四川新華文軒連鎖股份有限公司
WIN SHARE
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
DISCLOSURE ON JOINT ESTABLISHMENT OF HAINAN PUBLISHER COMPANY LIMITED*

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules.

The Board announces that on 29 December 2009, the Company entered into the Cooperation Agreement with the Department of Finance of the Hainan Province in relation to the joint establishment of Hainan Publisher Co..

The Department of Finance of the Hainan Province*（海南省財政廳）("Party A"), is a governmental authority of Hainan province of the PRC, and is the capital contributor of Hainan Publisher. Under the Cooperation Agreement, the Company shall act as a strategic investor of Hainan Publisher and shall, jointly with Party A, transform Hainan Publisher into a limited liability company and establish Hainan Publisher Co.

Hainan Publisher is well-established in the publishing industry of the PRC, and is currently the largest general publisher in the Hainan province. Its publications range from culture, education, finance, history, social science, arts and other areas. Its four product categories, namely foreign imported books category, high quality cultural and historical books category, local customs and historical books category and compulsory educational textbooks and supplementary materials category, are highly competitive in the market. Books published by Hainan Publisher have been granted various provincial and national quality book awards, and are highly influential to the society. Hainan Publisher has also been recording good sales performance and financial performance. The audited net profits after tax and extraordinary items of Hainan Publisher for the 12 months ended 31 December 2007, the 12 months ended 31 December 2008 and the 4 months ended 30 April 2009 prepared in accordance with the generally accepted accounting principles of the PRC were approximately RMB8,198,400 (approximately HK$9,299,000), RMB11,273,000 (approximately HK$12,786,500) and RMB4,006,400 (approximately HK$4,544,300) respectively.

Hainan Publisher Co., as a jointly established company, is proposed to principally engage in the business of publication of books on the political, economic, cultural, education, finance, history, social science, arts and other areas of Hainan Province and China, publication of other books, and conduct in business activities relating to works of arts and handicraft articles, paper, cultural and educational goods, printing machinery and development and operation of cultural real estate projects (as shown in the business licence registration and where an administrative licence is required for operation, such licence shall be obtained prior to operation) in the PRC.

Party A has agreed to inject the Approved Valued Assets as capital contribution while the Company has agreed to contribute RMB98,000,000 (approximately HK$111,156,481) in cash to establish Hainan Publisher Co. The Approved Valued Assets represent the assets of Hainan Publisher and three wholly-owned subsidiaries of Hainan Publisher, namely Hainan Sanhuan Publisher Distribution Company Limited* (海南三環出版發行有限公司), Hainan Electronic Audio-Video Press* (海南省電子音像出版社) and Beijing Qiongban Books Distribution Department* (北京瓊版圖書經銷部) valued at approximately RMB80,989,900 (approximately HK$91,862,778) as at 31 August 2009 by an independent valuer, and approved by the relevant governmental authority of the PRC. The total registered capital of Hainan Publisher Co. is proposed to be RMB76,000,000 (approximately HK$86,202,985) and each of Party A and the Company shall hold 50% of the equity interests in Hainan Publisher Co.

Pursuant to the Cooperation Agreement, it is agreed that each of Party A and the Company shall hold 49% and 51% of the total voting rights in Hainan Publisher Co., respectively. Upon establishment of Hainan Publisher Co., the accounts of which shall be consolidated into the accounts of the Company.

The Directors (including the independent non-executive Directors) consider that the terms of the Cooperation Agreement are determined and negotiated by Party A and the Company on an arm's length basis and are fair and reasonable, under normal commercial terms and in the interests of the Company and the Shareholders as a whole.

The transactions contemplated under the Cooperation Agreement do not constitute a notifiable and/or connected transaction on the part of the Company pursuant to the Listing Rules.

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules.

THE COOPERATION AGREEMENT

The Board announces that the Company entered into the Cooperation Agreement with Party A in relation to the joint establishment of Hainan Publisher Co.

Date:

29 December 2009

Parties:

Party A: Department of Finance of the Hainan Province* (海南省財政廳); and

Party B: the Company.

Party A is a governmental authority of Hainan province of the PRC, and a capital contributor of Hainan Publisher. The Directors confirm that, to the best of their knowledge, information and belief having made all reasonable enquiries, Party A and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

Major terms:

Under the Cooperation Agreement, the Company shall act as a strategic investor of Hainan Publisher and shall, jointly with Party A, transform Hainan Publisher into a limited liability company and establish Hainan Publisher Co. Hainan Publisher Co. is proposed to principally engage in the business of publication of books on the political, economic, cultural, education, finance, history, social science, arts and other areas of Hainan Province and China, publication of other books, and conduct in business activities relating to works of arts and handicraft articles, paper, cultural and educational goods, printing machinery and development and operation of cultural real estate projects (as shown in the business licence registration and where an administrative licence is required for operation, such licence shall be obtained prior to operation) in the PRC.

Party A has agreed to inject the Approved Valued Assets as capital contribution while the Company has agreed to contribute RMB98,000,000 (approximately HK$111,156,481) in cash to establish Hainan Publisher Co. The Approved Valued Assets represent the assets of Hainan Publisher and three wholly-owned subsidiaries of Hainan Publisher, namely Hainan Sanhuan Publisher Distribution Company Limited* (海南三環出版發行有限公司), Hainan Electronic Audio-Video Press* (海南省電子音像出版社) and Beijing Qiongban Books Distribution Department* (北京瓊版圖書經銷部) valued at approximately RMB80,989,900 (approximately HK$91,862,778) as at 31 August 2009 by an independent valuer, and approved by the relevant governmental authority of the PRC. The total registered capital of Hainan Publisher Co. is proposed to be RMB76,000,000 (approximately HK$86,202,985) and each of Party A and the Company shall hold 50% of the equity interests in Hainan Publisher Co. Out of the Approved Valued Assets to be injected by Party A, an amount totalling RMB38,000,000 (approximately HK$43,101,493) shall be applied to the registered capital of Hainan Publisher Co. and the remaining portion shall be transferred to the capital reserve fund of

Hainan Publisher Co. Out of the RMB98,000,000 (approximately HK$111,156,481) to be contributed by the Company, an amount totalling RMB38,000,000 (approximately HK$43,101,493) shall be applied to the registered capital of Hainan Publisher Co. and the remaining portion shall be transferred to the capital reserve fund of Hainan Publisher Co.

Pursuant to the Cooperation Agreement, it is agreed that each of Party A and the Company shall hold 49% and 51% of the total voting rights in Hainan Publisher Co., respectively. Upon establishment of Hainan Publisher Co., the accounts of which shall be consolidated into the accounts of the Company.

Pursuant to the Cooperation Agreement, each of Party A and the Company shall have the right to nominate three directors to the board of directors of Hainan Publisher Co., and Party A and the Company shall also have the right to jointly nominate an independent director to the board of directors of Hainan Publisher Co., who shall be an expert in the industry. The chairman of the board of directors of Hainan Publisher Co. shall be nominated by Party A and elected by the board of directors of Hainan Publisher Co.

Pursuant to the Cooperation Agreement, each of Party A and the Company shall have the right to nominate one supervisor to the supervisory committee of Hainan Publisher Co., and one employee-elected supervisor will be elected by the employees of Hainan Publisher Co. The chairman of the supervisory committee of Hainan Publisher Co. shall be nominated by Party A and elected by the board of supervisors of Hainan Publisher Co.

Pursuant to the Cooperation Agreement, the Company shall have the right to nominate the General Manager of Hainan Publisher Co., who shall be appointed by the Board.

REASONS FOR AND BENEFITS OF THE JOINT ESTABLISHMENT OF HAINAN PUBLISHER CO.

Currently, 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 book publishers in the PRC.

The Directors consider that the cooperation with Party A to establish Hainan Publisher Co. is beneficial to the Company as a strategic investor, for the following reasons:

Further materialisation of the Company's cross-region cooperation

Hainan Publisher is highly influential in the publishing industry in Hainan province of the PRC, and has distinctive geographical edges and leading market position in the publishing industry of the PRC. The cooperation with Party A to establish Hainan Publisher Co. can further materialise the Company's cross-region cooperation and realise the Company's strategic plans in respect to the Hainan market, so as to capture larger local market share. In addition, the PRC government is currently encouraging and promoting more cross-region reconstruction and cooperation amongst publishing enterprises in the PRC. The cooperation with Party A to establish Hainan Publisher Co. involves vertical integration of publishing industry. If the cooperation is successful, it can provide valuable experience to the Company in terms of future cross-region cooperation, and will be beneficial to the further development of the Company's external businesses, as well as materialise the adjustments to the Company's existing strategies.

Development of the business chain of the Company into a one-stop operation

The joint transformation of Hainan Publisher and the joint establishment of Hainan Publisher Co. with Party A will allow the Company to access extensive and excellent publication resources, and can facilitate the upstream expansion into the publishing business chain and accumulate valuable experience in that area in accordance with the Company's existing strategic directions, to develop the business chain of the Company into a one-stop operation. At the same time, the quality products of Hainan Publisher Co. will inject into the Company distribution channels including retail business and Zhongpan, which will facilitate closer interactions between the Company's internal contents publishing business and the distribution channels, so as to further enhance the Company's core competitiveness.

Positive impacts on the capital market

The cooperation with Party A to establish Hainan Publisher Co. involves acquisition of the high quality assets of Hainan Publisher, which is in line with the Company's business strategies and shall assist the Company in meeting the expectations of investors in the capital market. The expansion of the Company shall have positive impacts on the Company in the capital market and shall be beneficial to the Company in its further acquisition and reorganisation in the future which will provide sound investment returns for the Shareholders.

The audited net profits after tax and extraordinary items of Hainan Publisher for the 12 months ended 31 December 2007, the 12 months ended 31 December 2008 and the 4 months ended 30 April 2009 prepared in accordance with the generally accepted accounting principles of the PRC were approximately RMB8,198,400 (approximately HK$9,299,000), RMB11,273,000 (approximately HK$12,786,500) and RMB4,006,400 (approximately HK$4,544,300) respectively.

The Directors (including the independent non-executive Directors) consider that the terms of the Cooperation Agreement are determined and negotiated by Party A and the Company on an arm's length basis and are fair and reasonable, under normal commercial terms and in the interests of the Company and the Shareholders as a whole.

The transactions contemplated under the Cooperation Agreement do not constitute a notifiable and/or connected transaction on the part of the Company pursuant to the Listing Rules.

DEFINITIONS

For the purposes of this announcement, capitalised terms appearing herein shall, unless the context otherwise requires, have the meanings set out below:

"Approved Valued Assets"	the assets of Hainan Publisher and three wholly-owned subsidiaries of Hainan Publisher, namely Hainan Sanhuan Publisher Distribution Company Limited* (海南三環出版發行有限公司), Hainan Electronic Audio-Video Press* (海南省電子音像出版社) and Beijing Qiongban Books Distribution Department* (北京瓊版圖書經銷部) valued at approximately RMB80,989,900 (approximately HK$91,862,778) as at 31 August 2009 by Beijing Zhongkehua Assets Valuation Company Limited* (北京中科華資產評估有限公司), an independent valuer, and approved by the relevant governmental authority of the PRC
"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 of Hong Kong Limited
"Cooperation Agreement"	a cooperation agreement entered into between Party A and the Company dated 29 December 2009 in relation to the joint establishment of Hainan Publisher Co.
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries
"Hainan Publisher"	海南出版社 (Hainan Publisher*)
"Hainan Publisher Co."	海南出版社有限公司 (Hainan Publisher Company Limited*), a limited liability company to be established by Party A and the Company in the PRC pursuant to the Cooperation Agreement, the company name of which shall be subject to the approval of the relevant governmental authority of the PRC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Party A"	Department of Finance of the Hainan Province* (海南省財政廳)

"PRC" or "China"	the People's Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan)
"Shareholder(s)"	the shareholder(s) of the Company
"Zhongpan"	中盤, an intermediary service platform between small-to-medium sized publishers and independent bookstores/chain stores, providing sales and distribution channels and support to the upstream publishers and providing supplies and products to the downstream bookstores/chain stores
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC

In this announcement, amounts denominated in RMB have been translated into HK$ at a rate of approximately HK$1.00 to RMB0.88164, for the purpose of illustration only.

By order of the Board
SICHUAN XINHUA WINSHARE CHAINSTORE CO., LTD.*
Gong Cimin
Chairman

Sichuan, PRC, 29 December 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. Yu Changjiu, Mr. Li Jiawei, Mr. Luo Jun, Mr. Wu Qiang, Mr. Zhang Chengxing, Mr. Zhao Junhuai and Mr. Zhao Miao 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*