VISION GRANDE GROUP HOLDINGS LIMITED
偉誠集團控股有限公司

(Incorporated in the Cayman Islands with Limited liability)

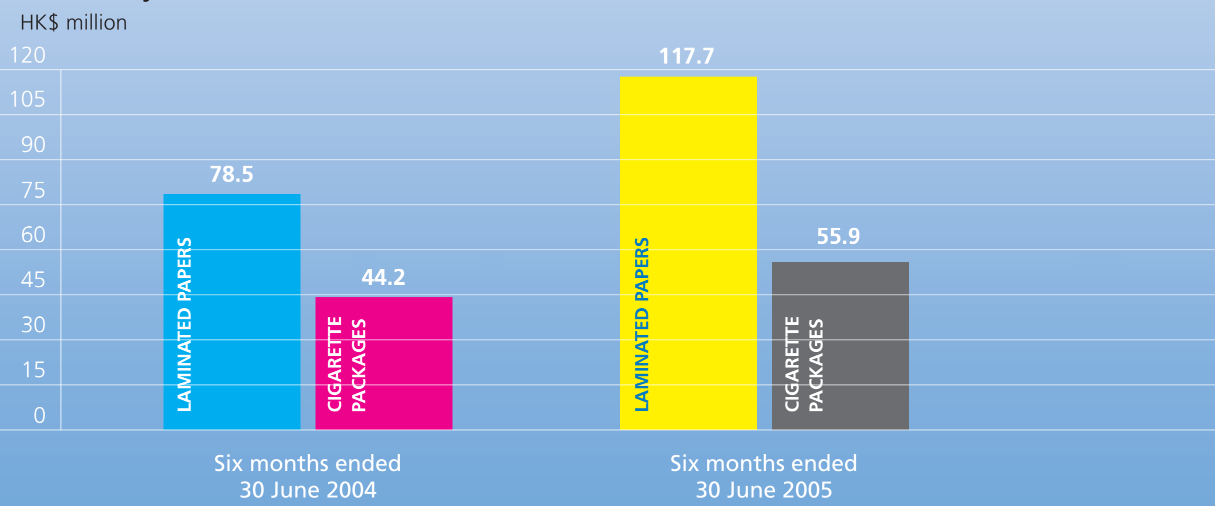
Interim Report 2005

FINANCIAL HIGHLIGHT

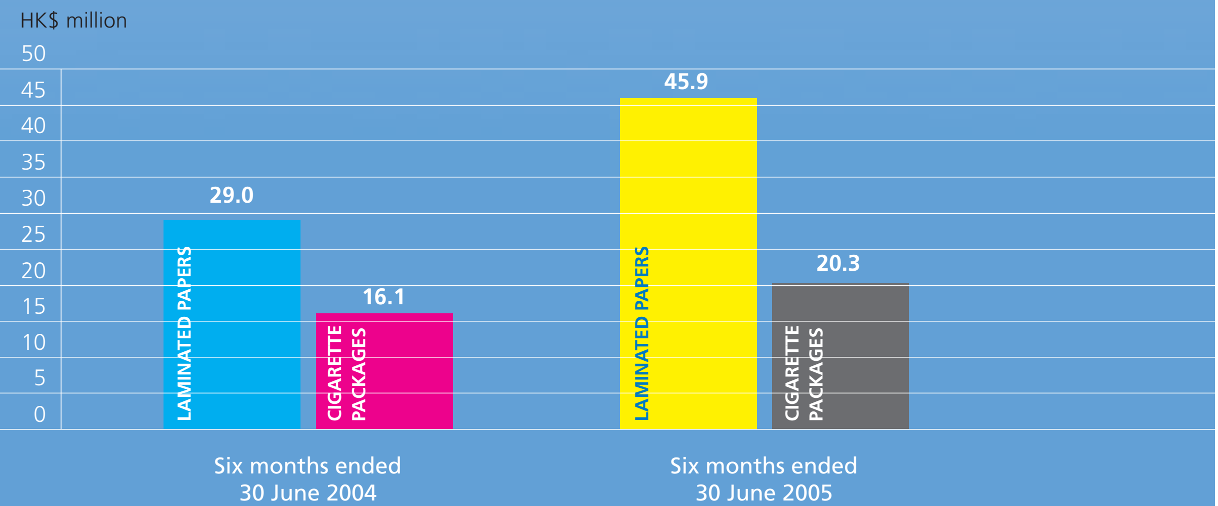
Financial Summary

	Six months ended 30 June	
	2004 (unaudited) HK$'000	2005 (unaudited) HK$'000
Turnover	122,666	173,630
Gross profit	45,095	66,236
Share of net profit of associated companies	15,238	38,165
Profit attributable to equity holders	40,044	69,184
Earnings per share – Basic	10.7 cents	14.7 cents

Turnover by Products



Gross Profit by Products



RESULTS

The board (the "Board") of directors (the "Directors") of Vision Grande Group Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (together the "Group") for the six months ended 30 June 2005 together with the unaudited comparative figures for the corresponding period in 2004 as follows:

Condensed consolidated income statement

For the six months ended 30 June 2005

	Note	For the six months ended 30 June 2005 (unaudited) HK$'000	2004 (unaudited) HK$'000
Turnover	4	173,630	122,666
Cost of sales		(107,394)	(77,571)
Gross profit		66,236	45,095
Other revenue		1,056	3,154
Selling and distribution costs		(5,466)	(3,113)
Administrative expenses		(22,847)	(14,165)
Other operating expenses		(1,212)	(694)
Operating profit	5	37,767	30,277
Finance costs	6	(3,572)	(3,512)
Share of net profit of associated companies		38,165	15,238
Profit before taxation		72,360	42,003
Taxation	7	(2,959)	(1,959)
Profit for the period		69,401	40,044
Attributable to:			
Equity holders of the Company		69,184	40,044
Minority interest		217	–
		69,401	40,044
Earnings per share for profit attributable to the equity holders of the Company during the period	8		
– basic (HK cents)		14.7	10.7
– diluted (HK cents)		13.9	N/A
Dividends	9	40,000	42,000

Condensed consolidated balance sheet

At 30 June 2005

	Note	30 June 2005 (unaudited) HK$'000	31 December 2004 (audited) HK$'000
ASSETS			
Non-current assets			
Fixed assets	10	161,041	144,451
Goodwill		1,081	1,081
Interests in associated companies	11	247,866	53,890
Deposit for acquisition of an associated company		–	91,875
		409,988	291,297
Current assets			
Inventories		66,825	50,196
Trade and other receivables	12	169,457	209,114
Prepayments and deposits		22,191	30,100
Pledged bank deposits		–	2,246
Bank and cash balances		133,126	132,765
		391,599	424,421
Total assets		801,587	715,718
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	13	4,800	4,000
Reserves		573,755	353,215
		578,555	357,215
Minority interest		3,302	3,085
Total equity		581,857	360,300
LIABILITIES			
Non-current liabilities			
Obligations under finance leases		12,231	15,970
Current liabilities			
Trade and other payables	14	53,096	76,217
Bills payables		10,695	22,220
Provision for taxation		652	6,120
Short term interest-bearing borrowings		135,464	145,113
Current portion of obligations under finance leases		7,592	7,903
Deposit received from a subscriber		–	81,875
		207,499	339,448
Total liabilities		219,730	355,418
Total equity and liabilities		801,587	715,718
Net current assets		184,100	84,973
Total assets less current liabilities		594,088	376,270

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2005

	Attributable to equity holders of the Company						Minority interest	Total equity
	Share capital (unaudited) HK$'000	Share premium (unaudited) HK$'000	Exchange reserve (unaudited) HK$'000	Retained profits (unaudited) HK$'000	Statutory surplus reserve (unaudited) HK$'000	Enterprise expansion and general reserve funds (unaudited) HK$'000	(unaudited) HK$'000	(unaudited) HK$'000
At 1 January 2005	4,000	170,658	1,346	163,951	13,326	3,934	3,085	360,300
Exchange difference	–	–	29	–	–	–	–	29
Profit for the period	–	–	–	69,184	–	–	217	69,401
Dividend relating to 2004	–	–	–	(40,000)	–	–	–	(40,000)
Issue of new shares	800	199,200	–	–	–	–	–	200,000
Share issue expenses	–	(7,873)	–	–	–	–	–	(7,873)
At 30 June 2005	4,800	361,985	1,375	193,135	13,326	3,934	3,302	581,857

For the six months ended 30 June 2004

	Attributable to equity holders of the Company						Minority interest	Total equity
	Share capital (unaudited) HK$'000	Share premium (unaudited) HK$'000	Exchange reserve (unaudited) HK$'000	Retained profits (unaudited) HK$'000	Statutory surplus reserve (unaudited) HK$'000	Enterprise expansion and general reserve funds (unaudited) HK$'000	(unaudited) HK$'000	(unaudited) HK$'000
At 1 January 2004	–	6,060	1,271	123,446	5,016	3,934	–	139,727
Exchange difference	–	–	45	–	–	–	–	45
Profit for the period	–	–	–	40,044	–	–	–	40,044
Dividend relating to 2003	–	–	–	(42,000)	–	–	–	(42,000)
New issue of shares on public offer and placing	800	187,200	–	–	–	–	–	188,000
Capitalisation of share premium	3,200	(3,200)	–	–	–	–	–	–
Share issue expenses	–	(21,069)	–	–	–	–	–	(21,069)
At 30 June 2004	4,000	168,991	1,316	121,490	5,016	3,934	–	304,747

Condensed consolidated cash flow statement

For the six months ended 30 June 2005

	For the six months ended 30 June	
	2005	2004
	(unaudited)	(unaudited)
	HK$'000	HK$'000
NET CASH FROM OPERATING ACTIVITIES	**32,018**	19,516
NET CASH USED IN INVESTING ACTIVITIES	**(210,114)**	(12,430)
NET CASH FROM FINANCING ACTIVITIES	**178,428**	138,889
NET INCREASE IN CASH AND CASH EQUIVALENTS	**332**	145,975
Exchange differences arising on consolidation	**29**	45
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**132,765**	6,629
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**133,126**	152,649
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
BANK AND CASH BALANCES	**133,126**	152,649

Notes to the condensed consolidated financial statements

1. Basis of preparation and accounting policies

These unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants.

These condensed consolidated financial statements should be read in conjunction with the Company's 2004 annual report.

The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the Company's 2004 annual report except that the Group has changed certain of its accounting policies following its adoption of new/ revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods commencing on or after 1 January 2005.

The condensed consolidated financial statements for the six months ended 30 June 2005 are unaudited and have been reviewed by the audit committee of the Company.

2. Changes in accounting policies

(a) Effect of adopting new HKFRS

In 2005, the Group adopted the new HKFRSs below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of financial statements
HKAS 2	Inventories
HKAS 7	Cash flow statements
HKAS 8	Accounting policies, changes in accounting estimates and errors
HKAS 10	Events after the balance sheet date
HKAS 12	Income taxes
HKAS 14	Segment reporting
HKAS 16	Property, plant and equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee benefits
HKAS 20	Accounting for government grants and disclosure of government assistance
HKAS 21	The effects of changes in foreign exchange rates
HKAS 24	Related party disclosures
HKAS 27	Consolidated and separate financial statements
HKAS 28	Investments in associates
HKAS 32	Financial instruments: Disclosures and presentation
HKAS 33	Earnings per share
HKAS 36	Impairment of assets
HKAS 37	Provisions, contingent liabilities and contingent assets
HKAS 38	Intangible assets
HKAS 39	Financial instruments: Recognition and measurement
HKFRS 3	Business combinations

2. Changes in accounting policies (continued)

(a) Effect of adopting new HKFRS (continued)

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 20, 21, 24, 27, 28, 32, 33 and 37 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interest, share of net after tax results of associated companies and other disclosures.

– HKASs 2, 7, 8, 10, 12, 14, 16, 17, 18, 19, 20, 21, 27, 28, 33 and 37 had no material effect on the Group's policies.

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of HKAS 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss. HKAS 39 has no material impact on the Group's profit and loss during this period.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for goodwill. Until 31 December 2004, goodwill was:

– Amortised on a straight line basis over a period of six years; and

– Assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3:

– The Group ceased amortisation of goodwill from 1 January 2005;

– Accumulated amortisation as at 31 December 2004 has been eliminated with a corresponding decrease in the cost of goodwill; and

– From the year ending 31 December 2005 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment.

HKFRS 3, HKAS 36 and HKAS 38 have no material impacts on the Group's profit and loss during this period.

2. Changes in accounting policies (continued)

(a) Effect of adopting new HKFRS (continued)

All relevant changes in the accounting policies have been made in accordance with the transition provisions in the respective standards, which require retrospective application to prior year comparatives other than:

– HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;

– HKAS 21 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;

– HKAS 39 – does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis; and

– HKFRS 3 – prospectively after the adoption date.

(b) New accounting policies

The accounting policies used for the condensed consolidated financial statements for the six months ended 30 June 2005 are the same as those set out in the Company's 2004 annual report except for the following:

Acquisition of subsidiaries and associated companies

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

An investment in an associated company is accounted for using the equity method from the date on which it becomes an associated company. On acquisition of the investment, the measurement and recognition of goodwill is same as that of goodwill arising from the acquisition of subsidiaries. Goodwill relating to an associated company is included in the carrying amount of the investment. Appropriate adjustments to the investor's share of the profits or losses after acquisition are made to account based on their fair values at the date of acquisition.

2. Changes in accounting policies (continued)

(b) New accounting policies (continued)

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2. Changes in accounting policies (continued)

(b) New accounting policies (continued)

Fixed assets

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associated company at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associated companies is included in investments in associated companies. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Trade and other receivables

Trade and other receivables are recognised initially at fair value less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the provision is recognised in the income statement.

2. Changes in accounting policies (continued)

(b) New accounting policies (continued)

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

3. Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks, including foreign exchange risk, credit risk, liquidity risk and cash flow and fair value interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Foreign exchange risk

The Group carries out its business in the People's Republic of China (the "PRC") and most of the transactions are denominated in Renminbi ("RMB"). The Group's assets and liabilities are mainly denominated in RMB and Hong Kong dollars. Accordingly, the Group had neither engaged in any derivative activities nor committed to any financial instruments to hedge its balance sheet exposures. The Directors consider the Group's foreign exchange risk to be minimal.

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

Credit risk

The carrying amounts of the trade and other receivables included in the condensed consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to the Group's financial assets. No other financial assets carry a significant exposure to credit risk. As at 30 June 2005, the three largest trade receivables represent approximately 66% (31 December 2004: 74%) of the total trade receivables.

The Group performs ongoing credit evaluation of its customers' financial condition and requires no collateral from its customers. The allowance for doubtful debts is based upon a review of the expected collectibility of all trade and other receivables.

Liquidity risk

The Group manages its liquidity risk by ensuring the availability of funding through an adequate amount of committed credit facilities from financial institutions. Due to the nature of the Group's underlying business, management aims at maintaining flexibility in funding by keeping committed credit lines available.

3. Financial risk management (continued)

(a) Financial risk factors (continued)

Cash flow and fair value interest rate risk

The Group's interest-rate risk arises from interest-bearing borrowings, which include short term interest-bearing borrowings and obligations under finance leases. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. At 30 June 2005, 87% of the Group's borrowings were at fixed rates, the Directors are of the opinion that this risk is not material to the Group.

(b) Fair values

The Group's financial assets mainly include pledged bank balances, bank and cash balances, trade and other receivables, and deposits paid. The Group's financial liabilities mainly include trade and other payables, bills payables, interest-bearing borrowings, obligations under finance leases and deposit received from a subscriber. The carrying amounts of the Group's financial assets and financial liabilities as reflected in the condensed consolidated balance sheet approximate their respective fair values.

4. Turnover and segment information

Turnover represents revenue arising from printing of cigarette packages and manufacturing of laminated papers. The Group's primary format for reporting segment information is business segment.

	Printing of cigarette packages For the six months ended 30 June		Manufacturing of laminated papers For the six months ended 30 June		Eliminations For the six months ended 30 June		Consolidated For the six months ended 30 June	
	2005 (unaudited) HK$'000	2004 (unaudited) HK$'000	2005 (unaudited) HK$'000	2004 (unaudited) HK$'000	2005 (unaudited) HK$'000	2004 (unaudited) HK$'000	2005 (unaudited) HK$'000	2004 (unaudited) HK$'000
REVENUE								
External revenue	55,883	44,160	117,747	78,506	–	–	173,630	122,666
Inter-segment revenue*	–	–	22,321	15,284	(22,321)	(15,284)	–	–
Total revenue	55,883	44,160	140,068	93,790	(22,321)	(15,284)	173,630	122,666
RESULT								
Segment result	15,617	13,620	34,129	24,598	–	–	49,746	38,218
Unallocated corporate expenses							(13,035)	(11,095)
Other revenue							961	3,109
Operating profit excluding interest income							37,672	30,232
Finance costs							(3,572)	(3,512)
Interest income							95	45
Share of net profit of associated companies							38,165	15,238
Taxation							(2,959)	(1,959)
Profit for the period							69,401	40,044

* Inter-segment revenue is charged at cost.

5. Operating profit

The Group's operating profit is stated after charging the following:

	For the six months ended 30 June	
	2005	2004
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Cost of inventories sold	**99,955**	76,121
Depreciation	**5,257**	3,498

6. Finance costs

	For the six months ended 30 June	
	2005	2004
	(unaudited)	(unaudited)
	HK$'000	HK$'000
Interest on bank loans and overdrafts	**3,020**	2,786
Finance lease charges	**552**	726
	3,572	3,512

7. Taxation

The taxation charge represents:

	For the six months ended 30 June	
	2005	2004
	(unaudited)	(unaudited)
	HK$'000	HK$'000
PRC enterprise income tax	**2,959**	1,959

No provision for Hong Kong profits tax has been made as the Group has no assessable profit in Hong Kong. The PRC enterprise income tax is calculated at the applicable rate of 7.5% (2004: 7.5%) of the estimated assessable profit for the period.

There was no material unprovided deferred taxation. The Group has unused tax losses of approximately HK$40 million (31 December 2004: HK$34 million) at 30 June 2005 available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

8. Earnings per share

(a) Basic earnings per share is calculated based on the Group's unaudited profit attributable to equity holders of the Company for the six months ended 30 June 2005 of approximately HK$69,184,000 (30 June 2004: HK$40,044,000) and the weighted average number of approximately 469,834,000 shares (30 June 2004: 375,824,000 shares) outstanding after the group reorgainsation of the Company (the "Group Reorganisation"), details of which are set out in the Company's 2004 annual report, as if those shares had been outstanding from 1 January 2004.

(b) Diluted earnings per share is calculated based on the Group's unaudited profit attributable to equity holders of the Company for the six months ended 30 June 2005 of approximately HK$69,184,000 and the weighted average number of approximately 496,869,000 shares outstanding after the Group Reorganisation as if those shares had been outstanding from 1 January 2004, as further stated below. Diluted earnings per share for the six months ended 30 June 2004 has not been presented as the Company did not have any dilutive potential shares for the period.

A reconciliation of the weighted average number of shares used in the basic earnings per share calculation to that used in the diluted earnings per share calculation is as follows:

	Number of shares for the six months ended 30 June	
	2005	2004
	'000	'000
Weighted average number of shares used in the basic earnings per share calculation	**469,834**	375,824
Effect of dilutive potential shares in respect of share options	**27,035**	N/A
Weighted average number of shares used in the diluted earnings per share calculation	**496,869**	N/A

9. Dividends

	For the six months ended 30 June 2005 (unaudited) HK$'000	2004 (unaudited) HK$'000
The Company		
Final dividend paid for 2004	**25,000**	–
Special dividend paid for 2004	**15,000**	–
Victory Honest Group Limited		
Final dividend paid for 2003 (note)	**–**	42,000
	40,000	42,000

Note: The dividend was paid by a subsidiary of the Company to its then equity holders prior to the Group Reorganisation.

In September 2005, an interim dividend of HK$34.56 million (30 June 2004: HK$20 million) and a special dividend of HK$13.44 million (30 June 2004: Nil) were proposed by the Company to its equity holders in respect of the year ending 31 December 2005. The proposed dividends are not reflected as dividend payables in these condensed consolidated financial statements, but will be reflected as appropriations of retained profits for the year ending 31 December 2005.

10. Fixed assets

During the six months ended 30 June 2005, the Group acquired fixed assets of approximately HK$21 million comprising machinery and equipment.

11. Interests in associated companies

	Note	30 June 2005 (unaudited) HK$'000	31 December 2004 (audited) HK$'000
Beginning of the period/year		53,890	68,719
Addition	(b)	186,305	–
Share of results of associated companies			
– Profit before taxation		41,795	43,792
– Taxation		(3,630)	(5,450)
		278,360	107,061
Dividend received		(30,494)	(53,171)
End of the period/year		247,866	53,890
The period/year end balance comprises of the following:			
Share of net assets other than goodwill		67,770	53,890
Goodwill on acquisition	(c)	180,096	–
		247,866	53,890

(a) As at 30 June 2005, the Group has interests in the associated companies, both of which are unlisted, as follows:

Name	Place of incorporation/ operation	Particulars of registered capital/issued shares held	Percentage of interest held	Principal activities
Nanjing Sanlong Packaging Co., Ltd. ("Nanjing Sanlong")	PRC	US$1,008,000	48%	Printing of cigarette packages
World Grand Holdings Limited ("World Grand")	Hong Kong/ PRC	HK$4,200,000	35%	Printing of cigarette packages

(b) During the period, the Group acquired 35% equity interests in World Grand which is an investment holding company at a cash consideration, before expenses, of HK$183,750,000. The major asset of World Grand is its 90% equity interests in a PRC joint venture, Kunming World Grand Colour Printing Co., Ltd. ("Kunming World Grand"), which is principally engaged in printing of cigarette packages in Kunming, Yunnan Province.

(c) The balance as at 30 June 2005 represented the goodwill arising from the acquisition of equity interests in World Grand. In accordance with HKFRS 3 and HKAS 38 goodwill is tested annually for impairment, as well as when there is indication of impairment. During the period, no impairment loss had been recognised.

12. Trade and other receivables

Trade and other receivables include trade receivables and bills receivables of approximately HK$125,410,000 and HK$22,712,000 (31 December 2004: HK$181,354,000 and HK$23,567,000) respectively. The general credit terms of the Group to its trade customers range from one month to three months. The aging analysis of trade receivables is as follows:

	30 June 2005 (unaudited) HK$'000	31 December 2004 (audited) HK$'000
Current to 30 days	**66,729**	82,172
31 to 90 days	**29,126**	65,147
Over 90 days	**29,555**	34,035
	125,410	181,354

13. Share capital

	Note	**Number of shares** '000	**Amount** HK$'000
Shares of HK$0.01 each			
Authorised:			
At 31 December 2004 and 30 June 2005		1,000,000	10,000
Issued and fully paid:			
At 1 January 2005		400,000	4,000
Issue of new shares	(a)	80,000	800
At 30 June 2005		**480,000**	**4,800**

Notes:

(a) Pursuant to a share subscription and option agreement (the "Subscription Agreement"), 80,000,000 shares were issued for cash at HK$2.5 per share (the "Subscription"). The excess of the issued price over the par value of the shares issued has been credited to the share premium account of the Company.

(b) All shares, both issued and unissued, rank pari passu in all respects at 30 June 2005.

(c) Pursuant to the Subscription Agreement, option to subscribe for 96,000,000 shares was granted to the subscriber, AMB Packaging Pte Limited which is wholly owned by Amcor Limited ("Amcor"), at an exercise price of HK$2.5 per share, subject to the completion of the Subscription and adjustment due to change in the capital structure of the Company. HK$10 is payable as consideration for the offer of option granted. The option is exercisable for the period commencing from 24 January 2005 and ending on 31 December 2005. No share options were granted during the period.

14. Trade and other payables

Trade and other payables include trade payables of approximately HK$33,511,000 (31 December 2004: HK$50,249,000). The aging analysis of trade payables is as follows:

	30 June 2005 (unaudited) HK$'000	31 December 2004 (audited) HK$'000
Current to 30 days	**31,607**	20,463
31 to 90 days	**428**	26,819
Over 90 days	**1,476**	2,967
	33,511	50,249

15. Related party transactions

During the period, the Group had the following material related party transactions:

	For the six months ended 30 June	
	2005 (unaudited) HK$'000	2004 (unaudited) HK$'000
Sales of laminated papers to associated companies		
Nanjing Sanlong	**87,173**	61,456
World Grand	**30,574**	–

At balance sheet date, the following balances with related parties included in:

	30 June 2005 (unaudited) HK$'000	31 December 2004 (audited) HK$'000
Trade and other receivables:		
Nanjing Sanlong	**51,603**	82,471
World Grand	**14,571**	–
Trade and other payables:		
Nanjing Sanlong	**–**	257

Note: The above amounts are of trade nature and are unsecured, interest free and repayable within 60 days.

16. Capital commitments

	30 June 2005 (unaudited) HK$'000	31 December 2004 (audited) HK$'000
Contracted but not provided for		
Acquisition of plant and machinery	**21,388**	23,545
Unpaid capital contribution for the investment in an associated company	**–**	91,875

17. Contingent liabilities

At 30 June 2005, the Group did not have any significant contingent liabilities (31 December 2004: Nil).

18. Events after balance sheet date

Subsequent to 30 June 2005, an interim dividend of HK$34.56 million and a special dividend of HK$13.44 million were proposed by the Company to its equity holders in respect of the six months ended 30 June 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the period ended 30 June 2005, the Group continued to achieve significant progress. Turnover increased by about 42% from the same period last year to approximately HK$173.6 million and profit attributable to equity holders of the Company was approximately HK$69.2 million, an increase of about 73% over the same period in 2004. The Board has declared the payment of an interim dividend of HK$0.072 per share and a special dividend of HK$0.028 per share to the members of the Company whose names appear on the register of members on 14 October 2005.

Business Review

Cigarette Package Printing

An increase in the demand for mid to high-end products has contributed to the successful achievement of strategies initiated in 2004. A majority of the profit growth in the first half of 2005 was attributable to the inclusion of the profit of associated companies, mainly contributions by World Grand, which is 35% owned by the Group. This shared profit which contributed to about 30% of the total net profit of the Group for the review period, clearly demonstrates the Group's foresight regarding market expansion through acquisition, based on the impressive returns that have been recorded.

World Grand owns 90% of Kunming World Grand, a key supplier of Kunming Cigarette Factory which is one of the three largest cigarette manufacturers in the PRC. Similarly, Nanjing Sanlong is 48% owned by the Group and maintains strong relationships with both the Nanjing and Huaiyin Cigarette Factories in Jiangsu Province, which are the dominant cigarette industry enterprises in Jiangsu. Through these key up-stream suppliers of prominent cigarette manufacturers, the Group is poised to strengthen its business relationship with major clients.

The cigarette package printing business operated by the Group's subsidiary, Victory Honest Industries (Shenzhen) Co., Ltd. ("Victory Shenzhen"), recorded a turnover of approximately HK$56 million for the review period, an increase of about 27% over the same period in 2004. This again reflected the fruitful result from our decision in modifying the product mix last year.

The cigarette industry in China is still undergoing rapid changes, further mergers and acquisitions among cigarette factories provide us with more opportunities in getting new orders. Therefore, during the first half of 2005, the management has spent significant effort and resources, such as research and development and sample making, to provide cigarette manufacturers with new and unique products at reasonable costs. Even with these additional costs, the Group has still managed to achieve a stable gross profit margin for cigarette packages.

In addition, Chinese government requires cigarette manufacturers to standardise the health warning label on cigarette packages and to become more efficient by lowering their inventories level. Therefore, cigarette manufacturers will need to clear up their existing stocks before launching new products with the new health warning label and all these will lower their order quantities in the short run. Despite these adverse effects, the Group is able to increase its revenue in the first half of 2005.

All the above demonstrate the Group's ability to meet the challenges of new customer demands and regulatory changes. The management is also pleased to announce that the Group has secured a new order from Changsa Cigarette Factory which indicates a significant breakthrough into a top five cigarette manufacturer and a new geographical segment. Successful execution under such circumstances further highlights the Group's ability to overcome formidable demands in an adverse environment.

Meanwhile, the annual cigarette package production capacity of Victory Shenzhen, Nanjing Sanlong, and Kunming World Grand are approximately 400,000, 600,000 and 600,000 cartons respectively. As a result of a significant increase in orders, most notably from Kunming World Grand in the Yunnan Province, utilisation rates have also increased to about 70%, 75% and 90% respectively.

Laminated Paper Manufacturing

Laminated paper manufacturing continued to enjoy significant growth over the same period in 2004. Overall sales increased to approximately HK$117.7 million, an overall improvement of about 50% from the same period last year. This mainly resulted from the increase in sales of laminated papers to Kunming World Grand. However, with the increase in material costs, especially aluminium foils and laser film which are heavily affected by the increase in oil price, our gross profit margin of laminated papers dropped slightly from last year. Nevertheless, the management will closely control the material costs and is confident to maintain the gross profit margin.

The Group's laser printing and laminated paper manufacturing continues to be on the cutting edge of technology and has completed a process of vertical integration. The Group regularly monitors the progress of production to ensure its technology performs to the highest standards, enabling production to reach the highest level of accuracy at the greatest possible output. Through vertical integration and cost reduction, the Group has achieved a significant competitive advantage over other manufacturers.

Strategic Partnership with Amcor

Amcor is the largest cigarette packaging company in the world. For over 10 years, it has been engaged in the manufacturing of hinge-lid cigarette blanks and specialty printed cartons for tobacco packaging at its plants in Beijing and Qingdao in the PRC. Its geographic location precludes any direct competition with the Group.

Amcor subscribed a total of 80 million new shares in January 2005 which represents about 16.67% of the enlarged issued share capital of the Company. Amcor was also granted an option to subscribe a further 96 million new shares by the end of 2005 which would bring the total ownership to 176 million shares or about 30.56% of the enlarged issued share capital of the Company.

During the first half of 2005, Vision Grande has had the opportunity to work closely with Amcor and benefit from the partnership. Vision Grande has been able to take advantage of Amcor's depth of experience and expertise in areas such as financial reporting, corporate governance and manufacturing processes.

Prospects

The Group will continue to exploit and develop synergies resulting from its strategic partnership with Amcor. Through resource sharing and procurement, the Group will improve its position in terms of commodity pricing. In addition to the advantage of economies of scale, the strategic partnership with Amcor will help to streamline the supply chain and diversify risk.

The Group will also continue to capitalise on the synergies from its 35% equity interests in World Grand. Given the success of World Grand thus far, the management is considering to early exercise its option to increase its interests in World Grand to 60%.

Finally, the Group will continue to carefully consider additional acquisitions. As the market continues to consolidate, the Group is uniquely positioned. The management is confident that it has positioned the Group to take advantage of future industry consolidation and to ensure sustainable growth.

Cigarette Package Printing

The Group has achieved a significant increase in market share in the PRC, most notably in the Yunnan Province through World Grand. The Group will work closely with World Grand to further expand the customer bases in not only Yunnan Province, but also possibly Guangdong Province and Zhejiang Province. The increase in business is the result of sales to existing and new customers. As a result of the additional orders from Changsa Cigarette Factory, utilisation rates have steadily increased and the Group's production is at an all time high and the Group will keep up its effect in getting new sizable orders from other major cigarette manufacturers. In order to further consolidating its leading market position in the PRC, the Group is planning to continue to expand sales geographically and to explore acquisition opportunities to further penetrate in Yunnan Province, Guangdong Province, Jiangxi Province and Hunan Province

Laminated Paper Manufacturing

The Group continues to benefit from the technological advantages that are a result of its proprietary manufacturing process of laser laminated papers. In the first half of 2005, adjustments to provide the highest level of accuracy coupled with the highest possible production output have been implemented. As the Group continues to fine tune the process, it will further capitalise on opportunities to expand sales of high quality laminated paper and the strength of its proprietary advanced technology. The Group expects its operations to remain stable in the second half of 2005.

Capital structure, financial resources and liquidity

Borrowing and banking facilities

As at 30 June 2005, the Group had aggregate banking and loan facilities, including those facilities from banks and finance lease creditors, of approximately HK$216.0 million of which approximately HK$166.0 million was utilised. The Group generally finances its operation with finance leases and banking facilities provided by its banks and finance lease creditors in Hong Kong and the PRC.

As at 30 June 2005, the short term borrowings of the Group of approximately HK$135.5 million were repayable within one year.

As at 30 June 2005, the obligations under finance leases of the Group amounted to approximately HK$19.8 million, of which approximately HK$12.2 million was repayable within one year, approximately HK$8.0 million was repayable after one year but within two years, and approximately HK$4.2 million was repayable after two years but within five years.

As at 30 June 2005, approximately 87% of the Group's borrowings bore interest at fixed rates.

The short term borrowings and obligations under finance leases of the Group are either denominated in Hong Kong dollars or RMB.

Net current assets

As at 30 June 2005, the Group had net current assets of approximately HK$184.1 million. The current assets comprised inventories of approximately HK$66.8 million, trade and other receivables of approximately HK$169.5 million, prepayments and deposits of approximately HK$22.2 million, bank and cash balances of approximately HK$133.1 million. The current liabilities comprised trade and other payables of approximately HK$53.1 million, bills payables of approximately HK$10.7 million, provision for taxation of approximately HK$0.6 million, short term borrowings of approximately HK$135.4 million and current portion of obligations under finance leases of approximately HK$7.6 million.

Capital structure

As at 30 June 2005, the Group had net tangible assets of approximately HK$577.5 million comprising non-current assets of approximately HK$408.9 million (comprising fixed assets of approximately HK$161.0 million and interests in associated companies of approximately HK$247.9 million), net current assets of approximately HK$184.1 million, non-current liabilities of approximately HK$12.2 million (comprising entirely obligations under finance leases) and minority interest of approximately HK$3.3 million.

Capital commitments

As at 30 June 2005, the Group had capital commitments contracted but not provided for in respect of acquisition of plant and machinery of approximately HK$21,388,000.

Working capital

Taking into account the financial resources available to the Group, including internally generated funds, the available banking and loan facilities and the net proceeds from the share offer and share issue, the Directors are of the opinion that the Group has sufficient working capital for its present requirements.

Remuneration policies and employee information

As at 30 June 2005, the Group had over 510 full time employees in Hong Kong and the PRC. Total staff costs (including directors' emoluments) amounted to approximately HK$9.2 million (six months ended 30 June 2004: HK$2.1 million) for the period under review. All full time salaried employees, except for factory workers and contract employees, are being paid on a monthly basis, plus a discretionary performance bonus. Factory workers are being remunerated based on a basic wage plus production incentive. The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system.

In addition to salaries, the Group provides staff benefits including medical insurance and contributions to staff's provident fund. Share options and bonuses are also available to employees of the Group at the discretion of the Directors and depending upon the financial performance of the Group.

Significant investments and material acquisitions

During the period under review, the Group completed its acquisition of 35% equity interests in World Grand for HK$183.75 million. The Group believes that this acquisition will significantly complement its existing operations through the addition of value-added relationships, vertical integration, technological advantage, and synergistic benefits.

The Group also welcomed Amcor as strategic partner, resulting in a capital infusion of HK$200 million. In addition, the partnership has added technical know-how, strategic advantage, and synergies that will contribute significantly to the performance of the Group in the future.

Gearing ratio

As at 30 June 2005, the Group's gearing ratio, calculated as a ratio of borrowings to shareholders' funds, was 27% (31 December 2004: 47%). The management believes that the gearing ratio is at an acceptable level for the Group and the Group would be able to create sufficient financial resources to discharge its debts.

Foreign exchange exposure

The Group does not currently have any hedging activities against its foreign exchange exposure nor does it adopt any formal hedging policies. During the period under review, all of the Group's sales and purchases were settled in United States dollars, Hong Kong dollars and RMB. The Directors consider the Group's risk exposure on foreign exchange as minimal.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2005.

ADDITIONAL INFORMATION PROVIDED IN ACCORDANCE WITH THE LISTING RULES

Dividends

The Board has declared an interim dividend of HK$0.072 per share and a special dividend of HK$0.028 per share to equity holders whose names appear on the register of members of the Company at the close of business on 14 October 2005. The dividends will be paid on or about 28 October 2005.

Closure of the Transfer Books and Register of Members

The Transfer Books and Register of Members of the Company will be closed from 13 October 2005 to 14 October 2005, both days inclusive. During this period, no transfer of shares of the Company will be registered. In order to qualify for the entitlement of the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share register, Tricor Investors Services Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:00 p.m. on 12 October 2005.

DISCLOSURE OF INTERESTS

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

As at 30 June 2005, 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 Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong (the "SFO")) (i) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (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 Listing Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

Name of Director	Nature of interest	Number of shares held	Position	Approximate percentage of issued share capital
Mr. Li Wei Bo	Personal	276,728,000	Long	57.65%
Mr. Lee Cheuk Yin, Dannis	Personal	3,272,000	Long	0.68%

DISCLOSURE OF INTERESTS (continued)

Save as disclosed above, 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) as at 30 June 2005 (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 taken 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 Listing Companies contained in the Listing Rules.

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

As at 30 June 2005, 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 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings or any member of the Group:

Name of shareholder	Number of shares held	Position	Approximate percentage of issued share capital
Ms. Gu Lily Ying (Note 1)	276,728,000	Long	57.65%
Amcor Packaging (Asia) Pty Ltd. (Note 2)	176,000,000	Long	30.56%
Amcor Limited (Note 2)	176,000,000	Long	30.56%
AMB Packaging Pte Limited (Note 2)	176,000,000	Long	30.56%

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.

Note 2: They are deemed to be interested pursuant to Part XV of the SFO in respect of the number of shares which may be issued to AMB Packaging Pte Limited upon completion and exercise of the option granted under the subscription and option agreement dated 9 December 2004.

Save as disclosed above, 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.

DISCLOSURE OF INTERESTS (continued)

Save as disclosed above and the paragraph headed "Share option scheme" below, at no time during the period were rights to acquire benefits by means of the acquisition of shares in the Company granted to any Director of their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Share Option Scheme include any employees, directors, substantial shareholders or any of their respective associates of the Company and/or any of its subsidiaries or associated companies. The Share Option Scheme became effective for a period of 10 years commencing on 10 March 2004.

As at 30 June 2005, no option have been granted or agreed to be granted to any person under the Share Option Scheme.

Details of the Share Option Scheme are set out in the Company's 2004 annual report.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the period under review.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or any of 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.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events are set out in note 18 to the financial statements.

COMPLIANCE WITH APPENDIX 10 OF THE LISTING RULES

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Appendix 10 of the Listing Rules throughout the period under review. Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with such code of conduct and required standard of dealings throughout the period under review.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE PRACTICES

Corporate Governance

The Company has complied with the Code of Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2005, with deviations from code provisions A.2.1 and A.4.2 of the CG Code in respect of the separate roles of Chairman and Chief Executive Officer ("CEO") and rotation of Directors.

Code A.2.1 of the CG Code provides that the roles of Chairman and CEO should be separate and should not be performed by the same individual and the division of responsibilities between the Chairman and CEO should be clearly established and set out in writing. However, Mr. Li Wei Bo has been the Chairman and CEO of the Company since his appointment to the Board. The Board believes that this structure provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long term business strategies. As such, it is beneficial to the business prospects of the Company.

Code A.4.2 of the CG Code provides that all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. This code provision is not in line with the articles of association of the Company. In order to comply with the CG Code, the Board is reviewing the articles of association of the Company and relevant amendments to the same will be proposed to the shareholders of the Company for approval.

The Company is committed to high standards of corporate governance practices. In September 2005, the Company has set up a remuneration committee responsible for formulating and making recommendation to the Board on the Group's policy and structure for all the remunerations of the Directors and senior management and on the establishment of formal and transparent procedures for developing policy on such remuneration.

AUDIT COMMITTEE

The Company set up an audit committee (the "Committee") on 10 March 2004, which was established in accordance with the requirements of the CG Code, for the purpose of reviewing and providing supervision on the financial reporting process and internal control system of the Group. The Committee comprises the three independent non-executive Directors with Mr. Ng Kwai Sang acting as Chairman. The interim financial statements of the Group for the six months ended 30 June 2005 together with the notes attached thereto have been reviewed by the Committee, which was of the opinion that such statements complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

By order of the Board
Li Wei Bo
Chairman

Hong Kong, 26 September 2005