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## **Cheshi Holdings Limited**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1490)**

# **DISCLOSEABLE TRANSACTION FOR THE ESTABLISHMENT OF THE PARTNERSHIP FUND “CHANGXING WEINET CONGYUE EQUITY INVESTMENT PARTNERSHIP (L.P.)” WITH GONGQINGCHENG TAOYUAN INVESTMENT MANAGEMENT CO., LTD.**

## **ESTABLISHMENT OF THE PARTNERSHIP FUND**

In response to the PRC government’s mid to long-term development plan on the industrial internet and the smart and new energy automobile industry and in order to implement the Company’s strategic objective of establishing a “super connector” in the automobile industry, the Board is pleased to announce that, on May 12, 2021, Beihai Media as General Partner and Congshu Beijing as Limited Partner have entered into the Partnership Agreement with Taoyuan Investment as General Partner in relation to the establishment of the Partnership Fund with a proposed total investment amount of RMB1 billion, to serve as a capital platform for joint investment, integration of upstream and downstream resources in the industry chain and diversification of mergers and acquisitions.

The Partnership Fund is launched by Xintong Capital\* and the Company with a focus on investing into forward-looking projects in automobile, new consumption and digital new media industries which include industrial internet, smart auto technology, auto services, new consumption, content technology and other fields. Xintong Capital\* mainly participates in growth stage projects in the internet sector and is led by the head of strategic investment department of Sina Weibo, Mr. Liu Yunli, and other individuals with years of experience in private equity investment.

The initial registered capital of the Partnership Fund is RMB51 million. Pursuant to the Partnership Agreement, Taoyuan Investment, Beihai Media and Congshu Beijing have agreed to contribute RMB1 million, RMB1 million and RMB49 million, respectively, representing approximately 1.96%, 1.96% and 96.08%, respectively, of the initial registered capital of the Partnership Fund.

## **IMPLICATIONS UNDER THE LISTING RULES**

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the transaction(s) contemplated under the Partnership Agreement (taking into account the amount of capital contribution committed by the Company through its subsidiaries in respect of the Partnership Fund) is above 5% and all of the applicable percentage ratios are less than 25%, the entry into the Partnership Agreement and the transaction(s) contemplated thereunder constitute a discloseable transaction for the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **INTRODUCTION**

In response to the PRC government's mid to long-term development plan on the industrial internet and the smart and new energy automobile industry and in order to implement the Company's strategic objective of establishing a "super connector" in the automobile industry, the Board is pleased to announce that, on May 12, 2021, Beihai Media as General Partner and Congshu Beijing as Limited Partner have entered into the Partnership Agreement with Taoyuan Investment as General Partner in relation to the establishment of the Partnership Fund with a proposed total investment amount of RMB1 billion, to serve as a capital platform for joint investment, integration of upstream and downstream resources in the industry chain and diversification of mergers and acquisitions.

The Partnership Fund is launched by Xintong Capital\* and the Company with a focus on investing into forward-looking projects in automobile, new consumption and digital new media industries which include industrial internet, smart auto technology, auto services, new consumption, content technology and other fields. Xintong Capital\* mainly participates in growth stage projects in the internet sector and is led by the head of strategic investment department of Sina Weibo, Mr. Liu Yunli, and other individuals with years of experience in private equity investment.

As one of the largest automobile vertical technology platforms in the PRC, the Company has an established user base and relies on the cloud management system of the Picker engine to establish a content technology SaaS system that would cover the entire country. Following the continuous penetration of technology in the automobile industry chain, the automobile industry is experiencing major changes. The Company is therefore committed to establish a business ecosystem which would serve the entire automobile industry chain by leveraging its existing business advantages as a basis to further develop on its technological capacity and the physical industry chain and invest, acquire, merge, or form investment funds to invest in companies.

Pursuant to the Partnership Agreement, Taoyuan Investment, Beihai Media and Congshu Beijing have agreed to contribute RMB1 million, RMB1 million and RMB49 million, respectively, representing approximately 1.96%, 1.96% and 96.08%, respectively, of the initial registered capital of the Partnership Fund.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Taoyuan Investment is held as to 28% by Mr. Liu Yunli with the remaining 72% by other Independent Third Parties. As at the date of this announcement, Mr. Liu Yunli, through LYL Weihui Limited, holds approximately 4.05% of the issued shares of the Company. Mr. Liu Yunli is also the general manager of the strategic investment department of Sina Weibo. Save as disclosed herein, Taoyuan Investment and its other respective associates and ultimate beneficial owners are Independent Third Parties.

## **THE PARTNERSHIP AGREEMENT**

The principal terms of the Partnership Agreement, to which all parties thereto have agreed upon, are as follows:

**Date:** May 12, 2021

**Parties:**

- (1) Taoyuan Investment (as a general partner);
- (2) Beihai Media (as a general partner); and
- (3) Congshu Beijing (as a limited partner).

**Investment decision committee:** An investment decision committee shall be established and will comprise of two core members appointed by Beihai Media and Taoyuan Investment, being (i) Mr. Xu Chong, an executive Director and the controlling shareholder of the Company; and (ii) the general manager and executive director of Taoyuan Investment, who is an Independent Third Party. Mr. Xu Chong will not receive any service fee or other forms of remuneration for being a core member of the investment decision committee. The investment decision committee shall be responsible for the review, withdraw and decision making of the investment opportunities of the Partnership Fund as well as other rights and obligations granted by the Limited Partner under the terms of the Partnership Agreement.

**Term of the Partnership Fund:** The term of the Partnership Fund will be 7 years from the First Closing Date. The first 4 years from the First Closing Date of the Partnership Fund shall be the investment period while the remaining 3 years shall be the divestment period.

**Initial registered capital of the Partnership Fund and capital contribution:**

The initial registered capital of the Partnership Fund is proposed to be RMB51 million. The capital contribution to be made by each of the partners is as follows:

<b>Partner</b>	<b>Capacity</b>	<b>Capital contribution (RMB)</b>	<b>Percentage of interest in the capital contribution of the initial registered capital of the Partnership Fund</b>
Taoyuan Investment	General Partner	1 million	1.96%
Beihai Media	General Partner	1 million	1.96%
Congshu Beijing	Limited Partner	49 million	96.08%

The initial registered capital of the Partnership Fund and the respective contributions of the partners were determined after arm's length negotiations between Taoyuan Investment, Beihai Media and Congshu Beijing with reference to the market price of two appropriate private equity projects which the Company considers to invest. The initial registered capital of the Partnership Fund may be settled in one lump sum or through multiple payments in accordance with the terms of the Partnership Agreement.

The total registered capital of the Partnership Fund is proposed to be RMB1 billion. The initial registered capital is RMB51 million, with the remaining registered capital of the Partnership Fund in the amount of RMB949 million to be satisfied via crowdfunding from qualified investors and by accepting such qualified investors as new Limited Partners of the Partnership Fund. Such new Limited Partners shall all be Independent Third Parties.

The capital contribution to be made by Beihai Media and Congshu Beijing will be funded by the general working capital of the Group and will not be funded by any proceeds raised from the Company's initial public offering.

**Business scope and investment targets of the Partnership Fund:**

The Partnership Fund is launched by Xintong Capital\* and the Company with a focus on investing into forward-looking projects in automobile, new consumption and digital new media industries which include industrial internet, smart auto technology, auto services, new consumption, content technology and other fields. Xintong Capital\* mainly participates in growth stage projects in the internet sector and is led by the head of the strategic investment department of Sina Weibo, Mr. Liu Yunli and other individuals with years of experience of private equity investment.

**Management of the Partnership Fund:**

The management of the Partnership Fund will be entrusted to Taoyuan Investment who would provide investment and administrative management and daily operation management services to the Partnership Fund.

Taoyuan Investment, being the fund manager of the Partnership Fund, will be entitled to an annual management fee calculated at 0.1% of the capital contribution of the Partnership Fund from the First Closing Date up to the date of its dissolution. The basis for calculating the annual management fee is determined among the parties with reference to industry standards.

**Rights and obligations of the General Partners:**

Pursuant to the Partnership Agreement, it is agreed that the General Partners may, inter alia, jointly decide on the following matters:

- (a) decide on and carry out investments and other affairs of the Partnership Fund;
- (b) responsible for the accounting, bookkeeping and fund management and control and other related matters of the Partnership Fund;
- (c) distribute the distributable income and remaining property of the Partnership Fund at the time of its dissolution;
- (d) exercise all shareholder rights of the Partnership Fund including but not limited to, making decisions on related matters and exercising voting rights;
- (e) take all necessary actions to carry out all business activities and maintain the legal existence of the Partnership Fund;
- (f) open, maintain and cancel bank accounts and securities accounts and issue cheques and invoices for the Partnership Fund;
- (g) take all necessary legal actions to safeguard the interests of the Partnership Fund;
- (h) handle tax-related matters of the Partnership Fund in accordance with the applicable laws and regulations; and
- (i) sign, deliver and perform the obligations under any agreements or binding documents on behalf of the Partnership Fund without requiring any further action, approval or voting by any other partner or person.

The General Partners shall also bear unlimited joint and several liability for any losses incurred by the Partnership Fund.

**Rights and obligations of the Managing Partner:**

Pursuant to the Partnership Agreement, it is agreed that the Managing Partner may, inter alia, decide on the following matters:

- (a) extend the term of the Partnership Fund twice, each for one (1) year;
- (b) increase or decrease the total capital contribution amount of the Partnership Fund;
- (c) acquire, hold, manage, maintain and dispose of the assets of the Partnership Fund on behalf of the Partnership Fund;
- (d) evaluate the investment opportunities of the Partnership Fund;
- (e) dissolve the Partnership Fund based on the operation and investment of the Partnership Fund; and
- (f) issue a payment notice at least 30 days in advance to the partners of the Partnership Fund for payment of their capital contribution, unless otherwise agreed by the Managing Partner and the relevant Limited Partners.

**Rights and obligations of the Limited Partner:**

Pursuant to the Partnership Agreement, the Limited Partner shall enjoy, inter alia, the following rights:

- (a) exercise voting rights on relevant matters in accordance with the applicable laws and terms of the Partnership Agreement;
- (b) obtain periodic report of certain financial figures, information relating to investment projects and operational reports;
- (c) be distributed the income of the Partnership Fund pursuant to the terms of the Partnership Agreement;
- (d) exercise the right to delist the General Partners pursuant to the terms of the Partnership Agreement; and
- (e) any other rights that belong to the Limited Partner as agreed under the Partnership Agreement.

The Limited Partner shall bear, inter alia, the following obligations:

- (a) the liability owed by the Limited Partner shall be limited to its capital contribution;
- (b) make capital contributions pursuant to the terms of the Partnership Agreement; and

- (c) shall not hold itself out to represent the Partnership Fund or interfere with the operations and management of the Partnership Fund.

**Profit sharing:**

Unless otherwise agreed by all the partners under the Partnership Fund, the distributable income attributable to project investment and project operation shall be apportioned amongst the partners of the Partnership Fund in proportion to their respective interests in the relevant project investment, in which the portion calculated according to the distribution ratio of the General Partners shall be distributed to the General Partners, and the amount calculated according to the distribution ratio of the Limited Partner(s) shall be distributed based on the following:

- (1) Firstly, income shall be distributed to such Limited Partner until the cumulative amount distributed to such Limited Partner is equal to the capital contribution paid by such Limited Partner;
- (2) Secondly, any remaining balance to such Limited Partner until an internal rate of return of 8% per annum on the amount as described in paragraph (1) is achieved for each period from the date when the payment of the capital contribution for each period is due (or if the actual payment date for the capital contribution is later, then such actual payment date shall prevail) and up to the date when the relevant capital contribution was recovered by such Limited Partner;
- (3) Thirdly, any remaining balance to the Managing Partner until the cumulative amount distributed to the Managing Partner under this paragraph (3) is equal to 20% of the sum of (i) the distribution amount of the Managing Partner under this paragraph (3); and (ii) the distribution amount of the Limited Partner(s) under paragraph (2) above; and
- (4) Lastly, 20% and 80% of any remaining distributable income shall be distributed to the Managing Partner and the Limited Partners, respectively.

**Transfer of interests in the Partnership Fund:**

The General Partners may not transfer their interests in the Partnership Fund to any party who is not its related party without the consent of the Limited Partners who at the material time holds more than two-thirds of the interests of the Limited Partners. For the avoidance of doubt, such consent from the Limited Partners are not required for the General Partner(s) to transfer their interests in the Partnership Fund to its related parties.

The Limited Partner(s) may not transfer, directly or indirectly pledge or guarantee in any form or otherwise dispose any of its interest in the Partnership Fund without the written consent of all the General Partners.

**Governing law:**

The governing law of the Partnership Agreement is the laws of the PRC.

**Dissolution of the Partnership Fund:**

The Partnership Fund shall be dissolved within fifteen days upon the occurrence of any of the following:

- (a) the term of the Partnership Fund having expired and has not been extended;
- (b) based on the prudent judgment of the General Partners, the purpose of the Partnership Fund has been achieved or can no longer be achieved;
- (c) the General Partners having been removed;
- (d) one or more the Limited Partners having committed a material breach of the Partnership Agreement such that the Partnership Fund can no longer operate under the judgement of the General Partners;
- (e) Taoyuan Investment's qualification as a private equity fund manager having been cancelled and all the Limited Partner(s) request for the dissolution of the Partnership Fund;
- (f) the business license of the Partnership Fund having been revoked, or it has been ordered to close down or dissolve pursuant to applicable laws;
- (g) other reasons prescribed by laws and administrative regulations and the terms of the Partnership Agreement leading to the dissolution of the Partnership Fund; and
- (h) all partners unanimously decide to dissolve the Partnership Fund for any other reason.



# **INFORMATION ON THE GROUP AND THE PARTIES TO THE PARTNERSHIP AGREEMENT**

## **The Group**

The Company is an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange.

The Company is an investment holding company and its subsidiaries are principally engaged in the operation of online automobile vertical media platforms in China that offer comprehensive and high quality automobile content and distributed across its proprietary, comprising the Group's personal computer websites, mobile websites and mobile applications, and over 1,000 business partner platforms.

Beihai Media is a limited liability company established under the laws of the PRC and is deemed to be an indirect wholly-owned subsidiary of the Company. Beihai Media is principally engaged in the provision of online advertising services.

Congshu Beijing is a limited liability company established under the laws of the PRC and is deemed to be an indirect wholly-owned subsidiary of the Company. It is primarily engaged in the provision of online advertising services, including the provision of automobile-related advertising services, the publication of automobile-related articles and the production of video commercials in the PRC.

## **Taoyuan Investment**

Taoyuan Investment is a limited liability company established under the laws of the PRC. It is also a private equity fund manager registered with the Asset Management Association of China and is principally engaged in making private equity investments. Taoyuan Investment is also the fund manager of a private equity fund whereby Sina Weibo is one of its cornerstone investor. Taoyuan Investment will operate the Partnership Fund under the brand name, Xintong Capital\*.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Taoyuan Investment is held as to 28% by Mr. Liu Yunli with the remaining 72% by other Independent Third Parties. As at the date of this announcement, Mr. Liu Yunli, through LYL Weihui Limited, holds approximately 4.05% of the issued shares of the Company. Mr. Liu Yunli is also the general manager of the strategic investment department of Sina Weibo. Save as disclosed herein, Taoyuan Investment and its other respective associates and ultimate beneficial owners are Independent Third Parties.

## **REASONS FOR AND BENEFITS OF THE ESTABLISHMENT OF THE PARTNERSHIP FUND**

The establishment of the Partnership Fund will (i) integrate and optimize the Group's superior resources in the automobile vertical media industry and thereby consolidate the Company's leading position in the industry; (ii) help the Company achieve technological and digital transformation by evaluating high-growth start-up technological projects and enterprises that can potentially create synergy with the business of the Group; and (iii) enhance the Company's recognition in capital

markets, broaden its long-term revenue streams and improve the Company's ability to select and make sound equity investment and acquisition decisions. Going forward, the Company may further make investments in the Partnership Fund if future investment plans are desirable and in line with its development plans and principal business.

Taking into account of the above, the Directors (including the independent non-executive Directors) consider that the Partnership Agreement and the transactions contemplated thereunder represent a good opportunity for the Group to develop its business activities and enhance its service offering, and the Directors further consider that the terms and conditions of the Partnership Agreement (including the capital commitment of the parties and the management fee of Taoyuan Investment) are fair and reasonable and are in the interests of the Company and its shareholders as a whole. Despite Mr. Xu Chong being one of the core members of the investment decision committee, Mr. Xu Chong will not receive any service fee for such role. As such, the Directors consider that Mr. Xu Chong does not have material interest in the Partnership Agreement and the transactions contemplated thereunder and he should be entitled to vote and be counted toward the quorum of the meeting for the entering into the Partnership Agreement and the establishment of the Partnership Fund. No Directors will be required to abstain from voting in the relevant board meeting.

## **IMPLICATIONS UNDER THE LISTING RULES**

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the transaction(s) contemplated under the Partnership Agreement (taking into account the amount of capital contribution committed by the Company through its subsidiaries in respect of the Partnership Fund) is above 5% and all of the applicable percentage ratios are less than 25%, the entry into of the Partnership Agreement and the transaction(s) contemplated thereunder constitute a discloseable transaction for the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **WARNING STATEMENT**

The establishment of the Partnership Fund is currently in the preparatory stage and requires subsequent registration and filing with the relevant PRC government authorities. The specific timing for the formation of the Partnership Fund as well as its commencement of operation is uncertain.

The Partnership Fund, should be registered with the Asset Management Association of China before commencing private equity investment and venture capital fund management businesses. Whether the registration procedures can be duly completed and the timing at which fund-raising and operations of the Partnership Fund will commence thereafter are uncertain.

## DEFINITIONS

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

“associates”	has the meaning ascribed thereto under the Listing Rules
“Asset Management Association of China”	Asset Management Association of China* (中國證券投資基金業協會)
“Beihai Media” or “Managing Partner”	Beihai Congshu Advertising Media Company Limited (北海樅樹廣告傳媒有限公司), a limited liability company established under the laws of the PRC on December 18, 2019, and is deemed to be an indirect wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Company”	Cheshi Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Congshu Beijing”	Congshu Beijing Technology Company Limited (樅樹(北京)科技有限公司), a limited liability company established under the laws of the PRC on September 28, 2015 and is deemed to be an indirect wholly-owned subsidiary of the Company
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“First Closing Date”	means (i) the date on which the first designated group of qualified investors are accepted as limited partners under the Partnership Fund (being the date when the first payment of the capital contribution is due and stated in the written notice issued to such qualified investors); or (ii) such other date as independently determined and announced by Beihai Media to the other partners of the Partnership Fund
“General Partners”	the general partners of the Partnership Fund, being Beihai Media and Taoyuan Investment
“Group”	the Company, its subsidiaries and consolidated affiliated entities
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Party(ies)”	an individual or a company who is independent of and not connected with (within the meaning of the Listing Rules) any directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of their respective associates
“Limited Partner(s)”	the limited partner of the Partnership Fund, being Congshu Beijing and any other new limited partners accepted to the Partnership Fund from time to time
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Taoyuan Investment”	Gongqingcheng Taoyuan Investment Management Co., Ltd.* ( 共青城韜遠投資管理有限公司 ), a limited liability company established under the laws of the PRC on January 15, 2018
“Partnership Agreement”	the partnership agreement dated May 12, 2021 entered into between Taoyuan Investment, Beihai Media and Congshu Beijing in relation to the establishment of the Partnership Fund
“Partnership Fund”	Changxing Weinete Congyue Equity Investment Partnership (L.P.) ( 長興微網縱躍股權投資合夥企業 ( 有限合夥 ) ) (the final name of which is subject to the approval of the administrative department for industry and commerce), a limited partnership to be established in the PRC under the Partnership Agreement, and will be registered as a private equity fund in accordance with the applicable laws and rules
“Picker”	the intelligent internet platform that serves content distributions
“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
“related party(ies)”	In relation to a natural person, means the person’s siblings, spouse, spouse’s parents, and immediate descendants or predecessor’s relatives (whether natural or adopted) (each a “ <b>family member</b> ”) and any trust established and existing only for the benefit of the person or its family members; or in relation to an entity, means a person who directly or indirectly controls, is controlled by, or is jointly controlled by that person

For the purpose of this definition, “control” (including when used in terms of “controlling”, “controlled”, “jointly controlled”, etc.) means the ability of one party to influence or affect the main business actions of the other party. Such influence can be based on shareholding interests, voting rights, and other relationships that are generally considered dominant or of significant influence

“RMB”	Renminbi, the lawful currency of the PRC
“SaaS”	software as a service, a cloud-based software licensing and delivery model in which software and associated data are centrally hosted
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xintong Capital*”	新瞳資本, being the registered trademark of Taoyuan Investment as its trademark registrant in the PRC from February 7, 2019 to February 6, 2029
“%”	percentage

By Order of the Board  
**Cheshi Holdings Limited**  
**Xu Chong**  
*Chairman and Chief Executive Officer*

Beijing, PRC, May 12, 2021

*As at the date of this announcement, the Board comprises Mr. XU Chong, Mr. LIU Lei, Mr. ZHU Boyang and Mr. LIN Yuqi as executive Directors; and Mr. XU Xiangyang, Mr. LI Ming and Mr. NG Jack Ho Wan as independent non-executive Directors.*

\* *For identification purposes only*