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winshare 文軒

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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS: (1) PRODUCTS SALES AND COOPERATION FRAMEWORK AGREEMENT; AND (2) PUBLICATIONS PURCHASE FRAMEWORK AGREEMENT

INTRODUCTION

References are made to the announcements dated 26 March 2018 and 6 November 2019 and the circular dated 4 May 2018 of the Company in relation to, among others, the continuing connected transactions pursuant to the 2018 Products Sales and Cooperation Framework Agreement and the 2018 Publications Purchase Framework Agreement entered into between the Company and Winshare Online. As the 2018 Products Sales and Cooperation Framework Agreement and the 2018 Publications Purchase Framework Agreement will expire on 31 December 2020, the Company has agreed to renew the 2018 Products Sales and Cooperation Framework Agreement and the 2018 Publications Purchase Framework Agreement by entering into the Products Sales and Cooperation Framework Agreement and the Publications Purchase Framework Agreement with Winshare Online on 19 November 2020.

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 and Distribution Group, the controlling shareholder of the Company, controls 25% of the voting power of Winshare Online. 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 Products Sales and Cooperation Framework Agreement and the Publications Purchase Framework Agreement 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 Sales and Cooperation Framework Agreement and the Publications Purchase Framework Agreement are, on an annual basis, more than 5%, the Products Sales and Cooperation Framework Agreement and the Publications Purchase Framework Agreement are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee has been formed to consider and advise the Independent Shareholders as to whether the terms of the Products Sales and Cooperation Framework Agreement and the Publications Purchase Framework Agreement, the transactions contemplated thereunder and their annual caps for each of the three years ending 31 December 2023 are fair and reasonable and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to how to vote at the EGM. An independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

A circular containing, among other things, (i) further details of the Products Sales and Cooperation Framework Agreement and the Publications Purchase Framework Agreement and the transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee in connection with the Products Sales and Cooperation Framework Agreement and the Publications Purchase Framework Agreement; (iii) the advice of the independent financial adviser; and (iv) a notice convening the EGM will be despatched to the Shareholders as soon as practicable.

INTRODUCTION

References are made to the announcements dated 26 March 2018 and 6 November 2019 and the circular dated 4 May 2018 of the Company in relation to, among others, the continuing connected transactions pursuant to the 2018 Products Sales and Cooperation Framework Agreement and the 2018 Publications Purchase Framework Agreement entered into between the Company and Winshare Online. As the 2018 Products Sales and Cooperation Framework Agreement and the 2018 Publications Purchase Framework Agreement will expire on 31 December 2020, the Company has agreed to renew the 2018 Products Sales and Cooperation Framework Agreement and the 2018 Publications Purchase Framework Agreement by entering into the Products Sales and Cooperation Framework Agreement and the Publications Purchase Framework Agreement with Winshare Online on 19 November 2020.

(1) Products Sales and Cooperation Framework Agreement

The Company and Winshare Online entered into the Products Sales and Cooperation Framework Agreement on 19 November 2020, pursuant to which the Group shall sell the Publications For Sale and the Digital Reading Contents to Winshare Online, and the Group shall cooperate with Winshare Online to engage in the sales business of the online bookstore via the e-commerce platform during the period from 1 January 2021 to 31 December 2023.

Major Terms of the Products Sales and Cooperation Framework Agreement:

- Date: 19 November 2020
- Term: 1 January 2021 to 31 December 2023 (both days inclusive)
- Parties: (1) the Company (on behalf of the Group) as supplier
(2) Winshare Online as purchaser

- Nature of transaction:
- (1) The Group shall sell the Publications For Sale and the Digital Reading Contents to Winshare Online, which will be used for wholesale and retailing by Winshare Online; and
 - (2) Winshare Online shall cooperate with the Group to engage in the sales business of the online bookstore via the e-commerce platform.
- Means of transaction:
- (1) The means of transaction of the Publications For Sale and the Digital Reading Contents is by way of a combination of wholesale and retail, and the Group shall deliver the Publications For Sale ordered by Winshare Online to the place as designated by Winshare Online.
 - (2) The means of transaction for the Digital Reading Contents is that the Group shall deliver the Digital Reading Contents to Winshare Online, which will be produced and uploaded to a platform by Winshare Online for reading by users. At the same time, the Group shall obtain a photocopy or scanned copy of the contract regarding the copyrights of authorised works and issue a written authorisation of authorised works to Winshare Online.
 - (3) The Group shall establish an online bookstore via the e-commerce platform. Winshare Online shall lease such online bookstore for the sales of publications, and operate and manage the same pursuant to the engagement by the Group.
- Price and payment term:
- (1) The Group shall sell the Publications For Sale and the Digital Reading Contents to Winshare Online through sale contracts or orders. Details of which shall set out, among others, the pricing and payment terms of the Publications For Sale and the Digital Reading Contents.
 - (2) Regarding the cooperation between Winshare Online and the Group to engage in the sales business of the online bookstore via the e-commerce platform, matters including the means of cooperation, sharing of shop expenses, cooperation fee and means of settlement shall be agreed between Winshare Online and the Company by entering into cooperation agreements.

The settlement of payment for the Publications For Sale and the Digital Reading Contents shall be agreed between the Group and Winshare Online having regard to transaction prices or pricing for different types and quantities of the Publications For Sale and the Digital Reading Contents under each sales contract or order and the actual sales conditions. Unless otherwise agreed by the parties, the settlement of payment for each sales contract or order shall be made by cash or bank drafts within one month upon actual business engagement between the parties.

The settlement of payment for the sales business of the online bookstore shall be agreed between the Group and Winshare Online having regard to the means of cooperation, sharing of shop expenses, cooperation fee and means of settlement.

Option to renew: Subject to the applicable Listing Rules and the approval(s) of the Board and/or Independent Shareholders (if required), the Company may separately enter into a written products sales and cooperation framework agreement upon serving a written notice to Winshare Online prior to the expiry of the Products Sales and Cooperation Framework Agreement.

Condition precedent: The Products Sales and Cooperation Framework Agreement is conditional upon, among others, the Company having obtained the Independent Shareholders' approval of the Products Sales and Cooperation Framework Agreement and the transactions contemplated thereunder.

Pricing policy

Under the industry market practices, publications suppliers generally determine the selling price of a publication based on the list price of a publication (being the “**Retail Price**”) (which is printed at the back of a publication) at a specified discount (the “**Discount**”) offered to the distributors. In determining the Discount, the publishers will take into account the integrated production costs of the books (including compilation costs, printing costs, copyrights licensing fees, etc.) and the reasonable profits. The cost ratio of the relevant publications is determined with reference to the formula: $(\text{Retail Price} - \text{Discount}) / \text{Retail Price} \times 100\%$. The integrated purchase costs of a book category refer to the overall average purchase cost ratio of the relevant publications during a particular financial year, which is calculated with reference to the formula: $(\text{Total retail price of a book category} - \text{Total discount of a book category}) / \text{Total retail price of a book category} \times 100\%$.

The transaction price of the Own Publications shall be determined by the parties on normal commercial terms through arm's length negotiation with reference to the integrated production costs of the Own Publications and the integrated market price of the Own Publications, which shall be basically the same as the agreed transaction price and the integrated transaction price for transactions between the parties and Independent Third Parties.

The transaction price of the Non-self-owned Publications shall be determined by the parties on normal commercial terms through arm's length negotiation with reference to the integrated purchase cost and reasonable profits of the Non-self-owned Publications. Upon satisfaction of the conditions above, the transaction price at which the single publications are sold by the Group to Winshare Online may be set by adding 1.5 to 3.5 percentage points to the purchase cost ratio, with reference to historical organization and management costs of publications incurred and depletion and marketing expenses in commodity transportation and management incurred from the transactions with the Group (other than special products).

The transaction price of the Digital Reading Contents shall be determined by the parties on normal commercial terms through arm's length negotiation based on the proportion of reading revenue or the formula of fixed unit price times actual quantity on shelf. The revenue arising therefrom is shared among Winshare Online and the Group pursuant to the specific purchase agreement. The proportion of the agreed revenue sharing and the revenue-sharing between the parties and the Independent Third Parties shall be basically the same. There are two mechanisms in determining the settlement price of the Digital Reading Contents: (i) based on the total revenue arising from purchases and/or rental of the Digital Reading Contents made by end users of the online sales platform according to a specified revenue sharing ratio between Winshare Online and the Group; or (ii) based on the types of the Digital Reading Contents made available on the online sales platform, calculated according to: the actual quantity of the types of the Digital Reading Contents made

available x the agreed fixed unit price. The selection of either settlement mechanism with respect to the Digital Reading Contents shall be determined after negotiation between the parties with reference to the prevailing market demands, and the settlement mechanism which is estimated to be more favourable to the Group shall be selected. Generally, (i) the revenue-sharing ratio between Winshare Online and the Group lies between 30%:70% and 40%:60%; and (ii) the fixed unit lies between RMB30 and RMB100 per unit, which are in line with the prevailing market practice.

The pricing offered by the Group to Winshare Online in respect of the provision of the Publications For Sale and the Digital Reading Contents shall be no less favourable to the average pricing offered to no less than two Independent Third Parties who are engaged in similar business to ensure that the final pricing for the Publications For Sale and the Digital Reading Contents is fair and reasonable.

With respect to the sales business of the online bookstore, the Company shall determine the cooperation fee based on the integrated market price of the services provided to the Independent Third Parties with respect to the cooperation in accordance with the principle of market pricing for online shop operations. The transaction price agreed under the cooperation agreement and the transaction price between the parties and the market players who are Independent Third Parties shall be basically the same.

Historical caps and transaction amounts

The following table summarises the historical cap amounts for the 2018 Products Sales and Cooperation Framework Agreement for each of the three years ended 31 December 2020:

| | For the year ended 31 December 2018 (RMB'000) | For the year ended 31 December 2019 (RMB'000) | For the year ended 31 December 2020 (RMB'000) |
|--|--|--|--|
| Annual cap | | | |
| Own Publications, Non-self-owned Publications and Digital Reading Contents | 138,500 | 198,200 | 277,600 |
| Online bookstore cooperation business | 1,500 | 1,800 | 2,400 |
| Total | 140,000 | 200,000 | 280,000 |

The following table summarises the relevant historical transaction amounts for the 2018 Products Sales and Cooperation Framework Agreement for each of the two years ended 31 December 2019 and the ten months ended 31 October 2020:

| Historical transaction amounts | For the year ended 31 December 2018 (RMB'000) | For the year ended 31 December 2019 (RMB'000) | For the ten months ended 31 October 2020 (RMB'000) |
|--|--|--|---|
| Own Publications, Non-self-owned Publications and Digital Reading Contents | 9,698 | 125,869 | 108,901 |
| Online bookstore cooperation business | 330 | 330 | 330 |
| Total | 10,028 | 126,199 | 109,231 |

Annual caps and basis for determining the annual caps

In considering the annual caps under the Products Sales and Cooperation Framework Agreement, the Board has considered a number of factors including:

- (i) the historical transaction amounts of the Own Publications, Non-self-owned Publications and Digital Reading Contents sold and the online bookstore cooperation business under the 2018 Products Sales and Cooperation Framework Agreement during the last three years;
- (ii) the significant progress of the Group's efforts to revitalise publishing in recent years, the increasing market influence and market share of the Own Publications and the revenue growth of 36.43% and 12.96% in the sales of own general books published by the Group in 2018 and 2019, respectively. The Group's future development plans in respect of its publication segment and the synergic development strategies among business segments will facilitate the sales growth of the Own Publications through various channels;
- (iii) the rapid growth trend in the PRC e-commerce market and the favourable policies introduced by the PRC government on the cultural and publication industries in recent years, contributing to Winshare Online's positive expectation for its future business development and the expected additional demand for the publications derived therefrom;
- (iv) under the strategic background of the Group's continuous and deepening progress towards "Revitalising the publishing industry in Sichuan", the Group will accomplish the synergic development among the publication segment and various sales channels in the future through increasing its sales efforts for Own Publications and utilizing the massive user base and years of user data owned by Winshare Online to design market-oriented products in collaboration with publication segment, and hence improve sales contribution of the Own Publications with diversified marketing approaches. Taking into account factors described in (ii), (iii) and this paragraph, the average sales growth of the Own Publications through the Group's internet channels is estimated to be approximately 30%-40% per annum in the upcoming three years;
- (v) the possible increment of purchase costs of publications from time to time under the effect of inflation; and

- (vi) the existing number of online bookstores and the estimated increase in future openings and the annual fee standards set by each online bookstore.

Having considered the above factors, the Board proposes that the annual cap for the Products Sales and Cooperation Framework Agreement for each of the three years ending 31 December 2023 shall be as follows:

| Annual cap | For the year ending 31 December 2021 (RMB'000) | For the year ending 31 December 2022 (RMB'000) | For the year ending 31 December 2023 (RMB'000) |
|--|---|---|---|
| Own Publications, Non-self-owned Publications and Digital Reading Contents | 319,250 | 469,000 | 689,000 |
| Online bookstore cooperation business | 750 | 1,000 | 1,000 |
| Total | 320,000 | 470,000 | 690,000 |

(2) Publications Purchase Framework Agreement

On 19 November 2020, the Company has entered into the Publications Purchase Framework Agreement with Winshare Online, pursuant to which the Group shall purchase the Purchased Publications from Winshare Online for the period from 1 January 2021 to 31 December 2023.

Major Terms of the Publications Purchase Framework Agreement:

| | |
|------------------------|---|
| Date: | 19 November 2020 |
| Term: | 1 January 2021 to 31 December 2023 (both days inclusive) |
| Parties: | (1) the Company (on behalf of the Group) as purchaser (2) Winshare Online as supplier |
| Nature of transaction: | The Group shall purchase the Purchased Publications from Winshare Online for sales by the Group. |
| Means of transaction: | The means of transaction of the Purchased Publications is by wholesale where Winshare Online shall deliver the Purchased Publications ordered by the Group to the place as designated by the Group. |

Price and payment term: The Group shall purchase the Purchased Publications through purchase contracts or orders. Details of which shall set out, among others, the pricing and payment terms of the Purchased Publications.

The settlement of payment shall be agreed between the Group and Winshare Online having regard to the types and quantities of the Purchased Publications under each purchase contract or order and the actual sales conditions. 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 one month upon actual business engagement between the parties.

Option to renew: Subject to the applicable Listing Rules and the approvals of the Board and/or the Independent Shareholders (if required), the Company may separately enter into a written publications purchase framework agreement upon serving a written notice to Winshare Online prior to the expiry of the Publications Purchase Framework Agreement.

Conditions precedent: The Publications Purchase Framework Agreement is conditional upon, among others, the Company having obtained the Independent Shareholders' approval of the Publications Purchase Framework Agreement and the transactions contemplated thereunder.

Pricing policy

Under the industry market practices, publications suppliers generally determine the selling price of a publication based on the list price of a publication (being the “**Retail Price**”) (which is printed at the back of a publication) at a specified discount (the “**Discount**”) offered to the distributors. The relevant cost ratio of such publications is calculated with reference to the formula: $(\text{Retail Price} - \text{Discount}) / \text{Retail Price} \times 100\%$ (the “**purchase cost ratio**”). The integrated cost ratio of a book category refers to the overall average purchase cost ratio of the relevant publications during a particular financial year, which is calculated with reference to the formula: $(\text{Total retail price of a book category} - \text{Total discount of a book category}) / \text{Total retail price of a book category} \times 100\%$.

With respect to the Non-self-owned Publications purchased by Winshare Online from external suppliers, the transaction price of the publications shall be determined by the parties through arm's length negotiation and on normal commercial terms with reference to Winshare Online's integrated purchase costs and reasonable profits during the relevant financial year and the integrated market price at which the same type of products are offered to the Independent Third Parties by Winshare Online with respect to the Purchased Publications on the same conditions. The transaction price so agreed shall be basically the same as that of the transactions entered into between the parties and Independent Third Parties of similar scale. Upon satisfaction of the conditions above, the transaction price at which the single publications are sold by Winshare Online to the Company may be set by adding 1.5 to 3.5 percentage points to the purchase cost ratio, with reference to historical organization and management costs of publications incurred and depletion and marketing expenses in commodity transportation and management incurred from the transactions with the Group (other than special products).

With respect to the Own Publications purchased by Winshare Online from the Group, the transaction price of the Own Publications shall be the purchase price of Winshare Online, i.e. its selling price = its purchase price.

Winshare Online undertakes that the integrated price of the Purchased Publications supplied to the Group shall, under no circumstances, be higher than the price of the same type of publications offered to the Independent Third Parties of the Company with the same type of sales channels and sales scale. In the event the integrated purchase price offered by such Independent Third Parties for the same type of publications is more favourable than the integrated price offered to the Company for the same type of publications or is unable to satisfy the selling requirements for the publications of the Group, the Group has the right to purchase such type of publications from another Independent Third Party. In addition, the Company's relevant professional departments will regularly review the purchase costs of the Company to ensure that the integrated purchase costs of the Purchased Publications purchased from Winshare Online are not higher than the external purchase costs and ensure that the price is reasonable.

Historical caps and transaction amounts

The following table summarises the historical cap amounts and their relevant historical transaction amounts for the 2018 Publications Purchase Framework Agreement for each of the two years ended 31 December 2019 and the ten months ended 31 October 2020:

| | For the year ended 31 December 2018 (RMB'000) | For the year ended 31 December 2019 (RMB'000) | For the ten months ended 31 October 2020 (RMB'000) |
|--------------------------------|--|--|---|
| Annual cap | 610,000 | 760,000 | 860,000 |
| Historical transaction amounts | <u>319,204</u> | <u>626,923</u> | <u>404,972</u> |

Annual caps and basis for determining the annual caps

In considering the annual caps under the Publications Purchase Framework Agreement, the Board has considered a number of factors including:

- (i) the historical transaction amounts and the growth rate of the Purchased Publications under the 2018 Publications Purchase Framework Agreement during the last three years;
- (ii) the expected average annual growth rate of approximately 5%-10% for each of the sales channels of the Group in the upcoming three years based on the Group's future business development plan of implementing strategies of "rejuvenating physical bookstores" and "rejuvenating the publishing industry in Sichuan", which aim to dig deeper into publication market segments, further promote online and offline channel integration and synergic development among business segments and enhance the overall sales capabilities of the Group, resulting in the expected additional demand for the publications in anticipation of the Group's business development; and
- (iii) the possible increase in purchase costs of the publications from time to time due to inflation.

Having considered the above factors, the Board proposes that the annual cap for the Publications Purchase Framework Agreement for each of the three years ending 31 December 2023 shall be as follows:

| | For the year ending 31 December 2021 (RMB'000) | For the year ending 31 December 2022 (RMB'000) | For the year ending 31 December 2023 (RMB'000) |
|------------|---|---|---|
| Annual cap | <u>820,000</u> | <u>960,000</u> | <u>1,120,000</u> |

INTERNAL CONTROL POLICY

With regard to Winshare Online's purchase of Own Publications and Digital Reading Contents from the Group, the price shall be determined by the relevant publishing house under the Group and Winshare Online according to changes in market conditions. The relevant administrative departments of the Company shall review the integrated production cost of the Own Publications and the Digital Reading Content of the publishing house of the Group on a regular basis to ensure the prices of the Own Publications and the Digital Reading Contents are not lower than its integrated purchase cost.

The pricing for the sale of Non-self-owned Publications to Winshare Online by the Group shall be proposed by the relevant business department of the Company and Winshare Online with the integrated pricing proposals, which will be further discussed and reviewed by the relevant functional administrative department of the Company. The pricing proposals will be confirmed with reference to the integrated purchase 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 purchase cost of the Non-self-owned Publications at the end of the financial year to ensure that the price of the Non-self-owned Publications is not lower than its integrated purchase cost and the additional ratio is fair and reasonable, so as to ensure that the Non-self-owned Publications transaction is executed in accordance with the pricing policy.

The price at which the Purchased Publications are purchased by the Group from Winshare Online shall be proposed by the Group's physical sales channels and Winshare Online with the integrated pricing proposals, which will be further discussed and reviewed by the relevant functional administrative department of the Company, and the integrated pricing proposals will be confirmed 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 Group shall generally verify quotation from no less than two publication suppliers who are Independent Third Parties to determine the market price. The relevant administrative departments of the Group shall regularly review the market price at the end of the financial year to ensure the purchase of the Purchased Publications is executed in accordance with the pricing policy, including but not limited to requesting from Winshare Online the purchase price offered to the Independent Third Parties for similar type of publications.

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 pricing policies and annual caps) every year in accordance with the requirement of Rule 14A.56 of the Listing Rules.

The transactions under the Products Sales and Cooperation Framework Agreement and the Publications Purchase Framework Agreement with Winshare Online for each financial period, as well as the conclusion made by the independent non-executive Directors on whether the relevant transactions are conducted on normal commercial terms, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole will be disclosed in annual reports and accounts of the Group.

The Board will ensure that the transaction amounts of the Products Sales and Cooperation Framework Agreement and the Publications Purchase Framework Agreement during its validity period shall not exceed the estimated cap amounts approved under the authorisation of the Board prior to the taking effect upon Independent Shareholders' approval, and the transactions are entered into in accordance with the relevant principles under the aforesaid agreements.

Reasons for and benefits of the Products Sales and Cooperation Framework Agreement and the Publications Purchase Framework Agreement

The Group has achieved integrated operation in publishing and distribution industry chain and is equipped with a business supporting platform. As one of the largest publishers in the region, the Group is considered the best supplier of Own Publications and the Digital Reading Contents of Winshare Online. 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. Therefore, 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 an 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.

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 principle business, and forms a part of the Group's publishing and distribution chain. The Products Sales and Cooperation Framework Agreement can capitalise on the experience and channels of Winshare Online in online sales to further promote the development of the Group's publications e-commerce business model and improve the Company's sustainability for long term development.

Winshare Online has continued to grow substantially in terms of sales size in recent years and is positioned to set up a product mix model that is more suitable for e-commerce development. In the book industry, as the product mix and logistics such as genre requirements and delivery requirements for the e-commerce business are quite different from traditional physical bookstores (physical channel), the suppliers have implemented two different pricing systems for the e-commerce channel and the physical channel where the purchase discounts for the e-commerce channel are far less than that for the physical channel. Based on its current sales size, Winshare Online has a strong independent bargaining power and can obtain a more favourable product purchase price via the e-commerce channel than the traditional channel to achieve independent purchase. Moreover, the other sales channels of the Group rely on Winshare Online to carry out synergistic purchase, which is conducive to lowering the overall product purchase costs of the Group. Under the Publications Purchase Framework Agreement, the Company enjoys cost advantages from Winshare Online's lower purchase costs through Winshare Online's synergistic purchase and obtain a more favourable purchase price than that of the Company's traditional channels. As a result, the overall profitability of the Group is enhanced, which is in line with the interest of the Company, including the Shareholders as a whole.

The Directors (excluding the independent non-executive Directors whose views will be set out in the circular to be despatched to the Shareholders) consider that the Products Sales and Cooperation Framework Agreement and the Publications Purchase Framework Agreement are entered into in the ordinary and usual course of business of the Group and the terms as contained in the Products Sales and Cooperation Framework Agreement and the Publications Purchase 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 Products Sales and Cooperation Framework Agreement and the Publications Purchase Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE GROUP AND WINSHARE ONLINE

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.

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 and Distribution Group, the controlling Shareholder of the Company, controls 25% of the voting power of Winshare Online. 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 Products Sales and Cooperation Framework Agreement and the Publications Purchase Framework Agreement 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 Sales and Cooperation Framework Agreement and the Publications Purchase Framework Agreement are, on an annual basis, more than 5%, the Products Sales and Cooperation Framework Agreement and the Publications Purchase Framework Agreement are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.70(11) of the Listing Rules and the articles of association of the Company, Mr. He Zhiyong, Mr. Chen Yunhua, Mr. Luo Jun and Mr. Zhang Peng may be regarded as having interests in the Products Sales and Cooperation Framework Agreement and the Publications Purchase Framework Agreement. As such, they have abstained from voting on the Board resolution for approving the two said agreements and the respective proposed annual cap amount for the transactions thereunder for each of the three years ending 31 December 2023. Save for the aforementioned Directors, none of the Directors has any material interests in the said two agreements.

An Independent Board Committee has been formed to consider and advise the Independent Shareholders as to whether the terms of the Products Sales and Cooperation Framework Agreement and the Publications Purchase Framework Agreement, the transactions contemplated thereunder, and their annual caps for each of the three years ending 31 December 2023 are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to how to vote at the EGM. An independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

An EGM will be convened to obtain the Independent Shareholders' approval regarding the Products Sales and Cooperation Framework Agreement and the Publications Purchase Framework Agreement. A circular containing, among other things, (i) further details of the Products Sales and Cooperation Framework Agreement and the Publications Purchase Framework Agreement and the transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee in connection with the Products Sales and Cooperation Framework Agreement and the Publications Purchase Framework Agreement; (iii) the advice of the independent financial adviser; and (iv) a notice convening the EGM will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

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

| | |
|----------------------------|--|
| “EGM” | the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to approve the Products Sales and Cooperation Framework Agreement and the Publications Purchase Framework Agreement (including their annual caps) |
| “articles of association” | the articles of association of the Company (as revised from time to time) |
| “associate(s)” | has the meaning as ascribed to this term under the Listing Rules |
| “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” | 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 Group under the Products Sales and Cooperation Framework Agreement |
| “Directors” | the directors of the Company |

| | |
|--|---|
| “Group” | the Company and its subsidiaries (for the purpose of the Products Sales and Cooperation Framework Agreement, the Publications Purchase Framework Agreement, the 2018 Products Sales and Cooperation Framework Agreement and the 2018 Publications Purchase Framework Agreement, excluding Winshare Online) |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Board Committee” | an independent committee of the Board composed of all independent non-executive Directors |
| “Independent Shareholders” | Shareholders other than Sichuan Xinhua Publishing and Distribution Group and its associates |
| “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 |
| “Own Publications” | publications published by the publishers under the Group |
| “Non-self-owned Publications” | Publications not published by the publishers under the Group (for the purpose of transactions under the Products Sales and Cooperation Framework Agreement, all of which are publications that Winshare Online cannot purchase from third parties) |
| “Publications For Sale” | Own Publications and Non-self-owned Publications sold by the Group to Winshare Online under the Products Sales and Cooperation Framework Agreement |
| “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 Sales and Cooperation Framework Agreement” | a framework agreement dated 19 November 2020 entered into between the Company and Winshare Online in connection with (i) the sales of the Publications For Sale and the Digital Reading Contents to Winshare Online by the Group; and (ii) the joint operation of the sales business of the online bookstore via the e-commerce platform between the Group and Winshare Online for the period from 1 January 2021 to 31 December 2023 |

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| “2018 Products Sales and Cooperation Framework Agreement” | the framework agreement dated 26 March 2018 entered into between the Company and Winshare Online (as supplemented and amended by the 2018 Products Sales and Cooperation Framework supplementary Agreement) in connection with (i) the sales of the Publications For Sale and the Digital Reading Contents to Winshare Online from the Group; and (ii) the joint operation of the sales business of the online bookstore via the e-commerce platform between the Group and Winshare Online for the period between 30 May 2018 and 31 December 2020, details of which are set out in the announcement of the Company dated 26 March 2018 |
| “2018 Products Sales and Cooperation Framework Supplementary Agreement” | the supplementary agreement dated 6 November 2019 entered into between the Company and Winshare Online pursuant to the amendments of certain terms listed in the 2018 Products Sales and Cooperation Framework Agreement, details of which are as set out in the announcement of the Company dated 6 November 2019 |
| “Purchased Publications” | the publications purchased from Winshare Online by the Group under the Publications Purchase Framework Agreement |
| “Publications Purchase Framework Agreement” | the framework agreement dated 19 November 2020 to be entered into between the Company and Winshare Online in connection with the purchase of the Purchased Publications by the Group from Winshare Online for the period from 1 January 2021 to 31 December 2023 |
| “2018 Publications Purchase Framework Agreement” | the framework agreement dated 26 March 2018 entered into between the Company and Winshare Online in connection with the purchase of the Purchased Publications by the Group from Winshare Online for the period from 20 April 2018 to 31 December 2020, details of which are set out in the announcement of the Company dated 26 March 2018 |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Shareholder(s)” | shareholder(s) of the Company |
| “Sichuan Xinhua Publishing and Distribution Group” | Sichuan Xinhua Publishing and Distribution Group Co., Ltd.* (四川新華出版發行集團有限公司), a state-owned entity established in the PRC which is the controlling shareholder of the Company |

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| “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 limited liability company established in the PRC and a subsidiary of the Company which is owned as to 75% and 25% by the Company and Sichuan Xinhua Publishing and Distribution Group as at the date of this announcement |
| “%” | per cent |

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

Sichuan, the PRC, 19 November 2020

As at the date of this announcement, the Board comprises (a) Mr. He Zhiyong and Mr. Chen Yunhua 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 Binxin as independent non-executive Directors.

* *For identification purposes only*