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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this circular 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 together with the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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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 and the Shareholders of Van Shung Chong Holdings Limited



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A letter from the Board is set out on pages 1 to 8 of this circular. A letter from the Independent Board Committee is set out on page 9 of this circular.

A letter from Access Capital Limited, the independent financial adviser, containing its advice to the Independent Board Committee and the Shareholders is set out on pages 10 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 Wednesday, 28 March 2007 at 10:00 a.m. is set out on pages 24 to 25 to this circular.

Whether or not you are able to attend the special general meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the special general meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting should you so wish.

8 March 2007

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## DEFINITIONS

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“Access Capital”	Access Capital Limited, a corporation licensed to carry out business in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, which is not a connected person of the Company, and is the independent financial adviser to the Independent Board Committee and the Shareholders in respect of the Transactions
“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
“GZCC”	Guangzhou coil centre, a coil centre owned and operated by a subsidiary, Guangzhou Shenchang Metal Products Co., Ltd., which is owned as to 95% by VSC Shinsho and is itself a joint venture established in the PRC
“FY2005”	for the financial year ended 31 March 2005
“FY2006”	for the financial year ended 31 March 2006
“FY2007”	for the financial year ending 31 March 2007
“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. Harold Richard Kahler, Mr. Kenny King Ching Tam and Mr. Xu Lin Bao (being all 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

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## DEFINITIONS

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“Kobe Steel”	Kobe Steel Group, a large steel manufacturer in Japan
“Latest Practicable Date”	6 March 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to this circular
“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
“Previous Supply Agreement”	the steel supply agreement dated 17th September 2004 entered into between Shinsho Corporation and VSC Shinsho, pursuant to which, VSC Shinsho and other subsidiaries of VSC 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 and the related transactions had been approved by the Shareholders on 1 November 2004
“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 2010
“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 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
“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

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## DEFINITIONS

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“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
“VSC Group”	the Company and its subsidiaries
“VSC Shinsho”	VSC Shinsho Company Limited, a company which is an indirect subsidiary of the Company and Shinsho Corporation owns it by 30%

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## LETTER FROM THE BOARD

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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. Fernando Sai Ming Dong

#### *Independent non-executive Directors:*

Dr. Chow Yei Ching

Mr. Harold Richard Kahler

Mr. Kenny King Ching Tam

Mr. Xu Lin Bao

#### *Registered office:*

Clarendon House

2 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

8 March 2007

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

Dear Sir and Madam,

### **CONTINUING CONNECTED TRANSACTIONS**

#### **INTRODUCTION**

Reference was made to the announcement of the Company dated 17 September 2004 in relation to the Previous Supply Agreement. On 17 September 2004, VSC Shinsho, a then indirect 70% owned subsidiary of the Company and currently through an indirect 60% owned subsidiary of the Company owned 70%, entered into the Previous Supply Agreement with Shinsho Corporation. Shinsho Corporation is a company which holds 30% of the issued share capital of VSC Shinsho. The Company has on 1 November 2004 obtained the Shareholders' approval in a special general meeting in respect of the Previous Supply Agreement and the annual caps.

Since the Previous Supply Agreement will expire on 31 March 2007, VSC Shinsho has on 15 February 2007 entered into the Supply Agreement with Shinsho Corporation 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 2007 up to 31 March 2010.

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## LETTER FROM THE BOARD

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### THE SUPPLY AGREEMENT

#### Date

15 February 2007

#### Parties

1. VSC Shinsho, a company which is an indirect subsidiary of the Company and Shinsho Corporation owns it by 30%; and
2. Shinsho Corporation. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, other than Shinsho Corporation's equity interest in VSC Shinsho, Shinsho Corporation and its ultimate beneficial owner(s) are third parties independent of the Company and connected persons of the Company.

#### 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 2007 up to 31 March 2010. 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.

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, galvanised steel sheet in coil and hot rolled 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 Previous Supply Agreement has been capped at HK\$120,000,000,

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## LETTER FROM THE BOARD

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HK\$180,000,000 and HK\$210,000,000 for the three financial years ended 31 March 2005, 2006 and ending 2007 respectively and will be capped at HK\$240,000,000, HK\$280,000,000 and HK\$320,000,000 for each of the three years ending 31 March 2008, 2009 and 2010 (i.e. the respective Proposed Caps) respectively in anticipation of the growth of the coil centre's business.

### **Reasons for and benefits of the Supply Agreement**

On 24 March 2004, China Advanced Materials Processing (B.V.I.) Limited, a then indirect wholly owned subsidiary of the Company completed the purchase of a 70% equity interest in VSC Shinsho from an Independent Third Party. On 1 November 2006, China Advanced Materials Processing (B.V.I.) Limited became an indirect 60% owned subsidiary of the Company.

VSC Shinsho, an indirect non-wholly owned subsidiary of the Company, is mainly responsible for purchasing of rolled steel raw materials and distribution of processed steel products. Guangzhou Shenchang Metal Products Co., Ltd., 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. Guangzhou Shenchang Metal Products Co., Ltd. is a cooperative joint venture established in the PRC in November 1993. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Chinese partner to this joint venture and its ultimate beneficial owner(s) are third parties independent of the Company and connected persons of the Company.

Reference was made to the announcement of the Company dated 17 September 2004. VSC Shinsho and Shinsho Corporation had entered into the Previous Supply Agreement which will be expired on 31 March 2007. In order not to affect the continuation of the existing business of GZCC and to secure a 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.

By entering into the Supply Agreement with the Shinsho Group, the Company can secure a reliable source of steel products supply that not only supports the growth of business for VSC Shinsho and its subsidiary but also helps 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, Tianjin and Kunshan 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 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 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.



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## LETTER FROM THE BOARD

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### INFORMATION ON VSC SHINSHO

On 24 March 2004, China Advanced Materials Processing (B.V.I.) Limited, a then indirect wholly owned subsidiary of the Company completed the purchase of a 70% equity interest in VSC Shinsho from an Independent Third Party. On 1 November 2006, China Advanced Materials Processing (B.V.I.) Limited became an indirect 60% owned subsidiary of the Company. VSC Shinsho, an indirect non-wholly owned subsidiary of the Company is principally engaged in purchasing and trading of steel products, and VSC Shinsho's subsidiary in Guangzhou, is responsible for processing and trading of steel products.

### ANNUAL CAPS AND THE REASONS FOR THE INCREASING DEMAND

The following table sets out the total amount payable by VSC Shinsho and other subsidiaries of the Company for such purchases under the Previous Supply Agreement:

For the financial year ended 31 March	Actual purchase from Shinsho Group (HK\$)	Total purchase from Shinsho Group and other independent third parties (HK\$)	Actual purchase from Shinsho Group as a percentage of total purchase	Cap (HK\$)	Actual purchase from Shinsho Group as a percentage of cap
2005 (audited)	104,394,774	253,794,897	41%	120,000,000	87%
2006 (audited)	164,280,572	309,077,614	53%	180,000,000	91%
2007 (for the nine months ended 31 December 2006 — unaudited)	123,909,028	208,810,858	59%	210,000,000	79%*

\* % of annualised purchase from Shinsho Group for FY2007 to cap = (123,909,028/9 x 12)/210,000,000 x 100%

In order to specialize on products specification, and brandnames, each service centre of the VSC Group specialized in certain brands, and specification of steel and Kobe Steel materials (purchased via Shinsho Corporation) has been the main brand of GZCC.

In FY2005, first full year of operation of under the control of VSC Group, GZCC has successfully enlarged its customer base and volume. Total output increased significantly. In FY2006, this trend continued. Coupled with price hike in the first half of the year, total amount of steel purchased increased 22% from HK\$254,000,000 to HK\$309,000,000. Value of material purchased via Shinsho Corporation increased 58% from HK\$104,000,000 to HK\$164,000,000.

Steel price decreased significantly in second half of FY2006 and continued to drop at the beginning of FY2007. Notwithstanding this, as product branding strategy continued, the percentage of value of Kobe Steel materials purchased to total purchase increased 6% from 53% to 59%.

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## LETTER FROM THE BOARD

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If the effect of price fluctuation is eliminated, average Cap utilization would range from 85% to 90%, leaving 10% to 15% safety margin which is necessary for supply and demand hence pricing uncertainties.

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.

The following table sets out the Proposed Caps for each of the three financial years ending 31 March 2010 with comparisons to the turnover of the VSC Group for the financial year ended 31 March 2006 and the total assets of the VSC Group as at 30 September 2006 for indicative purposes only:

<b>For the financial year ending 31 March</b>	<b>Proposed Cap (HK\$)</b>	<b>As a percentage of the turnover of the VSC Group for the financial year ended 31 March 2006 (Note)</b>	<b>As a percentage of the total assets of the VSC Group as at 30 September 2006 (Note)</b>
2008	240,000,000	5.2%	12.6%
2009	280,000,000	6.1%	14.7%
2010	320,000,000	7.0%	16.8%

*Note: According to the audited financial statements of the Company for the financial year ended 31 March 2006 and the unaudited financial statements of the Company for the six months ended 30 September 2006, the turnover of the VSC Group for the financial year ended 31 March 2006 amounted to approximately HK\$4,574,939,000 while the total assets as at 30 September 2006 amounted to approximately HK\$1,909,378,000.*

The VSC Group is currently operating a number of metal service centres in the PRC, namely Dongguan, Guangzhou, Tianjin and Kunshan. All four provide similar metal services, primarily cut-to-length and slit-to-width. Ryerson Inc., one of the North America's leading distributors and processors of metals, had through its wholly owned subsidiary acquired 40% of the enlarged capital of VSC-Ryerson China Limited which operates VSC Group's metal service centre business.

Aggregate annual production capacity is approximately 350,000 tons. This included 80,000 tons capacity of the newly set-up Kunshan service centre. Dongguan service centre, the oldest and most mature one, is approaching quite high level of capacity utilization, this makes collaboration with nearby sister service centre a way to optimize capacity usage and customer strategy. GZCC was acquired by the VSC Group in March 2004, which was operating at approximately 25% of capacity only. Currently the capacity utilization rate is close to 60%. With its own organic growth and further collaboration with sister service centre, capacity utilization rate will continue growing. New products and customers introduced by Ryerson Inc. will easily consume the current underutilized capacity. Given Ryerson Inc.'s participation, there are also plans to penetrate US-based customers who are planning to transplant their manufacturing operations into China. The strategically located Kunshan service centre has started trail run in January 2007, which targeted to serve customers located in Eastern China who already have cumulated a critical mass.

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## LETTER FROM THE BOARD

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The Proposed Caps set out above are based on the foregoing historical figures and on the assumption that under the management of VSC Group, i.e. Southern China customer optimization strategy and continuation of new customer development, the business of VSC Shinsho and hence GZCC would be further improved. Commencement of operation of Kunshan service centre, which serves customers in Eastern China, will also demand for Kobe Steel materials. And, customers introduced by Ryerson Inc. will demand for high quality, imported materials which Kobe Steel materials are one of the solutions. The Directors are of the view that the Proposed Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Secured and reliable supply of quality steel is crucial to the above-mentioned development strategies. Shinsho Corporation, through partnership with the Company in the past three years, provided strong support in ensuring a stable supply of high quality Japanese steel to GZCC. This source of supply will become crucial to Kunshan service centre when it begins mass production.

### CONTINUING CONNECTED TRANSACTIONS OF THE COMPANY

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. The VSC Group did not have any previous transactions with Shinsho Corporation in respect of the continuing connected transactions which required aggregation under Rule 14A.25 of the Listing Rules.

The Supply Agreement has been entered into for a term of three financial years ending on 31 March 2010. 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 "Annual caps and the reasons for the increasing demand" above.

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 Transaction are required to be included in the Company's next and subsequent published annual reports and accounts. If during the three-year period ending 31 March 2010, 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 VSC Group is principally engaged in (i) China Advanced Materials Processing including manufacturing of industrial products such as processing of rolled flat steel products and manufacturing of enclosure systems and trading of engineering plastic resins, and (ii) Construction Materials Group including trading and stockholding of construction materials such as steel products, sanitary wares and kitchen cabinets.

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## LETTER FROM THE BOARD

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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.

### 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.

Access 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 Access 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 Wednesday, 28 March 2007 at 10:00 a.m. is set out on pages 24 to 25 of this circular.

Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the special general meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting 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 Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the SGM; or

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## LETTER FROM THE BOARD

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- (c) by a Shareholder or Shareholders present in person or in the case of a Shareholder 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 Shareholders having the right to vote at the SGM; or
- (d) a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and holding Shares 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.

A demand by a person as proxy for a Shareholder or in the case of a Shareholder being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a Shareholder.

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 9 which contains its recommendation to the Shareholders to vote in favour of the ordinary resolution which will be proposed at the SGM to approve the Supply Agreement, and the letter of advice from Access Capital, the text of which is set out on pages 10 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*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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**VSC**万顺昌

### **VAN SHUNG CHONG HOLDINGS LIMITED**

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 1001)**

*Registered office:*

Clarendon House  
2 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

8 March 2007

*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 8 March 2007 (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 Access 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. Harold Richard Kahler**  
**Mr. Kenny King Ching Tam**  
**Mr. Xu Lin Bao**  
*Independent Board Committee*

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## LETTER FROM ACCESS CAPITAL

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*The following is the full text of the letter of advice to the Independent Board Committee and the Shareholders from Access Capital prepared for incorporation in this circular.*



Suite 606, 6th Floor  
Bank of America Tower  
12 Harcourt Road  
Central  
Hong Kong

8 March 2007

*To: The Independent Board Committee and the Shareholders of  
Van Shung Chong Holdings Limited*

Dear Sirs,

### **Continuing Connected Transactions**

#### **I. INTRODUCTION**

We refer to our appointment to advise the Independent Board Committee and the Shareholders with regard to the terms of the Transactions. Details of the Supply Agreement and the Transactions are contained in the “Letter from the Board” set out in the circular to the Shareholders dated 8 March 2007 (the “Circular”), of which this letter forms part. The terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise specifies.

On 17 September 2004, VSC Shinsho, a then indirect 70% owned subsidiary of the Company and currently through an indirect 60% owned subsidiary of the Company owned 70%, entered into the Previous Supply Agreement with Shinsho Corporation. Since the Previous Supply Agreement will expire on 31 March 2007, VSC Shinsho has on 15 February 2007 entered into the Supply Agreement with Shinsho Corporation 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 2007 up to 31 March 2010.

Shinsho Corporation is a company which holds 30% of the issued share capital of VSC Shinsho. 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. Accordingly, transactions between Shinsho Corporation and VSC Shinsho and/or other subsidiaries of the Company will constitute connected transactions of the Company under the Listing Rules.

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## LETTER FROM ACCESS CAPITAL

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As the annual amount 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.

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. As no Shareholder nor their respective associates have interest in the Transactions, therefore no Shareholder is required to abstain from voting on the resolution for the Transactions at the SGM.

### II. THE INDEPENDENT BOARD COMMITTEE

The Board currently consists of two executive Directors, namely Mr. Andrew Cho Fai Yao (Chairman), Mr. Fernando Sai Ming Dong and four independent non-executive Directors, namely Dr. Chow Yei Ching, Mr. Harold Richard Kahler, Mr. Kenny King Ching Tam and Mr. Xu Lin Bao.

The Independent Board Committee comprising the independent non-executive Directors, Dr. Chow Yei Ching, Mr. Harold Richard Kahler, Mr. Kenny King Ching Tam and Mr. Xu Lin Bao, has been established to consider the terms of the Supply Agreement and the Transactions including the Proposed Caps.

We have been appointed by the Independent Board Committee to advise them and the Shareholders as to whether the terms of the Supply Agreement and the Transactions including the Proposed Caps are fair and reasonable so far as the Shareholders are concerned, and to give our opinion in relation to the Supply Agreement and the Transactions including the Proposed Caps for the Independent Board Committee's consideration when making their recommendation to the Shareholders.

### III. BASES OF AND ASSUMPTIONS OF THE ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company and/or its senior management staff and/or the Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise provided or made or given by the Company and/or its senior management staff and/or the Directors and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of the Circular. We have assumed that all the opinions and representations made or provided by the Directors and/or the senior management staff of the Company contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or its senior management staff and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed all currently available information and documents which are available to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinions. We have no reason to doubt the truth,



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accuracy and completeness of the statements, information, opinions and representations provided to us by the Company and/or its senior management staff and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out an independent verification of the information provided, nor have we conducted an independent investigation into the business and affairs of the Company or any of its subsidiaries.

#### IV. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

##### 1. Background to and reasons for the Transactions

The VSC Group is principally engaged in (i) China Advanced Materials Processing (“CAMP”) including manufacturing of industrial products such as processing of rolled flat steel products and manufacturing of enclosure systems and trading of engineering plastic resins and (ii) Construction Materials Group (“CMG”) including trading and stockholding of construction materials such as steel products, sanitary wares and kitchen cabinets.

Shinsho Corporation, the issued shares of which are listed on the Tokyo Stock Exchange, is a group company and a trading arm of Kobe Steel.

On 24 March 2004, China Advanced Materials Processing (B.V.I.) Limited, a then indirect wholly-owned subsidiary of the Company completed the purchase of a 70% equity interest in VSC Shinsho from an Independent Third Party. On 1 November 2006, China Advanced Materials Processing (B.V.I.) Limited became an indirect 60% owned subsidiary of the Company.

VSC Shinsho, an indirect non wholly-owned subsidiary of the Company, is mainly responsible for purchasing of rolled steel raw materials and distribution of processed steel products. Guangzhou Shenchang Metal Products Co., Ltd., 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. Guangzhou Shenchang Metal Products Co., Ltd. is a cooperative joint venture established in the PRC in November 1993.

As stated in the “Letter from the Board”, VSC Shinsho and Shinsho Corporation had entered into the Previous Supply Agreement which will be expired on 31 March 2007. In order not to affect the continuation of the existing business of GZCC and to secure a 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.

By entering into the Supply Agreement with the Shinsho Group, the Company can secure a reliable source of steel products supply that not only supports the growth of business for VSC Shinsho and its subsidiary but also helps to expand the existing business volume of its processing and distribution businesses currently operated by the Company’s other factories in the PRC such

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as Dongguan, Tianjin and Kunshan 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 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 are of the views 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.

Given the principal business of VSC Shinsho is purchasing and trading of steel products whilst Shinsho Corporation is a trading arm of one of the largest steel manufacturers in Japan, the aforesaid purchase activities between Shinsho Corporation and VSC Shinsho fall within the ordinary and normal course of business of the VSC Group.

Taking into account that (i) the Transactions are of the type that are entered into in the ordinary and usual course of business of VSC Shinsho and are expected to be on a frequent and regular basis; (ii) the Supply Agreement is a renewal of the Previous Supply Agreement with the intention to ensure continuation of the existing business of the VSC Group without disruption; and (iii) the Supply Agreement would provide the VSC Group with a stable supply of high quality steel products from one of the largest Japan steel manufacturers in Japan and also enable it to minimise certain sourcing expenses, accordingly, we concur with the view of the Directors that the entering of the Supply Agreement is in the interests of the Company and its Shareholders as a whole.

### 2. Overall financial performance of the VSC Group

As stated in annual report of the Company for FY2006, the VSC Group recorded an audited turnover of approximately HK\$4,574.9 million, representing a growth of approximately 10.5% over FY2005. Such increase was contributed by both increase in sales from both operations of CAMP and CMG of approximately 16% and 8% respectively. During the same year, operation profit increased to approximately HK\$72.6 million, representing an increase of 10.4% over the previous year.

However, as stated in the annual report for FY2006, during the year, with the fluctuation in steel price and the continuous increase interest rate hike, the audited profit attributable to equity holders of the Company amounted to HK\$22.9 million, representing a decrease of approximately 36.8% from the previous year.

As stated in the interim report of the Company for the six months ended 30 September 2006, the VSC Group's unaudited turnover amounted to approximately HK\$2,342.3 million, representing

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a slight increase of approximately 1.2% when compared with approximately HK\$2,313.7 million for the same period in 2005. For the six months ended 30 September 2006, operating profit amounted to approximately HK\$78.2 million, representing a substantial increase of approximately 52.7% over the same period last year whilst unaudited profit attributable to equity holders of the Company was approximately HK\$41.7 million, representing an increase of approximately 89.7% over the same period last year. Through the VSC Group's continued strategy to provide high value-added services to its customers and improvement in operation efficiency, the VSC Group was able to enhance its competitiveness and profit margin.

### 3. Terms of the Supply Agreement and the transactions contemplated thereunder

Details of the Supply Agreement are set out in the "Letter from the Board". In sum, the key terms thereof are as follows:

- the Supply Agreement has a fixed term of three financial years ending 31 March 2010;
- the basis of determining the prices for the Transactions will be agreed from time to time between the parties based on market price of the type of steel products concerned prevailing at the relevant time; and
- payment for the Transactions shall be made by VSC Shinsho within 150 days up to 240 days from the relevant bill of lading date.

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, galvanised steel sheet in coil and hot rolled steel sheet in coil. Following such purchases, VSC Shinsho would arrange for these steel products to be processed and then resold to customers.

The Directors propose that the cap amounts of the Transactions under the Supply Agreement for each of the three financial years ending 31 March 2010 will not exceed the following cap amounts:

	<b>For the financial year ending 31 March 2008 (HK\$)</b>	<b>For the financial year ending 31 March 2009 (HK\$)</b>	<b>For the financial year ending 31 March 2010 (HK\$)</b>
Cap amounts for the Transactions	240,000,000	280,000,000	320,000,000
Year-on-year growth rate	14.3%*	16.7%	14.3%

\* compared with the existing cap amount of HK\$210,000,000 for the year ending 31 March 2007

As 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

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of the type of steel products concerned prevailing 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 the sales of similar processed and unprocessed steel products offered by the VSC Group to its independent customers. A reasonable and objective market price is thus determined through such continuous referencing and comparison mechanism. 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.

Taking into account the reasons to and benefits for the Transactions as described in this letter, in particular, (i) the organic growth of the VSC Group's existing metal service business through (a) organic growth of GZCC; (b) collaboration of sister service centres in Guangdong Province, the PRC; and (c) setting up of Kunshan service centre; (ii) the continued expansion of the VSC Group's business in the PRC; (iii) the potential new products and customers to be introduced by Ryerson Inc.; and (iv) the utilisation rate for the existing caps for the two years ended 31 March 2006 and for the nine months ended 31 December 2006 (with a contingency of only 10% to 15% safety margin for fluctuation in the prices of the steel products), we believe that it is prudent and reasonable for the Directors to determine the increase in the Proposed Caps in the range of 14.3% to 16.7% for the three years ending 31 March 2010.

We have reviewed historical samples of (i) invoices of purchases of similar processed and unprocessed steel products between VSC Shinsho and its suppliers, including both Shinsho Corporation and its independent suppliers (i.e. independent of and not connected with the Company, its connected persons or its associates); and (ii) the latest market selling price for the sales of similar processed and unprocessed steel products offered by the VSC Group to its independent customers and noted that the invoices from Shinsho Corporation were similar to the sampled invoices from Independent Third Parties.

We have also discussed with the senior management of the Company and noted that Shinsho Corporation normally granted a credit period of 150-days on an open account basis to VSC Shinsho. In some cases, we understand from the management of the Company that certain long-term customers of the VSC Group might require a longer credit period, i.e. 240 days, which in turn, VSC Shinsho would request similar credit period from Shinsho Corporation. We noted from the sample invoices that the payment methods from VSC Group to independent suppliers were in the form of letter of credit with tenor ranged from 120 days to 180 days. Accordingly, the credit term of 150-days extended by Shinsho Corporation to VSC Shinsho falls within the range of the credit period offered by independent suppliers between 120 days to 180 days.

By entering into the Supply Agreement with the Shinsho Group, the Company can secure a reliable source of steel products supply that not only supports the growth of business for VSC Shinsho and its subsidiary but also helps 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, Tianjin and Kunshan as well as any other new factories to be established by the

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## LETTER FROM ACCESS CAPITAL

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Company in the future. While the VSC Group has an established sourcing network, the Directors consider that the ability for the VSC Group to continue to access 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 activities.

In view of the terms of the past transactions (both pricing and credit term period) entered into between VSC Shinsho and Shinsho Corporation were in line with independent suppliers; and the terms of the Transactions will be arrived at on normal commercial basis and are made by reference to a comparable market price and on 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, we are of the view that the terms of the Supply Agreement and the Transactions are fair and reasonable and in the interests of the VSC Group and the Shareholders as a whole so far as the Shareholders are concerned.

#### 4. The proposed cap amounts for the Transactions

As stated in the “Letter from the Board”, the following tables set out the total amount payable by VSC Shinsho and other subsidiaries of the Company for such purchases under the Previous Supply Agreement:

	Actual purchase from Shinsho Group (HK\$)	Total purchase from Shinsho Group and other Independent Third Parties (HK\$)	Actual purchase from Shinsho Group as a percentage of total purchase	Cap (HK\$)	Actual purchase from Shinsho Group as a percentage of cap
FY2005 (audited)	104,394,774	253,794,897	41%	120,000,000	87%
FY2006 (audited)	164,280,572	309,077,614	53%	180,000,000	91%
2007 (for the nine months ended 31 December 2006 - unaudited)	123,909,028	208,810,858	59%	210,000,000 <i>(Note 1)</i>	79% <i>(Note 2)</i>

*Notes:*

1. This represents the cap amount for the year ending 31 March 2007.
2. This represents the percentage of the annualised purchase from Shinsho Group to the cap amount FY2007 =  $(123,909,028/9 \times 12)/210,000,000 \times 100\%$

In order to specialise on products specification, and brandnames, each service centre of the VSC Group specialised in certain brands, and specification of steel and Kobe Steel materials (purchased via Shinsho Corporation) has been the main brand of GZCC.

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For FY2005, GZCC, being the first full year of operation under the control of VSC Group, successfully enlarged its customer base and sales volume. Total amount of steel purchased increased by approximately 22% from approximately HK\$254 million (in FY2005) to HK\$309 million (in FY2006). As the product branding strategy continued, the percentage of value of Kobe Steel material purchased to total purchase increased from approximately 41% (in FY2005) to 53% (in FY2006).

As stated in the “Letter from the Board”, if the effect of price fluctuation is eliminated, average cap utilisation would range from 85% to 90%, leaving 10% to 15% safety margin which is necessary for supply and demand hence pricing uncertainties.

In addition, the VSC Group is currently operating a number of metal service centres in the PRC, namely Dongguan, Guangzhou, Tianjin and Kunshan. All four provide similar metal services, primarily cut-to-length and slit-to-width. Ryerson Inc., one of the North America’s leading distributors and processors of metals, had through its wholly-owned subsidiary acquired 40% of the enlarged capital of VSC-Ryerson China Limited which operates VSC Group’s metal service centre business.

Aggregate annual production capacity is approximately 350,000 tons. This included 80,000 tons capacity of the newly set-up Kunshan service centre. Dongguan service centres, the oldest and most mature one, is approaching quite high level of capacity utilisation, this makes collaboration with nearby sister service centre a way to optimise capacity usage and customer strategy. GZCC was acquired by the VSC Group in March 2004, which was operating at approximately 25% of capacity only. Currently the capacity utilisation rate is close to 60%. With its own organic growth and further collaboration with sister service centre, capacity utilisation rate will continue growing. New products and customers introduced by Ryerson Inc. will easily consume the current underutilised capacity. Given Ryerson Inc.’s participation, there are also plans to penetrate US-based customers who are planning to transplant their manufacturing operations into the PRC. The strategically located Kunshan service centre has started trail run in January 2007, which targeted to serve customers located in Eastern China who already have cumulated a critical mass.

The entering into of the Supply Agreement will enable the VSC Group to secure a stable and high quality supply of steel for its entire coil centre operations. The Directors believe that with the experience and proven track record of the management of the VSC Group in operating Dongguan service centre and other similar factories, GZCC would be in a position to further 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. As a result, secured and reliable supply of quality steel is crucial to the abovementioned development strategies. Shinsho Corporation, through partnership with the Company in the past three years, provided strong support in ensuring a stable supply of high quality Japanese steel to GZCC. This source of supply will become crucial to Kunshan service centre when it begins mass production.

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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, i.e. Southern China customer optimisation strategy and continuation of new customer development, the business of VSC Shinsho and hence GZCC would be further improved; commencement of operation of Kunshan service centre, which serves customers in Eastern China, will also demand for Kobe Steel materials; and customers introduced by Ryerson Inc. will demand for high quality, imported materials which Kobe Steel materials are one of the solutions.

Given (i) the organic growth of the VSC Group's existing business, in particular, the increase in capacity utilisation rate through collaboration with sister service centres; (ii) the continued expansion of the VSC Group's business in the PRC as evidenced by the newly set-up Kunshan service centre to capture additional market share in Eastern China; (iii) the potential new products and customers to be introduced by Ryerson Inc. which will easily consume the current underutilised capacity; (iv) the utilisation rate for the existing caps for the two years ended 31 March 2006 and for the nine months ended 31 December 2006 (with a contingency of only 10% to 15% safety margin for fluctuation in the prices of the steel products); and (v) the increase in the Proposed Caps in the range of 14.3% to 16.7% as described under in the paragraph headed "3. Terms of the Supply Agreement and the transactions contemplated thereunder", we are of the view that the Proposed Caps contemplated under the Supply Agreement are justifiable and are fair and reasonable.

### V. RECOMMENDATION

After having considered the above principal factors, namely (i) background to and reasons for the Transactions; (ii) the terms of the Supply Agreement and the transactions contemplated thereunder; and (iii) the Proposed Caps for the Transactions, we are of the view that terms of the Supply Agreement, the Transactions including the Proposed Caps are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend to the Shareholders to vote in favor of the ordinary resolution in relation to the Supply Agreement, the Transactions including the Proposed Caps, to be proposed at the SGM.

Yours faithfully,  
For and on behalf of  
**ACCESS CAPITAL LIMITED**  
**Jeanny Leung**  
*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. DISCLOSURE OF INTERESTS

### (i) Directors' interests and short positions in the shares, underlying shares and debentures

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and 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 Issuers (the "Model Code") to be notified to the Company and the Stock Exchange, were as follows:

#### (a) Long positions in Shares and options of the Company

Name of Directors	Nature of interest	Attributable interest to the Directors	Number of Shares	Approximate percentage	Number of share options	Aggregate interest
Mr. Andrew Cho Fai Yao	Corporate interest held by Huge Top ( <i>Note</i> )	deemed interest (indirectly)	173,424,000	47.05%	—	173,424,000
	Personal interest	100% (directly)	<u>1,614,000</u>	<u>0.44%</u>	<u>1,500,000</u>	<u>3,114,000</u>
			<u>175,038,000</u>	<u>47.49%</u>	<u>1,500,000</u>	<u>176,538,000</u>
Mr. Fernando Sai Ming Dong	Personal interest	100% (directly)	<u>342,000</u>	<u>0.09%</u>	<u>500,000</u>	<u>842,000</u>
Mr. Harold Richard Kahler	Personal interest	100% (directly)	<u>66,000</u>	<u>0.02%</u>	<u>—</u>	<u>66,000</u>

*Note:* As at Latest Practicable Date, Huge Top Industrial Ltd. ("Huge Top") holds 173,424,000 Shares. Mr. Andrew Cho Fai Yao is one of the two directors of Huge Top. Mr. Andrew Cho Fai Yao directly holds approximately 11.91% and indirectly through Perfect Capital International Corp. ("Perfect Capital") owns approximately 42.86% 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. These interests of the aforesaid Director in the Shares were corporate interests.



(b) *Long positions in associated corporation — Huge Top*

Name of Directors	Nature of interest	Attributable interest to the Directors	Number of shares	Approximate percentage
Mr. Andrew Cho Fai Yao (Refer to Note in (a) above)	Corporate interest held by Perfect Capital	deemed interest (indirectly)	36	42.86%
	Personal interest	100% (directly)	<u>10</u>	<u>11.91%</u>
			<u>46</u>	<u>54.77%</u>
Mr. Fernando Sai Ming Dong	Personal interest	100% (directly)	<u>5</u>	<u>5.95%</u>

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors, chief executives of the Company and their associates had any personal, family, corporate or other interests or short positions 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 (include interests and short positions which they are taken or deemed to have under such provisions of 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.

(c) *Directors' interest in assets and contracts*

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 2006 (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.

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

Other than interests disclosed in the section headed "(i) Directors' interests and short positions in shares, underlying shares and debentures" above, as at the Latest Practicable Date, according to the register of interests kept by the Company under section 336 of the SFO, the following entities have interests or short positions in the shares and underlying shares of the Company which fall to be

disclosed under 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 together with particulars of any options in respect of such capital:

Name	Nature of interest	Number of Shares	Approximate percentage	Number of share options	Aggregate interest
Huge Top Industrial Ltd.	Directly	<u>173,424,000</u>	<u>47.05%</u>	<u>—</u>	<u>173,424,000</u>
Ms. Miriam Che Li Yao	Corporate	173,424,000	47.05%	—	173,424,000
		<i>(Note)</i>			
	Personal	<u>2,000,000</u>	<u>0.54%</u>	<u>1,000,000</u>	<u>3,000,000</u>
		<u>175,424,000</u>	<u>47.59%</u>	<u>1,000,000</u>	<u>176,424,000</u>

*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 while the remaining director of Huge Top is Mr. Andrew Cho Fai Yao who is the brother of Ms. Miriam Che Li Yao 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, the Directors are not aware of any other persons (other than Directors or chief executives of the Company) who have interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company under 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 together with particulars of any options in respect of such capital.

### 3. COMPETING INTERESTS

Mr. Andrew Cho Fai Yao (“Mr. Yao”) is the chairman of the Board, and also an executive director of North Asia Strategic Holdings Limited (“NAS”).

NAS is an investment holding company and its subsidiaries are principally engaged in the trading of steel products, provision of procurement services for steel products (including the operation of an e-commerce vertical portal for the provision of online steel trading services and ancillary services), and investment holding. There may be a possibility that the steel trading business of the NAS Group (as defined below) may compete with that of the VSC Group. However, the Directors are also of the view that the invaluable experience of Mr. Yao in the steel industry will complement the development of the VSC Group’s business.

The Directors are satisfied that the VSC Group functions independently of and on arm's lengths basis from NAS and its subsidiaries ("NAS Group") on the basis that the majority of the executive Directors and the senior management are independent of the NAS 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 independent non-executive director, Mr. Kenny King Ching 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 NAS, in case there is any potential conflict of interests, Mr. Yao will abstain from voting in the relevant board of directors' meeting.

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.

#### 4. 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 2006, the date to which the latest published audited consolidated financial statements of the Company were made up.

#### 5. 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).

#### 6. EXPERT AND CONSENT

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

<b>Name</b>	<b>Qualifications</b>
Access Capital	A corporation licensed to carry out business type in types 1, 4, 6 and 9 regulated activities under the SFO.

- (ii) Access 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.
- (iii) Access 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.

- (iv) Access 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 2006, the date to which the latest published audited financial statements of the Company were made up.
- (v) The letter and recommendation given by Access Capital are given as of the date of this circular for incorporation herein.

## **7. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the principal office of the Company in Hong Kong, which is situated at Rooms 4902-8, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, during normal business hours from 9:30 a.m. to 5:50 p.m. (except Saturdays, Sundays and public holidays) up to and including 28 March 2007:

- (i) the letter from the Independent Board Committee, the text of which is set out on page 9 of this circular;
- (ii) the letter from Access Capital, the text of which is set out on pages 10 to 18 of this circular;
- (iii) the written consent of Access Capital as referred to paragraph 6 above; and
- (iv) the Supply Agreement.

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## NOTICE OF SGM

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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 the members 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 at 10:00 a.m. on Wednesday, 28 March 2007 for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

#### ORDINARY RESOLUTION

**“THAT:**

- (a) the agreement dated 15 February 2007 (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 whereby VSC Shinsho has agreed to purchase from Shinsho Corporation and its associates from time to time various steel products upon the terms and subject to the conditions therein contained during the period from 1 April 2007 to 31 March 2010 and as more particularly described in the circular of the Company dated 8 March 2007 and the transactions contemplated under the Supply Agreement be and are hereby approved, confirmed and ratified;
- (b) the annual maximum values of HK\$240,000,000, HK\$280,000,000 and HK\$320,000,000 respectively as applicable to the transactions under the Supply Agreement for each of the three financial years from 1 April 2007 to 31 March 2010 be and are hereby approved, confirmed and ratified; and
- (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, 8 March 2007

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## NOTICE OF SGM

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*Registered office:*  
Clarendon House  
2 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

**Notes:**

1. A member entitled to attend and vote at the above meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company. In order to be valid, a form of proxy must be deposited to the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, together with any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
2. The ordinary resolution set out in this notice will be put to a poll.