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SHOUGANG CENTURY HOLDINGS LIMITED

首 佳 科 技 製 造 有 限 公 司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 103)

CONTINUING CONNECTED TRANSACTION PATENT LICENSE AGREEMENT

PATENT LICENSE AGREEMENT

The Board is pleased to announce that, on 13 April 2023 (after trading hours), (1) Bekaert (a substantial Shareholder) and (2) Tengzhou Eastern and Jiaxing Eastern (each being an indirect wholly-owned subsidiary of the Company) entered into the Patent License Agreement, pursuant to which Bekaert, being the owner of the Licensed Patent, agreed to grant the License Rights to Tengzhou Eastern and Jiaxing Eastern subject to the terms and conditions therein.

LISTING RULES IMPLICATIONS

As at the date hereof, the Company is held as to approximately 12.68% by a wholly-owned subsidiary of Bekaert. Pursuant to the Listing Rules, Bekaert is regarded as a substantial Shareholder and hence, is a connected person of the Company. The transaction contemplated under the Patent License Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.76(2) of the Listing Rules, as all applicable percentage ratios (other than the profits ratio) in respect of the Annual Cap of the Patent License Agreement and the transaction contemplated thereunder exceed 0.1% but are less than 5%, the Patent License Agreement is therefore subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

PATENT LICENSE AGREEMENT

The Board is pleased to announce that, on 13 April 2023 (after trading hours), (1) Bekaert (a substantial Shareholder) and (2) Tengzhou Eastern and Jiaying Eastern (each being an indirect wholly-owned subsidiary of the Company) entered into the Patent License Agreement, pursuant to which Bekaert, being the owner of Licensed Patent, agreed to grant the License Rights to Tengzhou Eastern and Jiaying Eastern subject to the terms and conditions therein.

The principal terms of the Patent License Agreement is set out below:

Date: 13 April 2023

Parties: (i) Bekaert (as licensor)
(ii) Tengzhou Eastern and Jiaying Eastern (as licensees)

Subject matter

Pursuant to the Patent License Agreement, Bekaert agreed to grant to Tengzhou Eastern and Jiaying Eastern the Licensed Rights, being a non-exclusive, non-transferable license under the Licensed Patent, without the right to grant sublicenses, to manufacture and sell the Licensed Products only in the plants of Tengzhou Eastern and Jiaying Eastern.

Licensed Patent

The Licensed Patent is a patent for invention registered in the PRC for certain steel cord constructions. Tengzhou Eastern and Jiaying Eastern have applied the Licensed Patent in the Licensed Products manufactured in their respective plants in operation.

Term

Unless terminated earlier in accordance with the terms of the Patent License Agreement, the Patent License Agreement shall be effective retroactively from 1 January 2023 to 31 December 2023.

Royalties

Pursuant to the Patent License Agreement, Tengzhou Eastern and Jiaying Eastern shall pay to Bekaert a royalty which is calculated by multiplying the net sales amount of the Licensed Products by the applicable tiered royalty rate. Different specified royalty rates are payable for different average monthly sales volume of the Licensed Products. Reports about the sales of the Licensed Products sold are required to be submitted by Tengzhou Eastern and Jiaying Eastern to Bekaert on a quarterly basis.

HISTORICAL FIGURES AND ANNUAL CAP

The historical actual transaction amounts paid by the Group to Bekaert for the grant of the License Rights for the financial years ended 31 December 2020, 2021 and 2022 were HK\$845,000, HK\$1,452,000 and HK\$2,177,000 respectively. As the actual transaction amounts on an annual basis are less than HK\$3,000,000, the grant of the License Rights historically constituted a de minimis transaction of the Company under Rule 14A.76(1) of the Listing Rules.

The Annual Cap for the financial year ending 31 December 2023 is RMB9,600,000 (equivalent to approximately HK\$10,944,000). The Annual Cap was determined after arm's length negotiations among Bekaert, Tengzhou Eastern and Jiaying Eastern with reference to (i) the historical transaction amounts; (ii) the expected growth and recovery of the tyre market; (iii) the expected increase of future sales of the Licensed Products; and (iv) the prevailing market conditions.

INFORMATION OF THE COMPANY AND THE PARTIES TO THE PATENT LICENSE AGREEMENT

The Company

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing and sales of steel cords for radial tyres, sawing wires and hose wires.

Tengzhou Eastern

Tengzhou Eastern is a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company. It is principally engaged in the manufacturing and sales of steel cords, sawing wires and hose wires.

Jiaying Eastern

Jiaying Eastern is a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company. It is principally engaged in the manufacturing and sales of steel cords.

Bekaert

Bekaert is a company incorporated under the laws of Belgium and is principally engaged in the manufacturing and sales of steel wire and/or cord products. The shares of Bekaert are listed on Euronext Brussels (Stock code: BEKB). Based on public information, Stichting Administratiekantoor Bekaert, the reference (largest) shareholder of Bekaert, and parties acting in concert with it own approximately 36% of the shares of Bekaert. Bekaert Combustion Technology B.V., a wholly-owned subsidiary of Bekaert, currently holds 250,000,000 Shares, representing approximately 12.68% of the total number of issued Shares and is a substantial Shareholder.

REASONS FOR AND BENEFITS OF ENTERING INTO THE PATENT LICENSE AGREEMENT

The Group is principally engaged in manufacturing and sales of (i) steel cords for radial tyres; and (ii) sawing wires and hose wires.

The entering into of the Patent License Agreement is part of the Group's ordinary and usual course of business, and is consistent with the Group's business development strategy. It is expected to enhance the Group's market presence, experience and reputation, and improve the competitive strength of the Group in connection with its steel cords business, and will thereby bring positive impact on the performance of the steel cord segment of the Group in the long run.

Under the Patent License Agreement, the Group will be able to continue manufacturing and selling the Licensed Products. To expand and meet the rapid development and international market needs, the Group has been adhering to providing customers with stable and quality products. The License Rights enables the sales of the Group's products, and lays a solid foundation for the smooth development of its global business.

The Directors (including independent non-executive Directors) considered that the Patent License Agreement was entered into on normal commercial terms after arm's length negotiations among the parties and the terms of the Patent License Agreement are on normal commercial terms or better terms to the Group which are fair and reasonable and are in the interests of the Group and the Shareholders taken as a whole.

Save for Mr. Adam Touhig (being a senior vice president of rubber reinforcement Asia in Bekaert group), for the betterment of corporate governance practice, who is willing to abstain from voting on the resolutions at the Board meeting, none of the Directors has or is deemed to have a material interest in the Patent License Agreement and the transaction contemplated thereunder and was required to abstain from voting on the relevant Board resolutions approving the same.

LISTING RULES IMPLICATIONS

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Pursuant to Rule 14A.76(2) of the Listing Rules, as all applicable percentage ratios (other than the profits ratio) in respect of the Annual Cap of the Patent License Agreement and the transaction contemplated thereunder exceed 0.1% but are less than 5%, the Patent License Agreement is therefore subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

“Annual Cap”	the maximum amount of royalty payable by the Group to Bekaert under the Patent License Agreement for the year ending 31 December 2023, the details of which are set out in the paragraph headed “HISTORICAL FIGURES AND ANNUAL CAP” in this announcement
“Bekaert”	NV Bekaert SA, a company incorporated under the laws of Belgium, a substantial Shareholder and a connected person of the Company
“Board”	the board of Directors
“Company”	Shougang Century Holdings Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 103)
“connected person”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jiaxing Eastern”	Jiaxing Eastern Steel Cord Co., Ltd., a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“Licensed Patent”	a patent for invention registered in the PRC for the Licensed Products
“Licensed Products”	certain steel cord constructions
“Licensed Rights”	a non-exclusive, non-transferable license under the Licensed Patent, without the right to grant sublicenses granted by Bekaert to Tengzhou Eastern and Jiaxing Eastern, to manufacture and sell the Licensed Products only in the plants of Tengzhou Eastern and Jiaxing Eastern
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Patent License Agreement”	the patent license agreement dated 13 April 2023 among Bekaert, Tengzhou Eastern and Jiaxing Eastern

“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tengzhou Eastern”	Tengzhou Eastern Steel Cord Co., Ltd., a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“%”	per cent

In this announcement, for the purpose of illustration only, amounts quoted in RMB has been converted into HK\$ at the rate of RMB1.00 to HK\$1.14. Such exchange rate has been used, where applicable, for the purpose of illustration only and do not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

By order of the Board
Shougang Century Holdings Limited
SU Fanrong
Chairman and Managing Director

Hong Kong, 13 April 2023

As at the date of this announcement, the Board comprises the following Directors:

Mr. Su Fanrong (Chairman and Managing Director), Mr. Yang Junlin (Deputy Managing Director), Mr. Ye Qian (Executive Director), Mr. Li Jinping (Executive Director), Mr. Adam Touhig (Non-executive Director), Mr. Yip Kin Man, Raymond (Independent Non-executive Director), Mr. Lam Yiu Kin (Independent Non-executive Director) and Mr. Feng Yaoling (Independent Non-executive Director).