四川新華文軒連鎖股份有限公司
SICHUAN XINHUA WINSHARE CHAINSTORE CO.,LTD.*

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

(Stock code: 811)

ANNOUNCEMENT

DISCLOSEABLE AND CONNECTED TRANSACTION

ACQUISITION OF 51% EQUITY INTERESTS IN SICHUAN XINHUA SHANG PAPER CO., LTD.

The Board announces that on 26 August 2008, the Company entered into:

(1) the 50% Acquisition Agreement, pursuant to which the Company has conditionally agreed to acquire and the Parent has conditionally agreed to dispose of 50% of the equity interests in Xinhua Shang Paper, at an aggregate consideration of RMB12,153,100 (approximately HK$13,826,000); and

(2) the 1% Acquisition Agreement, pursuant to which the Company has conditionally agreed to acquire and Shantou Packaging has conditionally agreed to dispose of 1% of the equity interests in Xinhua Shang Paper, at an aggregate consideration of RMB243,062 (approximately HK$276,521).

As the revenue ratio calculated under Rule 14.07 of the Listing Rules exceeds 5% but is less than 25%, the Acquisitions constitute a discloseable transaction for the Company under the Listing Rules. As the Parent is a promoter and controlling shareholder of the Company, the Acquisitions also constitute a connected transaction for the Company under the Listing Rules.

The transactions contemplated under the Acquisition Agreements are subject to the requirements of reporting, announcement and approval by the Independent Shareholders (by way of poll) at the EGM under Chapter 14A of the Listing Rules. Any Shareholder who have a material interest in the Acquisitions will be required to abstain from voting at the EGM. The Parent and its associates will be required to abstain from voting at the EGM as the Parent is materially interested in the Acquisitions. Shantou Packaging, its associates and ultimate beneficial owners will also be required to abstain from voting at the EGM.

An Independent Board Committee has been formed to consider the Acquisitions, and an independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Acquisitions are fair and reasonable and whether the Acquisitions are in the interests of the Company and the Shareholders as a whole. A circular containing, among other things, details of the Acquisitions, the recommendation of the Independent Board Committee, the advice of its independent financial adviser and the notice of the EGM will be despatched to the Shareholders as soon as practicable.

THE ACQUISITION AGREEMENTS

The 50% Acquisition Agreement

Principal terms

The principal terms of the 50% Acquisition Agreement are as follows:

Date: 26 August 2008

Parties:

(1) The Parent as vendor. The Parent is a wholly State-owned company established in the PRC, and a promoter and controlling shareholder of the Company. The Parent is therefore a connected person of the Company under the Listing Rules. The Parent is principally engaged in the business of wholesaling and retailing, leasing of properties, real estate, project investment, computer software and hotel services.

(2) The Company as purchaser. The Group is currently principally engaged in (i) the operation of retail outlets for books and audio-visual products; (ii) distribution of textbooks and supplementary materials; and (iii) provision of ancillary support and services to publishers of books in the PRC.

Particulars

Pursuant to the 50% Acquisition Agreement, the Company has conditionally agreed to acquire and the Parent has conditionally agreed to dispose of 50% of the equity interests in Xinhua Shang Paper. Any subsequent transfer of the equity interests in Xinhua Shang Paper by the Company will be subject to the relevant laws, rules and regulations in the PRC.

Consideration

The 50% Acquisition constitutes a transfer of State-owned assets in the PRC. On 20 December 2007, SASAC of Sichuan preliminarily approved the 50% Acquisition. Formal approval for the 50% Acquisition was granted by SASAC of Sichuan on 31 March 2008. Pursuant to the said formal approval, the consideration for the 50% Acquisition shall not be less than the valuation of 50% of the equity interests in Xinhua Shang Paper filed with SASAC of Sichuan. The consideration for the 50% Acquisition is RMB12,153,100 (equivalent to approximately HK$13,826,000) which is based upon the valuation of Xinhua Shang Paper at RMB24,306,200 (equivalent to approximately HK$27,652,100) as at 31 May 2008 by a qualified PRC valuer, an Independent Third Party, appointed by the Parent as agreed by the Parent, Shantou Packaging and the Company. The valuation of Xinhua Shang Paper has been filed with SASAC of Sichuan.

The entire registered capital of Xinhua Shang Paper is RMB15,000,000 (equivalent to approximately HK$17,064,800) which has been fully paid up. Upon establishment of Xinhua Shang Paper in November 2004, the Parent was interested in 10% of the equity interests in Xinhua Shang Paper by contributing RMB1,500,000 (equivalent to approximately HK$1,706,500) to the registered capital of

Xinhua Shang Paper. In December 2005, the Parent acquired 40% of the equity interests in Xinhua Shang Paper from a former shareholder of Xinhua Shang Paper, which has been dissolved under the PRC laws, at a consideration of RMB6,000,000 (equivalent to approximately HK$6,825,900). As at the date of this announcement, the Parent is interested in 50% of the equity interests in Xinhua Shang Paper.

Payment terms

The consideration for the 50% Acquisition Agreement will be payable by the Company to the Parent in full in cash within 30 days from the day when the conditions mentioned below are satisfied, or such later day as agreed by both parties. The 50% Acquisition will be funded by the proceeds raised in the Company's initial public offering in May 2007 and the Directors confirm that the use of such proceeds to finance the Acquisitions is in line with the use of proceeds as set out in the prospectus of the Company dated 16 May 2007.

Conditions

Completion of the 50% Acquisition Agreement is conditional upon:

(1) the Independent Shareholders' having approved the Acquisitions in accordance with the Listing Rules (if necessary); and

(2) all necessary approvals and consent in connection with the 50% Acquisition having been obtained, and all necessary filing requirements having been fulfilled.

If either or both of the above conditions shall not have been fulfilled on or before 31 December 2008, either party is entitled to terminate the 50% Acquisition Agreement by giving written notice to the other party and no party shall have any claim against the other.

The 1% Acquisition Agreement

Principal terms

The principal terms of the 1% Acquisition Agreement are as follows:

Date: 26 August 2008

Parties:

(1) Shantou Packaging as vendor. Shantou Packaging is a limited liability company established in the PRC and is principally engaged in the business of sale of paper and paper products. The Directors confirm that to the best of their knowledge, information and belief having made all reasonable enquiry, each of Shantou Packaging and its ultimate beneficial owners is an Independent Third Party.

(2) The Company as purchaser.

Particulars

Pursuant to the 1% Acquisition Agreement, the Company has conditionally agreed to acquire and Shantou Packaging has conditionally agreed to dispose of 1% of the equity interests in Xinhua Shang Paper. Any subsequent transfer of the equity interests in Xinhua Shang Paper by the Company will be subject to the relevant laws, rules and regulations in the PRC.

Consideration

The consideration for the 1% Acquisition is RMB243,062 (equivalent to approximately HK$276,521) which is based upon the valuation of Xinhua Shang Paper at RMB24,306,200 (equivalent to approximately HK$27,652,100) as at 31 May 2008 by a qualified PRC valuer, an Independent Third Party, appointed by the Parent as agreed by the Parent, Shantou Packaging and the Company.

Payment terms

The consideration for the 1% Acquisition Agreement will be payable by the Company to Shantou Packaging in full in cash within 30 days from the day when the conditions mentioned below are satisfied, or such later day as agreed by both parties. The 1% Acquisition will be funded by the proceeds raised in the Company's initial public offering in May 2007 and the Directors confirm that the use of such proceeds to finance the Acquisitions is in line with the use of proceeds as set out in the prospectus of the Company dated 16 May 2007.

Board representation

Upon completion of the Acquisitions, the Company shall have the right to appoint three representatives to the board of directors of Xinhua Shang Paper, while Shantou Packaging shall have the right to appoint two representatives to the board of directors of Xinhua Shang Paper.

Conditions

Completion of the 1% Acquisition Agreement is conditional upon:-

(1) the Independent Shareholders' having approved the Acquisitions in accordance with the Listing Rules (if necessary); and

(2) all necessary approvals and consent in connection with the 1% Acquisition having been obtained, and all necessary filing requirements having been fulfilled.

If either or both of the above conditions shall not have been fulfilled on or before 31 December 2008, either party is entitled to terminate the 1% Acquisition Agreement by giving written notice to the other party and no party shall have any claim against the other.

INFORMATION ON XINHUA SHANG PAPER

Xinhua Shang Paper is a limited liability company established in the PRC in November 2004 with a registered capital of RMB15,000,000 (equivalent to approximately HK$17,064,800). As at the date of this announcement, Xinhua Shang Paper is owned as to 50% by the Parent and as to 50% by Shantou Packaging.

Upon completion of the Acquisitions, Xinhua Shang Paper will be owned as to 51% by the Company and 49% by Shantou Packaging. As such, Xinhua Shang Paper will become a subsidiary of the Company and the accounts of Xinhua Shang Paper will be consolidated into the accounts of the Company upon completion of the Acquisitions.

For the year ended 31 December 2006, the audited net profits both before and after taxation and extraordinary items of Xinhua Shang Paper were approximately RMB1,923,700 (equivalent to approximately HK$2,188,500) and RMB1,805,000 (equivalent to approximately HK$2,053,500) respectively prepared in accordance with the PRC generally accepted accounting principles.

For the year ended 31 December 2007, the audited net profits both before and after taxation and extraordinary items of Xinhua Shang Paper were approximately RMB1,312,200 (equivalent to approximately HK$1,492,800) and RMB869,600 (equivalent to approximately HK$989,300) respectively prepared in accordance with the PRC generally accepted accounting principles.

For the five months ended 31 May 2008, the audited net profits both before and after taxation and extraordinary items of Xinhua Shang Paper were approximately RMB4,313,300 (equivalent to approximately HK$4,907,000) and RMB3,212,800 (equivalent to approximately HK$3,655,000) respectively prepared in accordance with the PRC generally accepted accounting principles.

As at 31 December 2006, 31 December 2007 and 31 May 2008, the audited net asset value of Xinhua Shang Paper were approximately RMB17,544,000 (equivalent to approximately HK$19,959,000), RMB18,413,700 (equivalent to approximately HK$20,948,500) and RMB21,626,600 (equivalent to approximately HK$24,603,600) respectively prepared in accordance with the PRC generally accepted accounting principles.

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

The Company has provided ancillary support and services to publishers of books of general interest, textbooks and supplementary materials since 2003. The Company's ancillary support and services include selecting appropriate authors and topics, printing and delivery of finished products, including co-operative products, to its customers.

Paper is a major raw material used in the production and processing of the publications of the Group. Xinhua Shang Paper is one of the largest paper suppliers in Sichuan, PRC. The Company continuously seeks development opportunities and cooperation with enterprises in closely related industries to further strengthen the Company's market competitiveness in the ancillary support and services provision.

Through the Acquisitions, the Directors believe that the Group will be able to ensure a stable supply of paper for the Company in providing ancillary printing services to its customers and control the cost of paper used in its operation.

The terms of the Acquisition Agreements have been negotiated on an arm's length basis and are on normal commercial terms. The Directors (excluding the Independent Board Committee comprising all independent non-executive Directors and whose opinion will be set out in the circular after taking into account the independent financial adviser's advice to be set out in the circular) consider that the terms of the Acquisitions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

SHAREHOLDERS' APPROVAL FOR THE ACQUISITIONS

As the revenue ratio calculated under Rule 14.07 of the Listing Rules exceeds 5% but is less than 25%, the Acquisitions constitute a discloseable transaction for the Company under the Listing Rules. As the Parent is a promoter and controlling shareholder of the Company, the Acquisitions also constitute a connected transaction for the Company under the Listing Rules.

The transactions contemplated under the Acquisition Agreements are subject to the requirements of reporting, announcement and approval by the Independent Shareholders (by way of poll) at the EGM under Chapter 14A of the Listing Rules. Any Shareholder who have a material interest in the Acquisitions will be required to abstain from voting at the EGM. The Parent and its associates will be required to abstain from voting at the EGM as the Parent is materially interested in the Acquisitions. Shantou Packaging, its associates and ultimate beneficial owners will also be required to abstain from voting at the EGM.

GENERAL

An Independent Board Committee has been formed to consider the Acquisitions, and an independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Acquisitions are fair and reasonable and whether the Acquisitions are in the interests of the Company and the Shareholders as a whole. A circular containing, among other things, details of the Acquisitions, the recommendation of the Independent Board Committee, the advice of its independent financial adviser and the notice of the EGM will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

"1% Acquisition"	the proposed acquisition of 1% of equity interests in Xinhua Shang Paper by the Company from Shantou Packaging pursuant to the terms and conditions of the 1% Acquisition Agreement
"1% Acquisition Agreement"	a conditional agreement dated 26 August 2008 and entered into between Shantou Packaging and the Company in connection with the 1% Acquisition
"50% Acquisition"	the proposed acquisition of 50% of equity interests in Xinhua Shang Paper by the Company from the Parent pursuant to the terms and conditions of the 50% Acquisition Agreement
"50% Acquisition Agreement"	a conditional agreement dated 26 August 2008 and entered into between the Parent and the Company in connection with the 50% Acquisition
"Acquisition Agreements"	the 1% Acquisition Agreement and the 50% Acquisition Agreement
"Acquisitions"	the 1% Acquisition and the 50% Acquisition
"associate"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Company"	四川新華文軒連鎖股份有限公司 (Sichuan Xinhua Winshare Chainstore Co., Ltd.*), a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Main Board of the Stock Exchange
"Director(s)"	the director(s) of the Company
"Domestic Shares"	ordinary shares in the capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and credited as fully paid up in RMB by PRC nationals and/or PRC incorporated entities
"EGM"	an extraordinary general meeting of the Company to be convened to approve the Acquisition Agreements and the transactions contemplated thereunder
"Group"	the Company and its subsidiaries
"H Shares"	overseas listed foreign shares in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange
"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, namely Mr. Han Xiaoming, Mr. Cheng Sanguo and Mr. Chan Yuk Tong
"Independent Shareholders"	has the meaning ascribed to it under Rule 14A.10(5) of the Listing Rules, and in relation to the Company means the shareholders of the Company other than the Parent and its associates
"Independent Third Party(ies)"	third party(ies) independent of the Company and connected person(s) (as defined under the Listing Rules) of the Company and are not connected person(s) (as defined under the Listing Rules) of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Parent"	四川新華發行集團有限公司 (Sichuan Xinhua Publishing Group Co. Ltd.*), a wholly State-owned company established in the PRC, and a promoter and controlling shareholder of the Company. The Parent is a connected person of the Company under the Listing Rules
"PRC"	the People's Republic of China (for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan)
"SASAC of Sichuan"	四川省政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of the Sichuan Provincial Government of the PRC)
"Shantou Packaging"	汕頭市廣商包裝有限公司 (Shantou Guang Shang Packaging Co., Ltd.*), is a limited liability company established in the PRC on 1 September 1997 and is owned as to 90% by Mr. Xie Jiqing (謝繼青) and as to 10% by Mr. Huang Jirong (黃繼榮). As at the date of this announcement, the sole director of Shantou Packaging is Mr. Xie Jiqing (謝繼青)
"Shares"	ordinary shares of the Company with a nominal value of RMB1.00 each, comprising both Domestic Shares and H Shares
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules

"Xinhua Shang Paper"	四川新華商紙業有限公司 (Sichuan Xinhua Shang Paper Co., Ltd.*), is a limited liability company established in the PRC on 10 November 2004 and is owned as to 50% by the Parent and as to 50% by Shantou Packaging, an Independent Third Party, respectively as at the date of this announcement.
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent

For the purpose of this announcement, conversion of RMB into HK dollars is calculated at the exchange rate of HK$1.00 to RMB0.879.

By order of the Board
Sichuan Xinhua Winshare Chainstore Co., Ltd.
Gong Cimin
Chairman

Sichuan, PRC, 26 August 2008

As at the date of this announcement, the Board comprises (a) Mr. Gong Cimin and Mr. Zhang Bangkai as executive directors; (b) Ms. Wang Jianping, Mr. Zhang Chengxing, Mr. Li Jiawei, Mr. Luo Jun, Mr. Yu Changjiu, Mr. Wu Qiang, Mr. Mo Shixing and Mr. Zhao Junhuai as non-executive directors; and (c) Mr. Han Xiaoming, Mr. Cheng Sanguo and Mr. Chan Yuk Tong as independent non-executive directors.

* *For identification purposes only*