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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)**

**FURTHER ANNOUNCEMENT  
CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF 17%  
EQUITY INTEREST IN THE TARGET COMPANY**

This announcement is published by Xinhua Winshare Publishing and Media Co., Ltd.\* (the “**Company**”) in mainland China pursuant to the provisions of Rules Governing the Listing of Shares on the Shanghai Stock Exchange, and is announced simultaneously in Hong Kong pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Reference is made to the announcement of the Company dated 13 December 2023 (the “**Announcement**”) in relation to, among other things, the acquisition of 17% equity interest in the Sichuan Winshare Online E-commerce Co., Ltd.\* (四川文軒在線電子商務有限公司) (“**Winshare Online**” or the “**Target Company**”). Unless the context otherwise requires, terms used in this announcement shall have the same meanings as those defined in the Announcement.

As disclosed in the Announcement, the consideration for the acquisition was determined based on the asset valuation result on the entire equity value of shareholders in the Target Company (being 17% multiplied by the valuation amount of RMB204,520,000), and was arrived at after arm's length negotiations between the Company and Sichuan Xinhua Publishing and Distribution Group Co., Ltd.. In order to enable investors to further understand the valuation of the Target Company, details of the valuation method of the Target Company are summarised below:

## **RATIONALITY OF VALUATION METHOD CHOSEN**

The entire equity value of shareholders of Winshare Online is appraised using the income approach and the asset-based approach, under the premise of satisfying the valuation assumptions, the equity value of Winshare Online is estimated to be RMB19,664,300 using the asset-based approach; the equity value of Winshare Online is estimated to be RMB204,520,000 using the income approach. Through analysis and comparison, the income approach appraisal results are adopted as the final appraisal conclusion, which is mainly based on the current operating status and the future development prospects of Winshare Online.

As a book e-commerce enterprise, while consolidating the operation of self-operated e-commerce platforms on Tmall and JD.com, Winshare Online has accelerated the deployment on Douyin, Kuaishou and other emerging Internet channels, thus forming a book e-commerce chain layout covering all channels and multiple scenarios, and cooperated with Xinhua Winshare to establish a supply chain logistics system that covers the whole country and adapts to multiple business formats, forming four major logistics centers in Southwest China, East China, North China and South China. Those centers have over 850,000 types of books in stock. Leveraging their core capabilities in channels, logistics and technology, those centers have formed cooperation with more than 1,400 physical bookstores, online stores, and library distributors across the country to provide services in product organization and supply, marketing collaboration, logistics services, data applications, and Internet marketing tools.

The asset-based approach accesses the fair market value of assets from the perspective of asset replacement while the income approach is to appraise the value of the enterprise by discounting expected income, which can reflect the overall growth and profitability of an enterprise. The appraisal results of the two approaches are different due to the low book net assets as a result of accumulation of operating losses in historical years. As Winshare Online has a strong competitive edge in the book e-commerce industry, it has transitioned from the growth stage to the mature stage, and its future income can be reasonably quantified. The income approach appraisal results can more comprehensively and reasonably reflect the embedded value of the enterprise and therefore, the income approach appraisal results are adopted as the final appraisal conclusion.

## MAJOR PARAMETERS AND BASIS FOR INCOME APPROACH

The income approach appraisal is based on the historical sales and business strategies of Winshare Online and future development trends of the book market, and the perpetual period is adopted as the income period. The first phase therein is the period from 1 October 2023 to 31 December 2028, during which the income is changing based on the operation status and planning of the appraised entity; the second phase starting from 1 January 2029 is the phase of perpetual operation, assuming during which the profitability of the appraised entity will remain stable. The net profit and net cash flows for the forecast period are as follows:

*RMB0'000*

Item	October- December 2023	2024	2025	2026	2027	2028	Perpetual period
<b>Operating Income</b>	<b>85,210.00</b>	<b>330,377.00</b>	<b>346,760.00</b>	<b>361,645.00</b>	<b>374,772.00</b>	<b>384,902.00</b>	<b>384,902.00</b>
<b>Operating Costs</b>	<b>72,667.40</b>	<b>291,894.88</b>	<b>305,953.32</b>	<b>318,690.90</b>	<b>329,889.56</b>	<b>338,369.25</b>	<b>338,369.25</b>
Taxes and surcharges	33.64	104.93	110.13	114.71	118.55	121.88	121.88
Sales expenses	11,841.03	35,856.28	37,630.80	39,353.50	40,910.46	42,209.86	42,209.86
Administrative expenses	1,491.28	4,148.51	4,318.55	4,511.26	4,664.34	4,819.70	4,842.56
Financial expenses	(672.03)	(2,689.03)	(2,725.71)	(2,772.94)	(2,817.09)	(2,851.47)	(2,871.34)
Add: Other gains and losses	132.36	–	–	–	–	–	–
<b>Operating Profit</b>	<b>(18.96)</b>	<b>1,061.43</b>	<b>1,472.92</b>	<b>1,747.57</b>	<b>2,006.18</b>	<b>2,232.78</b>	<b>2,229.80</b>
<b>Total profit</b>	<b>(18.96)</b>	<b>1,061.43</b>	<b>1,472.92</b>	<b>1,747.57</b>	<b>2,006.18</b>	<b>2,232.78</b>	<b>2,229.80</b>
Less: Income tax expenses	89.57	406.98	479.70	530.11	575.70	616.67	616.23
<b>Net profit</b>	<b>(108.54)</b>	<b>654.45</b>	<b>993.21</b>	<b>1,217.46</b>	<b>1,430.48</b>	<b>1,616.11</b>	<b>1,613.57</b>
Add: Depreciation and amortization	41.33	150.76	153.39	172.82	188.87	214.34	237.19
Less: Changes in working capital	(1,295.42)	(972.91)	(1,217.84)	(1,447.91)	(1,371.77)	(1,070.23)	0.00
Other incomes	132.36	–	–	–	–	–	–
Capital expenditure	79.39	67.60	150.00	225.00	250.00	300.00	237.19
<b>Corporate Free Cash Flow</b>	<b>666.98</b>	<b>1,854.52</b>	<b>2,245.43</b>	<b>2,641.74</b>	<b>2,769.62</b>	<b>2,623.28</b>	<b>1,630.77</b>
<b>Present value (discounted over the period)</b>	<b>1,004.29</b>	<b>1,591.24</b>	<b>1,870.75</b>	<b>2,004.79</b>	<b>1,909.72</b>	<b>1,645.41</b>	<b>10,090.51</b>
<b>Operating asset value</b>	<b>20,116.71</b>						
Add: Non-operating asset value	335.48						
<b>Enterprise value</b>	<b>20,452.19</b>						
<b>Entire equity value of shareholders</b>	<b>20,452.00</b>						

## 1. Operating income

Income from October to December 2023 is estimated to be RMB852,100,000 based on the Income to be realized after the period, combined with the current situation of the industry and the sales in the historical years.

According to the monitoring data “2021 and 2022 China Book Retail Market Report” publicly published by Beijing OpenBook Co., Ltd., after years of rapid growth, online book store channel sales have entered a period of stable development in 2020. It is expected that it will maintain this development trend for a period of time to come. Winshare Online has established an omni-channel marketing strategy and had strong supply chain capabilities, the operating income growth rate of Winshare Online from 2020 to 2022 was 6.01%, 36.06% and 8.49%, which were much higher than the industry growth rate. The operating income reached more than RMB3 billion in 2022, ranking high in the book e-commerce industry, forming a certain economy of scale, and having certain room for growth in the future. From 2024 to 2028, the operating income of Winshare Online are estimated to be RMB3,303,770,000, RMB3,467,600,000, RMB3,616,450,000, RMB3,747,720,000 and RMB3,849,020,000, respectively, and the growth rates are estimated to be 3.44%, 4.96%, 4.29%, 3.63% and 2.70%. In light of the cautious forecast, the revenue growth rate in the forecast period is much lower than the historical growth rate.

## 2. Operating costs

The costs of the book-selling business consist of costs of books and logistics.

Cost of books for overseas sales: During 2020 to 2023, the cost of books for overseas sales accounted for 87.0%, 85.9%, 85.4%, and 84.8% of the revenues from sales to overseas, respectively (the cost from October to December of 2023 is determined based on the foreseeable cost expenditure). With the increase in sales volume, the cost of books has shown a downward trend year by year, assuming the decrease of 0.1% from 2024 to 2028 on annual basis.

Cost of books for domestic sales: Taking into no account the subject publications, the proportion of domestic sales cost to income of books for domestic sales is determined to be 97.2% with reference to the recent sales.

Logistics cost: In order to further strive for competitive advantages and improve user shopping experience, Winshare Online has gradually introduced carriers with high-quality services such as SF Express, JD.com and Post Standard Express\* (郵政標快) since 2023, which will result in the slight increase of the logistic cost and logistics cost is expected to account for 4.6% of income of books for overseas sales.

### 3. Expenses for the period

Selling expenses among expenses for the period mainly include employee remuneration, customer service outsourcing expenses, transportation expenses, entrusted logistics expenses, marketing expenses and others. Among them, the employee remuneration is forecasted with reference to the employee planning and taking into consideration the reasonable growth level of the remuneration; the customer service outsourcing expenses, transportation expenses, entrusted logistics expenses, marketing expenses and others are forecasted with reference to the proportion accounting for income in historical years.

Administrative expenses mainly include employee remuneration, office expenses, depreciation and amortization expenses, entertainment expenses and others. Among them, employee remuneration is forecasted with reference to the employee planning and taking into consideration the reasonable growth level of the remuneration. Depreciation and amortization expenses are forecasted based on the depreciation policy of various fixed assets and amortization policy of intangible assets of Winshare Online. Office expenses, entertainment expenses and other expenses are forecasted with reference to the proportion accounting for income in historical years.

### 4. Finance expenses

Finance expenses include interest income and platform fees. Due to the time difference between sales and purchase settlement, Winshare Online has the high amount of deposits which included in bank deposits and other non-current assets and the interest income is estimated to be 3% in the future with reference to the current interest rate. Due to the difference in the fee rate of each platform, the platform fee is estimated with reference to the proportion of 0.15% accounting for the retail business income in historical years.

### 5. Forecast period and discount rate

The weighted average cost of capital (WACC) is selected to determine the discount rate. Formula:

$$WACC = \frac{1}{1 + \frac{D}{E}} \times K_e + \frac{\frac{D}{E}}{1 + \frac{D}{E}} \times K_d \times (1-T)$$

Item	Valuation parameters	Calculation process	Key assumptions and calculation process
Income period		Perpetual period	The specific forecast period is until 2028
Discount rate	Risk-free rate of return ( $r_f$ )	Determined by the yield to maturity of long-term government bonds within 10 years from the valuation benchmark date	2.68%
	Market risk premium (Mrp)	Market risk premium is measured using the China Stock Market Index, which is calculated as follows: China market risk premium = average yield of the China equity market – China risk-free interest rate	7.12%
	Beta coefficient ( $\beta$ )	Determined by the weighted ex-financial leverage-adjusted $\beta_u$ value of comparable companies in the industry	Weighted ex-financial leverage-adjusted $\beta_u$ value of comparable listed companies in the industry 0.5530
	Enterprise-specific risk	Determined by analyzing risk factors such as industrial policies, market factors, changes in book cost, business model, interest rate fluctuations, etc.	3.5%
	Discount rate	There are various ways and means to determine the discount rate, in accordance with the principle of consistent basis between the income amount and the discount rate, the basis of income amount of the current appraisal is the free cash flow of the enterprise, and the discount rate is determined by selecting the weighted average cost of capital (WACC)	10.12%

## VALUATION METHOD AND VALUATION PROCESS UNDER THE ASSET-BASED APPROACH

### 1. The rationality of selecting the asset-based approach

Given the fact that Winshare Online can provide, and the asset valuer can also externally collect the information required to meet the requirements of the asset-based approach so that thorough investigation and valuation can be conducted on the assets and liabilities of Winshare Online. Therefore, the asset-based approach is applicable to this valuation.

### 2. The asset-based approach appraisal results

*RMB0,000*

Summary of asset-based approach appraisal results					
	Item	Book value A	Appraised value B	Increase/ decrease C=B-A	Appreciation rate % D=C/A×100
1	<b>Current assets</b>	<b>277,579.56</b>	<b>277,579.56</b>	-	-
2	<b>Non-current assets</b>	<b>59,932.21</b>	<b>69,783.93</b>	<b>9,851.72</b>	<b>16.44</b>
	Of which: Long-term equity investments	2,374.63	1,925.74	(448.89)	(18.90)
	Fixed assets	210.37	273.44	63.07	29.98
	Intangible assets	85.15	10,322.69	10,237.54	12,022.95
	Other non-current assets	57,262.06	57,262.06	-	-
3	<b>Total assets</b>	<b>337,511.77</b>	<b>347,363.49</b>	<b>9,851.72</b>	<b>2.92</b>
4	Current liabilities	345,377.21	345,377.21	-	-
5	Non-current liabilities	132.36	19.85	(112.51)	(85.00)
6	<b>Total liabilities</b>	<b>345,509.57</b>	<b>345,397.06</b>	<b>(112.51)</b>	<b>(0.03)</b>
7	<b>Shareholders' equity</b>	<b>(7,997.80)</b>	<b>1,966.43</b>	<b>9,964.23</b>	-

### 3. Valuation method for major assets

(1) The main appreciated assets of Winshare Online under valuation are intangible asset portfolio in relation to the operating platform and operating system. The income approach (multi-period excess earnings method) is adopted for the valuation. Through forecasting the income brought by the intangible asset portfolio during the income period, and discounting it with an appropriate discount rate, the accumulated present value on the valuation benchmark date is the value of the intangible asset portfolio.

#### (2) *Main parameters and valuation process*

##### ① *Contribution of intangible asset portfolio to profit before tax*

Profit before tax attributable to intangible asset portfolio = Profit before tax – Contribution from fixed assets – Contribution from human resources – Contribution from recorded intangible assets – Contribution from working capital

The factor contributions are analyzed as follows:

<b>Item</b>	<b>Valuation process</b>	<b>Relevant parameters</b>
Contribution from fixed assets	Value of fixed assets * return on investment	Return on investment is taken as 10%
Contribution from human resources	Value of human resources * return on investment Value of human resources = Recruitment (hiring) cost + training cost	Recruitment cost for management is expected to be 3% of annual payroll, and 2% of annual payroll for general staff. Expected training time for management is 2 months and 1 month for general staff. Return on investment is taken as 20%
Contribution from recorded intangible assets	Intangible asset value * return on investment	Return on investment is taken as 10%
Contribution from working capital	Working capital * return on investment	Return on investment is taken as 0.35%

② *Projected period and discount rate*

The discount rate for the technology intangible asset portfolio is determined using the “weighted average cost of capital adjustment method”.

Item	Valuation parameters	Calculation process	Key assumptions and valuation process
Income period		Income period of intangible asset portfolio of 20.25 years	To 2043
Pre-tax discount rate	Pre-tax discount rate	$WACC_{BT} = \frac{D}{D+E} \times \frac{1}{1-T} \times K_e$ $+ \frac{D}{D+E} \times K_d$	12.41%
	Risk-free rate of return ( $r_f$ )	Determined by the yield to maturity of long-term government bonds within 10 years from the valuation benchmark date	2.68%
	Market risk premium (Mrp)	The market risk premium is measured using the China Stock Market Index, which is calculated as follows: China market risk premium = average yield of China equity market – China risk-free interest rate	7.12%
	Risks specific to intangible assets	Determined by analyzing risk factors such as industrial policies, market factors, book cost changes, business model, interest rate fluctuations, technology, etc.	5%

③ *Intangible asset portfolio appraisal results*

The appraised value of the intangible asset portfolio was RMB102,520,000, including software, trademarks and copyrights. The appreciation in value was due to the fact that the book value of related costs incurred in the intangible asset portfolio was expensed and was not separately collected, while the valuation reflected its value from the perspective of contribution to earnings, which was recognised as the appreciation in value because of its greater contribution to the enterprise.

By order of the Board  
**XINHUA WINSHARE PUBLISHING AND MEDIA CO., LTD.\***  
**Zhou Qing**  
*Chairman*

Sichuan, the PRC, 18 December 2023

*As at the date of this announcement, the Board comprises (a) Mr. Zhou Qing, Mr. Liu Longzhang and Mr. Li Qiang as executive Directors; (b) Mr. Dai Weidong, Mr. Ke Jiming and Ms. Tan Ao as non-executive Directors; and (c) Mr. Lau Tsz Bun, Mr. Fang Bingxi and Mr. Li Xu as independent non-executive Directors.*

\* *For identification purposes only*