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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 FINANCE SERVICES AGREEMENT**

#### **FINANCE SERVICES AGREEMENT**

The Board announces that, on 1 December 2023 (after trading hours), the Company entered into the Finance Services Agreement with Shougang Finance in relation to the provision of the Deposit Services and Settlement Services by Shougang Finance to the Group subject to the terms and conditions therein.

#### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Shougang Group indirectly holds approximately 49.69% of the issued share capital of the Company and is a controlling shareholder and a connected person of the Company. As Shougang Finance is a wholly-owned subsidiary of Shougang Group, Shougang Finance is an associate of Shougang Group and is therefore a connected person of the Company. The transactions contemplated under the Finance Services Agreement constitute continuing connected transactions 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 caps of the Finance Services Agreement and the transactions contemplated thereunder exceed 0.1% but are less than 5%, such transactions are 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.

## **FINANCE SERVICES AGREEMENT**

The Board announces that, on 1 December 2023 (after trading hours), the Company entered into the Finance Services Agreement with Shougang Finance in relation to the provision of the Deposit Services and Settlement Services by Shougang Finance to the Group subject to the terms and conditions therein.

The principal terms of the Finance Services Agreement are set out below:

***Date:*** 1 December 2023

***Parties:*** (i) the Company; and  
(ii) Shougang Finance

### ***Term***

The term of the Finance Services Agreement shall commence from the date of the Finance Services Agreement and shall continue up to 31 December 2025 (both dates inclusive).

### ***Deposit Services***

#### *Services*

The Group will deposit funds into the deposit accounts in Shougang Finance in return for interest income. The daily maximum balance of deposits placed by the Group shall be not more than RMB15,640,000 (equivalent to approximately HK\$17,000,000) during the Term.

#### *Pricing Policy*

The rate at which interest will accrue on any deposit placed by the Group with Shougang Finance under the Finance Services Agreement will not be lower than the following:

- (a) the benchmark interest rate prescribed by the PBOC for the same type of deposits of the same period;
- (b) the interest rates offered by commercial banks in the PRC to the Group for the same type of deposits of the same period; and
- (c) the interest rates offered by Shougang Finance to other members of Shougang Group for the same type of deposits of the same period.

Please refer to the details of the internal control measures to be implemented by the Group for determining and monitoring the deposit interest rate as set out in the paragraph headed “Internal Control Policy” below.

## ***Settlement Services***

Shougang Finance will provide payment and collection services and other ancillary services related to settlement business in accordance with the Group's instructions. No service fee will be charged by Shougang Finance for the Group to utilise the Settlement Services.

## **ANNUAL CAPS**

The Daily Deposit Cap during the Term will not exceed the following caps:

From the date of the Finance Services Agreement to 31 December 2023	RMB 15,640,000 (equivalent to approximately HK\$17,000,000)
From 1 January 2024 to 31 December 2024	RMB 15,640,000 (equivalent to approximately HK\$17,000,000)
From 1 January 2025 to 31 December 2025	RMB 15,640,000 (equivalent to approximately HK\$17,000,000)

In determining the Daily Deposit Cap, the Directors have taken into account the following:

1. the existing level of cash and cash equivalents held by the Group;
2. the cash position of the Group and the expected growth of the business operation of the Group;
3. the financial needs of the Group during the Term;
4. expected daily deposit balances of the Group; and
5. basis of determining the deposit interest rate as disclosed above in the paragraph headed "FINANCE SERVICES AGREEMENT".

The Directors (including the independent non-executive Directors) consider that the above Daily Deposit Cap is fair and reasonable and in the interests of the Shareholders as a whole.

## **INTERNAL CONTROL POLICY**

The internal control measures on the determination of deposit interest rate for the Deposit Services are as follows:

1. Before entering into any deposit arrangements with the Shougang Finance, the Group will obtain and compare the deposit interest rates for the same type of deposits quoted by major commercial banks in the PRC.

2. The Group will enter into supplemental agreement(s) with Shougang Finance as and when necessary to ensure that the deposit interest rate of the Deposit Services under the Finance Services Agreement will be no less favourable to the Group than the deposit interest rates for the same type of deposits quoted by the other major commercial banks in the PRC.

The internal control measures on monitoring the Daily Deposit Cap are as follows:

1. The finance department of the Company will monitor the amount of funds deposited into the designated account of the Shougang Finance on a daily basis to ensure that the Daily Deposit Cap will not be exceeded. If the deposits of the Group placed with the Shougang Finance are expected to exceed the Daily Deposit Cap, Shougang Finance shall inform the Company in a timely manner and the Group will arrange for the transferring of funds to other deposit accounts of the Group.
2. The finance department of the Company will report to the management of the Company and provide updates on the deposit arrangements with Shougang Finance on a monthly basis.
3. The independent non-executive Directors and auditors of the Company will conduct an annual review with respect to the continuing connected transactions conducted by the Group throughout the preceding financial year (including the transactions contemplated under the Finance Services Agreement) and will provide annual confirmations pursuant to the requirements under the Listing Rules to ensure that the continuing connected transactions (including the transactions contemplated under the Finance Services Agreement) are in accordance with the terms of the Finance Services Agreement governing such transactions, on normal commercial terms, fair and reasonable, and in accordance with the pricing policies and the Daily Deposit Cap.

The capital risk control measures on the Deposit Services and the Settlement Services are as follows:

1. Shougang Finance will provide the Group with its quarterly financial report, annual audited report or other statements regularly.
2. Shougang Finance will ensure that all fund management information systems in which it holds the relevant deposits have reached the security standards of commercial banks in the PRC.
3. Shougang Finance will ensure that it is operated in strict compliance with the risk monitoring indicators for financial institutions issued by the NAFR and that its major regulatory indicators such as capital adequacy ratio, interbank borrowing ratio and liquidity ratio will also comply with the requirements of the NAFR.

## **INFORMATION OF THE COMPANY AND SHOUGANG FINANCE**

### ***The Company***

The Company is 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). 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.

### ***Shougang Finance***

Shougang Finance is established in the PRC with limited liability. Its establishment as a non-bank financial institution has been approved by the NAFR. Shougang Finance acts as a platform for members of Shougang Group (including the Group) for provision of intra-group facilities through financial products including deposit-taking, money-lending and financial consulting, etc. As at the date of this announcement, Shougang Finance is a wholly owned subsidiary of Shougang Group.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCE SERVICES AGREEMENT**

The Group has to maintain deposits and other bank balances with financial institutions from time to time as part of its treasury activities and in order to satisfy its business needs in the ordinary and usual course of business.

Given that Shougang Finance (1) provides Settlement Services to the Group on a free-of-charge basis; (2) has in-depth knowledge about the operation of the Group and could provide more convenient and effective services to the Group than other financial institutions; (3) is a non-bank financial institution licensed by the NAFR with customers primarily comprised of members of the Shougang Group, which means it is exposed to lower risks than other financial institutions and hence could offer better security to the deposits of the Group; (4) offers the deposit interest rates will be no less favourable to the Group than those offered by commercial banks in the PRC to the Group for comparable deposits, which would enable the Group to generate interest income therefrom; and (5) is the financial institution under the Shougang Group, and the credit rating of Shougang Group as rated by Dagong Global Credit Rating Co., Ltd., a credit rating agency recognised by the PBOC, for the year 2023 was “AAA”, which evidenced that Shougang Group has healthy cash flow and strong capability to repay its debt; hence, the credit risk in relation to placing deposits with Shougang Finance, would be relatively low.

The Finance Services Agreement does not preclude the Group from using the services of other financial institutions. The Group has the discretion to select any major and independent commercial banks in the PRC as its financial services providers as it thinks fit and appropriate for the benefit of the Group.

For the betterment of corporate governance practice, Messrs. Su Fanrong, Li Jinping, Yang Junlin and Zhang Dan (being directors or officers of other subsidiaries of Shougang Group) have abstained from voting on the resolutions at the Board meeting. Save for Messrs. Su Fanrong, Li Jinping, Yang Junlin and Zhang Dan, none of the Directors has or is deemed to have a material interest in the Finance Services Agreement and the transactions contemplated thereunder and was required to abstain from voting on the relevant Board resolutions approving the same.

In view of the reasons and benefits set out above and the internal control measures in place, the Directors (including the independent non-executive Directors) consider that the Finance Services Agreement is entered into in the ordinary and usual course of business of the Group on normal commercial terms and that the terms of the Finance Services Agreement (together with the Daily Deposit Cap) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Shougang Group indirectly holds approximately 49.69% of the issued share capital of the Company and is a controlling shareholder and a connected person of the Company. As Shougang Finance is a wholly-owned subsidiary of Shougang Group, Shougang Finance is an associate of Shougang Group and is therefore a connected person of the Company. The transactions contemplated under the Finance Services Agreement constitute continuing connected transactions 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 caps of the Finance Services Agreement and the transactions contemplated thereunder exceed 0.1% but are less than 5%, such transactions are 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**

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“associate”	has the meaning ascribed to it under the Listing Rules
“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 meaning ascribed to it under the Listing Rules

“Daily Deposit Cap”	the maximum daily balance of deposits (including the corresponding interest accrued thereon) placed by the Group with the Shougang Finance in the amount of RMB15,640,000 (equivalent to approximately HK\$17,000,000) during the Term pursuant to the Finance Services Agreement
“Deposit Services”	the deposit services to be provided by Shougang Finance to the Group under the Finance Services Agreement
“Director(s)”	the director(s) of the Company
“Finance Services Agreement”	the finance services agreement entered into between the Company and Shougang Finance on 1 December 2023
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NAFR”	the National Administration of Financial Regulation (formerly known as the China Banking and Insurance Regulatory Commission)
“PBOC”	the People’s Bank of China
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Settlement Services”	the settlement services to be provided by Shougang Finance to the Group under the Finance Services Agreement
“Share(s)”	the ordinary share(s) of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Shougang Finance”	Shougang Group Finance Co. Ltd., a company established in the PRC with limited liability and is a wholly-owned subsidiary of Shougang Group

“Shougang Group”	Shougang Group Co., Ltd. (a state-owned enterprise under the direct supervision of the Beijing State-owned Assets Supervision and Administration Commission, established in the PRC) and is the controlling shareholder of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Term”	from the date of the Finance Services Agreement and continue up to 31 December 2025 (both dates inclusive)
“%”	per cent

*In this announcement, unless otherwise indicated, amounts in RMB have been converted into HK\$ at the rate of HK\$1 = RMB0.92 for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be converted.*

By order of the Board  
**Shougang Century Holdings Limited**  
**SU Fanrong**  
*Chairman*

Hong Kong, 1 December 2023

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

*Mr. Su Fanrong (Chairman), Mr. Li Jinping (Managing Director), Mr. Yang Junlin (Deputy Managing Director), Mr. Zhang Dan (Executive Director), Mr. Adam Touhig (Non-executive Director), Mr. Lam Yiu Kin (Independent Non-executive Director), Mr. Feng Yaoling (Independent Non-executive Director) and Ms. Ho Shuk Ying, Sabrina (Independent Non-executive Director).*