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C CHENG HOLDINGS LIMITED

思城控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1486)

DISCLOSEABLE TRANSACTION IN RELATION TO THE SHAREHOLDERS' AGREEMENT

THE SHAREHOLDERS' AGREEMENT

The Board is pleased to announce that on 15 November 2023 (after trading hours), C Cheng Project Management, a wholly-owned subsidiary of the Company, and Mettle, a non-wholly-owned subsidiary of the Company, entered into the Shareholders' Agreement with Gain Sky, Ms. Wang, Innovax and Element Investment for the purpose of regulating their relationships and the management of Element Investment, pursuant to which, among others:

- (i) Element Investment shall act as a corporate vehicle for the joint participation of C Cheng Project Management, Mettle, Gain Sky, Ms. Wang and Innovax in the Business. Element Investment was incorporated in Hong Kong with limited liability on 5 January 2022 and, immediately before the Subscription, is owned as to 36.37% by C Cheng Project Management, as to 9.09% by Mettle, as to 40.36% by Gain Sky, as to 5.09% by Ms. Wang and as to 9.09% by Innovax, respectively; and
- (ii) the Subscription shall be carried out and completed immediately after the signing of the Shareholders' Agreement, that Element Investment agreed to allot and issue, and C Cheng Project Management, Mettle, Gain Sky, Ms. Wang and Innovax agreed to subscribe for 19,996,363, 4,999,091, 22,195,964, 2,799,491 and 4,999,091 shares of Element Investment at the consideration of approximately RMB20.0 million, approximately RMB5.0 million, approximately RMB22.2 million, approximately RMB2.8 million and approximately RMB5.0 million, respectively.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) (as defined under Rule 14.07 of the Listing Rules) in respect of the Subscription exceeds 5% but all are less than 25%, the Subscription constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from circular and Shareholders' approval requirements under the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 15 November 2023 (after trading hours), C Cheng Project Management, a wholly-owned subsidiary of the Company, and Mettle, a non-wholly-owned subsidiary of the Company, entered into the Shareholders' Agreement with Gain Sky, Ms. Wang, Innovax and Element Investment for the purpose of regulating their relationships and the management of Element Investment, pursuant to which, among others:

- (i) Element Investment shall act as a corporate vehicle for the joint participation of C Cheng Project Management, Mettle, Gain Sky, Ms. Wang and Innovax in the Business. Element Investment was incorporated in Hong Kong with limited liability on 5 January 2022 and, immediately before the Subscription, is owned as to 36.37% by C Cheng Project Management, as to 9.09% by Mettle, as to 40.36% by Gain Sky, as to 5.09% by Ms. Wang and as to 9.09% by Innovax, respectively; and
- (ii) the Subscription shall be carried out and completed immediately after the signing of the Shareholders' Agreement, that Element Investment agreed to allot and issue, and C Cheng Project Management, Mettle, Gain Sky, Ms. Wang and Innovax agreed to subscribe for 19,996,363, 4,999,091, 22,195,964, 2,799,491 and 4,999,091 shares of Element Investment at the consideration of approximately RMB20.0 million, approximately RMB5.0 million, approximately RMB22.2 million, approximately RMB2.8 million and approximately RMB5.0 million, respectively.

THE SHAREHOLDERS' AGREEMENT

Date

15 November 2023

Parties

1. C Cheng Project Management
2. Mettle
3. Gain Sky
4. Ms. Wang
5. Innovax
6. Element Investment

Gain Sky is a company incorporated in Hong Kong with limited liability and is wholly-owned by Mr. Zou Yizhou (鄒易周). Innovax is a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of Innovax Holdings Limited (創陞控股有限公司), the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2680).

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, Gain Sky, Mr. Zou Yizhou (鄒易周), Ms. Wang, Innovax and Innovax Holdings Limited are Independent Third Parties.

The Subscription

Upon the signing of the Shareholders' Agreement, Element Investment is owned as to 3,637 shares (36.37%) by C Cheng Project Management, as to 909 shares (9.09%) by Mettle, as to 4,036 shares (40.36%) by Gain Sky, as to 509 shares (5.09%) by Ms. Wang and as to 909 shares (9.09%) by Innovax, respectively.

The Subscription is on a pro rata-basis, and shall be carried out and completed immediately after the signing of the Shareholders' Agreement.

Under the Subscription, Element Investment agreed to allot and issue, and C Cheng Project Management, Mettle, Gain Sky, Ms. Wang and Innovax agreed to subscribe for 19,996,363, 4,999,091, 22,195,964, 2,799,491 and 4,999,091 shares of Element Investment at the consideration of approximately RMB20.0 million, approximately RMB5.0 million, approximately RMB22.2 million, approximately RMB2.8 million and approximately RMB5.0 million, respectively. All of the shares shall be issued and allotted as fully paid up or credited as fully paid up.

After the Subscription, Element Investment will have the issued share capital of RMB55,000,000 divided into 55,000,000 ordinary shares of RMB1.00 each and will be owned as to 20,000,000 shares (approximately 36.37%) by C Cheng Project Management, as to 5,000,000 shares (approximately 9.09%) by Mettle, as to 22,200,000 shares (approximately 40.36%) by Gain Sky, as to 2,800,000 shares (approximately 5.09%) by Ms. Wang and as to 5,000,000 shares (approximately 9.09%) by Innovax, respectively.

Consideration

The consideration payable by C Cheng Project Management, Mettle, Gain Sky, Ms. Wang and Innovax for the shares of Element Investment subscribed by each of them shall be approximately RMB20.0 million, approximately RMB5.0 million, approximately RMB22.2 million, approximately RMB2.8 million and approximately RMB5.0 million, respectively, which shall be payable by cashier order(s) issued by a licensed bank in Hong Kong, or cheque(s) drawn on a licensed bank in Hong Kong, or wire transfer to a designated bank account of Element Investment, and shall be paid and settled in full (either in one lump sum or by instalments) within one (1) year after the signing of the Shareholders' Agreement (or such later date as the board of Element Investment may determine in its sole and absolute discretion).

The consideration of the Subscription represents the capital contribution of the shareholders of Element Investment and the respective amount contributed by each of them is in proportion to their respective shareholdings upon the signing of the Shareholders' Agreement.

The total amount of the capital contribution to Element Investment of approximately RMB55.0 million will be utilised for an investment to a limited partnership registered in the PRC which is to setup to invest into an investment project of the research and development, transformation and production of medical radioactive isotopes in the PRC, and such other activities as the shareholders of Element Investment may decide by Special Consent from time to time or as may be necessary for or incidental to such investment business (the "**Business**").

The amount of capital contribution was determined based on arm's length negotiations between the parties which has taken into account, among others, the reasons and benefits set out in the section headed "Reasons for and benefits of entering into the Shareholders' Agreement" in this announcement.

On the basis of the above factors, the Directors consider that the consideration is fair and reasonable and the Subscription is in the interests of the Company and the Shareholders as a whole.

The consideration to be payable by C Cheng Project Management and Mettle is to be funded by the Group's internal resources.

Others

Other principal terms of the Shareholders' Agreement are as follows:

Shareholders' Loans : In the event that any further funding is required for Element Investment's working capital, further development, or such other purposes as decided by the board of Element Investment from time to time, the board of Element Investment may by way of passing board resolutions request the shareholders of Element Investment to provide shareholders' loans to Element Investment (the "**Shareholders' Loans**") upon the terms and conditions as the board of Element Investment may determine and each of the shareholders of Element Investment shall have the option (but is not obliged) to accordingly advance and pay such Shareholders' Loans. Among each Shareholders' Loan, the respective amount contributed by each of the shareholders of Element Investment shall be in proportion to their respective shareholdings from time to time.

Subject to the following paragraph, the Shareholders' Loans shall not bear any interest and have no specific repayment date.

In the event that any shareholder of Element Investment (the “**Non-Advancing Shareholder**”) chooses not to advance the amount required to be advanced by him/her/it as mentioned above, then the other shareholder(s) of Element Investment shall have the option to advance to Element Investment the amount required to be advanced by the Non-Advancing Shareholder or any part thereof (the “**Extra Shareholders’ Loans**”). The shareholder(s) of Element Investment advancing the Extra Shareholders’ Loans shall be entitled to receive interest thereon equal to six per cent (6%) computed on an annual basis but repayable monthly in arrears until the Extra Shareholders’ Loans have all been repaid.

Composition of the board of Element Investment : The board of Element Investment shall have a maximum number of three (3) directors and shall be nominated and decided in the following manner:

- (i) C Cheng Project Management shall have the right to appoint and remove one (1) director and appoint the chairman of the board of Element Investment; and
- (ii) Gain Sky shall have the right to appoint and remove two (2) directors of the board of Element Investment.

Profit distribution : Element Investment shall apply and/or distribute its net profits, after provisions for tax to be paid or accrued due in any financial year, in the following manner and sequence:

- (i) to set aside an amount or amount(s) as operating capital provided that the amount(s) so set aside shall not be less than three (3) months operating capital as set out in the budget of that particular financial year;

- (ii) to fully repay all the Extra Shareholders' Loans including interests (with the earliest Extra Shareholders' Loan being repaid first, and if the same Extra Shareholders' Loan involves more than one shareholder of Element Investment, on pro rata basis as to their respective loan amount);
- (iii) to repay all third party's indebtedness (if any) due by Element Investment; and
- (iv) the balance (if any) to distribute to the shareholders of Element Investment by way of dividends in accordance with the shareholding percentages, provided that such shareholder of Element Investment shall have paid his/her/its relevant consideration of the Subscription in full pursuant to the terms of the Shareholders' Agreement and if any shareholder of Element Investment has not paid his/her/its relevant consideration of the Subscription in full pursuant to the terms of the Shareholders' Agreement, Element Investment shall hold such amount of dividends distributable to such shareholder in escrow until such shareholder has paid his/her/its relevant consideration of the Subscription in full pursuant to the terms of the Shareholders' Agreement.

Activities required : Element Investment and its subsidiaries (if any) shall not
Special Consent take any of the following action without prior approval by a
Special Consent:

- (i) any material change in the nature or scope of the Business, including (i) discontinuance of any major operation of the Business; and (ii) introduction of any field of activity that is not ancillary to the Business or relocation or expansion of the Business each involving substantial capital expenses other than pursuant to the business plan approved by the board of Element Investment;

- (ii) any amendment to the memorandum or the articles of association or the equivalent constitutional documents;
- (iii) any appointment, termination, removal or any change in the auditors;
- (iv) any change to the share capital (other than pursuant to and in compliance with the terms and conditions of the Shareholders' Agreement);
- (v) the grant, issue or allotment of any shares or other share capital or securities of whatever nature including any securities convertible into any share capital of Element Investment (or any of its subsidiary), or the creation or grant of any option or right to subscribe or acquire, or convert any security into, any share capital of Element Investment (or any of its subsidiary);
- (vi) the transfer of any shares or other securities of Element Investment (or any of its subsidiary) otherwise than in accordance with the Shareholders' Agreement;
- (vii) any resolution to liquidate or wind up or the filing of a petition for winding up of Element Investment (or any of its subsidiary), or to make any arrangement with creditors generally or any application for an administration order or for the appointment of a receiver or administrator;
- (viii) the appointment or removal of any directors of Element Investment (or any of its subsidiary) other than in accordance with the Shareholders' Agreement;

- (ix) enter into or vary any transaction or arrangement with, or for the benefit of (i) any directors or shareholders of Element Investment (or any of its subsidiary); or (ii) any other person who is a “related party” of Element Investment (or any of its subsidiary) within the meaning of Hong Kong Accounting Standard 24; or (iii) any shareholder of any shareholder of Element Investment (provided that the aforesaid restriction shall not apply to any transaction or arrangement between a holding company and its wholly-owned subsidiary or between two wholly-owned subsidiaries of a holding company who are Element Investment and its subsidiaries (if any)), save with respect to employment contracts of directors or chief executive officers of Element Investment (or any of its subsidiary) on normal commercial terms and negotiated on an arm’s length basis; or
- (x) any agreement or proposal or resolution to do any of the matters set out in paragraphs (i) to (ix) above.

Anti-dilution rights : Element Investment shall not issue and allot any shares or grant any option or right to acquire additional shares to any third party except with the prior Special Consent and first offer such shares to each shareholders of Element Investment in proportion to his/her/its then existing shareholdings.

Non-alienation : Each of the shareholders of Element Investment shall not except with the prior Special Consent:

- (i) pledge, mortgage, charge or otherwise encumber any of his/her/its shares of Element Investment or any interest in his/her/its shares of Element Investment;
- (ii) grant an option over any of his/her/its shares of Element Investment or any interest in any of his/her/its shares of Element Investment;

- (iii) enter into any agreement in respect of any votes attached to any of his/her/its shares of Element Investment; or
- (iv) change the ultimate owner of the relevant shareholder of Element Investment.

Right of first refusal : If at any time a shareholder of Element Investment wishes to transfer, indirectly or directly, any or all of his/her/its shares of Element Investment to any third party, provided that it is allowed to do so under the Shareholders' Agreement, he/she/it shall serve a written notice of such intent on Element Investment. Upon receipt of such a notice, the other shareholders of Element Investment shall have the right to purchase all or a part of the sale shares.

Tag-along rights : If any shareholder of Element Investment intends to transfer all or any part of his/her/its shares of Element Investment to a third party, each of the other shareholders shall be entitled to participate the sale by selling all (but not part of) his/her/its shares of Element Investment on equivalent terms and conditions.

Drag-along rights : If at any time any shareholder of Element Investment receives a written bona fide offer (which such shareholder wishes to accept) to purchase the entire issued shares (but not part) of Element Investment (the "**Take-over Offer**"), he/she/it shall as soon as practicable serve to all the other shareholders a notice (the "**Take-over Offer Notice**") containing a description of all the material terms of the Take-over Offer. If the Special Consent regarding the Take-over Offer has been obtained, then at the written request of the shareholders of Element Investment giving such Special Consent regarding the Take-over Offer, the remaining shareholders of Element Investment shall be required to:

- (i) participate in the sale pursuant to the Take-over Offer subject to the same terms and conditions set out in the Take-over Offer Notice; and
- (ii) vote (and procured the director(s) of Element Investment nominated by him/her/it to vote) in favour of such transaction.

New shareholders : All the new shareholder(s) of Element Investment shall execute a deed of adherence such that they will be bounded by the Shareholders' Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SHAREHOLDERS' AGREEMENT

The total amount of the capital contribution to Element Investment of approximately RMB55.0 million will be utilised for an investment to a limited partnership registered in the PRC which is to setup to invest into an investment project of the research and development, transformation and production of medical radioactive isotopes in the PRC.

According to the publication of the Medium and Long-term Development Plan For Medical Isotopes (2021 to 2035) in 2021 (the “**Plan**”), it is expected to have a significant improvement in the capabilities of medical isotopes-related industries to establish a stable and independent supply chain in the PRC to fulfil the future health needs of the citizens. The Plan anticipates an explosive growth in the demand of medical radioactive isotopes. Other than reinforcing the strengths of traditional sectors such as finance etc., the Hong Kong government also develops emerging strategic areas such as innovation and technology, pharmaceutical research and development, etc. and continuously supports the development of enterprises and relevant talents in the innovation and technology industry.

The total sum of the investment project is about RMB1,600 million by different phases of investment. The target of the investment project is to fill up the gap of the medical radioactive isotopes supply in the PRC with the establishment of an entire medical radioactive isotopes industrial chain, breaking the situation where domestic medical isotopes are almost entirely dependent on imports.

From a global analysis and forecast about the medical radioactive isotopes applied in the investment project, the global market potential value is expected to be at over £4,000 million in 2025 with a compound annual growth rate (CAGR) of over 40% during the forecast period from 2025 to 2031. In view of the future business development prospect of being a leading supplier of high-quality medical radioactive isotopes, the Group will be benefited from the capital gain of its investment.

Based on the above, the Directors consider that the terms and conditions of the Shareholders' Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratio(s) (as defined under Rule 14.07 of the Listing Rules) in respect of the Subscription exceeds 5% but all are less than 25%, the Subscription constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from circular and Shareholders' approval requirements under the Listing Rules.

Mr. Liang Ronald, an executive Director and the chairman of the Board, intends to invest in that investment project. Mr. Deng Li Ming, an executive Director, is also a director and the responsible person of that investment project. Therefore, for the sake of prudence, Mr. Liang Ronald and Mr. Deng Li Ming have abstained from voting on the Board resolutions approving the Shareholders' Agreement and the transactions contemplated thereunder.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Board”	the board of Directors
“C Cheng Project Management”	C Cheng Project Management Limited (思城項目管理有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Company”	C Cheng Holdings Limited (思城控股有限公司), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1486)

“Director(s)”	the director(s) of the Company
“Element Investment”	Element Investment (Hong Kong) Limited (元素投資(香港)有限公司), a company incorporated in Hong Kong with limited liability
“Gain Sky”	Gain Sky Resources Limited (得天資源有限公司), a company incorporated under in Hong Kong with limited liability
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a third party or third parties independent of and not connected with (within the meaning of the Listing Rules) any directors, chief executive, substantial shareholders of the Company, its subsidiaries or any of their respective associates
“Innovax”	Innovax Management Limited, a company incorporated in the British Virgin Islands with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mettle”	Mettle Capital Limited (邁達投資管理有限公司), a company incorporated in Hong Kong with limited liability and a non-wholly-owned subsidiary of the Company
“Ms. Wang”	Ms. Wang Xiao Mao (王曉毛)
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Shares
“Shareholders’ Agreement”	the shareholders’ agreement dated 15 November 2023 entered into between C Cheng Project Management, Mettle, Gain Sky, Ms. Wang, Innovax and Element Investment
“Special Consent”	a written consent addressed to the board of Element Investment given by the shareholders of Element Investment together holding more than 50% of the total issued shares capital of Element Investment
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	The subscription of a total of 54,990,000 shares of Element Investment by C Cheng Project Management, Mettle, Gain Sky, Ms. Wang and Innovax in accordance with the terms and conditions of the Shareholders’ Agreement
“%”	per cent.

By order of the Board
C CHENG HOLDINGS LIMITED
Liang Ronald
Chairman and Executive Director

Hong Kong, 15 November 2023

As at the date of this announcement, the executive Directors are Mr. Liang Ronald, Mr. Liu Jiang Tao, Mr. Fu Chin Shing, Mr. Wang Jun You, Mr. Liu Yong and Mr. Deng Li Ming, and the independent non-executive Directors are Mr. Wong Hin Wing, Mr. Chan James and Ms. Su Ling.

* *For identification purposes only*