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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

On 18 March 2024, (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

At the time when the Patent License Agreement was entered into in March 2024, based on the then market conditions and the Royalties payable to Bekaert from 1 January 2024 to 29 February 2024, the Royalties payable for the financial year ending 31 December 2024 were estimated to be less than HK\$3 million while all applicable percentage ratios were less than 5%. As such, the transaction contemplated under the Patent License Agreement was at that time considered a de minimis transaction under Rule 14A.76(1) of the Listing Rules and would be fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

However, the sales volume of the Licensed Products increased gradually since March 2024, resulting in higher-than-expected Royalties. Based on the information currently available, the Board anticipates that the Royalties for the financial year ending 31 December 2024 would exceed the exemption threshold.

As at the date of this announcement, the Company is held as to approximately 10.64% 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.

In order to comply with Rule 14A.53 of the Listing Rules, the Board resolved to set the Annual Cap for the Royalties for the year ending 31 December 2024 at RMB3,500,000 (equivalent to approximately HK\$3,780,000). As the highest applicable percentage ratio in respect of the Annual Cap is more than 0.1% but less than 5%, such transaction is only subject to the reporting, announcement and annual review requirements, but is exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

PATENT LICENSE AGREEMENT

On 18 March 2024, (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 are set out below:

Date: 18 March 2024

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 2024 to 31 December 2024.

Royalties

Pursuant to the Patent License Agreement, Tengzhou Eastern and Jiaxing Eastern shall pay to Bekaert the Royalties which are 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 Jiaxing Eastern to Bekaert on a quarterly basis. The royalty rates charged by Bekaert under the Patent License Agreement are below 10%.

HISTORICAL FIGURES AND ANNUAL CAP

The historical actual amounts of Royalties paid by the Group to Bekaert for the financial years ended 31 December 2021, 2022 and 2023 were HK\$1,452,000, HK\$2,177,000 and HK\$3,882,000 respectively.

The Annual Cap for the financial year ending 31 December 2024 is RMB3,500,000 (equivalent to approximately HK\$3,780,000). The Annual Cap was determined after arm's length negotiations among Bekaert, Tengzhou Eastern and Jiaxing Eastern with reference to (i) the historical transaction amounts; (ii) the unaudited Royalties of approximately HK\$2,851,000 payable to Bekaert from 1 January 2024 to 30 November 2024; (iii) the possible future sales of the Licensed Products; (iv) the prevailing market conditions; and (v) a buffer to cater for any unforeseeable circumstances (including but not limited to an unexpected increase in consumer demand and/or unexpected increase in the cost of supply affecting the transaction, where applicable).

The Company confirms that, as of the date of this announcement, the Royalties during the financial year ending 31 December 2024 remain below the de minimis threshold under Chapter 14A of the Listing Rules.

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.

Jiaxing Eastern

Jiaxing 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 32% of the shares of Bekaert. Bekaert Combustion Technology B.V., a wholly-owned subsidiary of Bekaert, currently holds 250,000,000 Shares, representing approximately 10.64% 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 cord 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 Ms. Xu Hongyan (being the divisional chief executive officer of rubber reinforcement in Bekaert group), for the betterment of corporate governance practice, who was willing to abstain from voting on the relevant Board resolutions, 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

At the time when the Patent License Agreement was entered into in March 2024, based on the then market conditions and the Royalties payable to Bekaert from 1 January 2024 to 29 February 2024, the Royalties payable for the financial year ending 31 December 2024 were estimated to be less than HK\$3 million while all applicable percentage ratios were less than 5%. As such, the transaction contemplated under the Patent License Agreement was at that time considered a de minimis transaction under Rule 14A.76(1) of the Listing Rules and would be fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

However, the sales volume of the Licensed Products increased gradually since March 2024, resulting in higher-than-expected Royalties. Based on the information currently available, the Board anticipates that the Royalties for the financial year ending 31 December 2024 would exceed the exemption threshold.

As at the date of this announcement, the Company is held as to approximately 10.64% 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.

In order to comply with Rule 14A.53 of the Listing Rules, the Board resolved to set the Annual Cap for the Royalties for the year ending 31 December 2024 at RMB3,500,000 (equivalent to approximately HK\$3,780,000). As the highest applicable percentage ratio in respect of the Annual Cap is more than 0.1% but less than 5%, such transaction is only subject to the reporting, announcement and annual review requirements, but is exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

After the end of the financial year ending 31 December 2024, the transaction under the Patent License Agreement will be reviewed by the independent non-executive Directors pursuant to Rule 14A.55 of the Listing Rules and by the auditors of the Company pursuant to Rule 14A.56 of the Listing Rules. The results of the review by the independent non-executive Directors and the auditors will be stated in the annual report of the Company for the year ending 31 December 2024.

DEFINITIONS

“Annual Cap”	the maximum amount of Royalties payable by the Group to Bekaert under the Patent License Agreement for the year ending 31 December 2024, 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 18 March 2024 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
“Royalties”	the royalties payable to Bekaert by the Group under the Patent License Agreement
“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\$1.08. 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

Hong Kong, 2 December 2024

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

Mr. Su Fanrong (Chairman), Mr. Zhao Yue (Vice Chairman), Mr. Li Jinping (Managing Director), Mr. Yang Junlin (Deputy Managing Director), Mr. Zhang Dan (Executive Director), Ms. Xu Hongyan (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).