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If you are in doubt as to any aspect of this circular or as to the action to be taken, 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 **Van Shung Chong Holdings Limited**, you should at once hand this circular to the purchaser or the transferee or to the bank or stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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VSC万顺昌

VAN SHUNG CHONG HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 1001)

CONTINUING CONNECTED TRANSACTIONS

**Independent financial adviser to the independent board committee of
Van Shung Chong Holdings Limited**



Goldbond Capital (Asia) Limited

A letter from the Board is set out on pages 1 to 9 of this circular. A letter from the Independent Board Committee is set out on page 10 of this circular.

A letter from Goldbond Capital (Asia) Limited, the independent financial adviser, containing its advice to the Independent Board Committee and the Shareholders is set out on pages 11 to 18 of this circular.

A notice convening a special general meeting of Van Shung Chong Holdings Limited to be held at Rooms 4902-8, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on Monday, 1 November 2004 at 10:30 a.m. is set out on pages 28 to 29 to this circular.

Whether or not you are able to attend the meeting, you are requested to complete and return the form of proxy enclosed with the notice of special general meeting in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

15 October 2004

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Van Shung Chong Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Goldbond Capital”	Goldbond Capital (Asia) Limited, a licensed corporation under the transitional arrangement within the meaning of the SFO to carry out Types 1 and 6 regulated activities under the SFO
“GZCC”	Guangzhou Coil Centre, a coil centre owned and operated by a subsidiary, SMC Industries Limited, which is owned as to 95% by VSC Shinsho and is itself a joint venture established in the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee, comprising Dr. Chow Yei Ching, Mr. Kenneth Woo Shou Ting and Mr. Harold Richard Kahler (being three of the independent non-executive Directors), established for the purpose of reviewing the terms of the Supply Agreement, the Transactions and the Proposed Caps
“Independent Third Party(ies)”	party(ies) who and whose ultimate beneficial owner(s) is/are independent of and not connected with the Company, the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or any of their respective associates
“Latest Practicable Date”	13 October 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Percentage Ratios”	the percentage ratios under Rule 14.07 of the Listing Rules, other than the equity capital ratio and profits ratio
“PRC”	People’s Republic of China
“Proposed Caps”	the respective proposed maximum annual aggregate value of the transactions contemplated under the Supply Agreement for each of the three financial years ending 31 March 2007
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting of the Company to be held at 10:30 a.m. on Monday, 1 November 2004 to consider the ordinary resolution to be proposed to approve, the Supply Agreement, the Transactions and the Proposed Caps
“Share(s)”	share(s) of the HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shinsho Corporation”	Shinsho Corporation, a Japanese public company the issued shares of which are listed on the Tokyo Stock Exchange and is a group company and a trading arm of Kobe Steel Group, a large steel manufacturer in Japan
“Shinsho Group”	Shinsho Corporation and its associates (as defined in the Listing Rules)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Supply Agreement”	the agreement entered into by VSC Shinsho with Shinsho Corporation, details of which are disclosed under the paragraph headed “Particulars of the Supply Agreement” of this circular
“Transactions”	the transactions contemplated under the Supply Agreement

DEFINITIONS

“VSC Group”	the Company and its subsidiaries
“VSC Shinsho”	VSC Shinsho Company Limited (formerly known as Shell & Shinsho Company Limited prior to the acquisition of its 70% equity interest by the Company in March 2004), a company which is indirectly owned as to 70% by the Company and as to the remaining 30% by Shinsho Corporation

LETTER FROM THE BOARD



VSC万顺昌

VAN SHUNG CHONG HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 1001)

Board of Directors

Executive Directors:

Mr. Andrew Cho Fai Yao (*Chairman*)

Mr. Johnson Sai Hou Ho

Mr. Fernando Sai Ming Dong

Non-executive Director:

Dr. Shao You Bao

Independent non-executive Directors:

Dr. Chow Yei Ching

Mr. Kenneth Woo Shou Ting

Mr. Harold Richard Kahler

Mr. Kenny King Ching Tam

Registered office:

Clarendon House

Church Street

Hamilton HM 11

Bermuda

Head office and principal

place of business:

Rooms 4902-8, Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

15 October 2004

*To the Shareholders (and, for information only, to
the holders of outstanding warrants and
holders of outstanding options)*

Dear Sir and Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

On 17 September 2004, VSC Shinsho, an indirect non-wholly owned subsidiary of the Company and Shinsho Corporation entered into the Supply Agreement pursuant to which, Shinsho Corporation and VSC Shinsho agreed that VSC Shinsho and other subsidiaries of the Company may purchase from the Shinsho Group, from time to time, various steel products for a term commencing from 1 April 2004 up to 31 March 2007. Under the terms of the Supply Agreement, Shinsho Corporation may procure members of the Shinsho Group to carry into effect the Transactions while VSC Shinsho may procure other subsidiaries of the Company to carry into effect the Transactions.

LETTER FROM THE BOARD

THE SUPPLY AGREEMENT

Date

17 September 2004

Parties

1. VSC Shinsho, a company which is indirectly owned as to 70% by the Company and as to the remaining 30% by Shinsho Corporation; and
2. Shinsho Corporation. Other than its equity interest in VSC Shinsho, Shinsho Corporation and its ultimate beneficial owner(s) is/are independent of and not connected with the Company and any of the directors, chief executive, or substantial shareholders of the Company or its subsidiaries or any of their respective associates, and did not have any other business relationship with the Company as at the Latest Practicable Date. Shinsho Corporation confirmed that Shinsho Corporation and its associates did not hold any Shares as at the Latest Practicable Date.

Particulars of the Supply Agreement

Pursuant to the Supply Agreement, Shinsho Corporation and VSC Shinsho agreed that VSC Shinsho and other subsidiaries of the Company may purchase from the Shinsho Group, from time to time, various steel products for a term commencing from 1 April 2004 up to 31 March 2007. Under the terms of the Supply Agreement, Shinsho Corporation may procure members of the Shinsho Group to carry into effect the Transactions while VSC Shinsho may procure other subsidiaries of the Company to carry into effect the Transactions.

The price for each Transaction under the Supply Agreement will be agreed from time to time between the parties thereto based on the market price of the type of steel products concerned prevailing at the relevant time. To ensure that there would be reasonable profit margin for VSC Shinsho and other subsidiaries of the Company for the purchases made under the Supply Agreement, the market price will be obtained by making reference to the price quotations of similar unprocessed steel products from other steel mills to other members of the VSC Group as well as the latest market selling price for the sales of similar processed and unprocessed steel products offered by the VSC Group to its independent third party customers. A reasonable and objective market price is thus determined through such continuous referencing and comparison mechanism. Terms which may be offered by Shinsho Corporation under the Supply Agreement will be no less favourable to the VSC Group than terms that the VSC Group can obtain from Independent Third Parties.

LETTER FROM THE BOARD

In accordance with the terms of the Supply Agreement, the Shinsho Group agreed to supply VSC Shinsho and other subsidiaries of the Company with various steel products, including but not limited to electrolytic galvanised steel sheet in coil, cold rolled steel sheet in coil and galvanised steel sheet in coil. Following such purchases, VSC Shinsho would arrange for these steel products to be processed and then resold to customers. It is estimated by the Directors and the management of VSC Shinsho with reference to the market prices for the relevant type of steel products that the annual aggregate amount payable by VSC Shinsho and other subsidiaries of the Company for such purchases under the Supply Agreement will not exceed HK\$120,000,000, HK\$180,000,000 and HK\$210,000,000 for the three financial years ending 31 March 2005, 2006 and 2007 (i.e. the respective Proposed Caps) respectively.

Reasons for and benefits of the Supply Agreement

On 24 March 2004, China Advanced Materials Processing (B.V.I.) Limited, an indirect wholly owned subsidiary of the Company completed the purchase of a 70% equity interest in VSC Shinsho from an Independent Third Party and such acquisition was not a notifiable transaction under the then Listing Rules.

VSC Shinsho, now an indirect non-wholly owned subsidiary of the Company is mainly responsible for purchasing and trading of steel products. SMC Industries Limited, a non-wholly owned subsidiary of VSC Shinsho, owns and operates a coil centre in Guangzhou — GZCC and is responsible for the actual processing of steel products. SMC Industries Limited is a cooperative joint venture established in the PRC in November 1993, and the Chinese partners to this joint venture are independent of and not connected with the Company and any of the directors, chief executive, or substantial shareholders of the Company or its subsidiaries or any of their respective associates.

As it is stated in the annual report of the Company for the financial year ended 31 March 2004, the management of the Company expected that through the strategic alliance with Shinsho Corporation, the VSC Group will be able to secure a new source of stable and high quality supply of steel for its entire coil centre operations. The Directors believe that the entering into of the Supply Agreement would provide the VSC Group with a stable supply of high quality steel products, and also enable it to minimise certain sourcing expenses.

The VSC Group is currently operating a number of factories of similar business and capacity with that of GZCC, for example, the coil centre in Dongguan. The quality and processing capacity of the coil centre in Dongguan and GZCC is of similar level. Both of their processing capacity are at around 100,000 metric tones per annum and according to the internal production record of the respective companies, actual output of the coil centre in Dongguan and GZCC are around 70,000 metric tones per annum and 20,000 metric tones per annum respectively, but the adjusted* unaudited consolidated turnover of VSC Shinsho for the year ended 31 March 2004 is only about one-third of that of Dongguan coil centre for the same period. Although the current production output level of GZCC is relatively lower than comparable factories operated by the VSC Group, the Directors and management of VSC Shinsho believe

LETTER FROM THE BOARD

that with the experience and proven track record of the management of the VSC Group in running Dongguan coil centre and other similar factories, GZCC would be in a position to improve the sales and marketing activities as well as operational efficiency in order to raise its production output to similar level as other factories operated by the Company. With the anticipated increase in production output of GZCC, the anticipated increase in demand for steel products would then be met, as indicated by the trend of increasing Proposed Caps in the coming three financial years.

* *based on the audited consolidated accounts of VSC Shinsho for the year ended 31 December 2003 and adjusted by (1) deducting the turnover for three months ended 31 March 2003 and (2) adding the turnover for three months ended 31 March 2004, in each case, according to the management accounts of VSC Shinsho.*

The Directors believe that there may be new business opportunities to be explored with the independent Japanese customers of VSC Shinsho and its subsidiary by virtue of the relationship with Shinsho Corporation as a joint venture partner. In particular, the VSC Group may also develop more businesses with the established Japanese customers of VSC Shinsho and its subsidiary who are engaged in both automobile and home appliance sectors. It is also anticipated that strong growth in demand for processed steel products could be obtained from the automobile parts manufacturing industry in Guangzhou, in particular the few major Japanese car manufacturers, where GZCC is located. This particular strategic sector of the customer base is one area which the Company would like to expand.

The VSC Group is principally engaged in processing and distribution of steel products. Other coil centres of the VSC Group in Dongguan and Tianjin will similarly require a reliable source of high quality steel for processing and/or trading are also expected to benefit from the Supply Agreement. By entering into the Supply Agreement with the Shinsho Group, the Company can secure a new source of steel products supply which could not only support the growth of business for VSC Shinsho and its subsidiary but also help to expand the existing business volume of its processing and distribution businesses currently operated by the Company's other factories in the PRC such as Dongguan and Tianjin as well as any other new factories to be set up by the Company in the future. While the VSC Group has an established sourcing network, the Directors consider that the ability for the VSC Group to access/tap the steel resources offered by the Shinsho Group will enable the VSC Group to maintain as well as to increase its production output and sales and trading activities.

The terms of the Supply Agreement have been determined after arm's length negotiations between the parties thereto and on similar terms offered by Shinsho Corporation to Independent Third Parties. Terms which may be offered by Shinsho Corporation under the Supply Agreement will be no less favourable to the VSC Group than terms that the VSC Group can obtain from Independent Third Parties. The Directors, including the independent non-executive Directors, are of the view that the terms of the Supply Agreement are fair and reasonable so far as the Shareholders are concerned and the Transactions are on normal commercial terms, in the ordinary and usual course of business and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

INFORMATION ON VSC SHINSHO

On 24 March 2004, China Advanced Materials Processing (B.V.I.) Limited, an indirect wholly owned subsidiary of the Company completed the purchase of a 70% equity interest in VSC Shinsho from an Independent Third Party. Prior to the acquisition of the abovementioned 70% equity interest in VSC Shinsho by China Advanced Materials Processing (B.V.I.) Limited, VSC Shinsho was known as Shell & Shinsho Company Limited (“Shell & Shinsho”). VSC Shinsho, an indirect non-wholly owned subsidiary of the Company is principally engaged in steel sheet trading, and VSC Shinsho’s subsidiary in Guangzhou, is responsible for processing and trading of steel products.

According to the audited books and records of Shell & Shinsho, for the three years ended 31 December 2003, purchases made by Shell & Shinsho from Shinsho Corporation amounted to approximately HK\$51,195,000, HK\$55,060,000 and HK\$54,466,000 respectively while from 1 January 2004 to 23 March 2004 such purchases amounted to approximately HK\$21,612,000. In addition, Shell & Shinsho’s purchases from Shinsho Corporation accounted for approximately 68.2%, 66.6%, 67.8% and 75.2% of the total purchases of steel products by Shell & Shinsho for the three years ended 31 December 2003 and for the period from 1 January 2004 to 23 March 2004, respectively.

Following the acquisition of VSC Shinsho on 24 March 2004, the management of the Company undertook a comprehensive operational review of the business and noted that there were in aggregate approximately 50 contracts entered into by Shell & Shinsho under its previous management with Shinsho Corporation relating to the supply of steel products by Shinsho Corporation before the Company took control and which contracts have yet to be fulfilled and honoured following the change in control of VSC Shinsho as a result of such acquisition. The total value of shipments due to the fulfillment of the previous contracts signed and concluded by Shell & Shinsho and Shinsho Corporation before 24 March 2004 for the period of 24 March 2004 to 31 March 2004 and 1 April 2004 up to 31 July 2004 amounted to approximately HK\$7,000,000 and HK\$27,000,000, respectively. Such value represents the amount of steel products shipped and delivered after 24 March 2004 and hence recorded in the accounts of VSC Shinsho as purchases, but were pursuant to contracts entered into before 24 March 2004. Around 20 of such contracts are either partially or wholly unfulfilled estimated to amount in aggregate to approximately HK\$1,000,000. In line with market practice, these contracts include specific description, quantity and price of the steel products. The contract date and the actual delivery date normally would have around three months timing difference, but in practice there may be delay in shipment so the actual delivery date would be as long as six months after the contract date. Other than the foregoing amounts, VSC Shinsho under the present management has not entered into any contracts or transactions with Shinsho Corporation since 24 March 2004, which would constitute continuing connected transactions under the Listing Rules.

LETTER FROM THE BOARD

Other than sourcing from Shinsho Corporation, VSC Shinsho sources from other steel products' suppliers as well. Therefore, if VSC Shinsho is able to source similar steel products as Shinsho Corporation's products and at relatively lower prices which also fit the requirements of its customers, VSC Shinsho may source from other suppliers subject to acceptance and approvals of its customers.

CONTINUING CONNECTED TRANSACTIONS OF THE COMPANY

The following table sets out the Proposed Caps for each of the three financial years ending 31 March 2007 with comparisons to the turnover of the VSC Group for the financial year ended 31 March 2004 and the total assets of the VSC Group as at 31 March 2004 for indicative purposes only:

For the financial year ending 31 March	Proposed Cap (HK\$)	As a percentage of the turnover of the VSC Group for the financial year ended 31 March 2004 (Note)	As a percentage of the total assets of the VSC Group as at 31 March 2004 (Note)
2005	120,000,000	3.4%	5.9%
2006	180,000,000	5.1%	8.9%
2007	210,000,000	5.9%	10.4%

Note: According to the audited financial statements of the Company for the financial year ended 31 March 2004, the turnover of the VSC Group for such financial year amounted to approximately HK\$3,549,110,000 while the total assets as at 31 March 2004 amounted to approximately HK\$2,021,274,000.

The Proposed Caps set out above are based on the foregoing historical figures and on the assumption that under the management of the VSC Group, the business of VSC Shinsho and hence GZCC could be improved to a similar scale of operation as the other similar factory in Dongguan currently operated by the Company, and also taking into account the enhancement in steel supply expected to be made available to the VSC Group as a whole due to the addition of the Shinsho Group as a supplier to the VSC Group.

As Shinsho Corporation is a substantial shareholder of VSC Shinsho, an indirect non-wholly owned subsidiary of the Company, Shinsho Corporation is a connected person of the Company under the Listing Rules. Hence, the Transactions will constitute continuing connected transactions of the Company under the Listing Rules. As the amounts involved under the Supply Agreement will exceed 2.5% under the Percentage Ratios, therefore it is subject to the reporting, disclosure and independent shareholders' approval requirements under Rules 14A.35 and 14A.45 to 14A.48 of the Listing Rules.

LETTER FROM THE BOARD

The Supply Agreement has been entered into for a term of three financial years ending on 31 March 2007. The Proposed Caps as set out above were determined after taking into account the growth of business of the VSC Group including VSC Shinsho in the next three years as stated in the paragraph headed “Reasons for and benefits of the Supply Agreement” above and accordingly the estimated requirements and quantity of steel products required are stated therein.

The Transactions will also be subject to the annual review requirement under Rules 14A.37 to 14A.40, and the reporting requirements under Rules 14A.45 and 14A.46 of the Listing Rules under which details of the Transactions are required to be included in the Company’s next and subsequent published annual report and accounts. If during the three-year period ending 31 March 2007, the aggregate annual value of the Transactions exceeds the Proposed Caps or when the Supply Agreement is renewed or there is a material change to the terms of the Supply Agreement, the Company will re-comply with Rules 14A.35(3) and (4) of the Listing Rules.

GENERAL

The Company is an investment holding company and its subsidiaries are principally engaged in (i) China advanced materials processing including manufacturing of industrial products such as rolled flat steel products and enclosure systems and trading of industrial products such as engineering plastic resins and injection moulding machines, and (ii) construction materials group including trading and stockholding of construction materials such as steel products, sanitary ware and kitchen cabinets and the installation work of kitchen cabinets. The geographical segments of the abovementioned businesses are mainly located in Hong Kong and the PRC.

VSC Shinsho, an indirect non-wholly owned subsidiary of the Company, is principally engaged in steel sheet processing and trading, and VSC Shinsho’s subsidiary in Guangzhou, is responsible for processing of steel products. VSC Shinsho is owned as to 70% and 30% by the Company and Shinsho Corporation respectively.

As at the Latest Practicable Date, Shinsho Corporation is a substantial shareholder of VSC Shinsho, an indirect non-wholly owned subsidiary of the Company and thus a connected person of the Company within the meaning of the Listing Rules. Hence, the Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and are therefore subject to the reporting, disclosure and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. As no Shareholders nor their respective associates have interest in the Transactions, therefore no Shareholder is required to abstain from the Shareholders’ approval of the Transactions.

LETTER FROM THE BOARD

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising the independent non-executive Directors, has been formed to advise the Shareholders regarding the fairness and reasonableness of the terms of the Supply Agreement and the Transactions including the Proposed Caps.

Goldbond Capital has been appointed as independent financial adviser to the Independent Board Committee and the Shareholders to advise on the same. The letter is set out in the section headed "Letter from Goldbond Capital" of this circular.

THE SGM

A notice convening the SGM to be held at Rooms 4902-8, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on Monday, 1 November 2004 at 10:30 a.m. is set out on pages 28 to 29 of this circular.

Shareholders of the Company whose names appear on the register of members of the Company on Thursday, 28 October 2004 are entitled to attend and vote at the SGM. The register of members of the Company will be closed from Friday, 29 October 2004 to Monday, 1 November 2004, both days inclusive, during which period no share transfer will be registered.

Whether or not you are able to attend the meeting, you are requested to complete and return the form of proxy enclosed with the notice of SGM in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

POLL PROCEDURE

The votes to be taken at the SGM will be taken by poll, the results of which will be announced after the SGM.

Under the Company's Bye-laws, a poll can be demanded by:

- (a) the chairman of the SGM; or
- (b) at least three members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the SGM; or

LETTER FROM THE BOARD

- (c) a member or members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the SGM; or
- (d) a member or members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the SGM being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

The Chairman will demand a poll at the SGM.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 10 which contains its recommendation to the Shareholders on the terms of the Supply Agreement, and the letter of advice from Goldbond Capital, the text of which is set out on pages 11 to 18 of this circular containing its advice to the Independent Board Committee and the Shareholders.

FURTHER INFORMATION

Your attention is drawn to the further information set out in the appendix to this circular.

By Order of the Board
Andrew Cho Fai Yao
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



VSC万顺昌

VAN SHUNG CHONG HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 1001)

Registered office:

Clarendon House
Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business:

Rooms 4902-8, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

15 October 2004

To the Shareholders

Dear Sir and Madam,

CONTINUING CONNECTED TRANSACTIONS

We have been appointed as members of the Independent Board Committee to advise the Shareholders in respect of the Transactions together with the Proposed Caps, details of which are set out in the letter from the Board in the circular dated 15 October 2004 (the "Circular") to the Shareholders, of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

Having taken into account the principal factors and reasons considered by Goldbond Capital, we consider that the Transactions and the Proposed Caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Shareholders to vote in favour of the ordinary resolution which will be proposed at the SGM to approve the Supply Agreement, the Transactions together with the Proposed Caps.

Yours faithfully,

Dr. Chow Yei Ching
Mr. Kenneth Woo Shou Ting
Mr. Harold Richard Kahler
Independent Board Committee

LETTER FROM GOLDBOND CAPITAL

The following is the letter of advice from Goldbond Capital to the Independent Board Committee and the Shareholders prepared for the purpose of inclusion in this circular:



金榜融資(亞洲)有限公司
GOLDBOND CAPITAL (ASIA) LIMITED

Goldbond Capital (Asia) Limited
3902B, 39th Floor, Tower 1
Lippo Centre
89 Queensway
Hong Kong

15 October 2004

To the Independent Board Committee and the Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Shareholders in relation to the Transactions and the Proposed Caps. Details of the Transactions, including the Proposed Caps, are set out in the circular dated 15 October 2004 issued by the Company (the "Circular") to the Shareholders, of which this letter forms part.

Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular.

This letter contains our advice to the Independent Board Committee and the Shareholders as to whether or not (i) the Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) the respective Proposed Cap in respect of the Transactions for each of the three financial years ending 31 March 2007 of the Supply Agreement has been determined on a fair and reasonable basis.

In formulating our opinions and recommendations, we have relied on the statements, information, opinions, reports and representations contained in the Circular which have been provided to us by the Directors. We have also relied on the assumptions described in the Circular, details of which are also set forth in this letter, being materialised in deriving our opinions and recommendations. We have assumed that all statements, information, opinions, reports and representations contained or referred to in the Circular were true, complete and accurate in all aspects at the time they were made and given and continue to be so in all respects at the date of despatch of the Circular. We have also assumed that all statements of beliefs, opinions, assumptions and intentions made by the Directors in the Circular were reasonably made after due and careful enquiry and were based on honestly-held opinions. We

LETTER FROM GOLDBOND CAPITAL

have no reason to doubt the truth, accuracy and completeness of the information and representation provided to us by the Directors and we have been advised by the Directors that no material facts have been omitted from the information and representations provided in and referred to in the Circular.

We consider that we have been provided with sufficient information to enable us to reach an independent view to justify our reliance on the accuracy of the information and representations contained in the Circular and to provide a reasonable basis for our recommendations. We have no reason to suspect that any relevant information or reports have been withheld, nor are we aware of any facts or circumstances which would render the information provided and the representations made to us to be untrue, inaccurate, or misleading. We have not, however, carried out any independent verification of the information provided to us by the Directors, nor have we conducted any independent investigation into any related transactions referred to in the Circular, the businesses, affairs and prospects of the VSC Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the Transactions and the Proposed Caps, we have considered the following principal factors and reasons:

1. Background of the Transactions

In March 2004, the Company through its indirect wholly owned subsidiary, China Advanced Materials Processing (B.V.I.) Limited, acquired a 70% equity interest (the “Acquisition”) in VSC Shinsho (formerly known as Shell & Shinsho Company Limited (“Shell & Shinsho”)) from an Independent Third Party (the “Vendor”). The remaining 30% equity interest in VSC Shinsho is held by Shinsho Corporation. Details of the Acquisition have been disclosed in the annual report of the Company for the financial year ended 31 March 2004. Following the Acquisition, the management of the Company undertook a comprehensive operational review of the business and noted that Shinsho Corporation is a major supplier of various steel products to VSC Shinsho. VSC Shinsho and together with its subsidiary, are principally engaged in steel sheet processing and trading.

As advised by the Directors, Shinsho Corporation did not have any interest in any companies of the VSC Group other than its 30% equity interest in VSC Shinsho. In addition, the Directors confirmed that, saved as disclosed in the Circular, none of the controlling shareholder (as defined in the Listing Rules), directors and the chief executive of the Company have any interest or business relationship with Shinsho Corporation.

As referred to in the letter from the Board, Shinsho Corporation is a substantial shareholder holding 30% interest in VSC Shinsho which is a 70% indirectly owned subsidiary of the Company. Hence, Shinsho Corporation is a connected person of the

LETTER FROM GOLDBOND CAPITAL

Company under the Listing Rules and the Transactions will constitute continuing connected transactions for the Company under the Listing Rules. As confirmed by the Directors, the Transactions are carried out in the ordinary and usual course of business of the VSC Group and are negotiated on arm's length basis based on normal commercial terms between the parties to the Supply Agreement. In addition, the Company confirmed that terms offered by Shinsho Corporation under the Supply Agreement will be no less favourable than terms that the VSC Group can otherwise obtain from Independent Third Parties. As it is mentioned in the letter from the Board, VSC Shinsho and other subsidiaries of the Company also source steel products from other suppliers. Therefore, if VSC Shinsho and subsidiaries of the Company are able to source similar steel products as Shinsho Corporation's products and at relatively lower prices and/or on better terms and the products meet the requirements of its customers, VSC Shinsho and other subsidiaries of the Company may source from other suppliers subject to acceptance and approvals of its customers.

It is estimated that the aggregate annual value of the Transactions will continue to exceed 2.5% under the Percentage Ratios, and therefore the Transactions are subject to the reporting, disclosure and shareholders' approval requirements under Rule 14A.35 and 14A.45 to 14A.48 of the Listing Rules.

The Company will convene the SGM at which, approval of the Transactions subject to the respective Proposed Caps will be sought from the Shareholders. The Independent Board Committee has been established to consider the terms of the Transactions subject to the respective Proposed Caps and to advise the Shareholders thereon. In this connection, we have been appointed by the Company to advise the Independent Board Committee and the Shareholders as to whether the terms of the Transactions subject to the Proposed Caps are fair and reasonable so far as the Shareholders are concerned and the Transactions are carried out on normal commercial terms, in the ordinary and usual course of business and in the interests of the Company and the Shareholders as a whole.

2. The Supply Agreement

A. *Particulars of the Supply Agreement*

Pursuant to the Supply Agreement, Shinsho Corporation and VSC Shinsho agreed that VSC Shinsho and other subsidiaries of the Company will purchase from the Shinsho Group from time to time various steel products for a term commencing from 1 April 2004 up to 31 March 2007. The purchase price of various steel products will be based on the market price of such products.

As it is stated in the letter from the Board, the price for each transaction under the Supply Agreement will be agreed from time to time between the parties thereto based on the market price of the type of steel products concerned prevailing

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at the relevant time. In order to ensure that there would be reasonable profit margin for VSC Shinsho and other subsidiaries of the Company for the purchases made under the Supply Agreement, the market price will be obtained by making reference to the price quotations of similar unprocessed steel products from other steel mills to other members of the VSC Group as well as the latest market selling price for sales of similar unprocessed and processed steel products offered by the VSC Group to its customers. In addition, the Company confirmed that terms offered by Shinsho Corporation under the Supply Agreement will be no less favourable than the terms that the VSC Group can otherwise obtain from Independent Third Parties.

As mentioned above, the Acquisition was completed in March 2004. As it is mentioned in the letter from the Board, purchases made by Shell & Shinsho from Shinsho Corporation for the three years ended 31 December 2003 amounted to approximately HK\$51,195,000, HK\$55,060,000 and HK\$54,466,000 respectively while from 1 January 2004 to 23 March 2004 such purchases amounted to approximately HK\$21,612,000. In addition, Shell & Shinsho's purchases from Shinsho Corporation accounted for approximately 68.2%, 66.6%, 67.8% and 75.2% of the total purchases of steel products by Shell & Shinsho for the three years ended 31 December 2003 and for the period from 1 January 2004 to 23 March 2004 respectively.

As it is mentioned in the letter from the Board, the total value of shipments due to the fulfillment of the previous contracts signed and concluded by Shell & Shinsho and Shinsho Corporation before 24 March 2004 for the period from 24 March 2004 to 31 March 2004 and 1 April 2004 to 31 July 2004 amounted to approximately HK\$7,000,000 and HK\$27,000,000 respectively.

Based on the previous transactions entered into between VSC Shinsho and Shinsho Corporation, expected level of business operations of VSC Shinsho, other subsidiaries of the Company and other factories to be set up by the Company in the future and internal projection of the Directors and the management of VSC Shinsho, it is expected that annual aggregate value of the Transactions will not exceed HK\$120,000,000, HK\$180,000,000 and HK\$210,000,000 for the three financial years ending 31 March 2007 respectively.

B. Reasons for the Transactions

It is stated in the annual report of the Company for the financial year ended 31 March 2004 that Shinsho Corporation is the trading arm of Kobe Steel Group, one of the largest Japan steel manufacturers. The Directors planned to secure a new source of stable and high quality supply of steel for its entire coil centre operations. The production facilities of VSC Shinsho have an annual processing capacity of approximately 100,000 metric tonnes.

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The Directors are of the view that an assured supply in volume and quality steel products will be crucial for the business expansion of VSC Shinsho and other subsidiaries of the Company. In addition, the Directors advised that the price of steel products supplied by Shinsho Corporation were relatively more stable and reliable, and the payment terms are as competitive as other suppliers because of the long term relationship VSC Shinsho has had with Shinsho Corporation. We were advised by the Directors that based on the past experience, customers of VSC Shinsho would prefer steel products sourced from Kobe Steel Group because of the consistent high quality. In addition, the Directors advised that over 50% of the existing customers of VSC Shinsho have had business relationship with VSC Shinsho ranging from three to nine years.

We have sought to review the unit price of steel products supplied by Shinsho Corporation for the year ended 31 December 2003 and noted that such prices are relatively stable as compared to other steel products suppliers in the market. Based on our review of credit terms granted by suppliers of VSC Shinsho of various steel products, the credit period offered by Shinsho Corporation ranged from 150 to 240 days while the majority of independent suppliers of VSC Shinsho require payments in the form of cash on delivery or usance letter of credit of 210 days.

As the VSC Group is currently operating a number of factories of similar business and capacity as GZCC, the entering into of the Supply Agreement will enable the VSC Group to secure a new source of stable and high quality supply of steel for its entire coil centre operations. In addition, the Directors and the management of VSC Shinsho believe that with the experience and proven track record of the management of the VSC Group in operating Dongguan coil centre and other similar factories, GZCC would be in a position to improve the sales and marketing activities as well as operational efficiency in order to raise its production output to similar level as other factories operated by the Company, of which VSC Shinsho's subsidiary will be one of them.

In addition, as a result of the entering into of the Supply Agreement, the Company can secure a new source of steel products supply which could not only support the growth of business for VSC Shinsho and its subsidiary, but also enhance the expansion of the existing businesses currently operated by other factories of the Company in the PRC such as Dongguan and Tianjin.

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As it is mentioned in the letter from the Board, the Directors consider that the entering into of the Supply Agreement will enable the VSC Group to tap the Shinsho Group's steel resources which will then strengthen the VSC Group's production output and sales and trading activities. In addition, the Directors also believe that the entering into of the Supply Agreement will also assist the VSC Group in exploring new business opportunities with the customers of VSC Shinsho and its subsidiary by virtue of the relationship with Shinsho Corporation as a joint venture partner.

Based on the above, we concur with the views of the Directors that the entering into of the Supply Agreement is in the interests of the Company and the Shareholders as a whole.

C. Basis of the Proposed Caps

The following table sets out the respective Proposed Cap for each of the three financial years ending 31 March 2007 with comparisons to the turnover of the VSC Group for the financial year ended 31 March 2004 and the total assets of the VSC Group as at 31 March 2004 for indicative purposes only:

For the financial year ending 31 March	Proposed Cap (HK\$)	As a percentage of the turnover of the VSC Group for the financial year ended 31 March 2004 (Note)	As a percentage of the total assets of the VSC Group as at 31 March 2004 (Note)
2005	120,000,000	3.4%	5.9%
2006	180,000,000	5.1%	8.9%
2007	210,000,000	5.9%	10.4%

Note: According to the audited financial statements of the Company for the financial year ended 31 March 2004, the turnover of the VSC Group for such financial year amounted to approximately HK\$3,549,110,000 while the total assets as at 31 March 2004 amounted to approximately HK\$2,021,274,000.

The Directors estimate that, based on the previous transactions entered into between VSC Shinsho and Shinsho Corporation, expected level of business operations of VSC Shinsho, other subsidiaries of the Company and other factories to be set up by the Company in the future and the internal projection of the Directors and the management of VSC Shinsho, the aggregate amount to be involved under the Transactions payable by VSC Shinsho and other subsidiaries of the Company shall not exceed HK\$120,000,000, HK\$180,000,000 and HK\$210,000,000 for the three financial years ending 31 March 2007 respectively.

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As discussed with the Directors, the Proposed Caps for the sale and purchase of various steel products has been determined based on (i) the previous transactions between VSC Shinsho and Shinsho Corporation; (ii) the processing capacity and the expected level of processing volume and sales of VSC Shinsho, other subsidiaries of the Company and other factories to be set up by the Company in the future; and (iii) the expected unit purchase price of various steel products by VSC Shinsho. We have reviewed the internal projection for the purchase of steel products by the VSC Group and have discussed with the Directors and the management of VSC Shinsho regarding such projection. The Directors expect that the purchase from Shinsho Corporation will, among others, assure a stable supply of high quality steel products at a relatively stable unit price for the operation of VSC Shinsho and other subsidiaries of the Company and minimise certain sourcing expenses of VSC Shinsho and other subsidiaries of the Company. In addition, turnover of VSC Shinsho during 1 April 2004 to 31 July 2004 amounted to nearly 50% of the turnover of VSC Shinsho during the year ended 31 December 2003. Therefore, the Directors consider that, among others, the increase in terms of turnover of VSC Shinsho will lead to further growth in terms of its business. On this basis, we consider the above projection has been prepared on a reasonable basis.

Based on the above, we consider that the level of the Proposed Caps for the sale and purchase of various steel products under the Supply Agreement was made by the Directors after due and careful consideration and therefore, we concur with the Directors' view that the Proposed Caps are reasonable so far as the Shareholders and the Company is concerned.

3. Reasons for the Company to seek Shareholders' approval of the Transactions

As the amount for the Transactions exceeds 2.5% under the Percentage Ratios and the transaction amount is more than HK\$10,000,000, such transactions are subject to the reporting, disclosure and shareholders' approval requirements under Rule 14A.35 and 14A.45 to 14A.48 of the Listing Rules.

As we have evaluated above, we are of the view that the Transactions are carried out in the ordinary and usual course of business of the VSC Group and are likely to occur on a regular and continuing basis. Therefore, it would be costly and impracticable for the Company to comply with the requirements for reporting, disclosure and shareholders' approval on each occasion it arises in accordance with the requirements of Rule 14A.35 and 14A.45 to 14A.48 of the Listing Rules. Therefore, we consider that the Transactions, which are entered into in the ordinary and usual course of business of the VSC Group, are in the interests of the Company and the Shareholders as a whole and it is fair and reasonable for the Company to seek the approval of the Shareholders in respect of the

LETTER FROM GOLDBOND CAPITAL

Transactions under their respective Proposed Caps for each of the three financial years ending 31 March 2007 in accordance with the requirements under Chapter 14A of the Listing Rules.

RECOMMENDATION

Taking into account of the principal factors and reasons, we consider that the Transactions with the Proposed Caps are fair and reasonable so far as the Shareholders are concerned and the Transactions are carried out on normal commercial terms, in the ordinary and usual course of business and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Transactions subject to the Proposed Caps.

Yours faithfully,
For and on behalf of
Goldbond Capital (Asia) Limited
Phyllis Chan
Managing Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. 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. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

	<i>HK\$</i>
<i>Authorised:</i>	
1,000,000,000 Shares	100,000,000
<i>Issued and fully paid:</i>	
367,978,000 Shares	36,797,800

The Shares in issue are listed on the Stock Exchange. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchanges.

3. DISCLOSURE OF INTERESTS**(i) Directors' interests and short positions in the securities of the Company and its associated corporations**

As at the Latest Practicable Date, the interests or short positions of each Director and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) 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 and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to

Section 352 of the SFO to be entered in the register referred to therein; or (c) were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares, warrants and options of the Company

Directors	Nature of interest	Number of Shares	Approximate percentage	Number of Warrants (Note 1)	Number of Share options
Mr. Andrew Cho Fai Yao	Corporate	173,424,000 (Note 2)	47.13%	—	—
	Personal	7,100,000	1.93%	—	—
Mr. Fernando Sai Ming Dong	Personal	342,000	0.09%	14,200	300,000
Mr. Johnson Sai Hou Ho	Personal	649,894	0.18%	—	1,000,000
Mr. Kenneth Woo Shou Ting	Personal	2,402,000	0.65%	240,200	—
Mr. Harold Richard Kahler	Personal	66,000	0.02%	—	—

Notes:

- The warrants of the Company confer rights to subscribe in cash for Shares, on the basis of a subscription price of HK\$1.18 per Share (subject to adjustment) during the period from 19 November 2001 to 18 November 2004 (both dates inclusive).
- As at the Latest Practicable Date, Huge Top Industrial Ltd. (“Huge Top”) held 173,424,000 Shares. Mr. Andrew Cho Fai Yao is one of the two directors of Huge Top. Mr. Andrew Cho Fai Yao directly and indirectly through Perfect Capital International Corp. (“Perfect Capital”) owned more than one-third of the issued shares of Huge Top and is entitled to exercise more than one-third of the voting power at general meetings of Huge Top. Mr. Andrew Cho Fai Yao owns the entire issued share capital of Perfect Capital.

Long positions in associated corporation — Huge Top Industrial Ltd.

Directors	Nature of interest	Number of shares	Approximate percentage
Mr. Andrew Cho Fai Yao	Corporate	36	42.86%
	Personal	10	11.90%
Mr. Fernando Sai Ming Dong	Personal	5	5.95%

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company were interested, or were deemed to be interested in the long and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(ii) Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO

As at the Latest Practicable Date, so far as is known to the Directors or the chief executive of the Company, the following parties, had, or were deemed or taken to have interests or short positions in the Shares and 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 other member of the VSC Group:

Name	Number of Interest	Nature of Shares	Approximate percentage	Number of Share Options
Huge Top Industrial Ltd.	Directly	173,424,000	47.13%	—
Ms. Miriam Che Li Yao	Corporate	173,424,000 (Note)	47.13%	—
	Personal	2,000,000	0.54%	1,000,000

Note: As at the Latest Practicable Date, Huge Top held 173,424,000 Shares. Ms. Miriam Che Li Yao is one of the two directors of Huge Top and therefore is deemed to be interested in these Shares through Huge Top.

Save as disclosed in this circular, as at the Latest Practicable Date, so far as known to any Director or the chief executive of the Company, no other person has an interest or short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, 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 other member of the VSC Group.

(iii) Material interests

None of the Directors or the chief executive of the Company has any direct or indirect interest in any assets which have since 31 March 2004 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the VSC Group, or are proposed to be acquired or disposed of by or leased to any member of the VSC Group.

None of the Directors or the chief executive of the Company is materially interested in any contract or arrangement entered into by the Company subsisting at the date of this circular which is significant in relation to the business of the VSC Group.

4. COMPETING INTERESTS

Mr. Andrew Cho Fai Yao (“Mr. Yao”) is the chairman of the board of directors of the Company, and also the chairman of the board of directors of iSteelAsia Holdings Limited (“iSA”, listed on the Growth Enterprise Market (“GEM”) of the Stock Exchange).

Principal Business of iSA and the Company

iSA is principally engaged in the trading of steel products, provision of procurement services for steel products, operation of an e-commerce vertical portal for the provision of online steel trading services and ancillary services, and investment holding. As stated in iSA’s 2003/04 Annual Report, the consolidated turnover of its steel trading and procurement services for the year ended 31 March 2004 were approximately HK\$1.4 billion and HK\$8.5 million respectively. iSA has established presences in Beijing, Shanghai, Guangzhou, Tianjin, Shenzhen, Chongqing, Wuxi and Le Chong in the PRC for its steel trading operation. The principal business of the VSC Group is stated in the first paragraph headed “GENERAL” under the “LETTER FROM THE BOARD”.

Competition Possibility

There may be a possibility that the steel trading business of iSA conducted in the PRC may compete with that of the VSC Group in terms of similar products being sourced and traded, similar geographical locations (such as Shanghai and Shenzhen) and customers. However, given that the PRC is now a very significant steel importer, consumer and producer, with huge demands for a very wide range of steel products to suit various applications in different markets and for diversified industries, the Directors believe that the possibility of any competition between the two groups is likely to be reduced on account of the different demands for a vast range of products.

Independence of Management

The Directors are satisfied that the VSC Group functions independently of and on arm's lengths basis from iSA and its subsidiaries ("iSA Group") on the basis that the majority of the executive Directors and the senior management are independent of the iSA Group and operations of the two groups are conducted by separate teams of staff. Other than the one common executive director, Mr. Yao, and a common newly appointed independent non-executive director, Mr. Kenny Tam, there is no overlap of management personnel for the operations within the two groups.

As Mr. Yao is a director of both the Company and iSA, in case there is any potential conflict of interests, Mr. Yao will abstain from voting in the relevant board of directors' meeting.

Reasons for listing of iSA

On 10 February 2000, iSA was incorporated with the intention of taking over the traditional trading operation of the Company and the operation of the iSteelAsia.com website. As disclosed in the announcement of the Company dated 24 February 2000, (the "Announcement") a formal application was made to the Stock Exchange for the separate listing of the shares of iSA on the GEM board of the Stock Exchange by way of new issue and placing. In the Announcement, the Board stated its belief that the separate listing of iSA would provide more diversified funding sources for iSA to finance its existing operations and future expansion. Furthermore, the Board stated its belief that, the separate listing of iSA would allow iSA to achieve its valuation potential which in turn, would be beneficial to the shareholders of the Company taken as a whole. The shares of iSA commenced trading on GEM on 20 April 2000.

After the separate listing of iSA, the steel trading business of iSA and the Company have been and are operated through two separate listed vehicles. The acquisitions and disposals of any businesses of such companies are respectively governed by the relevant listing rules.

Mr. Yao's interests in the Company

The interests of Mr. Yao in the Company are stated in part (i) of the paragraph headed "DISCLOSURE OF INTERESTS" above.

Mr. Yao's interests in iSA

As at the Latest Practicable Date, the interests or short positions of Mr. Yao in the shares, underlying shares or debentures of iSA or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or (c) were required pursuant to the Model Code to be notified to the Stock Exchange, were as follows:

Type of interest	Attributable interest to Mr. Yao	Number of shares (Note 1)	Approximate percentage	Number of warrants (Note 2)	Number of options
— Corporate interest held by TN Development (Note 3)	deemed interest (indirectly)	163,367,600	10.23%	39,260,320	—
— Corporate interest held by Huge Top (Note 4)	more than one-third (indirectly)	159,811,344	10.01%	31,962,268	—
— Corporate interest held by VSC BVI (Note 5)	through Huge Top (indirectly)	301,026,000	18.86%	60,205,200	—
— Corporate interest held by Right Action (Note 6)	100% (directly)	102,400,000	6.41%	20,480,000	—
— Personal interest	100% (directly)	—	—	—	5,000,000

Notes:

1. These shares are the ordinary shares of HK\$0.10 each in the issued share capital of iSA.
2. The warrants of iSA are listed and entitle the holders to subscribe in cash for shares of iSA at a subscription price of HK\$0.10 each (subject to adjustment) and are exercisable between 18th June 2002 and 17th June 2005. These warrants of iSA represent physically settled equity derivatives.
3. As at the Latest Practicable Date, TN Development Limited (“TN Development”) owns 163,367,600 shares of iSA and 39,260,320 warrants of iSA. Van Shung Chong (B.V.I.) Limited (“VSC BVI”) is a wholly-owned subsidiary of the Company and owns 54% of the issued share capital of TN Development and Mr. Yao owns 10% of the issued share capital of TN Development. Mr. Yao is one of the two directors of TN Development. These interests of Mr. Yao in the securities of iSA were corporate interests.

All shares of iSA held by TN Development are, or are intended to be, the subject of options exercisable, in certain circumstances, by designated employees and founding members pursuant to the share option agreements and the revenue option agreements, respectively as disclosed in iSA’s prospectus dated 14th April 2000. The sole purpose of TN Development is to provide an avenue to motivate iSA’s employees and founding members while at the same time not incurring any dilution effect to the public investors of iSA.

4. As at the Latest Practicable Date, Huge Top owns 159,811,344 shares of iSA and 31,962,268 warrants of iSA. Mr. Yao directly holds 10% and indirectly through Perfect Capital owns more than one-third of the issued share capital of Huge Top. Mr. Yao owns the entire issued share capital of Perfect Capital. Mr. Yao is one of the two directors of Huge Top. These interests of Mr. Yao in the securities of iSA were corporate interests.
5. As at the Latest Practicable Date, VSC BVI owns 301,026,000 shares of iSA and 60,205,200 warrants of iSA and Huge Top owns approximately 47.13% of the issued share capital of the Company. VSC BVI is a wholly-owned subsidiary of the Company. Mr. Yao is one of the two directors of VSC BVI. These interests of Mr. Yao in the securities of iSA were corporate interests.
6. As at the Latest Practicable Date, Right Action Offshore Inc. (“Right Action”) owns 102,400,000 shares of iSA and 20,480,000 warrants of iSA. Mr. Yao owns the entire issued share capital of Right Action and is also the sole director of that company. These interests were corporate interests in iSA.

To the best knowledge of the Directors, having made the necessary enquiry with Mr. Yao, Mr. Yao has no present intention to cause the steel trading business of iSA to be injected into the VSC Group.

Save as disclosed above, none of the Directors or the controlling shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete directly or indirectly with the businesses of the VSC Group or has any other conflict of interests with the VSC Group.

5. NO MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors confirm that there has been no material adverse change in the financial or trading position of the VSC Group since 31 March 2004, the date to which the latest published audited consolidated financial statements of the Company were made up.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the VSC Group (other than contracts expiring or determinable by any member of the VSC Group within one year without payment of compensation, other than statutory compensation).

7. EXPERT

- (a) The following is the qualification of Goldbond Capital which has given its opinion or advice which is contained in this circular:

Name	Qualifications
Goldbond Capital	a licensed corporation under the transitional arrangement within the meaning of the SFO to carry out Types 1 and 6 regulated activities under the SFO

- (b) Goldbond Capital does not have any shareholding, direct or indirect, in any member of the VSC Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the VSC Group.
- (c) Goldbond Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they are included.
- (d) Goldbond Capital does not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the VSC Group, or which are proposed to be acquired or disposed of by or leased to any member of the VSC Group since 31 March 2004, the date to which the latest published audited financial statements of the Company were made up.
- (e) The letter and recommendation given by Goldbond Capital are given as of the date of this circular for incorporation herein.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company at Rooms 4902-8, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong during normal business hours on any weekday (except public holidays) from the date of this circular until 30 October 2004:

- (a) the letter from the Independent Board Committee, the text of which is set out on page 10 of this circular;
- (b) the letter from Goldbond Capital, the text of which is set out on pages 11 to 18 of this circular;
- (c) the written consent of Goldbond Capital as referred to paragraph 7 above; and
- (d) the Supply Agreement.

NOTICE OF SGM



VSC万顺昌

VAN SHUNG CHONG HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 1001)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of Van Shung Chong Holdings Limited (the “Company”) will be held at Rooms 4902-8, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong on Monday, 1 November 2004 at 10:30 a.m. for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“**THAT:**

- (a) the agreement dated 17 September 2004 (the “**Supply Agreement**”), a copy of which has been produced to the meeting marked “A” and initialled by the Chairman of the meeting for the purpose of identification, made between VSC Shinsho Company Limited (“**VSC Shinsho**”) and Shinsho Corporation (“**Shinsho Corp.**”) whereby VSC Shinsho has agreed to purchase from Shinsho Corp. from time to time various steel products upon the terms and subject to the conditions therein contained during the period from 1 April 2004 to 31 March 2007 and as more particularly described in the circular of the Company dated 15 October 2004 and the transactions contemplated under the Supply Agreement be and are hereby approved, confirmed and ratified;
- (b) the annual maximum values of HK\$120,000,000, HK\$180,000,000 and HK\$210,000,000 respectively as applicable to the transactions under the Supply Agreement for each of the three financial years from 1 April 2004 to 31 March 2007 be and are hereby approved, confirmed and ratified; and

NOTICE OF SGM

- (c) any one director of the Company be and is hereby authorised to do such acts or execute such other documents by hand or, in case of execution of documents under seal, to do so jointly with either the secretary or a second director of the Company or a person appointed by the board of directors of the Company, which in his or their opinion may be necessary, desirable or expedient to carry out or to give effect to the transactions contemplated under the Supply Agreement.”

By Order of the Board
Andrew Cho Fai Yao
Chairman

Hong Kong, 15 October 2004

Head office and principal place of business:
Rooms 4902-8, Hopewell Centre
183 Queen’s Road East
Wanchai
Hong Kong

Registered office:
Clarendon House
Church Street
Hamilton HM11
Bermuda

As at the date of this notice, the Board comprised Andrew Cho Fai Yao (Chairman), Johnson Sai Hou Ho, Fernando Sai Ming Dong (being the executive Directors), Shao You Bao (being the non-executive Director), Chow Yei Ching, Kenneth Woo Shou Ting, Harold Richard Kahler, Kenny King Ching Tam (being the independent non-executive Directors).

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the bye-laws of the Company, vote in his stead. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the Company’s head office and principal place of business, Rooms 4902-8, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting.
3. The ordinary resolution set out in this notice will be put to a poll.