Board”	the board of Directors
“Bozone”	Shenzhen Bozone I.T Co., Ltd., 深圳市博眾信息技術有限公司, a limited liability company incorporated in the PRC wholly-owned by Cheerfull, currently holding 99% equity interest in Longjiang Feng Cai and 65% equity interest in HLJ Bozone
“Bozone Group”	Bozone and its subsidiaries
“Cheerfull”	Cheerfull Group Holdings Limited 致富集團控股有限公司, a limited liability company incorporated in the BVI, and owned as to 51% by Ace Bingo and 49% by the Vendors
“Cheerfull Group”	together, Cheerfull and Bozone Group
“Company”	China Vanguard Group Limited (眾彩科技股份有限公司*), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM
“Completion”	completion of the transactions contemplated under the Acquisition Agreement
“connected persons”	has the meaning ascribed thereto in the GEM Listing Rules

“Consideration”	HK\$27,200,000, being the total consideration payable by Ace Bingo to the Vendors for the acquisition of the Sale Shares
“Directors”	directors of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to approve the Acquisition Agreement and the transactions contemplated thereunder
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“HLJ Bozone”	Heilongjiang Bozone I.T. Co. Ltd. 黑龍江省博眾信息技術有限公司, a limited liability company incorporated in the PRC, currently being owned as to 65% by Bozone, 10% by Ms. Liu and 25% by an independent third party
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company to be formed by the Company to advise the Independent Shareholders as to whether the Acquisition is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole
“Independent Financial Advisor”	the independent financial advisor to be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition
“Independent Shareholders”	Shareholders other than the Vendors and their respective associates (as defined under the GEM Listing Rules), who are not involved in or interested in the Acquisition
“LF Consideration”	HK\$300,000 (equivalent to approximately RMB252,100), being the total consideration payable by Bozone to Ms. Liu for the acquisition of the LF Sale Share

“LF Sale Share”	the 1% equity interest of Longjiang Feng Cai to be sold by Ms. Liu to Bozone and are fully paid as of the date of the Acquisition Agreement
“LF Transaction”	the acquisition by Bozone of the LF Sale Share held by Ms. Liu as contemplated under the Acquisition Agreement and in accordance with the terms of the LF Transfer Agreement
“LF Transfer Agreement”	the equity transfer agreement to be entered between Ms Liu and Bozone as soon as practicable after signing of the Acquisition Agreement to effect the transfer of LF Sale Share from Ms Liu to Bozone
“Loan”	the shareholders’ loans in the amount of approximately RMB6,859,600 (equivalent to approximately HK\$8,163,000) outstanding as of the date of the Acquisition Agreement owed to the Vendors by Bozone
“Longjiang Feng Cai”	Shenzhen Longjiang Feng Cai IT Co., Limited 深圳市龍江風采信息技術有限公司, a limited liability company incorporated in the PRC, currently being owned as to 99% by Bozone and 1% by Ms. Liu
“Ms. Liu”	Liu Ling (劉玲), being one of the Vendors, currently holding 1.9% equity interest of Cheerfull, 1% equity interest in Longjiang Feng Cai, and 10% equity interest in HLJ Bozone, after Completion she will continue to hold 10% equity interest in HLJ Bozone
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Sale Shares”	24,500 ordinary shares of US\$1.00 in the issued share capital of Cheerfull to be sold by the Vendors to Ace Bingo, representing 49% of the equity interest in Cheerfull and are fully paid or credited as fully paid as of the date of the Acquisition Agreement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company

“Shareholders”	shareholders of the Company from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the acquisition by Ace Bingo of the Sale Shares held by the Vendors
“Vendors”	Xu Ming (許明), Li Jun (李軍), Lin Zhiwei (林志偉), Miao Jian (苗劍), Jiang Chuan (姜川), Liu Ling (劉玲), Zhu Yuan (朱原), Gao Lei (高蕾), Zhao Peng (趙鵬) and Lv Jie (呂杰)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

Unless otherwise stated, the conversion of RMB into HK\$ is based on the exchange rate of RMB1.00=HK\$1.19. Such conversion should not be construed as a representation that the amount in question has been, could have been, or could be converted at any particular rate or at all.

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, 15 April 2011

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 four independent non-executive directors, being Mr. Tian He Nian, 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*