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WIN SHARE

新華文軒出版傳媒股份有限公司

XINHUA WINSHARE PUBLISHING AND MEDIA CO., LTD.*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 811)

CONTINUING CONNECTED TRANSACTIONS:

(1) Products Purchase and Cooperation Framework Supplementary Agreement; and (2) Logistics Service Framework Agreement

Reference is made to the announcement of the Company dated 26 March 2018 in relation to, among others, multiple continuing connected transactions. In order to achieve the optimization of the Group's integrated operations in publishing and distribution industry chain, the Group adjusted the Group's publications procurement business in 2018, and obtained a more favourable procurement cost as compared to the traditional Xinhua series with Winshare Online obtaining publications sold by the Company, in order to enhance the Group's overall profitability and sustainable development capabilities. With the gradual completion of the independent external publications procurement system of Winshare Online, in order to meet the increasing demand for logistics service such as warehousing and storage of publications, the Company and Winshare Online entered into the Logistics Service Framework Agreement on 6 November 2019, pursuant to which the Group (excluding Winshare Online) provides Logistics Services to Winshare Online. Meanwhile, since certain external suppliers of Non-self-owned Publications request to enter into cooperative agreements only with the Company (as a printed publications seller) to supply products, the Company (on behalf of the Group, excluding Winshare Online) entered into the Products Purchase and Cooperation Framework Supplementary Agreement with Winshare Online on 6 November 2019.

(1) Products Purchase and Cooperation Framework Supplementary Agreement

As the Company and Winshare Online intend to make changes to the scope of transactions and the annual caps under the Products Purchase and Cooperation Framework Agreement, the Company and Winshare Online unanimously agreed to enter into the Products Purchase and Cooperation Framework Supplementary Agreement on 6 November 2019. Pursuant to the Products Purchase and Cooperation Framework Supplementary Agreement:

- (i) Apart from the ongoing continuing connected transactions between Winshare Online (as purchaser) and the Company (as supplier) under the Products Purchase and Cooperation Framework Agreement, Winshare Online will purchase Non-self-owned Publications from the Company and its subsidiaries (excluding Winshare Online). The Company will purchase Non-self-owned Publications from external suppliers and distribute the Non-self-owned Publications to Winshare Online. The Company will deliver the Non-self-owned Publications procured by Winshare Online to the locations designated by Winshare Online;

- (ii) The annual caps under the Products Purchase and Cooperation Framework Agreement will be adjusted.

(2) Logistics Service Framework Agreement

On 6 November 2019, the Company and Winshare Online entered into the Logistics Service Framework Agreement, in relation to the provision of Logistics Service by the Company to Winshare Online accordingly.

As at the date of this announcement, Winshare Online is a non-wholly owned subsidiary of the Company, while Sichuan Xinhua Publishing Group, which controls over 25% of the voting rights of Winshare Online, is the controlling shareholder of the Company. Accordingly, Winshare Online is a connected subsidiary of the Company under Rule 14A.07(5) of the Listing Rules and therefore, the transactions contemplated under the Logistics Service Framework Agreement and the Products Purchase and Cooperation Framework Supplementary Agreement shall constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

LISTING RULES IMPLICATIONS

As various applicable percentage ratios (other than the profits ratio) for the Products Purchase and Cooperation Framework Supplementary Agreement are, on an annual basis, more than 0.1% but less than 5%, the Products Purchase and Cooperation Framework Supplementary Agreement is subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

As various applicable percentage ratios (other than the profits ratio) for the Logistics Service Framework Agreement are, on an annual basis, more than 0.1% but less than 5%, the Logistics Service Framework Agreement is subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

Reference is made to the announcement of the Company dated 26 March 2018 in relation to, among others, multiple continuing connected transactions. In order to achieve the optimization of the Group's integrated operations in publishing and distribution industry chain, the Group adjusted the Group's publications procurement business in 2018, and obtained a more favourable procurement cost as compared to the traditional Xinhua series with Winshare Online obtaining publications sold by the Company, in order to enhance the Group's overall profitability and sustainable development capabilities. With the gradual completion of the independent external publications procurement system of Winshare Online, in order to meet the increasing demand for logistics service such as warehousing and storage of publications, the Company and Winshare Online entered into the Logistics Service Framework Agreement on 6 November 2019, pursuant to which the Group (excluding Winshare Online) provides Logistics Services to Winshare Online. Meanwhile, since certain external suppliers of Non-self-owned Publications request to enter into cooperative agreements only with the Company (as a printed publications seller) to supply products, the Company (on behalf of the Group, excluding Winshare Online) entered into the Products Purchase and Cooperation Framework Supplementary Agreement with Winshare Online on 6 November 2019.

(1) Products Purchase and Cooperation Framework Supplementary Agreement

Reference is made to the announcement of the Company dated 26 March 2018 in relation to, among others, the Products Purchase and Cooperation Framework Agreement entered into between the Company and Winshare Online. The Company has been conducting continuing connected transactions with Winshare Online pursuant to the Products Purchase and Cooperation Framework Agreement for the period from 30 May 2018 to 31 December 2020.

As the Company and Winshare Online intend to make changes to the scope of transactions and the annual caps under the Products Purchase and Cooperation Framework Agreement, the Company and Winshare Online unanimously agreed to enter into the Products Purchase and Cooperation Framework Supplementary Agreement on 6 November 2019. Pursuant to the Products Purchase and Cooperation Framework Supplementary Agreement:

- (i) Apart from the ongoing continuing connected transactions between Winshare Online (as purchaser) and the Company (as supplier) under the Products Purchase and Cooperation Framework Agreement, Winshare Online will purchase Non-self-owned Publications from the Company and its subsidiaries (excluding Winshare Online). The Company will purchase Non-self-owned Publications from external suppliers and distribute the Non-self-owned Publications to Winshare Online. The Company will deliver the Non-self-owned Publications purchased by Winshare Online to the locations designated by Winshare Online;
- (ii) The annual caps under the Products Purchase and Cooperation Framework Agreement will be adjusted.

In addition to the above, the nature and means of the continuing connected transactions under the Product Purchase and Cooperation Framework Agreement remain unchanged. The pricing of the ongoing continuing connected transactions under the Product Purchase and Cooperation Framework Agreement also remains unchanged.

Price and payment term of Non-self-owned Publications

In respect of the Non-self-owned Publications, the relevant purchase contracts or orders will set out, among other things, the pricing and payment terms of such Non-self-owned Publications. The settlement of such Non-self-owned Publications is agreed between the Company and Winshare Online after taking into account the types, quantity and actual sales conditions of the Non-self-owned Publications under each specific purchase contract or order. Unless otherwise agreed by the parties, the settlement of payment for each purchase contract or order shall be made by cash or bank drafts within six months upon actual business engagement between the parties.

Pricing policy

The pricing of the Non-self-owned Publications shall be determined by the parties through arm's length negotiation and on normal commercial terms with reference to the Group's integrated procurement cost of the Non-self-owned Publications and the reasonable profit.

Historical caps and transaction amounts

The following table summarises the historical cap amounts and their relevant historical transaction amounts for the Products Purchase and Cooperation Framework Agreement for the year ended 31 December 2018 and the nine months ended 30 September 2019:

	For the year ended 31 December 2018 (RMB '000)	For the nine months ended 30 September 2019 (RMB '000)
Historical annual cap ⁽¹⁾		
Own Publications and Digital Reading Contents	138,500	168,200
Online bookstore cooperation business	<u>1,500</u>	<u>1,800</u>
Total	<u><u>140,000</u></u>	<u><u>170,000</u></u>
Historical transaction amount ⁽¹⁾		
Own Publications and Digital Reading Contents	9,698	101,446
Online bookstore cooperation business	<u>330</u>	<u>47</u>
Total	<u><u>10,028</u></u>	<u><u>101,493</u></u>

Note (1):

The Non-self-owned Publications is a new category of transaction contemplated under the Products Purchase and Cooperation Framework Supplementary Agreement, which is not covered under the Products Purchase and Cooperation Framework Agreement. Accordingly, there are no past transaction figures with respect to such transaction.

Annual caps and basis for determination

In considering the amendment of the annual caps under the Products Purchase and Cooperation Framework Agreement, the Directors have considered a number of factors including:

- (i) the historical transaction amounts of continuing connected transactions by Winshare Online and the Company under the Products Purchase and Cooperation Framework Agreement;
- (ii) the estimated demand for Non-self-owned Publications by Winshare Online; and
- (iii) the expected continuous growth trend in the demand of Winshare Online for logistics service due to business development with the rapid growing trend of Chinese e-commerce market and the support of favourable policies of the PRC government in respect of the cultural and publishing industry in recent years.

Having considered the above factors, the Directors propose that the annual cap for the Products Purchase and Cooperation Framework Agreement after the amendments of Products Purchase and Cooperation Framework Supplementary Agreement for each of the two years ending 31 December 2020 shall be as follows:

Annual cap	For the year ending 31 December 2019 (RMB '000)	For the year ending 31 December 2020 (RMB '000)
Own Publications, Non-self-owned Publications and Digital Reading		
Contents	198,200	277,600
Online bookstore cooperation business	<u>1,800</u>	<u>2,400</u>
Total	<u><u>200,000</u></u>	<u><u>280,000</u></u>

Reasons for and benefits of the Products Purchase and Cooperation Framework Supplementary Agreement

Winshare Online is a joint venture company established for the purposes of carrying out the Group's development strategies, in particular for the expansion of the Group's publications business, which forms a part of the Group's publishing and distribution chain. The Products Purchase and Cooperation Framework Supplementary Agreement can capitalise on the experience of Winshare Online in online sales to further promote the development of the Group's publications e-commerce business model.

As certain external suppliers of Non-self-owned Publications request to enter into cooperative agreements only with the Company (as a printed publications seller) to supply products, Winshare Online (as an online seller) is, therefore, unable to procure such products on its own. The particular model of this transaction shall be as follows: the external supplier and the Company shall enter into the relevant agreement in respect of the Non-self-owned Publications, under which the Company will procure the Non-self-owned Publications from the external supplier and distribute them to Winshare Online. The Non-self-owned Publications will be sold through the synchronised online channel of Winshare Online, which will further expand the sales channels of the Company's Non-self-owned Publications to meet the consumption needs of various types of customers. Moreover, the collaborative sales of the Company and Winshare Online can mutually benefit both parties and enhance the sustainable development abilities of the Company.

The Directors (including the independent non-executive Directors) consider that the Products Purchase and Cooperation Framework Supplementary Agreement is entered into in the ordinary and usual course of business of the Group and the terms as contained in the Products Purchase and Cooperation Framework Supplementary Agreement are normal commercial terms, which are arrived at after arm's length negotiations between the parties, the annual caps stated above in this announcement and the terms of the Products Purchase and Cooperation Framework Supplementary Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(2) Logistics Service Framework Agreement

Based on the adjustment of the organizational structure of the Group's product procurement in 2018 and the commencement of independent procurement of external publications by Winshare Online, there is a corresponding demand for logistics service such as warehousing and storing of publications. There was no such logistics service arrangement between Group and Winshare Online in 2018. Accordingly, on 6 November 2019, the Company and Winshare Online entered into the Logistics Service Framework Agreement, in relation to the provision of Logistics Service by the Company to Winshare Online accordingly.

Major Terms of the Logistics Service Framework Agreement

Date:	6 November 2019
Term:	1 January 2019 to 31 December 2021 (both days inclusive)
Parties	(1) the Company as supplier (2) Winshare Online as purchaser
Nature and means of transaction:	The Company and its subsidiaries (excluding Winshare Online) will provide professional logistics related service such as transfer, delivery and storage management to Winshare Online.
Price:	The provision of Logistics Service by the Group shall be in accordance with the respective logistics service contracts entered into between the Group and Winshare Online, which will set out, among other things, the pricing and payment terms of Logistics Service.
Payment term:	The settlement of Logistics Service was agreed between the Group and Winshare Online in accordance with the respective logistics service contracts. Unless otherwise agreed between the Group and Winshare Online, the relevant fees shall be paid by Winshare Online to the Group every three months by way of bank transfer.
Option to renew:	Subject to the Listing Rules and the approvals of the Board and the independent shareholders (if required), both parties may separately enter into a written logistics service framework agreement prior to the expiry of the Logistics Service Framework Agreement.

Pricing policy

The pricing of the provision of Logistics Service shall be determined by the parties through arm's length negotiation and on normal commercial terms with reference to those offered by the Company and its subsidiaries to Independent Third Parties for comparable logistics service, which shall be basically the same as that of the transactions entered into between the parties and the market players who are Independent Third Parties, in order to ensure that the final pricing for the Logistics Service is fair and reasonable.

Annual caps and basis for determination

In considering the annual caps for the Logistics Service Framework Agreement, the Directors have considered various factors including:

- (i) the historical business volume of Winshare Online;
- (ii) the estimated demand of Winshare Online for such Logistics Service at its existing business volume;
- (iii) the historical charging standard for comparable logistics service provided by the Group to external customers; and
- (iv) the expected continuous growth trend in the demand of Winshare Online for logistics service due to business development with the rapid growing trend of Chinese e-commerce market and the support of favourable policies of the PRC government in respect of the cultural and publishing industry in recent years.

Having considered the above factors, the Directors propose that the annual cap for the Logistics Service Framework Agreement for each of the three years ending 31 December 2021 shall be as follows:

	For the year ending 31 December 2019 (RMB'000)	For the year ending 31 December 2020 (RMB'000)	For the year ending 31 December 2021 (RMB'000)
Annual cap	65,000	120,000	170,000

Reasons for and benefits of the Logistics Service Framework Agreement

As one of the largest publishers in the region, the Group has achieved integrated operation in publishing and distribution industry chain and is equipped with a well-established logistics distribution network and business supporting platform and is capable of providing quality logistics services. The fact that Winshare Online, as the internet sales channel of the Group, uses the logistics service provided by the Group enables the Group to capitalise on its overall advantage in the supply chain, which will in turn enhance the Group's operational efficiency.

The Directors (including the independent non-executive Directors) consider that the Logistics Service Framework Agreement is entered into in the ordinary and usual course of business of the Group and the terms as contained in the Logistics Service Framework Agreement are normal commercial terms, which are arrived at after arm's length negotiations between the parties, the annual caps stated above in this announcement and the terms of the Logistics Service Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders taken as a whole.

Internal control measures

In order to ensure that the Group is in compliance with the pricing policies in relation to certain continuing connected transactions, and safeguard the interests of the Company and the Shareholders as a whole, the Company has adopted the following measures:

The price at which the Non-self-owned Publications are purchased by Winshare Online from the Company shall be determined by relevant business department of the Company and Winshare Online, further discussed and reviewed by the relevant functional administrative department of the Company, and the pricing proposals will be made with reference to the integrated procurement cost, and will be further submitted to the management of the Company for approval and confirmation. The relevant administrative departments of the Company shall regularly review the integrated procurement cost of the Non-self-owned Publications at the end of the financial year to ensure the price of the Non-self-owned Publications is no less favourable to its integrated procurement cost, and the additional ratio is fair and reasonable, as to monitor the Non-self-owned Publications transaction is executed in accordance with the pricing policy.

The price at which the provision of Logistics Service by the Group to Winshare Online shall be determined by Winshare Online and the Company's relevant business department, further discussed and reviewed by the relevant functional administrative department of the Company, and the integrated pricing proposals will be made with reference to the prevailing market price upon entering into the proposed transaction, which will be further submitted to the management of the Company for approval and confirmation. During the review of the price offered by other Independent Third Parties, the relevant administrative departments of the Company shall generally verify quotation from no less than two Independent Third Parties who are provided logistics services by the Group to determine the market price. The relevant administrative departments of the Company shall regularly review the market price at the end of the financial year to ensure the Logistics Service is executed in accordance with the pricing policy.

The Company has in place a system for the management of connected transactions which clearly states that the relevant administrative departments shall trace, monitor and evaluate the payment arrangements and transaction amounts under the agreement on connected transactions on a monthly basis, to ensure that the annual caps for the connected transactions will not be exceeded.

The Group will engage the auditor of the Company to carry out annual review on the continuing connected transactions (including but not limited to the relevant pricing policies and annual caps) every year in accordance with the requirement of Rule 14A.56 of the Listing Rules.

The transactions under each agreement for each financial period, as well as the conclusion made by the independent non-executive Directors on whether the relevant transactions proceed according to the normal commercial terms, are fair and reasonable, and are in the interests of the Shareholders of the Company as a whole will be disclosed in annual reports and accounts of the Group.

The Directors (including the independent non-executive Directors) are of the opinion that the above internal control measures adopted by the Company regarding each agreement are appropriate. The measures can ensure that the transactions will proceed in accordance with the pricing principles set by each agreement, and can be supervised appropriately.

THE CONNECTED RELATIONSHIP BETWEEN THE PARTIES

As at the date of this announcement, Winshare Online is a non-wholly owned subsidiary of the Company, while Sichuan Xinhua Publishing Group, which controls over 25% of the voting power of Winshare Online, is the controlling shareholder of the Company. Accordingly, Winshare Online is a connected subsidiary of the Company under Rule 14A.07(5) of the Listing Rules and therefore the transactions contemplated under the Logistics Service Framework Agreement and the Products Purchase and Cooperation Framework Agreement (amended by the Products Purchase and Cooperation Framework Supplementary Agreement) shall constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

INFORMATION OF THE GROUP AND THE COUNTERPARTY

The Group is principally engaged in the wholesale and retails of publications and electronic publications, wholesale of audio and visual products, production and distribution of electronic publications and audio and visual products and publication business, etc.

Winshare Online is primarily engaged in the provision of online transactions and related services in relation to the publications and cultural products.

LISTING RULES IMPLICATIONS

Products Purchase and Cooperation Framework Supplementary Agreement

As various applicable percentage ratios (other than the profits ratio) for the Products Purchase and Cooperation Framework Supplementary Agreement are, on an annual basis, more than 0.1% but less than 5%, the Products Purchase and Cooperation Framework Supplementary Agreement is subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

Pursuant to Rule 14A.68 of the Listing Rules and the articles of association of the Company, Directors of the Company, namely Mr. He Zhiyong, Mr. Chen Yunhua, Mr. Luo Jun and Mr. Zhang Peng may be regarded as having material interests in the Products Purchase and Cooperation Framework Supplementary Agreement. Therefore, they have abstained from voting on the Board resolution for approving the Products Purchase and Cooperation Framework Supplementary Agreement and the proposed annual cap amount for each of the two years ending 31 December 2020. Save for the above Directors, none of the Directors has any material interests in the Products Purchase and Cooperation Framework Supplementary Agreement and none of the Directors was required to abstain from voting.

Logistics Service Framework Agreement

As various applicable percentage ratios (other than the profits ratio) for the Logistics Service Framework Agreement are, on an annual basis, more than 0.1% but less than 5%, the Logistics Service Framework Agreement is subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

Pursuant to Rule 14A.68 of the Listing Rules and the articles of association of the Company, Directors of the Company, namely Mr. He Zhiyong, Mr. Chen Yunhua, Mr. Luo Jun and Mr. Zhang Peng may be regarded as having material interests in the Logistics Service Framework Agreement. Therefore, they have abstained from voting on the Board resolution for approving the Logistics Service Framework Agreement and the proposed annual cap amount for each of the three years ending 31 December 2021. Save for the above Directors, none of the Directors has any material interests in the Logistics Service Framework Agreement and none of the Directors was required to abstain from voting.

DEFINITIONS

In this announcement, the following terms shall have the meanings set out below, unless the context otherwise requires:

“Board”	the board of directors of the Company
“Company”	Xinhua Winshare Publishing and Media Co., Ltd.* (新華文軒出版傳媒股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the A Shares and H Shares of which are listed on the Shanghai Stock Exchange and the Stock Exchange respectively
“connected person(s)”	has the same meaning as ascribed to this term under the Listing Rules
“controlling shareholder(s)”	has the same meaning as ascribed to this term under the Listing Rules
“Digital Reading Contents”	copyright works produced and uploaded by Winshare Online to a platform for end users to read via PCs, e-book readers or mobile phones, which are based on the e-book contents and the online novels with legitimate rights that are delivered to Winshare Online by the Company and its subsidiaries (excluding Winshare Online) under the Products Purchase and Cooperation Framework Agreement

“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“independent shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Independent Third Party(ies)”	persons(s) or company(ies) which is(are) independent of the Directors, supervisors, substantial shareholders and chief executive (as defined under the Listing Rules) of the Group
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Logistics Service”	the provision of logistics related service by the Company and its subsidiaries to Winshare Online under the Logistics Service Framework Agreement and other logistics service contracts entered into pursuant to the Logistics Service Framework Agreement
“Logistics Service Framework Agreement”	a framework agreement dated 6 November 2019 entered into between the Company and Winshare Online in relation to the provision of Logistics Service by the Company to Winshare Online for the period from 1 January 2019 to 31 December 2021
“Non-self-owned publications”	Publications not published by the publisher under the Company and its subsidiaries (excluding Winshare Online) (all of which are publications that Winshare Online cannot purchase from third parties)
“Own Publications”	Publications published by the publisher under the Company and its subsidiaries (excluding Winshare Online)
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan)
“Products Purchase and Cooperation Framework Agreement”	a framework agreement dated 26 March 2018 entered into between the Company and Winshare Online in connection with (i) the purchase of the Own Publications and Digital Reading Contents by Winshare Online from the Group (excluding Winshare Online); and (ii) the joint operation of the sales business of the online bookstore via the e-commerce platform with the Group (excluding Winshare Online) for the period from 30 May 2018 to 31 December 2020, details of which are as set out in the announcement of the Company dated 26 March 2018

“Products Purchase and Cooperation Framework Supplementary Agreement”	a supplementary agreement dated 6 November 2019 entered into between the Company and Winshare Online pursuant to the amendments of certain terms listed in the Products Purchase and Cooperation Framework Agreement, in relation to the purchase of Non-self-owned Publications by Winshare Online from the Company and its subsidiaries (excluding Winshare Online) apart from the continuing connected transactions with the Company under the Products Purchase and Cooperation Framework Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Winshare Online”	Sichuan Winshare Online E-commerce Co., Ltd.* (四川文軒在線電子商務有限公司), a company incorporated in the PRC with limited liability and a subsidiary of the Company, the Company and Sichuan Xinhua Publishing Group hold 75% and 25% of its shares respectively as at the date of this announcement
“%”	percentage

By order of the Board
XINHUA WINSHARE PUBLISHING AND MEDIA CO., LTD.*
He Zhiyong
Chairman

Sichuan, the PRC, 6 November 2019

As at the date of this announcement, the Board comprises (a) Mr. He Zhiyong, Mr. Chen Yunhua and Mr. Yang Miao as executive Directors; (b) Mr. Luo Jun, Mr. Zhang Peng and Mr. Han Xiaoming as non-executive Directors; and (c) Mr. Chan Yuk Tong, Ms. Xiao Liping and Mr. Fang Bingxi as independent non-executive Directors.

* For identification purposes only