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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)

**VERY SUBSTANTIAL ACQUISITION AND
CONNECTED TRANSACTION RELATING TO THE ACQUISITION OF
THE ENTIRE ISSUED SHARE CAPITAL OF
GRAND PROMISE INTERNATIONAL LIMITED**

APPLICATION FOR WHITEWASH WAIVER

ISSUE OF SHARES UNDER A SPECIFIC MANDATE

RESUMPTION OF TRADING

Financial Adviser to China Vanguard Group Limited



*Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders*



THE SHARE PURCHASE AGREEMENT

The Board announces that the Company and the Vendors entered into the conditional Share Purchase Agreement on 17 January 2008, whereby the Company conditionally agreed to purchase and the Vendors conditionally agreed to sell the entire issued share capital of Grand Promise at a consideration of US\$200,000,000 (equivalent to HK\$1,560,900,000) which shall be satisfied by the allotment and issue of 2,262,173,906 new Shares, being the Consideration Shares to the Vendors (and/or their respective nominees) at an issue price of HK\$0.69 per Consideration Share. The Consideration was arrived at after arm's length negotiations between the parties and is the same as the base equity price of US\$200,000,000 on the basis of which Liberty Harbor and Evolution purchased the Convertible Notes. Liberty Harbor is a multi-strategy investment fund with over US\$2.5 billion of equity capital under management that

invests in markets worldwide in debt, convertible securities and equity and invests Goldman Sachs' proprietary capital as well as capital from third parties. Evolution is an Asia-focused fund organized and existing under the laws of the Cayman Islands. The strike price of the Convertible Notes is set effectively at US\$240,000,000, representing a stated 20% premium over the agreed base equity price of Grand Promise of US\$200,000,000.¹

Pursuant to the Share Purchase Agreement, all the Consideration Shares will be subject to lock-up undertakings for a period of six months after Completion. Each of the Vendors agrees that half of its Consideration Shares will be subject to lock-up undertakings for a further six-month period upon expiry of the first six-month period aforementioned.

Completion is conditional upon the fulfillment or waiver of the conditions precedent and will take place on a day which is five Business Days from and excluding the day on which the last condition precedent has been fulfilled or waived (as the case may be), and in any event on or before 21 May 2008 (or such other date as the parties may agree in writing).

Pursuant to the Share Purchase Agreement, the Company has agreed to be bound by the terms of the Convertible Notes jointly and severally (to the extent practicable) with Grand Promise by executing the Deeds of Adherence. Furthermore, in consideration of Best Frontier assigning the Shareholder's Loan (in the amount of HK\$13,816,003) to the Company on Completion, the Company shall allot and issue 20,023,192 new Shares, being the Settlement Shares, at an issue price of HK\$0.69 per Settlement Share to Best Frontier (and/or its nominee) on Completion.

Grand Promise, via Birdview, holds 49% interest in CCDDT, a sino-foreign joint venture company established in the PRC. MOC, the government authority which supervises and regulates the cultural and arts industries (中國文化藝術產業的監督管理政府部門) in the PRC, approved the MOC Market Development Center to establish and operate the nationwide karaoke content management service system in the PRC ("Karaoke CMS"). The MOC Market Development Center has granted to CCDDT the exclusive rights to establish and operate the Karaoke CMS. Karaoke CMS is an information system that connects the Karaoke CMS data centre to karaoke venues to supervise and keep track of karaoke music videos played in these venues. This information system could also be utilised to facilitate the provision of product advertisement and promotion services and to carry out copyright transaction settlement services.

THE CONVERTIBLE NOTES

On 30 November 2007, Grand Promise issued the Convertible Notes to the Investors. Pursuant to the Share Purchase Agreement, the Company has agreed to be bound by the terms of the Convertible Notes jointly and severally (to the extent practicable) with Grand Promise by executing the Deeds of Adherence on Completion. The Deeds of Adherence will come into effect upon completion of the Share Purchase Agreement. Subject to applicable laws and regulations, the Convertible Notes may, at the option of the Investors, be exchangeable into a maximum number of 480,687,974 new Shares, being the Exchange Shares, at a strike price of HK\$0.80 per Exchange Share, after Completion upon the terms and conditions contained therein. The strike price is calculated based on a 20% premium of the Issue Price, but subject to a cap of HK\$0.80 per Exchange Share.

¹ The consideration of US\$200 million translates into a price of US\$20,000 per Grand Promise share based on 10,000 issued and outstanding Grand Promise shares. The 20% premium over the agreed based equity price of Grand Promise translates into a strike price of US\$24,000 per Grand Promise share based on 10,000 issued and outstanding Grand Promise shares.

TAKEOVERS CODE IMPLICATIONS

As at the date of this announcement, the Vendors and parties acting in concert with any of them hold approximately 40.55% of the voting rights in the Company. The allotment and issue of the Consideration Shares (to the Vendors) and the Settlement Shares (to Best Frontier) will have the effect of increasing their holding of voting rights to approximately 82.51%, that is, by more than 2% from the lowest percentage holding of them in the previous 12 months and thereby exceeding the 2% creeper threshold specified in rule 26.1(c) of the Takeovers Code. For this reason only, the Vendors will make an application to the Executive for the Whitewash Waiver from an obligation to make a general offer under rule 26 of the Takeovers Code in respect of the Shares not owned by them and parties acting in concert with any of them following Completion. The Whitewash Waiver, if granted, will be subject to the approval of the Independent Shareholders (by way of poll) to be sought at the EGM. The Vendors and parties in concert with any of them have not acquired or disposed of voting rights in the Company in the six months prior to and up to and including the date of this announcement. There will be no change in control (as defined in the Takeovers Code) of the Company immediately after Completion.

RELEVANT REQUIREMENTS OF THE GEM LISTING RULES

Best Frontier, one of the Vendors, is a controlling shareholder and connected person of the Company, has an approximate interest of 38.02% in the Company. Best Frontier is owned as to approximately 99.89% by Madam Cheung Kwai Lan (the Chairman and executive Director) and approximately 0.11% by Chan Tung Mei (an executive Director). As at the date of this announcement, Madam Cheung Kwai Lan has approximately 38.24% interest in the Company which includes approximately 38.02% interest held by Best Frontier and approximately 0.22% interest held in her own name.

As the relevant applicable percentage ratio of the Share Purchase Agreement pursuant to Rule 19.07 of the GEM Listing Rules exceeds 100%, and Best Frontier is a controlling shareholder and connected person (as defined in GEM Listing Rules) of the Company, the Share Purchase Agreement constitutes a very substantial acquisition and connected transaction of the Company under the GEM Listing Rules and the Company is subject to the requirements of reporting, announcement and approval by the Independent Shareholders (by way of poll) at the EGM under the GEM Listing Rules.

As each of Best Frontier, Ms. Lo Wai Kwan Anna and Integrated Asset Management (Asia) Limited is interested in the Share Purchase Agreement, they and their respective associates (as defined in the GEM Listing Rules) and parties acting in concert with any of them will abstain from voting at the EGM on the relevant resolution(s) regarding the Share Purchase Agreement and the transactions contemplated thereunder including the proposed allotment and issue of the Consideration Shares and the Settlement Shares and the application of the Whitewash Waiver.

An independent board committee of the Company comprising Mr. Zhao Zhi Ming and Mr. To Yan Ming Edmond has been established to advise the Independent Shareholders as to whether or not the terms of the Share Purchase Agreement, the issue of the Consideration Shares, the Settlement Shares and the Exchange Shares, the Deeds of Adherence and the Whitewash Waiver are fair and reasonable, on normal commercial terms and in the interests of the Company and the Independent Shareholders as a whole. Mr. Tian He Nian, an independent

non-executive Director, has refrained from sitting on the independent board committee as he is also an independent non-executive director of CCDDT, a Grand Promise Group Member. An independent financial adviser, Somerley Limited, has been appointed to advise the independent board committee and the Independent Shareholders of the Company. The independent board committee has approved the appointment of the independent financial adviser.

Within 21 days after the date of publication of this announcement, the Company is required under the GEM Listing Rules and the Takeovers Code to despatch a circular containing, inter alia, details of the Share Purchase Agreement, applicable information required under the Takeovers Code in respect of the Whitewash Waiver, a letter from the independent board committee of the Company, a letter from the independent financial adviser and a notice convening the EGM, to the Shareholders.

SUSPENSION AND RESUMPTION OF TRADING

The Board noted that there was an increase in the share price of the Shares on 10 January 2008. At the request of the Company, the Shares and the Company's warrants (stock code: 8357) were suspended from trading on the Stock Exchange from 3:11 p.m. on 10 January 2008 pending the publication of this announcement and application has been made to the Stock Exchange for resumption of trading from 9:30 a.m. on 18 January 2008.

As Completion is subject to the fulfillment of a number of conditions precedent, the transactions under the Share Purchase Agreement may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

INTRODUCTION

The Board announces that the Company and the Vendors entered into the conditional Share Purchase Agreement on 17 January 2008, whereby the Company conditionally agreed to purchase and the Vendors conditionally agreed to sell the entire issued share capital of Grand Promise at a consideration of US\$200,000,000 (equivalent to HK\$1,560,900,000) which shall be satisfied by the allotment and issue of Consideration Shares at an issue price of HK\$0.69 per Consideration Share.

THE SHARE PURCHASE AGREEMENT

Date

17 January 2008

Parties

Purchaser: The Company

Vendors: (i) Best Frontier, a 80.0% shareholder of Grand Promise and a connected person of the Company and owned as to 99.89% by Madam Cheung Kwai Lan and 0.11% by Mr. Chan Tung Mei, spouse of Madam Cheung Kwai Lan;

- (ii) Mega Capital International Limited, a 7.2% shareholder of Grand Promise and is 100% owned by Wong Soraharjo;
- (iii) Kiree Group Limited, a 3.4% shareholder of Grand Promise and is 100% owned by Lo Po Tong;
- (iv) Ms. Lo Wai Kwan Anna, a 3.0% shareholder of Grand Promise. As at the date of this announcement, she has an approximate interest of 0.34% in the Company;
- (v) Mr. Tang Ping Fai Rocky, a 2.0% shareholder of Grand Promise;
- (vi) Integrated Asset Management (Asia) Limited, a 2.0% shareholder of Grand Promise and is 100% owned by Yam Tak Cheung. As at the date of this announcement, Integrated Asset Management (Asia) Limited has an approximate interest of 1.97% in the Company;
- (vii) Mr. Chan Ka Yin, a 1.4% shareholder of Grand Promise and is the chief financial officer, company secretary and qualified accountant of Aptus Holdings Limited (a subsidiary of the Company listed on the GEM with stock code 8212); and
- (viii) Mr. Wong Sze Chuen, a 1.0% shareholder of Grand Promise.

Subject matter

The Company conditionally agreed to purchase and the Vendors conditionally agreed to sell, free from all encumbrances and together with all rights now or hereafter attaching to them, including all rights to any dividend or other distribution declared, made or paid on or after the date of the Share Purchase Agreement, the Sale Shares, comprising the entire issued share capital of Grand Promise.

Consideration

The Consideration for the Sale Shares amounts to US\$200,000,000 (equivalent to HK\$1,560,900,000) which shall be satisfied by the allotment and issue of 2,262,173,906 new Shares, being the Consideration Shares, to the Vendors (and/or their respective nominees) at an issue price of HK\$0.69 per Consideration Share. In the event, the Consideration is not wholly divisible by the Issue Price, the Company shall, in lieu of allotting and issuing any fractional Consideration Share, pay cash equal to the amount of such fractional Consideration Share multiplied by the Issue Price to the respective Vendors.

On Completion, the share certificates representing the Consideration Shares shall be deposited with the Escrow Agent. The Vendors shall be entitled to the return of the share certificates: (i) in relation to half of the Consideration Shares, upon expiry of the six-month lock-up period (that is, six months from Completion); and (ii) in relation to the remaining half of the Consideration Shares, upon expiry of the next six-month lock-up period (that is, 12 months from Completion), from the Escrow Agent upon the terms and conditions of the Escrow Agreement.

In addition, pursuant to the Share Purchase Agreement, the Company has agreed to be bound by the terms of the Convertible Notes jointly and severally (to the extent practicable) with Grand Promise by executing the Deeds of Adherence. Subject to applicable laws and regulations, the Convertible Notes may, at the option of the Investors, be exchangeable into a maximum number of 480,687,974 new Shares, being the Exchange Shares, at a strike price of HK\$0.80 per Exchange Share, after Completion upon the terms and conditions contained therein. The strike price is calculated based on a 20% premium of the Issue Price but subject to a cap of HK\$0.80 per Exchange Share. Based on the Issue Price of HK\$0.69, the strike price has now been fixed at HK\$0.80 per Exchange Share (being HK\$0.69 multiplied by 1.2 times but subject to a cap of HK\$0.80) and is not subject to any further adjustment. As at the date of this announcement, the Investors do not hold any Shares.

In consideration of Best Frontier assigning the Shareholder's Loan (in the amount of HK\$13,816,003) to the Company on Completion, the Company shall allot and issue 20,023,192 new Shares, being the Settlement Shares at an issue price of HK\$0.69 per Settlement Share to Best Frontier (and/or its nominee) on Completion. Save for the Shareholder's Loan, Grand Promise will not have any outstanding loans owed to other Vendors immediately after Completion.

The Consideration was arrived at after arm's length negotiations between the parties and is the same as the base equity price of US\$200,000,000 on the basis of which Liberty Harbor and Evolution purchased the Convertible Notes. Liberty Harbor is a multi-strategy investment fund with over US\$2.5 billion of equity capital under management that invests in markets worldwide in debt, convertible securities and equity and invests Goldman Sachs' proprietary capital as well as capital from third parties. Evolution is an Asia-focused fund organized and existing under the laws of the Cayman Islands. The strike price of the Convertible Notes is set effectively at US\$240,000,000, representing a stated 20% premium over the agreed base equity price of Grand Promise of US\$200,000,000.¹

The Directors have determined the Consideration by reference to available market comparables, namely, the base equity price at which the two independent professional investors purchased the Convertible Notes, particularly in view of the proximity in time between the issue of the Convertible Notes and the present acquisition. The Investors, as professional investors, arrived at such base equity price independently. Subsequent to the issue of the Convertible Notes on 30 November 2007, there have been a number of occurrences which the Directors believe have had a positive impact on the business of the Grand Promise Group including the increase of karaoke venues connected from below 100 to over 140 in the month of December 2007. Furthermore, the Directors have also taken into account the fact that the business of the Grand Promise Group is a new business area in the PRC and has significant growth potential.

¹ The consideration of US\$200 million translates into a price of US\$20,000 per Grand Promise share based on 10,000 issued and outstanding Grand Promise shares. The 20% premium over the agreed based equity price of Grand Promise translates into a strike price of US\$24,000 per Grand Promise share based on 10,000 issued and outstanding Grand Promise shares.

In view of the above, the Directors (excluding the independent non-executive Directors) consider a consideration of US\$200 million, which is the same as the base equity value price at which the Investors purchased the Convertible Notes in November 2007, to be fair and reasonable. Based on the closing price per Share of HK\$0.82 quoted on the Stock Exchange on 10 January 2008 immediately prior to suspension at 3:11 p.m. on 10 January 2008, the aggregate market value of the Consideration Shares is approximately HK\$1,854,982,603. The Issue Price was arrived at after arm's length negotiations and represents:

- (i) a discount of approximately 15.9% to the closing price of HK\$0.82 per Share as quoted on the Stock Exchange on 10 January 2008, being the last trading day of the Company immediately before the date of the Share Purchase Agreement;
- (ii) a discount of approximately 7.1% to the volume-weighted average closing price of HK\$0.7429 per Share as quoted on the Stock Exchange for the last five trading days ended 10 January 2008, being the last trading day of the Company immediately before the date of the Share Purchase Agreement;
- (iii) a discount of approximately 5.7% to the volume-weighted average closing price of HK\$0.7314 per Share as quoted on the Stock Exchange for the last ten trading days ended 10 January 2008, being the last trading day of the Company immediately before the date of the Share Purchase Agreement;
- (iv) a premium of approximately 49.8% to the audited net asset value of the Company as at 30 June 2007 of approximately HK\$0.4606 per Share based on 951,379,210 Shares in issue as at the date of this announcement.

The Consideration Shares and the Settlement Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares then in issue including the right to all dividends, distributions and other payments made or to be made, on the record date which falls on or after the date of such allotment and issue.

Conditions precedent

Completion is conditional upon the fulfillment or waiver of the following conditions precedent:

- (i) the purchase of the Sale Shares pursuant to the terms of the Share Purchase Agreement and allotment and issuance of the Consideration Shares and the Settlement Shares having been approved by the Independent Shareholders in the EGM;
- (ii) the execution of the Deeds of Adherence by the Company and the allotment and issuance of the Exchange Shares having been approved by the Shareholders (or, where appropriate, the Independent Shareholders) in the EGM;
- (iii) the Whitewash Waiver having been granted by the Executive in favour of the Vendors;
- (iv) the Whitewash Waiver having been approved by the Independent Shareholders in the EGM;
- (v) the GEM Listing Committee of the Stock Exchange having granted its approval for the listing of and permission to deal in the Consideration Shares, Settlement Shares and the Exchange Shares;

- (vi) the Warranties remaining true and accurate and not misleading at Completion as if repeated at Completion and at all times between the date of the Share Purchase Agreement and Completion;
- (vii) the Company notifying the Vendors in writing that it is satisfied in reliance on the Warranties and upon inspection and investigation as to:
 - (A) the respective financial, contractual, taxation and trading positions of each member of the Grand Promise Group; and
 - (B) the title of each member of the Grand Promise Group to their respective assets;
- (viii) all consents, approvals, licences, authorizations, and waivers to be granted by third parties (including governmental, regulatory or other official authorities) as specified in the schedule of the Share Purchase Agreement for the establishment and operation of the Karaoke CMS having been obtained in form and substance reasonably satisfactory to the Company and shall remain in full force and effect;
- (ix) there not having occurred any event or series of events since the date hereof which, individually or collectively, would have a material adverse effect on the business or financial conditions or prospects of any member of the Grand Promise Group or which would materially affect the Vendors' ability to perform their obligations under the Share Purchase Agreement or the transactions contemplated hereby;
- (x) there not having been any fact or circumstance that would result in the Birdview Share Charge being enforced by the Investors;
- (xi) the relevant Grand Promise Group Member having entered into legally binding agreements as set out in the schedule of the Share Purchase Agreement which are necessary for the establishment and operation of the Karaoke CMS; and
- (xii) a legal opinion in form and substance reasonably satisfactory to the Company having been issued by the Company's PRC legal advisers to the Company, at its own cost.

The conditions precedent set out in paragraphs (i) to (v) may not be waived. The Company may waive any of the conditions precedent (either in whole or in part) set out in paragraphs (vi) to (xii) at any time by notice in writing to the Vendors.

The Vendors shall use their best endeavours to procure the fulfillment of the conditions precedent as soon as practicable, and in any event on or before 21 May 2008 (or such other date as the Company and the Vendors may agree in writing).

In the event that any of the conditions precedent shall not have been fulfilled or waived (as the case may be) on or before 21 May 2008 (or such other date as the Company and the Vendors may agree in writing) then the Company shall not be bound to proceed with the purchase of the Sale Shares and the Share Purchase Agreement shall lapse and cease to be of any effect save for certain specified provisions of the Share Purchase Agreement which shall remain in force and save in respect of claims arising out of any antecedent breach of the Share Purchase Agreement.

Board composition

There will not be any change in the composition of the Board on Completion. Upon the allotment and issue of the Exchange Shares, the Investors will not have any right to appoint directors to the Board.

Lock-up undertakings

Pursuant to the Share Purchase Agreement, each of the Vendors undertakes to the Company that he/she/it will not, and will procure that its nominee(s), will not:

- (i) in respect of the Consideration Shares, for a period of six months from Completion, offer, lend, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any of the Consideration Shares, or any interests in the Consideration Shares beneficially owned or held by it or enter into any swap, derivatives or similar agreement that transfers, in whole or in part, the economic consequences of ownership of the Consideration Shares; and
- (ii) in respect of half of the Consideration Shares, for a period of six months from the date on which the six-month period mentioned in paragraph (i) above expires, offer, lend, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any of such Consideration Shares, or any interests in such Consideration Shares beneficially owned or held by it or enter into any swap, derivatives or similar agreement that transfers, in whole or in part, the economic consequences of ownership of such Consideration Shares.

Completion

Completion will take place on a day which is five Business Days from and excluding the day on which the last condition precedent has been fulfilled or waived (as the case may be), and in any event on or before 21 May 2008 (or such other date as the parties may agree in writing).

THE CONVERTIBLE NOTES²

On 30 November 2007, Grand Promise issued the Convertible Notes to the Investors. Pursuant to the Share Purchase Agreement, the Company has agreed to be bound by the terms of the Convertible Notes jointly and severally (to the extent practicable) with Grand Promise by executing the Deeds of Adherence on Completion. The Deeds of Adherence will come into effect upon completion of the Share Purchase Agreement. Subject to applicable laws and regulations, the Convertible Notes may, at the option of the Investors, be exchangeable into Shares after Completion upon the terms and conditions contained therein.

The principal terms of the Convertible Notes are summarized as follows:

Issuer:	Grand Promise
Investors and principal amount:	(1) Liberty Harbor – US\$25,000,000
	(2) Evolution – US\$10,000,000

² In this section, “Business Day” shall mean any day other than a Saturday, Sunday or other day on which commercial banks in the PRC, Hong Kong or New York are required or authorized by law or executive order to be closed or on which a tropical cyclone warning no.8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m. Hong Kong time.

Accretion:	The principal amount of the Convertible Notes shall accrete at a yield of 7% per annum, compounded semi-annually, commencing on the date of issuance (“ Issuance Date ”) of the Convertible Notes up to and including the date of redemption or conversion of all or part of the Convertible Notes, as the case may be.
Interest:	Non-interest bearing. Default interest at the rate (“ Default Interest Rate ”) of 2% per annum, compounded semi-annually, is payable if the Grand Promise fails to pay any amount payable in respect of the Convertible Notes.
Strike price:	Prior to Completion, 120% of US\$200 million divided by the number of ordinary shares of Grand Promise in issue prior to any dilution resulting from the conversion of the Convertible Notes. Following Completion, 120% of the share price for Shares as designated in the Share Purchase Agreement but subject to a cap of HK\$0.80 per Share.
Maturity date:	The fifth anniversary of the Issuance Date, i.e. 30 November 2012 (“ Maturity Date ”)
Period during which the Convertible Notes may be converted into Conversion Shares:	From the third month after the Issuance Date up to Completion or from the date on which Grand Promise issues a notice on change of control but prior to Completion, the Investors have the right to convert the then outstanding principal amount of the Convertible Notes, in whole or in part, into such number of Conversion Shares equal to the outstanding principal amount of the Convertible Notes plus an accrued conversion premium divided by the strike price.
Period during which the Convertible Notes may be exchanged for Exchange Shares:	The Investors shall have the right, but not the obligation, after Completion to exchange the Convertible Notes or any unpaid portion thereof for Exchange Shares. At any time after Completion up to three months of the Issuance Date, the Investors may exercise such right if certain price triggers are met. The Investors may exercise such right at any time from the third month of the Issuance Date or if there is a Change of Control Event (as defined in the Convertible Notes).
Redemption at the option of Grand Promise – Grand Promise Call Option:	If at the expiry of 18 months from the Issuance Date, the Investors have not exercised their rights to convert the Convertible Notes into shares of Grand Promise or their rights to exchange the Convertible Notes for the Shares, Grand Promise shall have the option (the “ Grand Promise Call Option ”), but not the obligation, for a period of not more than 15 Business Days commencing from the day immediately following the expiry of such 18-month period, to redeem all or part of the Convertible Notes, at the price of 130% of the principal amount of the Convertible Notes.

Grand Promise shall exercise the Grand Promise Call Option by delivering written notice to the Investors specifying that Grand Promise elects to exercise the Grand Promise Call Option. Within 10 Business Days after the Investors have received such notice from Grand Promise, the Investors shall either deliver a conversion or exchange notice with respect to all or part of the Convertible Notes, or deliver the Convertible Notes to Grand Promise and Grand Promise shall, concurrently with receipt of the Convertible Notes, pay to the Investors the amount equivalent to 130% of the principal amount of the Convertible Notes and shall cause the Convertible Notes to be cancelled.

Redemption – Investor put option:

If at the expiry of 18 months from the Issuance Date, any of the Investors has not exercised its rights to convert the Convertible Notes into shares of Grand Promise or its rights to exchange the Convertible Notes for the Shares, such Investor shall have the option (the “**Investor Put Option**”), but not the obligation, for a period of not more than 15 Business Days commencing from the day immediately following the expiry of such 18-month period, to require Grand Promise to redeem all or part of the Convertible Notes at the price (“**Early Redemption Amount**”) of 100% of the principal amount of the Convertible Notes redeemed plus the accrued redemption premium as of the relevant date of redemption.

The Investor shall exercise the Investor Put Option by delivering written notice to Grand Promise specifying that such Investor elects to exercise the Investor Put Option and require Grand Promise to redeem the Convertible Notes. On the date specified in such written notice, which date shall not be later than 10 Business Days following the date of such notice, such Investor shall deliver the Convertible Notes to Grand Promise and Grand Promise shall, concurrently with receipt of the Convertible Notes, pay to such Investor the amount specified in the above paragraph and shall cause the Convertible Notes to be cancelled.

Redemption at the option
of Grand Promise
– Grand Promise
Exchange Right:

Grand Promise may at any time, on one or more occasions, beginning from 180 days after the Issuance Date and prior to the Maturity Date, serve notice on the Investors (which notice shall be irrevocable except upon mutual consent of Grand Promise and the Investors) requiring the Investors to, within 10 Business Days of the date of such notice, cause the Convertible Notes or portion thereof then remaining unpaid to be either redeemed at the Redemption Price (as defined below) or otherwise exchanged into Shares.

“Redemption Price” means (i) with respect to the Maturity Date, an amount equal to 141.06% of the principal amount of the Convertible Notes, or (ii) with respect to any other date, an amount equal to the outstanding principal amount with respect to the portion of the Convertible Note being redeemed, plus the accrued amount required to be added to the principal amount so that such total equals to the principal amount plus a yield of 7% per annum, compounded semi-annually, on such principal amount commencing on the Issuance Date up to and including such date of redemption.

Investors redemption right:

Unless previously converted, redeemed or repurchased and cancelled, the Investors shall have the right, exercisable by delivery of a notice in writing to Grand Promise requiring Grand Promise to redeem, at any time during the period of 15 Business Days following:

- (i) the date that is the third anniversary of the Issuance Date;
- (ii) the occurrence of an Impairment Loss (as defined in the Convertible Notes); or
- (iii) the occurrence of an Event of Default (as defined in the Convertible Notes)

to redeem all or part of the outstanding portion of the Convertible Notes, in each case at a price equal to the Early Redemption Amount plus, in the case of a redemption taking place because of the occurrence of an Event of Default, accrued Default Interest.

Redemption for change of control:

Following the occurrence of a Change of Control Event (as defined in the Convertible Notes) of

- (i) Grand Promise prior to Completion,
- (ii) the Company after Completion,
- (iii) Birdview or Best Frontier at any time the Convertible Notes are outstanding,

each Investor will have the right to require the Grand Promise or the Company, as applicable, to redeem all or part of such Investor’s Convertible Note.

Maturity:

Unless previously converted, redeemed or repurchased and cancelled as provided in the Convertible Notes, Grand Promise will redeem the Convertible Notes in US dollars on the Maturity Date in an amount equal to 141.06% of the principal amount of the Convertible Notes.

Transferability: The Investors shall not transfer the Convertible Notes (other than to an Affiliate (as defined in the Convertible Notes) until the earlier of: (i) three months from Completion; or (ii) the date that is six months after the Issuance Date, provided that the Investors shall not transfer the Convertible Notes without first offering Grand Promise the right to redeem the Convertible Notes by giving written notice to Grand Promise.

Ranking of the Convertible Notes: The Convertible Notes constitute direct and unconditional, secured and unsubordinated general obligations of Grand Promise which ranks *pari passu* with each other and at least *pari passu* with all secured and unsubordinated obligations of Grand Promise and is secured by the Birdview Share Charge and, upon Completion, will rank at least *pari passu* with the claims of all the Company's unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

Negative pledge: Grand Promise covenants to the Investors that, from the Issuance Date until all amounts owing under the Convertible Notes have been paid in full, Grand Promise shall, among other things,:

- (i) not and shall cause Birdview, CCDDT and Tian He not to, incur any indebtedness or obligation which ranks senior to the Convertible Notes; and
- (ii) cause the Company to covenant not to incur, at any time following Completion, any indebtedness or obligation which ranks senior to the Convertible Notes.

Right of first refusal: For so long as the amounts owing under the Convertible Notes have not been paid in full, each Investor shall have the right of first refusal to be an investor in any equity-related financings of Grand Promise, CCDDT and, following Completion, the Company, other than an issue of securities to all shareholders of Grand Promise on a pro-rata basis.

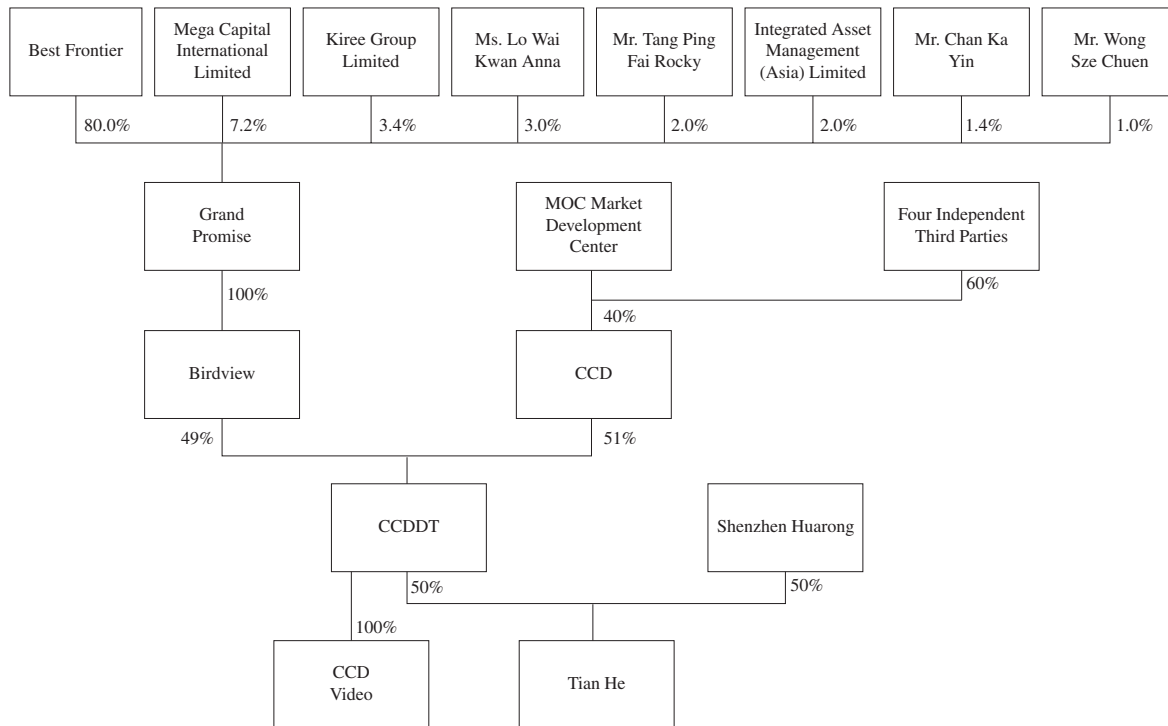
Voting rights The Investors will not have any right to vote in any meeting of the Company in their capacity as Investors.

Pursuant to the Convertible Notes, from the third month after the Issuance Date up to Completion, the Investors have the right to convert the Convertible Notes into ordinary shares of Grand Promise. Pursuant to an undertaking issued by the Investors to Grand Promise dated 17 January 2008, the Investors confirm that they will not exercise their rights to convert the Convertible Notes on or before Completion until the earliest of, inter alia, (a) the occurrence of any Event of Default (as defined in the Convertible Notes); (b) the Birdview Share Charge becoming enforceable; (c) the occurrence or announcement of a Change of Control Event (as defined in the Convertible Notes); and (d) 21 May 2008.

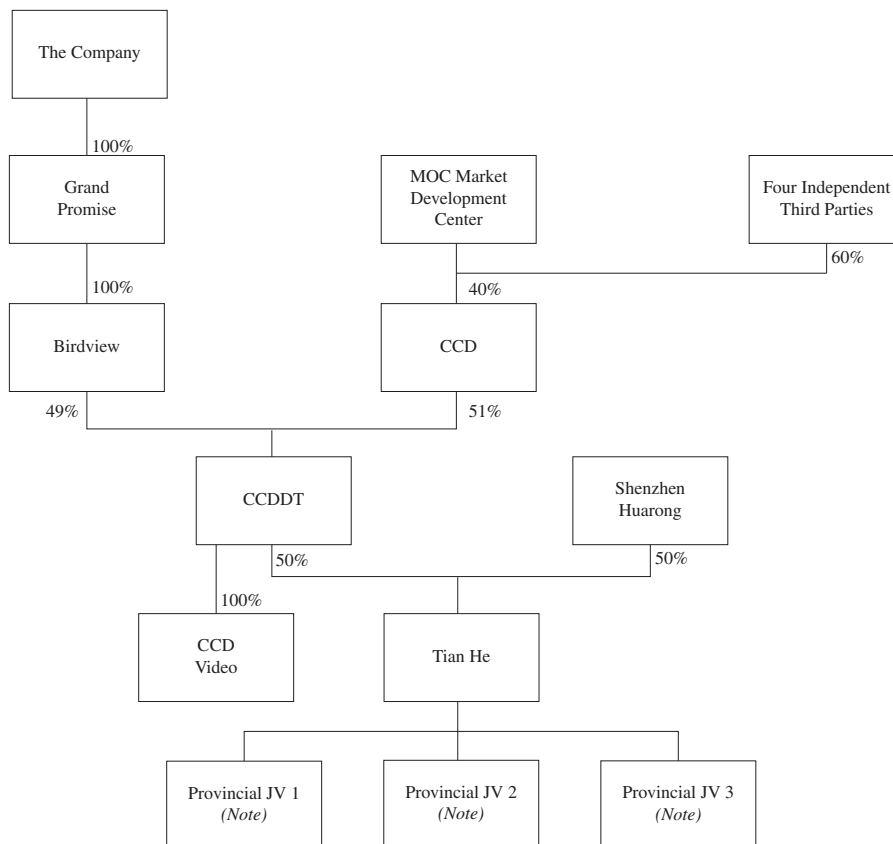
Given the five-year tenure of the Convertible Notes, and the potential enhancement of earnings per Share upon Completion, the Directors consider the terms of the Convertible Notes to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

SHAREHOLDING INTERESTS IN GRAND PROMISE

Before Completion



After Completion



Note:

As part of condition precedent (viii) of the Share Purchase Agreement, not less than three Provincial JVs will have been established on Completion.

SHAREHOLDING INTERESTS IN THE COMPANY

The following table illustrates the shareholding interests in the Company (i) before Completion; (ii) after Completion; (iii) after Completion and allotment and issue of the Exchange Shares; and (iv) after Completion and allotment and issue of the Exchange Shares and assuming full conversion of all outstanding convertibles and options:

Name of shareholder	Existing shareholding structure and immediately before Completion		Shareholding structure immediately after Completion		Shareholding structure after Completion and allotment and issue of the Exchange Shares		Shareholding structure after Completion and allotment and issue of the Exchange Shares and assuming full conversion of all outstanding convertibles and options	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Cheung Kwai Lan, Chairman	2,070,000	0.22%	2,070,000	0.07%	2,070,000	0.06%	21,066,000 (Note 6)	0.53%
Best Frontier (Note 1)	361,695,000	38.02%	2,191,457,322	67.77%	2,191,457,322	59.00%	2,239,683,322	56.49%
Vendors (excluding Best Frontier) (Note 2)	21,980,000*	2.31%*	474,414,776*	14.67%*	474,414,776*	12.77%*	484,288,776*	12.21%*
Sub-total: Vendors and their respective concert parties (Note 2)	385,745,000	40.55%	2,667,942,098	82.51%	2,667,942,098	71.83%	2,745,038,098	69.23%
Lau Hin Kun, Director	575,000	0.06%	575,000	0.02%	575,000	0.02%	3,665,000	0.09%
Oppenheimer Funds, Inc. (Note 3)	165,000,000	17.34%	165,000,000*	5.10%*	165,000,000*	4.44%*	187,000,000*	4.72%*
Liberty Harbor (Note 4)	-	-	-	-	343,348,554*	9.24%*	343,348,554*	8.66%*
Evolution (Note 4)	-	-	-	-	137,339,420*	3.70%*	137,339,420*	3.46%*
Other public shareholders	400,059,210*	42.05%*	400,059,210*	12.37%*	400,059,210*	10.77%*	548,593,768*	13.84%*
Total	951,379,210	100.00%	3,233,576,308	100.00%	3,714,264,282	100.00%	3,964,984,840	100.00%
Total shareholdings held by public shareholders (Note 5)	422,039,210	44.36%	1,039,473,986	32.14%	1,520,161,960	40.93%	1,700,570,518	42.89%

Notes:

- Best Frontier is owned as to approximately 99.89% by Madam Cheung Kwai Lan and as to approximately 0.11% by Mr. Chan Tung Mei. Madam Cheung Kwai Lan is the spouse of Mr. Chan Tung Mei.

2. For the purposes of the Takeovers Code, the Vendors and Madam Cheung Kwai Lan are deemed parties acting in concert. However, each of the Vendors (other than Best Frontier) has confirmed that (i) it is not a connected person of the Company; (ii) its acquisition of the Company's shares has not been financed directly or indirectly by a connected person of the Company; (iii) it is not accustomed to taking instructions from a connected person of the Company in relation to the acquisition, disposal, voting or other disposition of the Company's shares registered in its name or otherwise held by it. Accordingly, each of the Vendors (other than Best Frontier) will be treated as member of the public under the GEM Listing Rules and their shareholdings will be counted towards the public float.
3. After Completion, Oppenheimer Funds, Inc. will cease to be a substantial shareholder of the Company and its shareholding will be counted towards the public float.
4. After Completion and allotment and issue of the Exchange Shares, the shareholdings of Liberty Harbor and Evolution will be counted towards the public float. For illustration purposes, please note that the number of Exchange Shares to be allotted and issued to Liberty Harbor and Evolution is calculated based on the face amount of the Convertible Notes using the agreed fixed HKD/USD exchange rate of 7.789 and including the Exchange Premium assuming that the Convertible Notes are exchanged on the Maturity Date.
5. The aggregation of the asterisked shareholdings represents the total shareholding of all public shareholders.
6. The 21,066,000 Shares held by Madam Cheung Kwai Lan includes 6,240,000 Shares held by each of Mr. Chan Tung Mei, her spouse, and Mr. Chan Ting, her son.

The Consideration Shares, the Settlement Shares and the Exchange Shares will be issued under the specific mandate. An application will be made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares, the Settlement Shares and the Exchange Shares.

INFORMATION OF GRAND PROMISE GROUP

Grand Promise was incorporated on 25 August 2006 in the British Virgin Islands with limited liability. As at date of this announcement, Best Frontier holds 80% interest in Grand Promise. Other Vendors (except Best Frontier), comprising individuals and investment holding companies, hold a 20% aggregate interest in Grand Promise.

Birdview, an investment holding company incorporated in Hong Kong on 24 February 2006, is a direct wholly-owned subsidiary of Grand Promise.

MOC, the government authority which supervises and regulates the cultural and arts industries (中國文化藝術產業的監督管理政府部門) in the PRC, approved the MOC Market Development Center to establish and operate the nationwide Karaoke CMS. The MOC Market Development Center has granted to CCDDT the exclusive rights to establish and operate the Karaoke CMS.

Karaoke CMS is an information system that connects the Karaoke CMS data centre to karaoke venues to supervise and keep track of karaoke music videos played in these venues. This information system could also be utilized to facilitate the provision of product advertisement and promotion services and to carry out copyright transaction settlement services.

CCDDT, a sino-foreign joint venture company established in the PRC on 16 June 2006, is 49% owned by Birdview and 51% by CCD. It has a registered capital of RMB100 million, which has been fully paid up. Birdview and CCD have contributed RMB49 million and RMB51 million respectively. CCD is a limited liability company established in the PRC and is approximately 40% owned by the MOC Market Development Center, with the remaining 60% owned by four other shareholders. Such shareholders and their ultimate beneficial owners are Independent Third Parties. CCDDT is responsible for the establishment, operation, maintenance and enhancement of the Karaoke CMS.

CCDDT owns 50% of Tian He, a joint venture company established in the PRC on 27 August 2007, with the remaining 50% interest held by Shenzhen Huarong, an Independent Third Party. Tian He has a registered capital of RMB100 million which has been fully paid up. To the best of the Directors' knowledge, information and belief, as part of the plan of establishment, Tian He will be setting up Provincial JVs with local partners. Tian He intends to hold a majority interest in each of the Provincial JVs. Tian He will use the Karaoke CMS to advertise, promote products and carry out copyright transactions settlement services.

CCDDT also owns 100% of CCD Video, a limited liability company established in the PRC on 6 February 2007, whose registered capital of RMB3 million has been fully contributed as at the date of this announcement. CCD Video was established with the intention to carry out re-editing of karaoke music videos to conform with industry standards.

As at the date of this announcement, Grand Promise has contributed a total of RMB49 million to CCDDT (via Birdview) in the form of registered capital.

FINANCIAL INFORMATION OF THE GRAND PROMISE GROUP

According to the audited combined financial statements of Grand Promise Group (for the period commencing from 25 August 2006 (being the date of incorporation of Grand Promise) to 30 June 2007), turnover of approximately HK\$11,441 was recorded. The net loss before and after taxation for the period were both approximately HK\$4,751,527, as given the loss status of the enterprise, no tax was payable. The total assets of the Grand Promise Group as at 30 June 2007 were approximately HK\$45,045,182, and the net deficiency in assets as at 30 June 2007 was approximately HK\$3,734,773.

Upon Completion, Grand Promise will become a wholly-owned subsidiary of the Company and its assets and liabilities will be included in the Company's consolidated balance sheet, and CCDDT will be accounted for as a jointly controlled entity and will be proportionately consolidated into the Group's financial statements.

INFORMATION ABOUT THE GROUP

Since early 2006, the Group has embarked on various acquisitions to develop its presence in the lottery-related sector and oil and gas related industries in the PRC. The Group is principally engaged in the research, development and application of information technology in the lottery sector and the oil and gas related industries in the PRC. After Completion, the Company will continue to operate its existing business along with the new business in respect of the Karaoke CMS.

REASONS FOR ENTERING INTO THE SHARE PURCHASE AGREEMENT

The Directors are always actively and consistently seeking new investment opportunities, with a view to increasing the value of the Group.

CCDDT has been granted with the exclusive rights by the MOC Market Development Center to establish and operate the Karaoke CMS. The Directors believe that the Karaoke CMS has the potential to become a comprehensive technical platform to provide access to over 110,000 entertainment venues in the PRC.

The Directors believe that the acquisition of Grand Promise will offer an excellent entry point for the Group to be involved in this business and will provide the Group with a steady stream of income, cashflow and significant earnings growth potential. Furthermore, the Directors consider the Grand Promise Group has a unique advantage through the development and ownership of the Karaoke CMS and the resultant network of karaoke venues and IP Owners. There are currently no international or domestic competitors engaged in the Karaoke CMS business in the PRC.

The Directors believe the acquisition of the Grand Promise Group will enhance the future growth of the Group's business activities and enable it to maximise returns to the Shareholders. The tapping into of this new business line will also broaden the Group's revenue base and help to diversify the overall business risks of the Group.

The Directors (excluding the independent non-executive Directors) believe that the terms of the Share Purchase Agreement are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole. In particular, the issue of the Consideration Shares, the Settlement Shares and the Exchange Shares will serve to enlarge the Company's equity capital base and will not weaken the Company's balance sheet which would otherwise have arisen had the entire consideration been satisfied by financing from the Company's internal resources or bank borrowing. The views of independent non-executive Directors will be expressed in the circular to be despatched to the Shareholders.

TAKEOVERS CODE IMPLICATIONS

As at the date of this announcement, the Vendors and parties acting in concert with any of them hold approximately 40.55% of the voting rights in the Company. The allotment and issue of the Consideration Shares (to the Vendors) and the Settlement Shares (to Best Frontier) will have the effect of increasing their holding of voting rights to approximately 82.51%, that is, by more than 2% from the lowest percentage holding of them in the previous 12 months and thereby exceeding the 2% creeper threshold specified in rule 26.1(c) of the Takeovers Code. For this reason only, the Vendors will make an application to the Executive for the Whitewash Waiver from an obligation to make a general offer under rule 26 of the Takeovers Code in respect of the Shares not owned by them and parties acting in concert with any of them following Completion. The Whitewash Waiver, if granted, will be subject to the approval of the Independent Shareholders (by way of poll) to be sought at the EGM. The Vendors and parties acting in concert with any of them have not acquired or disposed of voting rights in the Company in the six months prior to and up to and including the date of this announcement. There will be no change in control (as defined in the Takeovers Code) of the Company immediately after Completion.

RELEVANT REQUIREMENTS OF THE GEM LISTING RULES

Best Frontier, one of the Vendors, is a controlling shareholder and connected person of the Company, has an approximate interest of 38.02% in the Company. Best Frontier is owned as to approximately 99.89% by Madam Cheung Kwai Lan (the Chairman and executive Director) and approximately 0.11% by Chan Tung Mei (an executive Director). As at the date of this announcement, Madam Cheung Kwai Lan has approximately 38.24% interest in the Company which includes approximately 38.02% interest held by Best Frontier and approximately 0.22% interest held in her own name.

As the relevant applicable percentage ratio of the Share Purchase Agreement pursuant to Rule 19.07 of the GEM Listing Rules exceeds 100%, and Best Frontier is a controlling shareholder and connected person (as defined in GEM Listing Rules) of the Company, the Share Purchase Agreement constitutes a very substantial acquisition and connected transaction of the Company under the GEM Listing Rules and the Company is subject to the requirements of reporting, announcement and approval by the Independent Shareholders (by way of poll) at the EGM under the GEM Listing Rules.

As each of Best Frontier, Ms. Lo Wai Kwan Anna and Integrated Asset Management (Asia) Limited is interested in the Share Purchase Agreement, they and their respective associates (as defined in the GEM Listing Rules) and parties acting in concert with any of them will abstain from voting at the EGM on the relevant resolution(s) regarding the Share Purchase Agreement and the transactions contemplated thereunder including the proposed allotment and issue of the Consideration Shares and the Settlement Shares and the application of the Whitewash Waiver.

An independent board committee of the Company comprising Mr. Zhao Zhi Ming and Mr. To Yan Ming Edmond has been established to advise the Independent Shareholders as to whether or not the terms of the Share Purchase Agreement, the issue of the Consideration Shares, the Settlement Shares and the Exchange Shares, the Deeds of Adherence and the Whitewash Waiver are fair and reasonable, on normal commercial terms and in the interests of the Company and the Independent Shareholders as a whole. Mr. Tian He Nian, an independent non-executive Director, has refrained from sitting on the independent board committee as he is also an independent non-executive director of CCDDT, a Grand Promise Group Member. An independent financial adviser, Somerley Limited, has been appointed to advise the independent board committee and Independent Shareholders of the Company. The independent board committee has approved the appointment of the independent financial adviser.

Within 21 days after the date of publication of this announcement, the Company is required under the GEM Listing Rules and the Takeovers Code to despatch a circular containing, inter alia, details of the Share Purchase Agreement, applicable information required under the Takeovers Code in respect of the Whitewash Waiver, a letter from the independent board committee of the Company, a letter from the independent financial adviser and a notice convening the EGM, to the Shareholders.

SUSPENSION AND RESUMPTION OF TRADING

Reference is made to the Company's announcement dated 20 December 2007 regarding an increase in the price and trading volume of the Shares on 20 December 2007. Although the Company was on or around 20 December 2007 internally considering the viability of a potential acquisition of Grand Promise, no negotiations as such had at the time commenced with the Vendors. Negotiations with the Vendors only commenced on 24 December 2007.

The Board noted that there was an increase in the share price of the Shares on 10 January 2008. At the request of the Company, the Shares and the Company's warrants (stock code: 8357) were suspended from trading on the Stock Exchange from 3:11 p.m. on 10 January 2008 pending the publication of this announcement and application has been made to the Stock Exchange for resumption of trading from 9:30 a.m. on 18 January 2008.

As Completion is subject to the fulfillment of a number of conditions precedent, the transactions under the Share Purchase Agreement may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“acting in concert”	has the meaning ascribed to it in the Takeovers Code
“associates”	has the meaning ascribed to it under the GEM Listing Rules
“Best Frontier”	Best Frontier Investments Limited, a company incorporated in the British Virgin Islands and is owned as to approximately 99.89% and approximately 0.11% respectively by Madam Cheung Kwai Lan (the Chairman and executive Director) and Mr. Chan Tung Mei (an executive Director), who are spouse to each other
“Birdview”	Birdview Group Limited, a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of Grand Promise
“Birdview Share Charge”	the deed of share charge dated 30 November 2007 made by Grand Promise in favour of the Investors
“Board”	the board of Directors of the Company
“Business Day”	a day (excluding Saturdays) on which licensed banks are generally open for business in Hong Kong
“CCD”	Beijing China Culture Development Co., Ltd. (北京中文發文化發展有限公司), a limited liability company established in the PRC and is approximately 40% owned by the MOC Market Development Center
“CCD Video”	Beijing China Cultural Development Video Music Culture Broadcasting Co., Ltd. (北京中文發影音文化傳播有限公司), a limited liability company established in the PRC, and is a wholly owned subsidiary of CCDDT
“CCDDT”	China Culture Development Digital Technology Co., Ltd. (北京中文發數字科技有限公司), a sino-foreign joint venture established in the PRC, with 49% held by Birdview and 51% held by CCD
“Company”	China Vanguard Group Limited (formerly known as B & B Group Holdings Limited), an exempted company incorporated in the Cayman Islands with limited liability and the shares of which are listed on GEM
“Completion”	completion of the sale and purchase of the Sale Shares
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules

“Consideration”	the amount of the consideration payable by the Company to the Vendors for the purchase of the Sale Shares under the Share Purchase Agreement, being US\$200,000,000 (equivalent to HK\$1,560,900,000)
“Consideration Shares”	2,262,173,906 new Shares to be allotted and issued by the Company to the Vendors (and/or their nominees) on Completion credited as fully paid
“Conversion Share(s)”	new ordinary shares falling to be issued by Grand Promise upon exercise of the conversion rights under the Convertible Notes prior to Completion
“Convertible Note Agreement”	the convertible note purchase agreement dated 28 November 2007 entered into among Grand Promise, Best Frontier, Madam Cheung Kwai Lan and the Investors
“Convertible Notes”	collectively (a) a senior convertible redeemable note dated 30 November 2007 in the principal amount of US\$25 million issued by Grand Promise to Liberty Harbor and (b) a senior convertible redeemable note dated 30 November 2007 in the principal amount of US\$10 million issued by Grand Promise to Evolution
“Deed of Assignment”	the deed of assignment to be executed by Best Frontier and the Company on Completion, pursuant to which the Shareholder’s Loan shall be assigned to the Company
“Deeds of Adherence”	the deeds of adherence to be executed by the Company on Completion, pursuant to which the Company agrees, subject to the terms and conditions thereof, to be bound by the terms of the Convertible Notes jointly and severally (to the extent practicable) with Grand Promise
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company
“Escrow Agent”	DB Trustees (Hong Kong) Limited or such other escrow agent mutually acceptable to the Company and the Vendors
“Escrow Agreement”	the escrow agreement in the agreed form to be entered into between the Vendors, the Company and the Escrow Agent on or prior to Completion
“Exchange Premium”	in respect of each Convertible Note, the amount required to be added to the principal amount such that the total equals to the principal amount plus a yield of 7% per annum, compounded semi-annually, on such principal amount commencing on the Issuance Date up to and including the date of exercise of the option to exchange for the Exchange Shares

“Exchange Share(s)”	a maximum number of 480,687,974 new Shares falling to be allotted and issued to the Investors by the Company upon the exercise of the exchange option by the Investors after Completion, credited as fully paid. For illustration purposes, the number of Exchange Shares is calculated based on the face amount of the Convertible Notes, using the agreed fixed HKD/USD exchange rate of 7.789 and including the Exchange Premium assuming that the Convertible Notes are exchanged on the Maturity Date
“Executive”	the executive director of the Corporate Finance Division of the SFC or any delegate of the executive director
“Evolution”	Evolution Master Fund Ltd. Spc, Segregated Portfolio M, an Asia-focused fund organized and existing under the laws of the Cayman Islands. Its investment managers are Evo Capital Management Asia Limited, a Hong Kong-based asset management company, and Evolution Capital Management LLC, a US-based investment adviser. Evo Capital Management Asia Limited is licensed under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) to carry on type 9 (asset management) activities. Evolution was formed in 2002 and has offices in Hong Kong, Tokyo and Los Angeles
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Grand Promise”	Grand Promise International Limited, a company incorporated in the British Virgin Islands with limited liability and is owned by the Vendors
“Grand Promise Group”	Grand Promise, Birdview, CCDDT, Tian He and CCD Video and each of their respective subsidiaries, and each a “Grand Promise Group Member”
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than Best Frontier, Ms. Lo Wai Kwan Anna and Integrated Asset Management (Asia) Limited and their respective associates (as defined in the GEM Listing Rules) and parties acting in concert with any of them

“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, are third parties independent of and not connected with any director, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates
“Investors”	collectively, Liberty Harbor and Evolution and any permitted transferees; an “Investor” shall mean either Liberty Harbor or Evolution or their respective permitted transferee
“IP Owners”	the owners of the intellectual property rights of music videos, songs or other similar music products played or used in karaoke venues
“Issue Price”	HK\$0.69 per Consideration Share or Settlement Share (as the case may be)
“Liberty Harbor”	Liberty Harbor Master Fund I, L.P., a multi-strategy investment fund with over US\$2.5 billion of equity capital under management that invests in markets worldwide in debt, convertible securities and equity and invests Goldman Sachs’ proprietary capital as well as capital from third parties. Liberty Harbor was set up in 2006 and currently has offices in New York, Toronto and Singapore. Liberty Harbor is advised by GS Investment Strategies, LLC (“GSIS”), a Delaware limited liability company, whose sole member is The Goldman Sachs Group, Inc (“GSG”), a Delaware corporation. Goldman Sachs Asset Management, L.P. (“GSAM”) is a Delaware limited partnership. GSG is the general partner and Goldman Sachs Global Holdings, LLC is the limited partner. GSIS and GSAM are part of the same business unit and share a common operating platform
“MOC”	Ministry of Culture of the PRC (中華人民共和國文化部)
“MOC Market Development Center”	Market Development Center of the Ministry of Culture, a department organised under the MOC and owns approximately 40% of CCD
“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
“Provincial JVs”	provincial-level joint ventures to be established in the PRC between Tian He and strategic partners (which may be an affiliate of a local branch or a subdivision of MOC) in which Tian He intends to hold a majority interest; each a “Provincial JV”
“RMB”	Renminbi, the lawful currency of the PRC

“Sale Shares”	10,000 ordinary share of US\$1.00 in the issued share capital of Grand Promise, representing its entire issued share capital
“Settlement Shares”	20,023,192 new Shares to be allotted and issued by the Company to Best Frontier (and/or its nominees) on Completion in consideration of the assignment of the Shareholder’s Loan to the Company, credited as fully paid
“SFC”	the Securities and Futures Commission of Hong Kong
“Share Purchase Agreement”	an agreement for the sale and purchase of the Sale Shares entered into by the Vendors and the Company dated 17 January 2008
“Shareholder’s Loan”	the amount of HK\$13,816,003 owing to Best Frontier by Grand Promise as at the date of the Share Purchase Agreement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Shenzhen Huarong”	Shenzhen Huarong Shengshi Investment Co., Ltd. (深圳市華融盛世投資有限公司), a limited liability company established in Shenzhen, the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Merges
“Tian He”	Beijing Tian He Culture Co., Ltd. (北京天合文化有限公司), a limited liability company established in the PRC and owned 50% by CCDDT and 50% by Shenzhen Huarong
“US\$”	United States dollars, a lawful currency of the United States of America
“Vendors”	Best Frontier, Mega Capital International Limited, Kiree Group Limited, Ms. Lo Wai Kwan Anna, Mr. Tang Ping Fai Rocky, Integrated Asset Management (Asia) Limited, Mr. Chan Ka Yin and Mr. Wong Sze Chuen
“Warranties”	the warranties as set out in the Share Purchase Agreement

“Whitewash Waiver”

the waiver of the obligation of the Vendors and parties acting in concert with any of them to make a general offer in respect of the Shares not owned by them immediately following Completion from the Executive pursuant to Note 1 of the Notes on Dispensation from rule 26 of the Takeovers Code

By Order of the Board
China Vanguard Group Limited
Lau Hin Kun
Executive Director

Hong Kong, 17 January 2008

* *For identification purposes only*

For purpose of illustration, amounts in this announcement expressed in United States dollars have been translated into Hong Kong dollars at the rate of US\$1.00 = HK\$7.8045.

The English translation/transliteration of the Chinese names in this announcement is included for information only, and should not be regarded as the official English names of such Chinese names.

As at the date of this announcement, the executive Directors are Madam Cheung Kwai Lan, Mr. Chan Tung Mei, Mr. Chan Ting and Mr. Lau Hin Kun; and the independent non-executive Directors are Mr. Tian He Nian, Mr. Zhao Zhi Ming 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 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: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the website of the Company at www.cvg.com.hk.