

Vision Grande Group Holdings Limited

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VISION GRANDE GROUP HOLDINGS LIMITED

偉誠集團控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock code: 2300)

Announcement

Discloseable Transaction

In relation to the acquisition of 35% equity interests in and shareholders' loans due by World Grand Holdings Limited

Financial Adviser to the Company



The Board is pleased to announce that on 8 November 2004, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Vendors. Pursuant to the Agreement, the Purchaser has agreed to purchase and the Vendors have agreed to sell the Sale Shares and the Sale Loans at a total Consideration of HK\$183,750,000 (subject to adjustment). The Agreement is conditional upon, among other things, the Group being satisfied with the results of the due diligence review to be conducted by the Group or its agents on the assets, liabilities, operations and affairs of the World Grand Group. The Consideration is subject to adjustment where the audited profit after tax and minority interests of the World Grand Group as shown in the audited financial statements for the financial year ending 31 December 2004 is less than HK\$105,000,000.

The Sale Shares represent 35% of the entire issued share capital of World Grand while the Sale Loans represent 35% of all the obligations, liabilities and debts owing or incurred by World Grand to its shareholders as at the date of the Agreement. World Grand is an investment holding company and is the registered and beneficial owner of 90% in the registered capital of Kunming World Grand.

Upon Completion, World Grand will become an associated company of the Company.

The Acquisition constitutes a discloseable transaction of the Company under the Listing Rules. A circular containing, among other things, further details of the Acquisition will be despatched to the Shareholders as soon as practicable.

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Reference is made to the announcement of the Company dated 9 July 2004 in relation to the MOU entered into between the Purchaser and the Vendors for the proposed acquisition of 35% equity interests in and shareholders' loans due by World Grand. The Board is pleased to announce that the Agreement is entered into between the Group and the Vendors with the following details:

General information of the Agreement

Date: 8 November 2004

Purchaser: Mega Vision Enterprises Limited, an indirect wholly-owned subsidiary of the Company

Vendors: Joy Benefit and Splendid China

The Vendors and their respective ultimate beneficial owners are Independent Third Parties.

Interests to be acquired

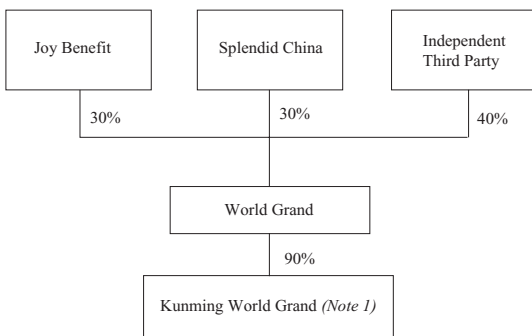
Pursuant to the terms of the Agreement, the Vendors have agreed to sell and the Purchaser has agreed to purchase the Sale Shares and the Sale Loans.

The Sale Shares represent 35% of the entire issued share capital of World Grand while the Sale Loans represent 35% of all the obligations, liabilities and debts owing or incurred by World Grand to its shareholders as at the date of the Agreement.

World Grand is an investment holding company and is the registered and beneficial owner of 90% in the registered capital of Kunming World Grand.

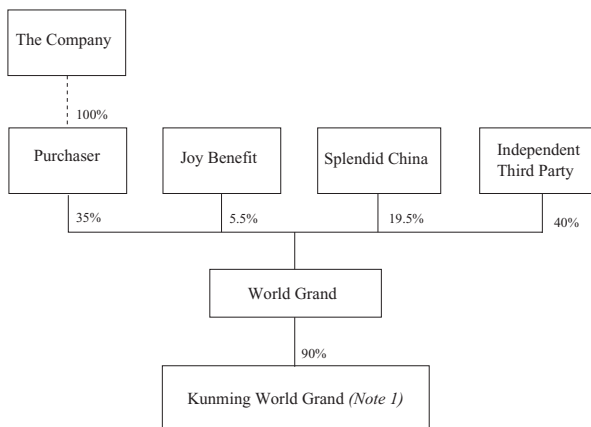
Shareholding structure of World Grand immediately before and after Completion

Current shareholding structure of World Grand



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Shareholding structure of World Grand immediately after Completion



Note 1: The remaining 10% equity interests of Kunming World Grand is owned by an Independent Third Party.

Principal terms of the Agreement

The principal terms of the Agreement were arrived at after arm's length negotiations between the Parties and are summarised below:

I. Consideration and Payment Terms

Pursuant to the Agreement, the Consideration for the Acquisition is HK\$183,750,000 with reference to the attributable 35% of the projected unaudited profit after tax and minority interests (based on the accounting principles generally accepted in Hong Kong) of the World Grand Group for the financial year ending 31 December 2004. The Consideration is subject to adjustment in such a manner that the Consideration will represent a price-to-earnings ratio of 5 times to the attributable 35% audited profit after tax and minority interests (based on the accounting principles generally accepted in Hong Kong) of the World Grand Group for the financial year ending 31 December 2004.

The Purchaser had paid a refundable HK\$10,000,000 in cash as deposit and part payment of the Consideration to the Vendors upon signing the MOU on 9 July 2004. The Consideration shall be satisfied by the Group by three installments. The payment schedule is set out below:

First installment: The Purchaser shall pay HK\$81,875,000, being 50% of the Consideration less the deposit of HK\$10,000,000, by way of cheque to the Vendors' legal advisers upon Completion;

Second installment: The Purchaser shall pay HK\$55,125,000, being 30% of the Consideration, by way of cheque to the Vendors' legal advisers on or before 31 January 2005; and

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Third installment: The remaining balance of HK\$36,750,000, subject to adjustment, shall be paid by way of cheque to the Vendors' legal advisers within 14 days upon obtaining the audited financial statements of the World Grand Group (based on the accounting principles generally accepted in Hong Kong) for the financial year ending 31 December 2004 by the Purchaser.

The Consideration is subject to adjustment where and only where the actual consolidated audited profit after tax and minority interests (based on the accounting principles generally accepted in Hong Kong) of the World Grand Group for the financial year ending 31 December 2004 is less than HK\$105,000,000 and shall be adjusted as follows:

$$X = \text{HK\$}36,750,000 - \{(\text{HK\$}105,000,000 - Y) \times 35\% \times 5\}$$

Where: X represents the remaining balance of the Consideration to be paid by the Purchaser to the Vendors after adjustment

Y represents the actual audited profit after tax and minority interests (based on the accounting principles generally accepted in Hong Kong) of the World Grand Group for the financial year ending 31 December 2004

The Agreement was negotiated on arm's length basis between the Parties and the Directors are of the view that the terms of the Acquisition are on normal commercial terms (with particular reference to the determination of the Consideration and the adjustment mechanism for the Consideration) and are fair and reasonable and in the interests of the Shareholders as a whole.

The Consideration will be satisfied by the internal resources of the Group and/or fund raising activities as may be conducted by the Company if necessary. The Directors confirmed that as at the date of this announcement, the Company has not decided on any fund raising plan.

II. Profit Guarantee

The Vendors have jointly guaranteed to the Purchaser that the audited profit after tax and minority interests (based on the accounting principles generally accepted in Hong Kong) of the World Grand Group for the financial year ending 31 December 2005 shall not be less than HK\$105,000,000 and the aggregate audited profits after tax and minority interests (based on the accounting principles generally accepted in Hong Kong) of the World Grand Group for the two financial years ending 31 December 2006 shall not be less than HK\$230,000,000.

If either the actual audited profit after tax and minority interests (based on the accounting principles generally accepted in Hong Kong) of the World Grand Group for the financial year ending 31 December 2005 is less than HK\$105,000,000 or the aggregate actual audited profits after tax and minority interests (based on the accounting principles generally accepted in Hong Kong) of the World Grand Group for the two financial years ending 31 December 2006 is less than HK\$230,000,000, the Vendors shall pay the Purchaser in cash as compensation an amount equal to 5 times of the amount of shortfall attributable to the Sale Shares for the relevant period within seven days from the date of receipt of the respective audited financial statements of the World Grand Group.

III. Conditions of the Agreement

The Agreement is conditional upon, among other things, the following conditions being fulfilled (or waived) at or before 12:00 noon on 15 December 2004 (or such other time and date as may be agreed by the Parties):–

- (i) the Group having received a PRC legal opinion in form and substance satisfactory to the Group covering such matters of PRC laws in relation to, among other matters, the Agreement and the transactions contemplated thereunder;
- (ii) the Group being satisfied with the results of the due diligence review to be conducted by the Group or its agents on the assets, liabilities, operations and affairs of the World Grand Group;
- (iii) all necessary approvals, consents, authorisations and permits in relation to the transactions contemplated under the Agreement having been obtained; and
- (iv) the legality and the operation of Kunming World Grand will not be adversely affected by the Acquisition.

IV. Completion of the Agreement

Completion shall take place at 4:00 p.m. on or before 31 December 2004 (or such other later date as may be agreed between the Parties).

V. Preferential Right

The Vendors have also granted to the Purchaser the Preferential Right which entitles the Purchaser to have the first right to acquire a further 3,000,000 shares of HK\$1.00 each in the capital of World Grand, representing approximately 25% (of which 5.5% shall be from Joy Benefit and 19.5% shall be from Splendid China) of the entire issued share capital of World Grand at any time from 1 January 2006 to 31 December 2006 (or such other period as may be agreed between the Parties). Upon exercise of the Preferential Right, the Parties shall negotiate in good faith to determine the purchase price for the Option Shares. If the Preferential Right is exercised and acquisition of the Option Shares is completed, World Grand will become a 60%-owned subsidiary of the Company. Further announcement will be made by the Company in compliance with the Listing Rules when the Purchaser exercises the Preferential Right and the purchase price for the Option Shares is agreed.

Information on the Group and the World Grand Group

The Group is principally engaged in the printing of high quality cigarette packages and manufacturing of laminated papers in the PRC.

World Grand is an investment holding company and is the registered and beneficial owner of 90% in the registered capital of Kunming World Grand. The remaining 10% equity interests is owned by an Independent Third Party.

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Kunming World Grand is a sino-foreign equity joint venture incorporated in the PRC in 2002 which is principally engaged in the printing of high quality cigarette packages in Kunming, Yunnan Province, the PRC. Currently, Kunming World Grand is an existing customer of the Group placing orders for laminated paper from the Group.

According to the unaudited accounts of the World Grand Group for each of the two financial years ended 31 December 2003 and the seven months ended 31 July 2004 (which were prepared in accordance with generally accepted accounting principles in Hong Kong), the World Grand Group recorded an unaudited profit before tax and minority interests of approximately HK\$7,731,000, HK\$40,890,000 and HK\$78,586,000, respectively. The unaudited profit after tax and minority interests of the World Grand Group for each of the two financial years ended 31 December 2003 and the seven months ended 31 July 2004 was approximately HK\$9,887,000, HK\$22,277,000 and HK\$61,513,000, respectively. As at 31 December 2003, the unaudited net asset value of the World Grand Group was approximately HK\$51,019,000.

Reasons for the Acquisition

As stated in the prospectus issued by the Company on 16 March 2004, the long-term business objective of the Group is to become a market leader in the printing of cigarette packages and the manufacturing of laminated papers in the PRC. In particular, the Group will identify large cigarette package printers as its primary target customers of laminated papers. The Directors expect that the Acquisition will provide a strategic opportunity for the Group to penetrate into the cigarette package market in Yunnan Province, the PRC, which, as far as the Directors are aware, is the largest cigarette manufacturing base in the PRC. Through the strategic relationship with Kunming World Grand, the Directors believe that the Acquisition could bring synergy effect to both the Group and the World Grand Group in terms of sharing of resources such as technology know-how and printing machinery and consolidation of the marketing and sales force, as well as benefiting from the economies of scale. The Directors also believe the Acquisition enables the Group to have a stable order for laminated paper from Kunming World Grand and to explore further business potential and opportunity in terms of supply of laminated papers and/or cigarette packaging and printing business. The Directors consider that the Acquisition is in line with the corporate development of the Group and the future plans as stated in the prospectus of the Company, and therefore is in the best interests of the Group and the Shareholders as a whole.

Listing Rules Requirement

The Acquisition constitutes a discloseable transaction of the Company under the Listing Rules. A circular containing, among other things, further details of the Acquisition will be despatched to the Shareholders as soon as practicable.

General

As at the date of this announcement, the executive Directors are (i) Mr. Li Wei Bo, (ii) Mr. Lee Cheuk Yin, (iii) Mr. Cheung Chun Ming, and (iv) Ms. Zhu Wei Li, the non-executive Director is Mr. Sik Siu Kwan, and the independent non-executive Directors are (i) Mr. Ng Kwai Sang, (ii) Mr. Ng Pui Cheung, Joseph, and (iii) Mr. Chung Kwok Mo, John.

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Definitions

“Acquisition”	the proposed acquisition of the Sale Shares and the Sale Loans by the Purchaser as contemplated under the Agreement
“Agreement”	the conditional sale and purchase agreement dated 8 November 2004 and entered into between the Vendors and the Purchaser in relation to the Acquisition
“Board”	the board of Directors
“Company”	Vision Grande Group Holdings Limited, a company incorporated in the Cayman Islands and the issued Shares of which are listed on the main board of the Stock Exchange
“Consideration”	the consideration payable by the Purchaser to the Vendors for the Acquisition under the Agreement
“Completion”	the completion of the Acquisition, which shall take place on or before 31 December 2004 (or such later date as may be agreed between the Parties)
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	independent third party(ies) not connected with any of the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates (as defined in the Listing Rules)
“Joy Benefit”	Joy Benefit Limited, a company incorporated in the British Virgin Islands with limited liability and is beneficially owned by an Independent Third Party
“Kunming World Grand”	Kunming World Grand Colour Printing Co., Ltd. (昆明偉建彩印有限公司), a sino-foreign equity joint venture established in the PRC and the registered capital of which is owned as to 90% by World Grand and as to 10% by an Independent Third Party
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the memorandum of understanding dated 9 July 2004 and entered into between the Vendors and the Purchaser in relation to the Acquisition
“Option Shares”	a further 3,000,000 ordinary shares of HK\$1.00 each in the capital of World Grand as may be acquired by the Purchaser upon exercise of the Preferential Right
“Parties”	the Purchaser and the Vendors

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“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Preferential Right”	the preferential right granted by the Vendors to the Purchaser under the Agreement to acquire the Option Shares
“Purchaser”	Mega Vision Enterprises Limited, an indirect wholly-owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability
“Sale Loans”	the amount of HK\$14,227,500 due by World Grand to the Vendors, representing 35% of all the obligations, liabilities and debts owing or incurred by World Grand to its shareholders as at the date of the Agreement
“Sale Shares”	a total of 4,200,000 ordinary shares of HK\$1.00 each in the capital of World Grand, which are beneficially owned as to 2,940,000 shares by Joy Benefit and as to 1,260,000 shares by Splendid China, representing 35% of the entire issued share capital of World Grand
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Splendid China”	Splendid China Limited, a company incorporated in the British Virgin Islands with limited liability and is beneficially owned by an Independent Third Party
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendors”	Joy Benefit and Splendid China
“World Grand”	World Grand Holdings Limited, a company incorporated in Hong Kong whose entire issued share capital is beneficially owned as to 60% by the Vendors and as to 40% by an Independent Third Party
“World Grand Group”	World Grand and Kunming World Grand
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board
Li Wei Bo
Chairman

Hong Kong, 8 November 2004

** For identification purpose only*

Please also refer to the published version of this announcement in The Standard dated 9 November 2004.