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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)**

## ANNOUNCEMENT ON CHANGES IN THE CONTENT OF A PROJECT TO BE INVESTED USING THE A SHARE ISSUE PROCEEDS

References are made to (i) the Prospectus on Initial Public Offering of A Shares of Xinhua Winshare Publishing and Media Co., Ltd. (《新華文軒出版傳媒股份有限公司首次公開發行A股股票招股說明書》) (the “**A Share Prospectus**”) as set out in the overseas regulatory announcement dated 26 July 2016; (ii) the circular dated 29 January 2016 (the “**Circular**”); and (iii) the Special Report on the Deposit and Actual Use of Proceeds in 2023 of Xinhua Winshare (《新華文軒關於2023年度募集資金存放與實際使用情況的專項報告》) as set out in the overseas regulatory announcement dated 27 March 2024 of Xinhua Winshare Publishing and Media Co., Ltd.\* (the “**Company**”), in relation to, among others, the proceeds intended to raise from the A Share Issue, its intended use and the status of its deposit and actual use. Unless the context otherwise requires, capitalized terms used herein shall have the same meanings as those defined in the A Share Prospectus and the Circular.

The gross proceeds from the initial public offering of RMB ordinary shares (A Shares) (the “**A Share Issue**”) of the Company were approximately RMB702,815,200, and the net proceeds were approximately RMB645,175,100 (the “**A Share Issue Proceeds**”) after deducting the issuing expenses of approximately RMB57,640,100. The A Share Issue Proceeds were fully received on 2 August 2016, and the Company carried out special account depository management for the A Share Issue Proceeds. The A Share Issue Proceeds are planned to be used for the education cloud service platform project, construction and upgrade of ERP project, Publications regarding the Revival of the Chinese Culture Project, upgrade and expansion of retail stores project and construction of logistics network in the western region project.

At the tenth meeting of the fifth session of the board of directors of 2024 and the fourth meeting of the fifth session of the supervisory committee of 2024 held on 27 August 2024, the Resolution on Changes in the Content of a Project to be Invested Using the Proceeds of the Company (《關於本公司募集資金投資項目內容變化的議案》) was considered and approved, respectively. It was agreed that the Company would change the content of the Publications regarding the Revival of the Chinese Culture Project, which is one of the projects to be invested using the A Share Issue Proceeds. Nevertheless, the name and direction of the project and the principal from the A Share Issue Proceeds to be used for it will remain unchanged (the “**Changes in the Content**”).

The Changes in the Content are subject to the consideration and approval of the shareholders at the general meeting of the Company.

## **INFORMATION ON THE PROJECT BEFORE THE CHANGES IN THE CONTENT**

According to the A Share Prospectus, the total investment of the Publications regarding the Revival of the Chinese Culture Project (the “**Publications regarding the Revival of the Chinese Culture Project**”), one of the projects to be invested using the A Share Issue Proceeds, was RMB50 million, of which RMB10 million was proposed to be invested using the A Share Issue Proceeds, and the remaining amount was to be funded by the self-financing of the Company.

The purpose of the Publications regarding the Revival of the Chinese Culture Project is to systematically edit and publish more than 1,000 book varieties on Chinese culture series (the book publishing plan) by integrating the Company’s publication resources, cooperating with renowned experts and scholars, and collaborating with its five publishing houses, as well as to lay the groundwork for the promotion and research of Chinese culture in China and establish the media for the dissemination of Chinese culture in the world by setting up a website on Chinese culture (the cultural website development plan) and producing feature film series on Chinese culture (the feature films plan), etc.

Before the Changes in the Content, the project is expected to have a pre-tax internal rate of return of 15.93% and a post-tax internal rate of return of 15.93% over a nine-year calculation period (including a five-year publication period and a four-year reprint and rebroadcast period).

Due to changes in market demand, the Publications regarding the Revival of the Chinese Culture Project has not yet been launched, and the A Share Issue Proceeds have not been used for it.

## **INFORMATION ON THE PROJECT AFTER THE CHANGES IN THE CONTENT**

In order to improve the efficiency of the use of the A Share Issue Proceeds, the Company proposes to change the content of the Publications regarding the Revival of the Chinese Culture Project. The content of the project after the Changes in the Content includes “Heritage Book Series” and “New Reading Series”, with Sichuan People’s Publishing House Co., Ltd. (the “**Sichuan People’s Publishing House**”) as the implementing entity. The total investment is RMB21,546,100, of which RMB10,172,400 in total is to be funded by the principal from the A Share Issue Proceeds and the interest income therefrom (which is as of 30 June 2024, subject to the amount to be settled by the bank as of the date of transfer), and the remaining amount will be funded by the self-financing of the Company, with a construction period of six years. The name and direction of the project and the principal from the A Share Issue Proceeds to be used for it will remain unchanged. Details of the Changes in the Content are as follows:

## (I) Basic information and investment plan of the project

### 1. Basic information of the project

Project name: Publications regarding the Revival of the Chinese Culture Project

Project implementing entity: Sichuan People's Publishing House

Project contents: Heritage Book Series and New Reading Series

Project construction period: six years

### 2. Investment plan of the project

After the Changes in the Content, the total investment of the project is planned to be RMB21,546,100, of which RMB10,172,400 in total is to be funded by the principal from the A Share Issue Proceeds and the interest income therefrom (which is as of 30 June 2024, subject to the amount to be settled by the bank as of the date of transfer), and the remaining amount is to be funded by the self-financing of the Company. After the Changes in the Content, the name and direction of the Publications regarding the Revival of the Chinese Culture Project and the principal from the A Share Issue Proceeds to be used for it will remain unchanged. The project investment plan is as follows:

*Unit: RMB0'000*

Series	First year	Second year	Third year	Fourth year	Fifth year	Sixth year	Total
Heritage Book Series	–	–	144.26	679.32	318.67	255.81	1,398.06
New Reading Series	6.44	92.71	79.37	173.02	358.55	46.46	756.55
<b>Total</b>	<b>6.44</b>	<b>92.71</b>	<b>223.63</b>	<b>852.34</b>	<b>677.22</b>	<b>302.27</b>	<b>2,154.61</b>

*Note: Any discrepancies between the last digits of the total number and those of the sum of individual items in the above table are due to rounding.*

(1) *Heritage Book Series*

The Heritage Book Series project consists of three series, namely “Archaeology Series”, “Cultural Heritage Series” and “Ba-Shu Culture Series”. The investment of the Heritage Book Series project is expected to be RMB13,980,600 during the construction period, starting from the third year of the project period, and the progress of the investment plan is as follows:

Total Investment and Progress Schedule of the Heritage Book Series

*Unit: RMB0'000*

<b>Investment content</b>	<b>First year</b>	<b>Second year</b>	<b>Third year</b>	<b>Fourth year</b>	<b>Fifth year</b>	<b>Sixth year</b>	<b>Total</b>
Printing and paper costs	–	–	114.21	380.50	170.00	143.55	808.25
Draft fee	–	–	23.82	248.80	101.92	89.10	463.64
Publicity and promotion costs	–	–	6.23	43.07	41.01	20.48	110.79
Others	–	–	–	6.95	5.74	2.69	15.38
<b>Total</b>	<b>–</b>	<b>–</b>	<b>144.26</b>	<b>679.32</b>	<b>318.67</b>	<b>255.81</b>	<b>1,398.06</b>

*Note: Any discrepancies between the last digits of the total number and those of the sum of individual items in the above table are due to rounding.*

(2) *New Reading Series*

The New Reading Series project consists of two series, namely “New Insights into Chinese Culture Series” and “New Interpretations of Classical Literature Series”. The investment of the New Reading Series project is expected to be RMB7,565,500 during the construction period, starting from the first year of the project period, and the progress of the investment plan is as follows:

Total Investment and Progress Schedule of the New Reading Series

*Unit: RMB0'000*

<b>Investment content</b>	<b>First year</b>	<b>Second year</b>	<b>Third year</b>	<b>Fourth year</b>	<b>Fifth year</b>	<b>Sixth year</b>	<b>Total</b>
Printing and paper costs	6.44	67.20	51.83	97.45	220.42	30.04	473.38
Draft fee	–	22.53	22.13	54.51	108.98	7.04	215.18
Publicity and promotion costs	–	2.98	5.41	18.43	22.58	7.29	56.70
Others	–	–	–	2.63	6.57	2.09	11.29
<b>Total</b>	<b>6.44</b>	<b>92.71</b>	<b>79.37</b>	<b>173.02</b>	<b>358.55</b>	<b>46.46</b>	<b>756.55</b>

*Note: Any discrepancies between the last digits of the total number and those of the sum of individual items in the above table are due to rounding.*

## (II) Economic benefit analysis of the project

During the six-year calculation period, the project is expected to achieve a cumulative net profit of RMB2,590,600, a net profit margin of 11.76%, an internal rate of return of 8.49%, a static payback period of 5.73 years and a dynamic payback period of 5.88 years (discount rate of 5%). The main economic benefit indicators are estimated as follows:

### Investment Income Statement of the Project

<b>Main indicators</b>	<b>Estimated amount</b>
Total investment (RMB0'000)	2,154.61
Expected cumulative revenue (RMB0'000)	2,202.41
Expected cumulative net profit (RMB0'000)	259.06
Expected net profit margin (%)	11.76%
Internal rate of return (%)	8.49%
Expected static payback period (years)	5.73
Expected dynamic payback period (years)	5.88

## (III) Necessity and feasibility analysis of the project

### 1. *Necessity of the project*

With the rapid development of society and the continuous renewal and iteration of culture, the Changes in the Content enable China's excellent traditional culture to be recorded systematically and scientifically, which will help to better inherit and spread China's excellent traditional culture. At present, there are limited quality publications and even fewer systematic publications regarding China's excellent traditional culture. Such Changes in the Content may deepen readers' understanding of China's excellent traditional culture and meet their cultural and spiritual needs. The in-depth study of China's excellent traditional culture is conducive to better inheriting and spreading China's excellent traditional culture, and such Changes in the Content are conducive to increasing the depth and width of relevant study, and realizing the creative transformation and innovative development of China's excellent traditional culture. It is the Company's cultural responsibility to disseminate China's excellent traditional culture and the achievements of contemporary development in China among a wide range of readers. Such Changes in the Content are conducive to aggregating high-quality publication resources, focusing on the goal of spreading China's excellent traditional culture together, boosting the cultural self-confidence, insisting on the original mission, and making new contributions to promoting the building of a culturally powerful province and a cultural power. The books involved in the project after the Changes in the Content are selected from the important theme sections that the public likes to read, and are created in a distinctive, differentiated and serialized way, which can improve the brand influence and market share of books of Sichuan People's Publishing House. In summary, such Changes in the Content will help the Company further integrate its high-quality resources, promote the extension of the Company's content value chain, continuously expand market share and improve efficiency, and achieve sustainable development.

## **2. Feasibility analysis of the project**

**In terms of the industry development**, China attaches great importance to the cultural industry, and continuously published relevant policies to support the development of the book publication industry in recent years. The Opinions on Implementing the Work of Inheriting and Developing China's Outstanding Traditional Culture (《關於實施中華優秀傳統文化傳承發展工程的意見》) in 2017 and the Special Plan for the Publication of National Key Books, Audio-visual and Electronic Publications during the 14th Five-Year Plan Period (《「十四五」時期國家重點圖書、音像、電子出版物出版專項規劃》) in 2021 further emphasize that it is necessary to strengthen the collation, compilation and publication of Chinese cultural classics and the protection and dissemination of classic literature, and make effort in the translation and publication of the classic literature. **In terms of the market**, according to the National Bureau of Statistics, both residents' per capita consumption expenditure and per capita consumption expenditure on education, culture and entertainment increased in 2023, which is conducive to further expanding the publication scale. According to the 21st National Reading Survey Report (《第二十一次全國國民閱讀調查報告》), in 2023, the overall reading rate among adults and the books reading rate among minors both showed an increase trend, and the number of per capita printed books read also experienced growth. It shows that the level of citizen education has improved, and the consumer group increased. The intellectual property protection is continuously improved, which is conducive to stimulating the enthusiasm for book creation, protecting the legitimate rights and interests of all parties in the market, and promoting the sustainable and healthy development of the book industry. Major publishing entities and book e-commerce platforms are committed to "creating a good business environment, and promoting the high-quality development of publication and distribution", thereby constantly improving the business environment. **In terms of the Company**, the Company has built a system covering five major segments namely creative content publishing, cultural consumption services, education services, supply chain services and capital operations, and conducted the operations throughout the industry chain. The Company has nine book publishing subsidiaries, published more than 6,000 books varieties annually, and has more than 100 varieties of key publications selected as national and provincial key projects, boasting a comprehensive range of publishing categories. The Company has organized and implemented large-scale excellent traditional culture inheritance and innovation publishing projects, such as "Su Triad Culture (三蘇文化) Publishing Project" and "Shu Road Culture (蜀道文化) Publishing Initiative", accumulating rich culture and rich experience in project implementation.

## **REASONS FOR THE CHANGES IN THE CONTENT**

### **1. Identification of new growth points in the project**

In recent years, the books related to China's excellent traditional culture are deeply favored by readers, and in the meantime, have been attracting growing popularity in the market. According to Beijing OpenBook, from 2021 to 2023, the proportion of sales value of the traditional culture related books in the market continued to rise; from January to July 2024, the traditional cultural related books recorded a sales value of RMB2.263 billion, accounting for 4.95% of the total sales value in the market. The net shipment value of various traditional culture related books published by the Company such as *Approaching Sanxingdui* (《走近三星堆》) and *Meizhou's Su Triad* (《眉州三蘇》) exceeds RMB1.0 million. The content of the project mainly focuses on reinterpreting and promoting China's excellent traditional culture.

### **2. Change in ways to access the Internet resulting from the development of information technology**

Before 2016, users primarily relied on computers for Internet access due to limited Internet connection speed. Based on this, the project before the Changes in the Content proposed a "Cultural Website Development Plan" to enhance its influence. According to the 2017 Statistical Bulletin on Communications Industry, the total number of 4G users reached 997 million in China, accounting for 70.21% of mobile phone users. Subsequently, 5G licenses were officially issued. According to the data from the Ministry of Industry and Information Technology, as of July 2024, the total number of mobile phone users of the three basic telecommunications companies and China Broadnet reached 1,772 million, representing a net increase of 28.12 million from the end of the previous year. Among them, the number of 5G mobile phone users reached 950 million, representing a net increase of 128 million from the end of the previous year, and accounted for 53.6% of the mobile phone users, representing an increase of 7 percentage points from the end of the previous year. Against the backdrop of a sudden increase in Internet connection speed, smartphones have replaced computers as the primary gateway for Internet access. As the "Cultural Website Development Plan" is reliant on computer webpage clicks, the model for further promoting and expanding the project's influence was materially impacted.

### **3. Shift in users' media using patterns**

The influence of short-form video has been continuously rising. According to iResearch, the market size of short-form video reached RMB5.73 billion in 2017, representing a year-on-year increase of 183.9%. According to the 2023 Live and Short-form Video Industry Research Report released by the Live and Short-form Video Special Committee of the China Federation of Internet Societies, as of December 2023, the short-form video users in China reached 1,053 million, accounting for 96.4% of all Internet users. The audience for traditional feature films has declined significantly, and their influence has gradually waned. "Modern paper books", which are printed with intelligent QR codes linking to online content resources such as audio and short-form videos, have become a more popular, affordable and influential way to deliver additional value to readers. As such, a series of feature films on China's traditional culture designed under the project before the Changes in the Content have been replaced by various audio and short-form video that are more compatible with book content.

Accordingly, the Changes in the Content will better meet market demand and enhance the efficiency of the use of the A Share Issue Proceeds. The Board believes that the Changes in the Content are in the interests of the Company and its shareholders as a whole.

## **IMPACT OF THE CHANGES IN THE CONTENT ON THE COMPANY**

The name and direction of and the principal from the A Share Issue Proceeds to be used for the Publications regarding the Revival of the Chinese Culture Project will remain unchanged. The Changes in the Content are timely adjustments made based on the implementation of the Publications regarding the Revival of the Chinese Culture Project and the Company's current development needs. Such changes are beneficial for focusing the high-quality resources of the Company's publishing houses, promoting the extension of the Company's content value chain, and improving the brand influence and market share in the mass market. The changes will also help the Company to continuously expand market share and improve efficiency, achieve sustainable development, and further enhance its influence in the industry. The changes will not have any adverse impact on the Company's financial condition or production and operation, or involve any related party transactions.

The Changes in the Content do not involve any purchase of assets from its effective controller, nor cause any harm to the interests of the Company and its shareholders as a whole.

## **POTENTIAL RISKS IN RELATION TO THE PROJECT AFTER THE CHANGES IN THE CONTENT**

### **1. Personnel risk**

Large-scale publishing projects are characterized by their high implementation difficulty and intensive workload, which place higher demands on the comprehensive capabilities of the personnel involved. Accordingly, the project may face risks such as talent loss, work skill gap, or team collaboration issues during its operation.

### **2. Progress risk**

Manuscript review is highly professional and requires strict adherence to the "three-level review and proofreading and one-level readthrough" system, resulting in a relatively slow process. For books involving highly specialized subjects, multiple rounds of discussion may be necessary. Large-scale projects require the publication of a large number of books in a relatively short period of time, which may encounter challenges in meeting the timeline for manuscript review and publication.

### **3. Operational risk**

The project's execution may encounter changes in relevant policies or market conditions, potentially causing a decline in the sales of books that were previously bestsellers. Furthermore, the influx of a large number of new books into the market could lead to an imbalanced allocation of marketing resources.



## **OPINIONS OF THE SUPERVISORY COMMITTEE AND THE SPONSOR**

Both the supervisory committee of the Company and the sponsor for the A Share Issue have consented to the Changes in the Content and believe that such matter is in the interests of the Company and its shareholders as a whole.

## **APPROVAL OF THE SHAREHOLDERS AT THE GENERAL MEETING**

In accordance with the laws and regulations of the People's Republic of China (the "PRC"), the Changes in the Content are subject to the approval of the shareholders at the general meeting of the Company. A circular containing (i) details of the Changes in the Content; and (ii) a notice of the general meeting of the Company will be dispatched to the shareholders as soon as practicable.

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

Sichuan, the PRC, 27 August 2024

*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. Deng Fumin and Mr. Han Wenlong as independent non-executive Directors.*

\* *For identification purposes only*