WIN SHARE

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: 00811)

DISCLOSEABLE AND EXEMPTED CONNECTED TRANSACTION

ACQUISITION OF 51% EQUITY INTEREST IN SICHUAN WENZHUO

On 6 November 2012, the Company entered into the Equity Transfer Agreement with Zhuotai Industrial, pursuant to which the Company has agreed to purchase and Zhuotai Industrial has agreed to sell 51% equity interest in Sichuan Wenzhuo (i.e. the Target Interest) at a consideration of RMB286,800,000 (equivalent to approximately HK$355,632,000).

As at the date hereof, Zhuotai Industrial is a substantial shareholder of Chengdu Zhongzhuo, a non-wholly owned subsidiary of the Company. Therefore, Zhuotai Industrial is regarded as a connected person of the Company at the subsidiary level and the Acquisition contemplated under the Equity Transfer Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

The relevant percentage ratios for the Acquisition are over 5% but less than 25%. As the Acquisition is a connected transaction under Rule 14A.31(9) of the Listing Rules, it is exempt from the reporting, announcement and independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Nevertheless, given that the Acquisition constitutes a discloseable transaction for the Company, it is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

BACKGROUND

In accordance with the Group's development strategy on establishment of the first class culture and media group in the PRC, the education industry will be one of the significant business segments of the Group. Tapping into the vocational education industry will benefit the Group in quickly facilitating its deployment in such industry.

Zhuotai Industrial began to engage in vocational education business since 2006, including the opening of Sichuan Union School of Economics*(四川聯合經濟學校). Zhuotai Industrial accumulated extensive experience in vocational education management, has ample resources in vocational education business and is one of the leading entities in the vocational education industry in Southwest China.

Through the cooperation with Zhuotai Industrial, the Company can fully capitalize from the experiences and advantages enjoyed by Zhuotai Industrial in the vocational education business, so as to establish its education business unit rapidly from a more matured platform. Meanwhile, the Group will also be benefitted from in-depth control over teaching materials for vocational education and publication of teachers' manual, thereby expanding the Company's market share in the educational publishing sector.

Upon substantial negotiations, both parties agree that for the purpose of collective operation of the vocational education business, the Company will acquire part of the vocational education business, including Sichuan Union School of Economics, from Zhuotai Industrial. As a provisional arrangement for the collective operation of vocational education business between the Company and Zhuotai Industrial, the Company and Zhuotai Industrial (which was still an independent third party at that time) jointly established Chengdu Zhongzhuo in July 2012, with respective contributions of cash of RMB29,580,000 and assets with the appraised value of RMB28,420,000, so as to undertake part of the non-core business (such as logistics services, etc.) of Sichuan Union School of Economics. As at the date hereof, the Company and Zhuotai Industrial hold 51% and 49% equity interests in Chengdu Zhongzhuo, respectively.

At present, Zhuotai Industrial has already injected most of its assets and businesses relating to the education business to Sichuan Wenzhuo and Chengdu Zhongzhuo by legal means. In order to further undertake the vocational education business of Zhuotai Industrial, the Company intended to acquire 51% equity interest in Sichuan Wenzhuo from Zhuotai Industrial and entered into the Equity Transfer Agreement with Zhuotai Industrial on 6 November 2012.

THE ACQUISITION

Pursuant to the Equity Transfer Agreement, the Company has agreed to purchase and Zhuotai Industrial has agreed to sell 51% equity interest in Sichuan Wenzhuo (i.e. the Target Interest) at a consideration of RMB286,800,000 (equivalent to approximately HK$355,632,000).

The principal terms of the Equity Transfer Agreement are set out below:–

Date

6 November 2012

Parties

Purchaser: The Company

Vendor: Zhuotai Industrial

Interest to be acquired

Pursuant to the Equity Transfer Agreement, the Company has agreed to purchase and Zhuotai Industrial has agreed to sell 51% equity interest in Sichuan Wenzhuo, which is a wholly-owned subsidiary of Zhuotai Industrial prior to the Acquisition.

Consideration and payment terms

The consideration for the Target Interest, being RMB286,800,000 (equivalent to approximately HK$355,632,000), will be settled by the Company in cash by its internal resources in accordance with the following manners:

(i) the first installment of RMB200,000,000 payable within 5 working days upon the effective date of the Equity Transfer Agreement, among which the Company has already made an advance payment of RMB30,000,000 to Zhuotai Industrial on 30 April 2012; and

(ii) the balance of RMB86,800,000 payable within 10 working days upon the completion date of the transfer of the Target Interest and fulfillment of all the undertakings by Zhuotai Industrial with respect to Sichuan Wenzhuo in the aspects of business, employees and establishment of internal control system.

The above consideration was determined with reference to the factors such as financial conditions and development prospect of Sichuan Wenzhuo, including but not limited to (i) the Target Interest attributable to the appraised net assets value of Sichuan Wenzhuo as at 30 September 2012, the valuation reference date and (ii) the proposed stripping of excess assets of RMB410,000,000 of Sichuan Wenzhuo, which is pending the approval(s) of the relevant governmental authorities (more details please refer to the paragraph headed "INFORMATION OF SICHUAN WENZHUO" below). The said appraisal was conducted by Beijing China Enterprise Appraisals Co., Ltd.* (北京中企華資產評估有限責任公司), a qualified independent professional valuer in the PRC, by using the asset-based approach. Accordingly, the Directors (including the independent non-executive Directors) are of the view that the consideration for the Target Interest is fair and reasonable and in the interests of the Company and the Shareholders taken as a whole.

Conditions precedent

The Equity Transfer Agreement is conditional upon the following:

(i) all the necessary approvals and consents for the Acquisition and the related matters have been obtained by the Company;

(ii) there is no material adverse change in the business operation and financial conditions of Sichuan Wenzhuo since 30 September 2012 up to the date of the Equity Transfer Agreement; and

(iii) the representations and undertakings given by Zhuotai Industrial, in all material aspects, are true, accurate and complete and contain no misleading statements.

Completion

Subject to the Company paying the first installment in full, Zhuotai Industrial undertakes to complete all the registration and filing procedures for the transfer of the Target Interest by 31 December 2012. Zhuotai Industrial also guarantees that the net assets of Sichuan Wenzhuo as at the completion date of the transfer of the Target Interest shall be not less than RMB531,900,000 and if not, Zhuotai Industrial shall make capital injection to make up any difference to Sichuan Wenzhuo within 20 working days after the completion date of the transfer of the Target Interest.

After the completion of the Acquisition, Sichuan Wenzhuo will become a non-wholly owned subsidiary of the Company, which will be owned as to 51% and 49% by the Company and Zhuotai Industrial respectively.

INFORMATION ON SICHUAN WENZHUO

Sichuan Wenzhuo is a limited liability company incorporated in the PRC in July 2012 with a registered capital of RMB510,000,000 at the time of its incorporation. Currently, Sichuan Wenzhuo holds lands of approximately 580 acreages, property of approximately 260,000 square metres as well as certain education equipment and facilities. As at the date hereof, Sichuan Wenzhuo is wholly-owned by Zhuotai Industrial.

In September 2012, Sichuan Wenzhuo made an application to the relevant governmental authorities for stripping the excess assets of RMB410,000,000. If the application is approved, the net assets of Sichuan Wenzhuo is expected to be approximately RMB536,000,000 after completion of the assets stripping.

Set out below is the basic financial information of Sichuan Wenzhuo which was prepared in accordance with the PRC accounting standards:

	Unit: RMB'000 (approximate)
Book value of the net assets as at 30 September 2012 (audited)	950,357
Appraised net assets value as at 30 September 2012	946,182
Net profits/(net loss) before taxation and extraordinary items for the nine months ended 30 September 2012 (audited)	(134)
Net profits/(net loss) after taxation and extraordinary items for the nine months ended 30 September 2012 (audited)	(134)

REASONS FOR THE ACQUISITION

As mentioned above, the Acquisition is one of the steps taken for implementation of the collective operation of the vocational education business between the Company and Zhuotai Industrial. Both parties agree that if there remains any education business solely engaged by Zhuotai Industrial, Zhuotai Industrial undertakes to inject the same to Sichuan Wenzhuo by legal means. After injection of all the education business under Zhuotai Industrial to Sichuan Wenzhuo and Chengdu Zhongzhuo, the Company and Zhuotai Industrial may consider merging Sichuan Wenzhuo with Chengdu Zhongzhuo. If any of the above transactions realizes in future, where necessary, the Company will make disclosure, as and when appropriate, in strict compliance with the relevant provisions of the Listing Rules.

The Board believes that the Group can quickly formulate its education business through the Acquisition, which in turn facilitates to achieve the goals for its expansion into education business. In the meantime, it can promote the development of the Group's existing main businesses, thereby causing synergy effect between its business segments. There will also be new sources of profit to the Group in the short term that will enhance the Group's profitability.

The terms of the Equity Transfer Agreement have been determined after arm's length negotiations between the Company and Zhuotai Industrial. The Directors (including the independent non-executive Directors) consider that the Equity Transfer Agreement was entered into in the ordinary course of business of the Company and on normal commercial terms and the terms thereof are fair and reasonable and in the interests of the Company and Shareholders taken as a whole.

INFORMATION ON THE COMPANY AND ZHUOTAI INDUSTRIAL

The Company is principally engaged in sales of publications and electronic publications, wholesale of audio and visual products, production and distribution of electronic publications and audio and visual products, publications, etc.

Zhuotai Industrial is a limited liability company incorporated in the PRC and is principally engaged in investment in education sector, etc.

RELATIONSHIP BETWEEN PARTIES AND LISTING RULES IMPLICATIONS

As at the date hereof, Zhuotai Industrial is a substantial shareholder of Chengdu Zhongzhuo, a non-wholly owned subsidiary of the Company. Therefore, Zhuotai Industrial is regarded as a connected person of the Company at the subsidiary level and the Acquisition contemplated under the Equity Transfer Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

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There are no Directors who have material interest in the Equity Transfer Agreement and the Acquisition. Accordingly, none of the Directors were required to abstain from voting on the relevant Board resolutions.

DEFINITIONS

In this announcement, the following terms shall have the meanings set out below, unless the context otherwise requires:

"Acquisition"	the acquisition of the Target Interest by the Company from Zhuotai Industrial pursuant to the Equity Transfer Agreement
"Board"	the board of Directors
"Chengdu Zhongzhuo"	Chengdu Zhongzhuo Investment Co., Ltd.* (成都中卓投資有限公司), a limited liability company incorporated in the PRC and a non-wholly owned subsidiary of the Company, which is owned as to 51% and 49% by the Company and Zhuotai Industrial respectively
"Company"	Xinhua Winshare Publishing and Media Co., Ltd.* (新華文軒出版傳媒股份有限公司), 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

"connected person(s)"	has the same meaning as ascribed to this term under the Listing Rules
"Directors"	the directors of the Company
"Equity Transfer Agreement"	the equity transfer agreement dated 6 November 2012 entered into between the Company and Zhuotai Industrial, pursuant to which the Company has agreed to purchase and Zhuotai Industrial has agreed to sell the Target Interest at the consideration of RMB286,800,000
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"percentage ratios"	has the same meaning as ascribed to this term under the Listing Rules
"PRC"	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)"	shareholder(s) of the Company
"Sichuan Wenzhuo"	Sichuan Wenxuan Zhuotai Investment Co., Ltd.* (四川文軒卓泰投資有限公司), a limited liability company incorporated in the PRC, which is wholly-owned by Zhuotai Industrial prior to the Acquisition
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder"	has the same meaning as ascribed to this term under the Listing Rules
"Target Interest"	51% equity interest in Sichuan Wenzhuo
"Zhuotai Industrial"	Sichuan Zhuotai Industrial Co., Ltd.* (四川卓泰實業有限公司), a limited liability company incorporated in the PRC, a connected person of the Company at the subsidiary level
"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 only, the exchange rate of RMB1.00 = HK$1.24 was used.

By order of the Board
XINHUA WINSHARE PUBLISHING AND MEDIA CO., LTD.*
Gong Cimin
Chairman

Sichuan, PRC
6 November 2012

As at the date of this announcement, the Board comprises (a) Mr. Gong Cimin, Mr. Zhao Miao and Mr. Luo Yong as executive Directors; (b) Mr. Luo Jun, Mr. Zhang Chengxing and Mr. Zhao Junhuai as non-executive Directors; and (c) Mr. Chan Yuk Tong, Mr. Han Xiaoming and Mr. Han Liyan as independent non-executive Directors.

* *For identification purposes only*