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)

CONNECTED TRANSACTION

FORMATION OF JOINT VENTURE COMPANY

The Board announces that on 18 May 2010, the Company entered into the Joint Venture Agreement with the Parent Company and Gold Abacus, pursuant to which, amongst others, the Company, the Parent Company and Gold Abacus agreed to establish the JVC with a registered capital of RMB30 million, which will be owned by the Company, the Parent Company, and Gold Abacus as to 75%, 15% and 10% respectively. The JVC is proposed to principally engage in the business of the provision of online transactions related services with respect to the publications and cultural products.

The Parent Company, being a promoter and the controlling shareholder of the Company, is a connected person of the Company under the Listing Rules. Therefore, the Transaction constitutes a connected transaction of the Company pursuant to the Listing Rules.

As each of the relevant applicable percentage ratios (other than the profit ratio) calculated in accordance with the Listing Rules is more than 0.1% but less than 2.5%, the Transaction constitutes a connected transaction of the Company which is exempt from the independent shareholders' approval requirement but subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

JOINT VENTURE AGREEMENT

A summary of the major terms of the Joint Venture Agreement is set out as follows:

Date: 18 May 2010

Parties: (1) the Company

(2) the Parent Company

(3) Gold Abacus

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the date of this announcement, Gold Abacus and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

Proposed name of The JVC:

文軒書網有限公司 (Winshare Book-online Company Limited*) (subject to approval by relevant PRC authorities)

Purpose of the JVC:

The JVC is proposed to principally engage in the provision of online transactions related services in relation to the publications and cultural products.

Business scope of the JVC:

The proposed scope of business of the JVC shall include the provision of computers-related services and advertising-related services, retailing and wholesaling and the provision of e-commerce services (subject to the scope of business as approved by relevant administration for industry and commerce).

Capital Contribution:

The total registered capital of the JVC is proposed to be RMB30 million. Such registered capital was determined after arm's length negotiations among the Joint Venture Parties with reference to their proposed capital requirement for the business of the JVC. Apart from the capital contribution, there is no other capital commitment provision contained in the Joint Venture Agreement. The capital contribution and the equity interests of each of the Joint Venture Parties are set out as follows:

Joint Venture Party	**Capital Contribution** RMB	**Equity Interests**
the Company	22,500,000	75%
the Parent Company	4,500,000	15%
Gold Abacus	3,000,000	10%

The Joint Venture Parties shall make their respective capital contribution in cash by transferring such amount of money in full to a temporary bank account of the JVC within 10 days after the Joint Venture Agreement takes effect (i.e on or before 28 May 2010).

Board Composition, Supervisory Committee and Senior Management of the JVC

The board of directors of the JVC shall be comprised of seven directors, four of whom shall be recommended by the Company, two recommended by the Parent Company and one recommended by Gold Abacus. The chairman of the board of the directors shall be the director recommended by the Company. The directors shall have a term of office for three years and may be reappointed.

The supervisory committee of the JVC shall be comprised of three supervisors, one of whom shall be recommended by the Company, one recommended by Gold Abacus and one recommended by employee representatives union of the JVC. The chairman of the supervisory committee shall be the supervisor recommended by the Company.

Subject to the approval of the board of directors, the general manager of the JVC shall be recommended by the Company and the chief financial officer of the JVC shall be nominated by the chairman of the board of directors.

Pre-emptive Rights

Any transfer of interest in the registered capital of the JVC by any of the Joint Venture Parties is subject to the pre-emptive rights of the other Joint Venture Parties.

REASONS FOR AND BENEFIT OF THE TRANSACTION

The Board considered that the proposed establishment of the JVC would assist the Company to proactively respond to the market movement and expand its business layout in the sector of e-commerce services with respect to publications. Moreover, the Transaction could be regarded as a realisation of the Company's development strategy and facilitates the expansion of the Company's business mode of the provision of e-commerce services with respect to publications and improving the sustainability of the Company.

INFORMATION ABOUT THE GROUP

The Group is 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 book publishers in the PRC.

INFORMATION ABOUT THE PARENT COMPANY AND GOLD ABACUS

The Parent Company is principally engaged in the business of wholesaling and retailing, leasing of properties, real estate, project investment, computer software and hotel services.

Gold Abacus is principally engaged in the research, development and sales of, and provision of technical services for computer software.

IMPLICATIONS UNDER THE LISTING RULES

The Parent Company, being a promoter and the controlling shareholder of the Company, is a connected person of the Company under the Listing Rules. Therefore, the Transaction constitutes a connected transaction of the Company pursuant to the Listing Rules.

Since each of the relevant applicable percentage ratios (other than the profit ratio) calculated in accordance with the Listing Rules is more than 0.1% but less than 2.5%, the Transaction constitutes a connected transaction of the Company which is exempt from the independent shareholders' approval requirement but subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

GENERAL

The Directors (including the independent non-executive Directors) are of the view that the terms of the Joint Venture Agreement and the Transaction are on normal commercial terms and are fair and reasonable and in the best interest of the Group and the Shareholders as a whole.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

"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;
"Gold Abacus"	重慶金算盤軟件有限公司(Chongqing Gold Abacus Software Company Limited*), a limited liability company incorporated in the PRC;
"Group"	the Company and its subsidiaries;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Joint Venture Agreement"	a joint venture agreement dated 18 May 2010 entered into among the Company, the Parent Company and Gold Abacus in relation to the formation of the JVC;
"Joint Venture Parties"	the Company, the Parent Company and Gold Abacus;
"JVC"	文軒書網有限公司 (Winshare Book-online Company Limited*), a limited liability company to be established in the PRC pursuant to the Joint Venture Agreement, which is to be owned by the Company, the Parent Company, and Gold Abacus as to 75%, 15% and 10% respectively;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Parent Company"	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, which is a promoter and the controlling Shareholder of the Company;

"PRC"	the People's Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan);
"RMB"	Renminbi, the lawful currency of the PRC;
"Shareholder(s)"	shareholder(s) of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Transaction"	the transactions contemplated under the Joint Venture Agreement; and
"%"	per cent.

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

Sichuan, the PRC, 18 May 2010

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*