WIN SHARE

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

(1) DISCLOSEABLE TRANSACTION SUBSCRIPTION AND ACQUISITION OF EQUITY INTERESTS IN CHENGDU INSTITUTE SICHUAN INTERNATIONAL STUDIES UNIVERSITY (2) CHANGE OF USE OF PROCEEDS

DISCLOSEABLE TRANSACTION

The Board announces that on 8 June 2009, the Company entered into:

(1) The Capital Increase and Equity Transfer Agreement, pursuant to which Hongming and the Company have agreed to commit to contribute new capital for the development of the Chengdu Institute in the form of land use rights and construction in progress, and cash, respectively. The land use rights and construction in progress to be contributed by Hongming were determined at a value of RMB255,000,000 (approximately HK$289,707,000) (representing 23.83% of the equity interests of the Chengdu Institute as enlarged by the Capital Increase), and the cash to be contributed by the Company shall amount to RMB130,000,000 (approximately HK$147,694,000) (representing 12.15% of the equity interests of the Chengdu Institute as enlarged by the Capital Increase). Derui does not participate in the Capital Increase.

Immediately after the Capital Increase, Derui will transfer its 12.15% equity interests in the Chengdu Institute to the Company at a consideration of RMB130,000,000 (approximately HK$147,694,000) which shall be satisfied by the Company in cash.

The Company shall pay an aggregate consideration of RMB260,000,000 (approximately HK$295,387,000) for the Subscription and the Acquisition. Upon completion of the Capital Increase and the Acquisition, Derui, Hongming and the Company will hold 51.87%, 23.83% and 24.30% of the equity interests in the Chengdu Institute, respectively.

(2) The Cooperation Agreement, pursuant to which the Company and Hongming, as the new cooperators, have agreed to cooperate with Sichuan International Studies University and Derui in running the Chengdu Institute.

(3) The Supplemental Agreement, pursuant to which the Company, the Chengdu Institute, Derui and Hongming have further agreed on (i) the principles and manner of distributing the reasonable return of the Chengdu Institute, and (ii) arrangements in respect of tapping into the capital market by the Chengdu Institute as well as repurchase of the Company's equity interests in the Chengdu Institute by Derui and Hongming.

As one of the relevant percentage ratios calculated under Rule 14.07 of the Listing Rules is more than 5% but less than 25%, the Subscription and the Acquisition constitute a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules.

CHANGE OF USE OF PROCEEDS

The Company intends to finance the Subscription and the Acquisition with the remaining proceeds from the IPO. In addition, the PRC government is conditionally relaxing the entry barriers set for the publishing industry which has long been restricted strictly and encouraging as well as promoting the consolidation of the publishing and distribution industry, all these factors combined look set to provide the Company with valuable development opportunities. Accordingly, the Board considers that it is necessary to reallocate the use of the remaining IPO proceeds.

DISCLOSEABLE TRANSACTION

Subscription and Acquisition

Background

The Chengdu Institute, an independently-run institute jointly established by Sichuan International Studies University (being a state-run educational institution) and Derui (being a capital contributor) in 2004, enjoys the status of a legal person and is an educational institution engaged in providing tertiary education in the PRC for academic qualifications under the administration of the Department of Education of Sichuan Province, PRC. Derui currently owns 100% equity interests in the Chengdu Institute, while Sichuan International Studies University and Derui are both cooperators of the Chengdu Institute.

When the Chengdu Institute was established as an independently-run institute in 2004, Sichuan International Studies University, in the course of cooperation, contributed intangible assets including the right to use its name, advantageous educational resources, advanced experience in education and management, and the provision or arrangement of teaching staff, while Derui contributed capital valued at RMB63,000,000 (approximately HK$71,575,000).

For the business development of the Chengdu Institute, Sichuan International Studies University and Derui introduced the Company and Hongming as the new cooperators of the Chengdu Institute to jointly operate the Chengdu Institute. As such, the Company signed the following agreements on 8 June 2009:

(1) CAPITAL INCREASE AND EQUITY TRANSFER AGREEMENT

Principal terms

The principal terms of the Capital Increase and Equity Transfer Agreement are as follows:

Parties: the Chengdu Institute, Derui, Hongming and the Company

Subject

According to the Capital Increase and Equity Transfer Agreement, Hongming and the Company have agreed to commit to contribute new capital for the development of the Chengdu Institute in the form of land use rights and construction in progress, and cash, respectively. The land use rights and construction in progress to be contributed by Hongming were determined at a value of RMB255,000,000 (approximately HK$289,707,000) (representing 23.83% of the equity interests of the Chengdu Institute as enlarged by the Capital Increase), and the cash to be contributed by the Company shall amount to RMB130,000,000 (approximately HK$147,694,000) (representing 12.15% of the equity interests of the Chengdu Institute as enlarged by the Capital Increase). Derui does not participate in the Capital Increase.

Immediately after the Capital Increase, Derui will transfer its 12.15% equity interests in the Chengdu Institute to the Company at a consideration of RMB130,000,000 (approximately HK$147,694,000) which shall be satisfied by the Company in cash.

The Company shall pay an aggregate consideration of RMB260,000,000 (approximately HK$295,387,000) for the Subscription and the Acquisition. Upon completion of the Capital Increase and the Acquisition, Derui, Hongming and the Company will hold 51.87%, 23.83% and 24.30% of the equity interests in the Chengdu Institute, respectively.

The Chengdu Institute, Derui and Hongming undertake to the Company that the additional capital of RMB130,000,000 (approximately HK$147,694,000) to be contributed by the Company shall not be used for any purposes other than the operation of the Chengdu Institute.

Payment and verification of the Capital Increase and the Acquisition

(1) The Company shall contribute RMB13,000,000 (approximately HK$14,769,000) to the Chengdu Institute within 5 working days after the execution of the Capital Increase and Equity Transfer Agreement;

(2) The Company shall pay RMB84,500,000 (approximately HK$96,001,000) to Derui within 5 working days after the execution of the Capital Increase and Equity Transfer Agreement as the first tranche of payment for the Acquisition;

(3) Hongming shall complete the assignment of all state-owned land use rights certificates as contained in the Hongming Valuation Report in favour of the Chengdu Institute within 22 working days upon completion of items (1) and (2) above;

(4) The Company shall contribute RMB65,000,000 (approximately HK$73,847,000) to the Chengdu Institute within 5 working days upon completion by Hongming of item (3) above;

(5) The Company shall pay RMB19,500,000 (approximately HK$22,154,000) to Derui within 5 working days upon completion by Hongming of item (3) above as the second tranche of payment for the Acquisition;

(6) Hongming shall complete the assignment of all relevant documents, including but not limited to, all construction project document(s), land use project plan(s), construction plan document(s) and work permits as contained in the Hongming Valuation Report, in favour of the Chengdu Institute within 60 working days upon completion of items (1) and (2) above;

(7) The Chengdu Institute and Derui are responsible for obtaining necessary approvals from the competent PRC governmental authorities (including but not limited to the Ministry of Education) in respect of the Capital Increase, the Acquisition and cooperation in running the Chengdu Institute within 80 working days upon completion of items (1) and (2) above;

(8) Subject to the completion of items (6) and (7) above, the Company shall contribute RMB52,000,000 (approximately HK$59,077,000) to the Chengdu Institute within 5 working days upon receipt by the Company of a written notification from Derui;

(9) Subject to the completion of items (6) and (7) above, the Company shall pay RMB13,000,000 (approximately HK$14,769,000) to Derui within 5 working days upon receipt by the Company of a written notification from Derui as the third tranche of payment for the Acquisition;

(10) The Chengdu Institute and Derui shall within 10 working days upon completion of items (8) and (9) above appoint a professional party with appropriate qualification for capital verification to verify and report on the capital provided by all parties based on the Capital Increase and Equity Transfer Agreement, and complete the filing formalities for change of the equity structure with the Department of Civil Affairs of Sichuan Province, PRC under the relevant provisions of the Capital Increase and Equity Transfer Agreement; and

(11) Subject to the completion of item (10) above, the Company shall pay RMB13,000,000 (approximately HK$14,769,000) to Derui within 5 working days upon receipt by the Company of a written notification from Derui as the fourth tranche of payment for the Acquisition.

The aggregate consideration for the Subscription and the Acquisition shall amount to RMB260,000,000 (approximately HK$295,387,000) and shall be satisfied by the Company in cash as aforesaid. The consideration will be financed by the remaining IPO proceeds raised by the Company in May 2007 as disclosed below.

The consideration for the Capital Increase and the Acquisition was determined after arm's length negotiation among all parties with reference to the Chengdu Institute's appraised net asset value to be assessed by certified valuer in the PRC, and the valuations of the land use rights and construction in progress to be contributed by Hongming as its attributable capital increase in the Chengdu Institute.

According to the Chengdu Institute's Asset Valuation Report prepared by the Valuer, the net asset value of the Chengdu Institute as at 28 February 2009 was approximately RMB776,454,000 (approximately HK$882,134,000). As agreed by all parties, the net asset value of the Chengdu Institute was determined at RMB685,000,000 (approximately HK$778,232,000). According to the Hongming Valuation Report prepared by the Valuer, as at 28 February 2009, the land use rights and construction in progress to be contributed by Hongming were valued at approximately RMB274,853,000 (approximately HK$312,262,000). As agreed by all parties, the value of the land use rights and construction in progress of Hongming was determined at RMB255,000,000 (approximately HK$289,707,000).

Conditions precedent

The Capital Increase and Equity Transfer Agreement shall become effective upon the agreement being duly signed, sealed and delivered by the respective legal representatives or authorized attorneys of the parties thereto; the relevant resolution to approve the Capital Increase and Equity Transfer Agreement and the transactions contemplated thereunder being duly passed in accordance with the Company's articles of association and the Listing Rules; all necessary approvals and consents being obtained by all parties; and all necessary filing procedures being completed.

Termination

The Capital Increase and Equity Transfer Agreement is subject to termination in the event of, among other things, approval from the education department not being obtained for the Capital Increase and the Acquisition within 12 months after the execution of the Capital Increase and Equity Transfer Agreement.

Upon termination of the Capital Increase and Equity Transfer Agreement in the circumstances as provided for thereunder, the Chengdu Institute shall repay the Company in full the capital paid under the Capital Increase and Equity Transfer Agreement within 2 years after the termination of the Capital Increase and Equity Transfer Agreement. The repayment for the first year shall not be less than 50% of the total repayment, together with the interest accrued from the payment due date to the actual payment date, calculated at 9% per annum. Derui shall also repay the Company in full the consideration paid under the Capital Increase and Equity Transfer Agreement within 2 years after the termination of the Capital Increase and Equity Transfer Agreement. The repayment for the first year shall not be less than 50% of the total repayment, together with the interest accrued from the payment due date to the actual payment date, calculated at 9% per annum.

(2) COOPERATION AGREEMENT

Principal terms

The principal terms of the Cooperation Agreement are as follows:

Parties: Sichuan International Studies University, Derui, Hongming and the Company

Subject

According to the Cooperation Agreement, all parties agree that:

(1) the Chengdu Institute will be jointly operated;

(2) the Chengdu Institute will receive capital injection which will be made by Hongming and the Company, the new cooperators, in the form of land use rights and construction in progress, and cash, respectively;

(3) the Company will further acquire part of the equity interests in the Chengdu Institute held by Derui in cash; and

(4) upon completion of the Capital Increase and the Acquisition, Derui, Hongming and the Company will hold 51.87%, 23.83% and 24.30% of the equity interests in the Chengdu Institute, respectively.

Management system of the Chengdu Institute

The Chengdu Institute has a board of directors, which is the highest authority of the Chengdu Institute responsible for deciding on all important matters of the Chengdu Institute, including administration, financial matters, setting up of disciplines and specialities, institute development, recruitment of teachers and management personnel and purchases of materials and equipment for teaching. The board of directors of the Chengdu Institute shall comprise seven directors, among which three shall be from Sichuan International Studies University, two from Derui, one from Hongming, and one from the Company.

The Chengdu Institute shall continue to implement a president responsibility system under the leadership of the board of directors. The President shall be recommended by Sichuan International Studies University and appointed by the board of directors, responsible for the education and teaching matters, and day-to-day administration of the Chengdu Institute.

Collection and allocation of Fees

The Chengdu Institute charges its students tuition fee, accommodation fee and other charges permitted under the PRC governmental policy, in compliance with the requirement of the relevant PRC laws and regulations.

Each party agreed that the Chengdu Institute shall pay the 5-years management fee for the period from July 2008 to June 2012 in the sum of RMB33,000,000 (approximately HK$37,491,000) to Sichuan International Studies University, of which RMB20,000,000 (approximately HK$22,722,000) had been settled as at the execution date of the Supplemental Agreement, with the remaining balance to be paid before 30 June 2009. Each party also agreed that the management fee payment method of the Chengdu Institute for July 2012 onward shall be determined by Derui (on behalf of each capital contributor) and Sichuan International Studies University after considering the prevailing policies and situations to decide whether to continue to implement the agreement entered into among Derui and Sichuan International Studies University dated 10 January 2001 and the supplemental cooperative educational agreement executed on 19 September 2003 (collectively referred to as the "Original Agreement"), or to execute in compliance with the spirit of the supplemental agreement (the "Original Supplemental Agreement") entered into among Derui and Sichuan International Studies University on 4 December 2008.

According to the Original Agreement, profit allocation method starting from 2004 are as as follows:

1. As calculated under the PRC's enrollment plan of enrolling 3,000 students, the tuition income will be allocated to Sichuan International Studies University and Derui on a 35% to 65% basis after deducting the Chengdu Institute's operating cost, which shall not be more than 40% of the tuition income. In case the number of students enrolled exceeds the above scale, allocation between Sichuan International Studies University and Derui will be conducted on a 15% to 85% basis.

2. If the PRC's enrollment plan does not exceed 3,000 students, then Sichuan International Studies University shall participate in the allocation of income from other school operations of the Chengdu Institute.

3. Allocation will be made within 40 working days after the commencement of each academic year.

4. Each of Sichuan International Studies University and Derui shall be responsible to ensure and monitor 40% of the fee to be injected into the routine operation of the Chengdu Institute.

According to the Original Supplemental Agreement, Chengdu Institute shall make an one-off payment for the 5-years management fee to Sichuan International Studies University starting from 2008. Based on the management fee of RMB6,600,000 (approximately HK$7,498,000) the total amount shall be RMB33,000,000 (approximately HK$37,491,000), of which RMB20,000,000 (approximately HK$22,722,000) should be paid before 31 December 2008, while the remaining balance should be paid before 30 June 2009. Furthermore, it is agreed under the Original Supplemental Agreement that the management fees payment method of Chengdu Institute after July 2012 shall be determined by Derui and Sichuan International Studies University after considering the prevailing policies and situations to decide whether to continue to implement the Original Agreement or to execute in compliance with the spirit of the Original Supplemental Agreement.

Cooperation period and termination

The cooperation period is for a term of 30 years from the effective date of the Cooperation Agreement. The Cooperation Agreement is subject to early termination in the event of, among other things, the change of cooperators of the Chengdu Institute not being approved by the education authorities within 12 months after the execution of the Cooperation Agreement.

(3) SUPPLEMENTAL AGREEMENT

Principal terms

The principal terms of the Supplemental Agreement are as follows:

Parties: the Chengdu Institute, Derui, Hongming and the Company

Distribution and payment of reasonable return

Derui, being currently the 100% equity holder of the Chengdu Institute, and Hongming, being an associate (as defined under the Listing Rules) of Derui, have the following commitments in respect of the reasonable return to be distributed among all capital contributors:

The principles and manner of distributing the distributable return of the Chengdu Institute: distributable return represents the reasonable return generated by all incomes received by the Chengdu Institute (including tuition and accommodation fees) which, after deducting: (i) the necessary operating costs; (ii) the development fund to be accrued as required by laws and regulations; and (iii) the management fees to be received by Sichuan International Studies University pursuant to the Cooperation Agreement, can be distributed among the capital contributors.

(1) if the distributable return of the Chengdu Institute for 2009 is higher than or equal to 8% of the total effective investment of the Company, Derui and Hongming shall undertake to allocate to the Company with priority not less than 8% of the total effective investment of the Company; if the distributable return of the Chengdu Institute for 2009 is less than 8% of the total effective investment of the Company, the entire distributable return for that year will be allocated solely to the Company, while Derui and Hongming undertake to renounce their rights of distribution;

(2) if the distributable return of the Chengdu Institute for 2010 is higher than or equal to RMB23,400,000 (approximately HK$26,585,000), Derui and Hongming shall undertake to allocate not less than RMB23,400,000 (approximately HK$26,585,000) to the Company with priority; if the distributable return of the Chengdu Institute for 2010 is less than RMB23,400,000 (approximately HK$26,585,000), the entire distributable return for that year will be allocated solely to the Company, while Derui and Hongming undertake to renounce their rights of distribution;

(3) during the period from 2011 to (i) the expiration of the cooperation period under the Cooperation Agreement or (ii) the completion of the repurchases as agreed in the Supplemental Agreement, if the annual distributable return of the Chengdu Institute for each year is higher than or equal to RMB26,000,000 (approximately HK$29,539,000), Derui and Hongming shall undertake to allocate not less than RMB26,000,000 (approximately HK$29,539,000) to the Company with priority; if the annual distributable return of the Chengdu Institute for each year is less than RMB26,000,000 (approximately HK$29,539,000), the entire distributable return for that year will be allocated solely to the Company, while Derui and Hongming undertake to renounce their rights of distribution; and

(4) Derui and Hongming undertake to the Company that the Chengdu Institute shall pay the return for the previous year to the Company before 31 March of each year except for the distributable return of 2009 which shall be paid to the Company before 31 December of that year.

Tapping into the capital market and the repurchase arrangements

Each of Derui, Hongming and the Company will collectively procure and assist the Chengdu Institute or its ultimate beneficial owner(s) to endeavor to tap, either directly or indirectly, into the capital market (subject to means allowed by the laws and regulations then) in force by no later than 1 January 2014.

Each of Derui, Hongming and the Company has collectively agreed that Derui and/or Hongming will repurchase the Company's entire equity interests in the Chengdu Institute over a period of four years (i) commencing from 2014 in the event that the Chengdu Institute or its ultimate beneficial owner(s) fail(s) to list on a recognized stock exchange before 1 January 2014; or (ii) commencing from the year that the existing school licence of the Chengdu Institute is confirmed to be unsuccessfully renewal upon expiry. The specific percentage of equity interests in the Chengdu Institute to be repurchased from the Company for each year will be 6.075%, where the repurchase price for such 6.075% equity interests shall be the higher of RMB65,000,000 (approximately HK$73,847,000) or the appraised value of the assessed equity interests assessed by valuer(s) approved by the Statedowned Assets Supervision and Administration Department of the PRC. Before the completion of the above repurchase, the Company is still entitled to a distributable return calculated by the following formula:

$$\text{Distributable Return} = \frac{\text{The remaining equity proportion held by the Company after repurchase}}{24.30\%} \times \text{The entire distributable return payable to the Company for that year as agreed in the Supplemental Agreement}$$

Termination

If the Company cannot obtain approval from shareholders in relation to the Acquisition and the Capital Increase (if required), the Supplemental Agreement and the Capital Increase and Equity Transfer Agreement shall be terminated.

Information on Sichuan International Studies University

Sichuan International Studies University is a state-run educational institution approved by the Ministry of Education and Sichuan Provincial People's Government of the PRC in May 1959, providing general tertiary education under the administration of Chongqing Municipal Education Commission of the PRC.

Information on the Chengdu Institute

The Chengdu Institute is an independently-run institute providing full-time tertiary education for academic qualifications (general undergraduate level) in accordance with the "People's Republic of China Social Forces School Licence" granted by Department of Education of Sichuan Province of the PRC on 7 April 2004. The Chengdu Institute was jointly established by Sichuan International Studies University and Derui in 2004 under the administration of Department of Education of Sichuan Province of the PRC.

According to the "Registration Certificate of Private Non-enterprise Entities (Legal Person)" granted by the Department of Civil Affairs of Sichuan Province of the PRC to the Chengdu Institute on 28 April 2004, the curriculums provided by the Chengdu Institute include tertiary education for academic qualifications (general undergraduate level) of English, Japanese, German, Korean, French, Italian and Spanish.

According to the "Private School Licence" of the Chengdu Institute issued by the Department of Education of Sichuan Province of the PRC in November 2008, the current school licence is valid from November 2008 to October 2011.

The Chengdu Institute is located at Chengdu High & New-Tech Development Zone West with a campus occupying a site area of approximately 350,000 square meters and a gross floor area of approximately 260,000 square meters. The Chengdu Institute currently has over 300 professional staff members and is able to cater for approximately 10,000 students. The Chengdu Institute will make use of the cash as well as the land use rights and construction in progress to be contributed by the Company and Hongming respectively for expansion purpose. The land to be contributed by Hongming is located in Lijiang Village, Daguan Town, Dujiangyan City, Sichuan Province, PRC with an area of approximately 173,000 square meters, and the capacity of the Chengdu Institute is expected to expand to 16,000 students upon completion of expansion.

For the year ended 31 December 2007, the audited net profit both before and after taxation and extraordinary items of the Chengdu Institute prepared in accordance with the PRC generally accepted accounting principles was approximately RMB32,039,000 (approximately HK$36,400,000).

For the year ended 31 December 2008, the audited net profit both before and after taxation and extraordinary items of the Chengdu Institute prepared in accordance with the PRC generally accepted accounting principles was approximately RMB51,934,000 (approximately HK$59,002,000).

As at 31 December 2007 and 31 December 2008, the audited net asset values of the Chengdu Institute prepared in accordance with the PRC generally accepted accounting principles were approximately RMB107,757,000 (approximately HK$122,423,000) and RMB159,691,000 (approximately HK$181,426,000) respectively.

Information on Derui

Derui was incorporated in the PRC with limited liability on 3 January 1993 under the PRC laws, with registered capital and paid-up capital of RMB188,700,000 (approximately HK$214,383,000). Derui is beneficially owned by Yan Yude, Ye Jiaqi, Ye Jiayu, Yan Bixian, Yan Birong, Yan Bihui, Yan Hongjia and Wang Xiaoying as to 69.45%, 2.65%, 1.59%, 1.59%, 1.59%, 1.59%, 18.54% and 3.00%, respectively. Derui is engaged in the investment in education industry and high-tech ecological agriculture, sales of hardware, electric hardware, construction materials, general machinery, metal materials (excluding rare and precious metals) and electrical machinery, design in packaging and decoration as well as property development (provisionally category III).

Information on Hongming

Hongming was incorporated in the PRC with limited liability on 14 November 2005 under the PRC laws, with registered capital of RMB60,000,000 (approximately HK$68,166,000). Hongming is beneficially owned by Derui and Chengdu Tianren Real Estate Development Company Limited as to 40% and 60%, respectively. The principal activities of Hongming include property development, career training related to tourism and hotel management, tourism and hotel management-related training in cooperation with international organizations, investment in and management of hotels as well as investment in and management of education industry.

The Directors confirm that to the best of their knowledge, information and belief having made all reasonable enquiries, each of Sichuan International Studies University, the Chengdu Institute, Derui, Hongming and their respective ultimate beneficial owners are Independent Third Parties.

Reasons for and benefits of the Subscription and the Acquisition

The Group is principally engaged in (i) the operation of retail outlets for books and audiovisual products; (ii) distribution of textbooks and supplementary materials; and (iii) provision of ancillary support and services to publishers of books in the PRC. As detailed in the section headed "Change of use of proceeds" below, the Group will expand its business in line with the PRC governmental policy and identify investment opportunities in other culture, media and education sectors which are related to the Group's core businesses.

In view of the past performance and future development of the Chengdu Institute, together with the return distribution and repurchase undertakings provided by Derui and Hongming to the Company, the Directors consider the Subscription and the Acquisition as a chance to expand the Group's business and to further create strategic values for the Group and therefore are in the interests of the Group.

The Directors consider that the terms of the Cooperation Agreement, the Capital Increase and Equity Transfer Agreement and the Supplemental Agreement have been negotiated on an arm's length basis and are on normal commercial terms. The Directors consider that the terms of the Cooperation Agreement, the Capital Increase and Equity Transfer Agreement and the Supplemental Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

General

As one of the relevant percentage ratios calculated under Rule 14.07 of the Listing Rules is more than 5% but less than 25%, the Subscription and the Acquisition constitute a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules.

CHANGE OF USE OF PROCEEDS

The Company intends to finance the Subscription and the Acquisition with the remaining IPO proceeds raised in May 2007. As such, the Board considers it is necessary to reallocate the remaining IPO proceeds.

The H shares of the Company were listed on the Main Board of the Stock Exchange on 30 May 2007 raising an IPO proceeds of approximately RMB2,100,000,000 (approximately HK$2,385,821,000). Set out below is the utilization of the proceeds as at 31 December 2008:

Unit: RMB'million

Purpose	Proportion	Proposed Amounts	Amounts utilized	Remaining balance
Expansion of retail network by setting up retail chain bookstores	28.2%	590	50	540
Establishment of the distribution network for textbooks and supplementary materials	34.2%	720	210	510
Establishment of a nationwide wholesale network	4.3%	90	—	90
Co-operation with or acquisition of publishing entities	8.6%	180	20	160
Establishment of regional logistics centres	17.1%	360	40	320
Development of an ERP information system	2.6%	60	10	50
General working capital	5.0%	100	100	—
Total	100.0%	2,100	430	1,670

Currently, the PRC Government has sped up its process in reforming the cultural system, particularly that of the press and publishing industry. In April 2009, the General Administration of Press and Publishing of the PRC released the guidelines pertaining to the further reform of the system of the press and publishing industry. Accordingly, the PRC Government is conditionally relaxing the entry barriers set for the publishing industry, which has long been restricted strictly, and encouraging the consolidation of the publishing industry on a "cross-region, cross-media and cross-industry" basis. Moreover, the publishing and distribution industry is gradually transforming and developing from a traditional publishing and distribution industry into a modern publishing media industry, and is continuously expanding towards certain businesses including those related to culture, education and other media, changing the landscape of the industry as a whole. The PRC Government encourages those potential publishing and distribution entities to establish themselves as prominent, powerful, influential and highly-competitive publishing media groups in the PRC through consolidation. All these factors combined look set to provide the Company with valuable development opportunities.

In regard to the specific implementation, the Company will strengthen its core businesses to optimize its existing business structure. Fully capitalizing on the development opportunities arising from the transformation of publishing and distribution industry and the PRC Government's encouragement and support towards the consolidation in the publishing and distribution industry as well as the relaxation of relating entry restrictions, the Company will consider the possibility of entering into middle and upper stream of publishing industry and carry out consolidation, so as to develop and forge a complete chain of publication and distribution business.

Apart from developing its core businesses, the Company will also grasp the opportunities brought by the PRC Government's encouragement for the potential publishing and distribution entities to become influential and strong publishing media groups in the PRC by consolidation, and seek for expansion in certain publishing-related businesses including culture, education and other media businesses. The Company will also leverage on its strengths in brand recognition and capital to actively explore, attempt and expand into new business which is related to our core businesses, in order to achieve the Group's goals to ensure interconnection of its core businesses encompassing a retail network of comprehensive cultural services with a focus on publications, distribution of textbooks as well as marketing of supplementary reading materials, create new profit stream for the Company, and further enhance the Company's core competitiveness in the market and sustainable development abilities.

In view of the above factors, the Company will partially change the use of the IPO proceeds for the sake of accommodating the PRC Government's policies and making the best of the funds. The Company intends to change the use of the proceeds as follows:

1. approximately 60% to 65% of the proceeds continue to be used for the development of the Company's core publishing and distribution business. By grasping the development opportunities in the industry to identify investment opportunities and optimize certain aspects of the Company's core businesses including those mentioned in the Prospectus;

2. approximately 25% to 30% of the proceeds will be used for seeking other investment opportunities in the culture, media and education sectors which may be related to the Company's core businesses; and

3. the balance will be used as the Company's general working capital.

The Board considers that the above reallocation of proceeds is in the best interests of the Company and the Shareholders as a whole.

DEFINITIONS

"Acquisition"	the proposed acquisition by the Company of 12.15% equity interests in the Chengdu Institute from Derui in accordance with the Capital Increase and Equity Transfer Agreement
"Board"	the board of Directors of the Company
"Capital Increase"	the proposed injection of additional capital into the Chengdu Institute pursuant to the terms and conditions of the Capital Increase and Equity Transfer Agreement by Hongming and the Company in the form of land use rights and construction in progress, and cash, respectively
"Capital Increase and Equity Transfer Agreement"	a capital increase and equity transfer agreement dated 8 June 2009 entered into among the Company, the Chengdu Institute, Derui and Hongming in respect of the Capital Increase and the Acquisition
"Chengdu Institute"	Chengdu Institute Sichuan International Studies University, an independently-run institute established in the PRC providing full-time tertiary education for academic qualifications (general undergraduate level)

"Chengdu Institute's Asset Valuation Report"	a valuation report relating to the Chengdu Institute prepared by the Valuer dated 30 March 2009
"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
"Cooperation Agreement"	a cooperation agreement dated 8 June 2009 in respect of operating the Chengdu Institute entered into among the Company, Sichuan International Studies University, Derui and Hongming, pursuant to which the Company and Hongming, as the new cooperators, cooperate with Sichuan International Studies University and Derui in running the Chengdu Institute
"Derui"	四川德瑞企業發展公司 (Sichuan Derui Enterprise Development Company Limited*), a company incorporated in the PRC with limited liability
"Directors"	the directors 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
"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
"Hongming"	四川弘明置業有限公司 (Sichuan Hongming Properties Company Limited*), a company incorporated in the PRC with limited liability
"Hongming Valuation Report"	a valuation report relating to the land use rights and construction in progress to be provided by Hongming pursuant to the Capital Increase prepared by the Valuer dated 30 March 2009

"Independent Third Party(ies)"	person(s) which is(are) third party(ies) independent of the Company and its connected person(s) (as defined in the Listing Rules) and is(are) not the connected person(s) (as defined in the Listing Rules) of the Company
"IPO"	the initial public offering of the Company in May 2007, details of which are set out in the Prospectus and the relevant announcements issued by the Company subsequent to the issue of the Prospectus
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Ministry of Education"	the Ministry of Education of the PRC
"PRC"	the People's Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan)
"Prospectus"	the prospectus of the Company dated 16 May 2007
"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
"Subscription"	the proposed subscription by the Company of 12.15% equity interests in the Chengdu Institute in accordance with the Capital Increase and Equity Transfer Agreement
"Supplemental Agreement"	a supplemental agreement dated 8 June 2009 entered into among the Company,the Chengdu Institute, Derui and Hongming, supplementing the Capital Increase and Equity Transfer Agreement
"Valuer"	四川華衡資產評估有限公司 (Sichuan Huaheng Asset Valuation Company Limited*), an independent valuer approved by the State-owned Assets Supervision and Administration Department of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent

In this announcement, amounts denominated in RMB have been translated into HK$ at a rate of approximately HK$1.00 to RMB0.8802, for the purpose of illustration only.

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

Sichuan, the PRC, 8 June 2009

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. Zhao Miao 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*