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**VSC万顺昌**

## **VAN SHUNG CHONG HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1001)**

### **MAJOR TRANSACTION SECOND SUPPLEMENTAL AGREEMENT TO THE INVESTORS' RIGHTS AGREEMENT, EXERCISE OF VSC PUT OPTION AND RESUMPTION OF TRADING**

#### **The Second Supplemental Agreement**

Reference is made to the 2006 Announcement and the 2006 Circular. The IRA (as supplemented by the First Supplemental Agreement) between the Company, CAMP BVI, Ryerson, Ryerson LLC and VSC-Ryerson China was executed on 31 October 2006 to regulate the business, affairs relating to the management and the rights of the shareholders of VSC-Ryerson China. Between 12:30 p.m. to 2:30 p.m. on 14 November 2008, Parties entered into the Second Supplemental Agreement to supplement, amend and modify the provisions of the IRA (as supplemented by the First Supplemental Agreement). Pursuant to the Second Supplemental Agreement, the Parties have agreed to, among others, the Conditional Clauses with an aim to amend and modify the terms and conditions in respect of (i) the Trade Credit; (ii) the VSC Put Option; and (iii) the transfer restrictions on the VSC-Ryerson China Shares originally set out in the IRA, which are all subject to the approval of the Shareholders as stipulated by the Listing Rules or required by the Stock Exchange.

## **The Exercise of VSC Put Option**

Reference is also made to the 2008 Announcement. Pursuant to the IRA (as supplemented by the First Supplemental Agreement and, subject to the Shareholders' approval, the Second Supplemental Agreement), Ryerson LLC has granted the VSC Put Option to CAMP BVI to require a Ryerson Option Party(ies) (with the transferee(s) to be determined by Ryerson LLC) to purchase the whole (but not part) of 20% equity interest in VSC-Ryerson China which shall only be exercisable, at the discretion of CAMP BVI, on one occasion at any time during a 90-day period commencing immediately after the completion of the transfer of VSC-Ryerson China Shares as a result of the exercise of the Ryerson Call Option. Among others, the terms of the IRA, including the grants of Ryerson Call Option and VSC Put Option and the exercise of Ryerson Call Option, were approved by the Shareholders at the special general meeting of the Company held on 23 October 2006. Following the completion of the transfer of VSC-Ryerson China Shares pursuant to the exercise of the Ryerson Call Option on 31 October 2008, and subject to the approval of the Shareholders at the SGM, CAMP BVI intends to exercise the VSC Put Option to dispose an additional 20% of the equity interest in VSC-Ryerson China to a Ryerson Option Party(ies) (with the transferee(s) to be determined by Ryerson LLC) at a consideration of US\$14.2 million (equivalent to approximately HK\$110.76 million).

### **General**

This announcement is made pursuant to the requirement under Rule 14.36 of the Listing Rules, as the Conditional Clauses set out in the Second Supplemental Agreement constitute material variation of the terms of the IRA. In addition, the Conditional Clauses set out in the Second Supplemental Agreement and the exercise of the VSC Put Option on the whole constitute a major transaction for the Company under Chapter 14 of the Listing Rules and are conditional upon the approval of the Shareholders at the SGM. A circular containing further information on the Second Supplemental Agreement and the VSC Put Option, together with a notice of the SGM will be dispatched to the Shareholders in accordance with the requirements of the Listing Rules. No Shareholder is required to abstain from voting in respect of the proposed resolution to approve the Conditional Clauses set out in the Second Supplemental Agreement and the exercise of the VSC Put Option at the SGM.

### **Resumption of Trading**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 2:30 p.m. on 14 November 2008 pending the release of this announcement. An application has been made to the Stock Exchange for resumption of the trading in the Shares with effect from 9:30 a.m. on 19 November 2008.

## SECOND SUPPLEMENTAL AGREEMENT

Reference is made to the 2006 Announcement and the 2006 Circular. The IRA (as supplemented by the First Supplemental Agreement) between the Company, CAMP BVI, Ryerson, Ryerson LLC and VSC-Ryerson China was executed on 31 October 2006 to regulate the business, affairs relating to the management and the rights of the shareholders of VSC-Ryerson China. On 14 November 2008, Parties entered into the Second Supplemental Agreement to supplement, amend and modify the provisions of the IRA (as supplemented by the First Supplemental Agreement). Pursuant to the Second Supplemental Agreement, the Parties have agreed to, among others, the Conditional Clauses with an aim to amend and modify the terms and conditions in respect of (i) the Trade Credit; (ii) the VSC Put Option; and (iii) the transfer restrictions on the VSC-Ryerson China Shares originally set out in the IRA, which are all subject to the approval of the Shareholders as stipulated by the Listing Rules or required by the Stock Exchange.

**Time & Date:** Between 12:30 p.m. to 2:30 p.m. on 14 November 2008

**Parties:**

- (i) the Company;
- (ii) CAMP BVI;
- (iii) Ryerson;
- (iv) Ryerson LLC; and
- (v) VSC-Ryerson China

### Conditional Clauses

The Conditional Clauses as set out in the Second Supplemental Agreement to amend and modify the terms and conditions of the IRA (as supplemented by the First Supplemental Agreement) are summarized below.

#### *(i) Trade Credit*

The terms and conditions of the trade credit provided by the Group to VSC-Ryerson China Group as set out in the IRA shall be deleted and amended. The amended provisions regarding the Trade Credit set out in the Second Supplemental Agreement are summarized below.

Commencing from the date of the Shareholders' approval and until the time when VSC-Ryerson China Group or Ryerson is able to secure new banking facilities for an aggregate amount of not less than US\$18.5 million (equivalent to approximately HK\$144.3 million) for the VSC-Ryerson China Group's inventory purchase (the "Aggregate Banking Facilities"), the Group shall provide to the VSC-Ryerson China Group the Trade Credit with a limit equal to the difference between the Aggregate Banking Facilities obtained from time to time and US\$18.5 million (equivalent to approximately HK\$144.3 million) solely for the inventory purchase by members of the VSC-Ryerson China Group in the PRC and Hong Kong from the Group.

Upon the Group's delivery of inventory purchased by the VSC-Ryerson China Group in the manner specified in the relevant purchase order, the amounts due and payable by the VSC-Ryerson China Group for the inventory purchased is deemed to form part of the utilization of the Trade Credit (the "Deemed Trade Credit Utilized"). Each Deemed Trade Credit Utilized shall be due and payable 120 days from the relevant date of such delivery of the inventory purchased. In the event that all the outstanding Deemed Trade Credit

Utilized (plus all the interest accrued thereon) in aggregate exceed the Trade Credit from time to time, VSC-Ryerson China shall, upon prior written notice given by the Group, pay the Group an amount not less than the excess of the aggregate outstanding balance over the Trade Credit.

The Deemed Trade Credit Utilized shall bear interest (from and including the date on which the inventory is delivered and up to and including the date of repayment) at a rate equal to the applicable LIBOR plus 1.75% or the cost of funds to the Group, whichever is higher (but in any case not to exceed LIBOR plus 2.75%), to be payable by VSC-Ryerson China to the Group on a monthly basis in arrears.

The Directors are of the opinion that the Trade Credit is only a credit limit on trade receivable from the VSC-Ryerson China Group to be arisen from the inventory purchase by members of the VSC-Ryerson China Group in the PRC and Hong Kong from the Group upon the Shareholders' approval on the Second Supplemental Agreement, which is in the ordinary and usual course of business of the Group; and the Deemed Trade Credit Utilized is on normal commercial terms of the Group or on terms no less favorable than those available to other customers of the Group.

*(ii) VSC Put Option*

The terms and conditions of the VSC Put Option set out in the IRA shall be deleted and amended. The amended provisions regarding the VSC Put Option set out in the Second Supplemental Agreement are summarized below.

Ryerson LLC grants the VSC Put Option to CAMP BVI to require a Ryerson Option Party(ies) (with the transferee(s) to be determined by Ryerson LLC) to purchase the whole (but not part) of 20% equity interest in VSC-Ryerson China. The VSC Put Option shall only be exercisable, at the discretion of CAMP BVI, on one occasion at any time during a 90-day period commencing immediately after the completion of the transfer of VSC-Ryerson China Shares as a result of the exercise of the Ryerson Call Option.

The purchase price for the 20% equity interest in VSC-Ryerson China subject to the VSC Put Option shall be US\$14.2 million (equivalent to approximately HK\$110.76 million).

*(iii) Transfer restrictions on the VSC-Ryerson China Shares*

The terms and conditions of the transfer restrictions on the VSC-Ryerson China Shares set out in the IRA shall be deleted and amended. The amended provisions regarding the relevant transfer restrictions set out in the Second Supplemental Agreement are summarized below.

No minority shareholder of VSC-Ryerson China, shall sell, transfer, grant any security interest over, or otherwise dispose of or give any person any rights in or over, any shares or interest in any VSC-Ryerson China Shares, unless all other shareholders of VSC-Ryerson China have consented to such transfer or disposal in writing.

## **Conditions**

The Conditional Clauses are subject to the approval of the Shareholders as stipulated by the Listing Rules or required by the Stock Exchange in respect of (i) the Conditional Clauses; and (ii) the exercise of the VSC Put Option. In the event that the approval of the Shareholders cannot be obtained by 31 January 2009, all the Conditional Clauses shall become null and void and the Parties shall use their best efforts to negotiate and resolve the issue in good faith and under the spirit of the IRA.

## **REASONS FOR THE SECOND SUPPLEMENTAL AGREEMENT**

In order to evidence and give effect to certain arrangements, agreements, amendments and matters relating to the management and the rights of the shareholders of VSC-Ryerson China regulated in the IRA, in particular, the determination of the consideration for the 20% equity interest in VSC-Ryerson China subject to the VSC Put Option, the Parties resolved to enter into the Second Supplemental Agreement as mentioned above.

The Directors, including the independent non-executive Directors, are of the view that the terms, including the Conditional Clauses, of the Second Supplemental Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

## **EXERCISE OF THE VSC PUT OPTION**

### **Exercisability and consideration of the VSC Put Option**

Reference is also made to the 2008 Announcement. Pursuant to the IRA (as supplemented by the First Supplemental Agreement and, subject to the Shareholders' approval, the Second Supplemental Agreement), the VSC Put Option granted to CAMP BVI to require a Ryerson Option Party(ies) (with the transferee(s) to be determined by Ryerson LLC) to purchase the whole (but not part) of 20% equity interest in VSC-Ryerson China shall only be exercisable, at the discretion of CAMP BVI, on one occasion at any time during a 90-day period commencing immediately after the completion of the transfer of VSC-Ryerson China Shares as a result of the exercise of the Ryerson Call Option, subject to the approval of the Shareholders on the Conditional Clauses set out in the Second Supplemental Agreement at the SGM.

Among others, the terms of the IRA, including the grants of Ryerson Call Option and VSC Put Option and the exercise of Ryerson Call Option, were approved by the Shareholders at the special general meeting of the Company held on 23 October 2006.

The transfer of VSC-Ryerson China Shares pursuant to the exercise of the Ryerson Call Option was completed on 31 October 2008. Upon the approval of the Shareholders at the SGM, CAMP BVI thus intends to exercise the VSC Put Option to dispose an additional 20% of the equity interest in VSC-Ryerson China to a Ryerson Option Party(ies) (with the transferee(s) to be determined by Ryerson LLC) at a consideration of US\$14.2 million (equivalent to approximately HK\$110.76 million), payable in full in cash or in such other form of consideration as mutually agreed between CAMP BVI and Ryerson LLC. The basis for the consideration of US\$14.2 million has been set out in the definition of "VSC Put Valuation" in the 2006 Announcement and the 2006 Circular, except for the modifications on (i) the Group EBITDA, which is now made reference to the audited consolidated financial statements of the VSC-Ryerson China Group for the years ended 31 March 2007 and 2008 and the forecast for the year ending 31 March 2009; and (ii) the Put Reference Day, which is now fixed at 30 September 2008.

The Directors, including the independent non-executive Directors, consider that the exercise and consideration of the VSC Put Option is fair and reasonable and are in the best interest of the Company and the Shareholders as a whole.

### **Completion of the VSC Put Option**

Subject to the approval of the Shareholders at the SGM, completion of the sale and purchase of the VSC-Ryerson China Shares pursuant to the exercise of the VSC Put Option shall take place at a date not less than one (1) calendar week from the date on which CAMP BVI gives the written notice to Ryerson LLC for the exercise of the VSC Put Option and not more than 60 days from the date of the written notice (the "Completion").

### **PROCEEDS FROM THE EXERCISE OF THE VSC PUT OPTION**

The Company intends to use the proceeds from the exercise of the VSC Put Option of approximately US\$8 million (equivalent to approximately HK\$62.4 million) to repay the bank loans of the Group and approximately US\$6.2 million (equivalent to approximately HK\$48.36 million) will be used as the general working capital of the Group.

### **FINANCIAL EFFECT OF THE EXERCISE OF THE VSC PUT OPTION**

Based on the purchase price of US\$14.2 million (equivalent to approximately HK\$110.76 million); the audited consolidated net asset value of the VSC-Ryerson China Group attributable to 20% equity interest in VSC-Ryerson China to be disposed of approximately HK\$100 million (calculated based on the audited consolidated net asset value after minority interest of the VSC-Ryerson China Group of approximately HK\$500 million as at 31 March 2008 multiplied by 20%) as at 31 March 2008; and the estimated professional fees and related expenses of approximately HK\$1 million arisen upon the exercise of the VSC Put Option, it is estimated that upon the Completion, the Group will record a gain of approximately HK\$9.76 million as a result of the exercise of the VSC Put Option for the year ending 31 March 2009. As at the date hereof and immediately before the Completion, the Company, through CAMP BVI, and Ryerson LLC (together with the Ryerson Option Parties) respectively hold 40% and 60% of the equity interest in VSC-Ryerson China. Immediately after the Completion, the Company, through CAMP BVI, and Ryerson LLC (together with other Ryerson Option Parties) will respectively hold 20% and 80% of the equity interest in VSC-Ryerson China. Following the Completion, VSC-Ryerson China will remain an associated company of the Company.

### **REASONS FOR THE EXERCISE OF THE VSC PUT OPTION**

With the exercise of the VSC Put Option, the Company is able to capitalize on the opportunity to realize its minority investment in the VSC-Ryerson China Group and obtain additional liquidity for its own future development.

## INFORMATION ABOUT THE VSC-RYERSON CHINA GROUP

VSC-Ryerson China is an associated company of the Company and owned as to 40% by CAMP BVI, 40% by Ryerson LLC and 20% by Rhombus. VSC-Ryerson China is an investment holding company and its subsidiaries are principally engaged in the processing of rolled flat steel products. The following table shows the audited consolidated financial information of the VSC-Ryerson Group for the two years ended 31 March 2008, which has been prepared in accordance with Hong Kong Financial Reporting Standards.

	<b>For the year ended 31 March</b>	
	<b>2007</b>	<b>2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net profit before tax	43,782	30,830
Net profit after tax	37,417	29,374

  

	<b>As at 31 March</b>	
	<b>2007</b>	<b>2008</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net asset value	476,896	526,497
Net asset value after minority interest	455,043	500,029

## INFORMATION ABOUT THE GROUP

The Company is an investment holding company and its subsidiaries are principally engaged in manufacturing of industrial products such as processing of rolled flat steel products and manufacturing of enclosure systems and plastic resins distribution, and distribution and stockholding of construction materials such as steel products, sanitary ware and kitchen cabinets.

As at the date of this announcement, CAMP BVI is a wholly-owned subsidiary of the Company and is an investment holding company.

## INFORMATION ABOUT RYERSON

Ryerson is one of North America's leading distributors and processors of metals with revenues of US\$6 billion (equivalent to approximately HK\$46.8 billion) for their fiscal year ended 31 December 2007. Ryerson services customers through a network of service centers across the United States and in Canada, Mexico and India. Ryerson LLC is an investment holding company incorporated in the United States and a wholly-owned subsidiary of Ryerson.

## **GENERAL**

This announcement is made pursuant to the requirement under Rule 14.36 of the Listing Rules, as the Conditional Clauses set out in the Second Supplemental Agreement constitute material variation of the terms of the IRA. In addition, the Conditional Clauses set out in the Second Supplemental Agreement and the exercise of the VSC Put Option on the whole constitute a major transaction for the Company under Chapter 14 of the Listing Rules and are conditional upon the approval of the Shareholders at the SGM.

To the best of the Directors' knowledge, information and belief, after making all reasonable enquiries, Ryerson and Ryerson LLC, and their ultimate beneficial owners, are third parties independent of the Company and connected persons of the Company and none of the Shareholders has any material interest in the execution of the Second Supplemental Agreement and the exercise of the VSC Put Option other than through their interest in the Company. No Shareholder is required to abstain from voting in respect of the proposed resolution to approve the Conditional Clauses set out in the Second Supplemental Agreement and the exercise of the VSC Put Option at the SGM.

A circular containing further information on the Second Supplemental Agreement and the VSC Put Option, together with a notice of the SGM will be dispatched to the Shareholders in accordance with the requirements of the Listing Rules.

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 2:30 p.m. on 14 November 2008 pending the release of this announcement. An application has been made to the Stock Exchange for resumption of the trading in the Shares with effect from 9:30 a.m. on 19 November 2008.

## **DEFINITIONS**

“2006 Announcement”	the announcement of the Company dated 11 September 2006 in relation to the deemed disposal of interest in VSC-Ryerson China (including, among other, information on the IRA, the Ryerson Call Option and the VSC Put Option)
“2006 Circular”	the circular of the Company dated 29 September 2006 in relation to the deemed disposal of interest in VSC-Ryerson China (including, among other, information on the IRA, the Ryerson Call Option and the VSC Put Option)
“2008 Announcement”	the announcement of the Company dated 27 October 2008 in relation to the early exercise of the Ryerson Call Option
“Board”	the board of Directors
“CAMP BVI”	CAMP (B.V.I.) Holdings Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Company”	Van Shung Chong Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange

“Conditional Clauses”	the conditional clauses set out in the Second Supplemental Agreement to amend and modify the terms and conditions of (i) the Trade Credit; (ii) the VSC Put Option; and (iii) the transfer restrictions on the VSC-Ryerson China Shares originally set out in the IRA, which are subject to the approval of the Shareholders as stipulated by the Listing Rules or required by the Stock Exchange in respect of (i) the conditional clauses; and (ii) the exercise of the VSC Put Option
“Directors”	the directors, including the independent non-executive directors, of the Company
“First Supplemental Agreement”	the first supplemental agreement to the IRA dated 31 October 2006 entered into by the Parties in relation to certain obligations to be implemented by the Group
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Financial Reporting Standards”	the financial reporting standards promulgated by the Hong Kong Institute of Certified Public Accountants and includes all Statements of Standard Accounting Practice and interpretation of such standards approved by it from time to time
“IRA”	the investors’ rights agreement dated 31 October 2006 entered into by the Parties (which was approved by the Shareholders at the special general meeting of the Company held on 23 October 2006 ) to regulate the affairs relating to the management and the rights of the shareholders of the VSC-Ryerson China
“LIBOR”	London Inter-Bank Offer Rate
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange and any amendments thereto
“Parties”	parties to the Second Supplemental Agreement, namely the Company, CAMP BVI, Ryerson, Ryerson LLC and VSC-Ryerson China
“PRC”	the People’s Republic of China
“Rhombus”	Rhombus Holding Corporation, a company incorporated in the State of Delaware, the United States and the holding company of Ryerson
“Ryerson”	Ryerson Inc., a company incorporated in the State of Delaware, the United States and a wholly-owned subsidiary of Rhombus
“Ryerson Call Option”	the right granted by CAMP BVI to Ryerson LLC pursuant to the IRA to purchase 20% equity interest in VSC-Ryerson China from CAMP BVI which was approved by the Shareholders at the special general meeting of the Company held on 23 October 2006

“Ryerson LLC”	Ryerson Pan-Pacific LLC, a company incorporated in the State of Delaware, the United States and a wholly-owned subsidiary of Ryerson
“Ryerson Option Party(ies)”	Ryerson LLC, Ryerson and Rhombus (or any wholly-owned subsidiary of each of them)
“Second Supplemental Agreement”	the second supplemental agreement to the IRA (as supplemented by the First Supplemental Agreement) dated 14 November 2008 entered into by the Parties in relation to the amendments to and modifications of certain provisions of the IRA and sets out therein, among others, the Conditional Clauses
“SGM”	the special general meeting of the Company to be held for the purpose of approving, confirming and ratifying, inter alia, the Conditional Clauses set out in the Second Supplemental Agreement and the exercise of the VSC Put Option
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trade Credit”	a trade credit provided by the Group to VSC-Ryerson China solely for the inventory purchase by the members of the VSC-Ryerson China Group in the PRC and Hong Kong from the Group
“United States”	the United States of America
“VSC Put Option”	the right granted by Ryerson LLC to CAMP BVI pursuant to the IRA (as supplemented by the First Supplemental Agreement and, subject to the Shareholders’ approval, the Second Supplemental Agreement) to require a Ryerson Option Party(ies) (with the transferee(s) to be determined by Ryerson LLC) to purchase the whole (but not part) of 20% equity interest in VSC-Ryerson China
“VSC-Ryerson China”	VSC-Ryerson China Limited, a company incorporated in the British Virgin Islands with limited liabilities and an associated company of the Company
“VSC-Ryerson China Group”	VSC-Ryerson China and its subsidiaries
“VSC-Ryerson China Share(s)”	the ordinary share(s) of US\$10.0 each in the capital of VSC-Ryerson China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	US dollars, the lawful currency of United States

*In this announcement, conversion of US\$ into HK\$ is based on the exchange rate of US\$1.00 = HK\$7.80.*

By Order of the Board  
**Van Shung Chong Holdings Limited**  
**Andrew Cho Fai Yao**  
*Chairman*

Hong Kong, 18 November 2008

*As at the date of this announcement, the Board comprises Andrew Cho Fai Yao (Chairman), Fernando Sai Ming Dong (being the executive Directors), Chow Yei Ching, Harold Richard Kahler, Kenny King Ching Tam, Xu Lin Bao (being the independent non-executive Directors).*