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**THE CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Vision Grande Group Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)**

**DISCLOSEABLE TRANSACTION**

**ACQUISITION OF 35% EQUITY INTERESTS IN AND  
SHAREHOLDERS' LOANS DUE BY  
WORLD GRAND HOLDINGS LIMITED**

*Financial adviser to Vision Grande Group Holdings Limited*



A subsidiary of ICBC

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\* *for identification purpose only*

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## DEFINITIONS

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

“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
“associates”	has the same meaning ascribed to this term under the Listing Rules
“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
“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)
“Consideration”	the consideration payable by the Purchaser to the Vendors for the Acquisition under the Agreement
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“HKGAAP”	the generally accepted accounting principles in Hong Kong
“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
“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 Guangli”	Kunming Guangli Industrial Limited (昆明廣利工貿有限公司), a company incorporated in the PRC with limited liability and is beneficially owned by (an) Independent Third Party(ies)

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## DEFINITIONS

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“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 Kunming Guangli
“Latest Practical Date”	26 November 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“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
“PRC”	the People’s Republic of China (other than, for the purpose of this circular only, 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, as to HK\$9,959,250 due to Joy Benefit and as to HK\$4,268,250 due to Splendid China, 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
“SFO”	Securities and Futures Ordinance, Cap. 571 of the laws of Hong Kong

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## DEFINITIONS

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“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.

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## LETTER FROM THE BOARD

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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)*

**Executive Directors:**

Li Wei Bo (Chairman)  
Lee Cheuk Yin, Dannis  
Cheung Chun Ming  
Zhu Wei Li

**Non-executive Director:**

Sik Siu Kwan

**Independent non-executive Directors:**

Ng Kwai Sang  
Ng Pui Cheung, Joseph  
Chung Kwok Mo, John

**Registered office:**

Century Yard  
Cricket Square  
Hutchins Drive  
P.O. Box 2681 GT  
George Town  
Grand Cayman  
Cayman Islands  
British West Indies

**Head office and principal place of  
business in Hong Kong:**

Office 1, 15th Floor  
Bank of East Asia Harbour View Centre  
56 Gloucester Road  
Wanchai  
Hong Kong

30 November 2004

To the Shareholders

Dear Sir or Madam,

### DISCLOSEABLE TRANSACTION

### ACQUISITION OF 35% EQUITY INTERESTS IN AND SHAREHOLDERS' LOANS DUE BY WORLD GRAND HOLDINGS LIMITED

#### 1. INTRODUCTION

On 8 November 2004, the Board announced that the Agreement was entered into by the Purchaser, an indirect wholly-owned subsidiary of the Company and 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 purpose of this circular is to provide you with further information regarding the Acquisition and the information regarding the Group.

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## LETTER FROM THE BOARD

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### 2. THE AGREEMENT

#### (1) Date

8 November 2004

#### (2) Parties

- (a) Mega Vision Enterprises Limited, an indirect wholly-owned subsidiary of the Company, as the Purchaser
- (b) Joy Benefit, as one of the Vendors
- (c) Splendid China, as one of the Vendors

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the Vendors and their respective ultimate beneficial owners are Independent Third Parties.

#### (3) Interests to be acquired

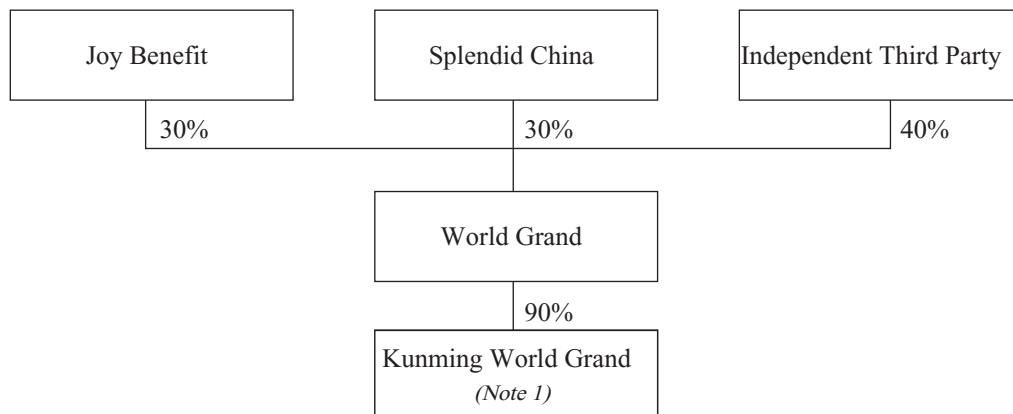
Pursuant to the terms of the Agreement, the Vendors have agreed to sell and the Purchaser has agreed to purchase the Sale Shares and the Sale Loans.

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% of the registered capital of Kunming World Grand.

#### (4) Shareholding structure of the World Grand Group immediately before and after Completion

*Current shareholding structure of the World Grand Group*

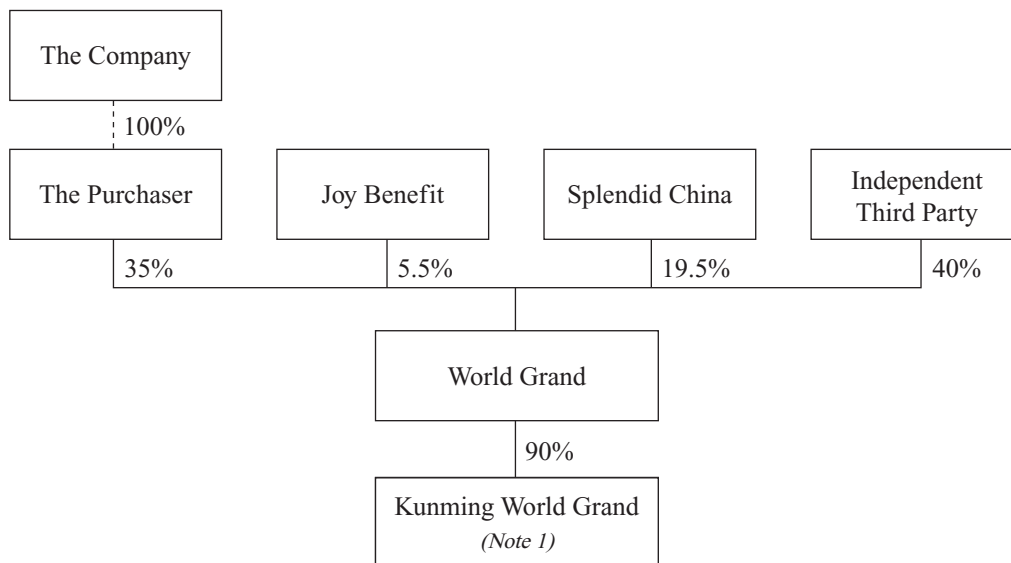


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## LETTER FROM THE BOARD

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*Shareholding structure of the World Grand Group immediately after Completion*



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

### **(5) Conditions precedent**

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):—

- (a) 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;
- (b) 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;
- (c) all necessary approvals, consents, authorisations and permits in relation to the transactions contemplated under the Agreement having been obtained; and
- (d) the legality and operations of Kunming World Grand will not be adversely affected by the Acquisition.

As at the Latest Practicable Date, conditions (a), (b) and (d) above had been fulfilled.

### **(6) Completion**

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).

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## LETTER FROM THE BOARD

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### (7) Consideration and payment terms

The Consideration is HK\$183,750,000 and was agreed after arm's length negotiation between the Parties. The Consideration was determined with reference to the attributable 35% of the projected consolidated profit after tax and minority interests (prepared in accordance with HKGAAP) of the World Grand Group for the financial year ending 31 December 2004 provided by the Vendors. As part of the due diligence performed by the Company, the Directors had reviewed the audited financial statements of the World Grand Group for the two financial years ended 31 December 2003 and the seven months ended 31 July 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 consolidated profit after tax and minority interests (prepared in accordance with HKGAAP) of the World Grand Group for the financial year ending 31 December 2004.

The Purchaser had paid HK\$10,000,000 in cash as refundable 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
- 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 consolidated financial statements of the World Grand Group (prepared in accordance with HKGAAP) for the financial year ending 31 December 2004 by the Purchaser.

The Consideration is subject to adjustment where and only where the actual audited consolidated profit after tax and minority interests (prepared in accordance with HKGAAP) 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 consolidated profit after tax and minority interests (prepared in accordance with HKGAAP) of the World Grand Group for the financial year ending 31 December 2004

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## LETTER FROM THE BOARD

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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.

### **(8) Funding**

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 Latest Practicable Date, the Company has not decided on any fund raising plan.

### **(9) Profit Guarantee**

The Vendors have jointly guaranteed to the Purchaser that the audited consolidated profit after tax and minority interests (prepared in accordance with HKGAAP) 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 consolidated profits after tax and minority interests (prepared in accordance with HKGAAP) 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 consolidated profit after tax and minority interests (prepared in accordance with HKGAAP) 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 consolidated profits after tax and minority interests (prepared in accordance with HKGAAP) 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 consolidated financial statements of the World Grand Group. Such amount of compensation, if any, will be accounted for by the Company as a reduction in the cost of investment in World Grand.

### **(10) Preferential Right**

The Vendors have 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 25% (of which 5.5% to be acquired from Joy Benefit and 19.5% to be acquired 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 of the Option Shares is agreed.

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## LETTER FROM THE BOARD

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### **(11) Implications under the Listing Rules**

Pursuant to Rule 14.06 of the Listing Rules, the Acquisition constitutes a discloseable transaction of the Company and therefore does not require Shareholders' approval. This circular containing, among others, further information on the Agreement and the Acquisition is issued pursuant to Rule 14.38 of the Listing Rules for the information of the Shareholders.

### **3. INFORMATION ON THE WORLD GRAND GROUP**

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

Kunming World Grand is a sino-foreign equity joint venture established in the PRC in 2002 and is owned as to 90% by World Grand and as to 10% by Kunming Guangli. Kunming Guangli and its ultimate beneficial owner(s) are Independent Third Parties.

Kunming World Grand 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 papers from the Group.

The audited consolidated profit before tax and minority interests of the World Grand Group (prepared in accordance with HKGAAP) for each of the two financial years ended 31 December 2003 and the seven months ended 31 July 2004 was approximately HK\$7,731,000, HK\$40,890,000 and HK\$78,586,000, respectively. The audited consolidated profit after tax and minority interests of the World Grand Group (prepared in accordance with HKGAAP) 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. The audited consolidated net asset value of the World Grand Group as at 31 July 2004 (prepared in accordance with HKGAAP) was approximately HK\$70,161,000.

### **4. REASONS FOR AND BENEFITS OF THE ACQUISITION**

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 of, 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 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.

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## LETTER FROM THE BOARD

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The Directors also believe that the Acquisition enables the Group to have a stable order for laminated papers 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 issued on 16 March 2004, and therefore is in the best interests of the Group and the Shareholders as a whole.

Upon Completion, World Grand will become an associated company of the Company. In accordance with HKGAAP, the assets and liabilities and the results of the World Grand Group will not be consolidated into the accounts of the Group.

### 5. GENERAL INFORMATION

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

For certain statutory and general information about the Company, your attention is drawn to the Appendix to this circular.

Yours faithfully,  
By Order of the Board  
**Vision Grande Group Holdings Limited**  
**Li Wei Bo**  
*Chairman*

\* *for identification purpose only*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Director's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the following Directors had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules:

Name of Director	Nature of interest	No. of Shares held	Position	Approximate percentage of issued share capital
Mr. Li Wei Bo	Personal	294,464,000	Long	73.616%
Mr. Lee Cheuk Yin, Dannis	Personal	3,272,000	Long	0.82%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

**(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders**

So far as is known to the Directors, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

<b>Name of Shareholder</b>	<b>No. of Shares held</b>	<b>Position</b>	<b>Approximate percentage of issued share capital</b>
Ms. Gu Lily Ying ( <i>Note 1</i> )	294,464,000	Long	73.616%

*Note 1:* Ms. Gu Lily Ying is the spouse of Mr. Li Wei Bo, the chairman of the Company. Ms. Gu Lily Ying is deemed to be interested in the Shares beneficially owned by Mr. Li Wei Bo pursuant to the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

**3. DIRECTORS' SERVICE CONTRACTS**

Each of the executive Directors has entered into a service contract with the Company on 10 March 2004 for an initial term of three years commencing from 26 March 2004 and thereafter be continuous until terminated by either party giving to the other not less than two months' written notice. Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

**4. COMPETING INTEREST**

As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors or their respective associates had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

**5. LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

**6. MISCELLANEOUS**

- (a) The registered office of the Company is located at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, Cayman Islands, British West Indies.
- (b) The head office and principal place of business of the Company in Hong Kong is located at Office 1, 15th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (c) The company secretary and the qualified accountant of the Company is Mr. Lee Cheuk Yin, Dannis, who is an associate member of the Hong Kong Institute of Certified Public Accountants.
- (d) The Company's branch share registrar and transfer office in Hong Kong is Tricor Investor Services Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.