THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountants or other professional adviser.

If you have sold or transferred all your shares in Xinhua Winshare Publishing and Media Co., Ltd.* (the "**Company**"), you should at once hand this circular with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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: 811)

RENEWAL OF CONTINUING CONNECTED TRANSACTION AND PROPOSED APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR

Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders of
Xinhua Winshare Publishing and Media Co., Ltd.*

HALCYON 鎧盛

Halcyon Capital Limited

A letter from the Board is set out on pages 5 to 16 of this circular.

A letter from the Independent Board Committee is set out on page 17 of this circular.

A letter from Halcyon Capital Limited, the Independent Financial Adviser, containing its recommendations to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 34 of this circular.

The notice of the EGM and a form of proxy have been despatched to Shareholders on 5 January 2016.

Whether or not you are able to attend the meeting in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon. In case of H Shares, the proxy form shall be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and in case of Domestic Shares, the proxy form shall be lodged at the head office of the Company in the PRC, not less than 24 hours before the time for holding the EGM (or any adjournment thereof) or before the time appointed for taking the poll. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

* *For identification purposes only*

7 January 2016

CONTENTS

Pages

In this circular, the following expressions shall have the meanings stated below unless the context otherwise requires:

"Articles of Association"	the articles of association of the Company as amended from time to time
"associate(s)"	has the same meaning as ascribed to this term under the Listing Rules
"Board"	the board of Directors
"CCT Announcement"	the announcement of the Company dated 23 November 2015 in relation to, among other things, the entering into of the Renewed Publications Purchase Agreement
"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
"Company Law"	the Company Law of the PRC (《中華人民共和國公司法》) as enacted by the Standing Committee of the Eighth National People's Congress of the PRC on 29 December 1993
"connected person(s)"	has the same meaning as ascribed to this term under the Listing Rules
"controlling shareholder(s)"	has the same meaning as ascribed to this term under the Listing Rules
"Digital Reading Contents"	copyright works produced and uploaded by Winshare Online to the Online Sales Platforms for end users to read via PCs, e-book readers or mobile phones, which are based on the e-book contents and the online novels with legitimate rights owned by and delivered to Winshare Online by the Group (excluding Winshare Online) under the Renewed Publications Purchase Agreement
"Directors"	the directors of the Company

"Domestic Share(s)"	ordinary shares 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"	the extraordinary general meeting of the Company to be held at 10:00 a.m. on Thursday, 18 February 2016 at Sichuan Xinhua International Hotel, No. 8 Guzhongshi Street, Chengdu, Sichuan, the PRC, for, among other things, (i) the Independent Shareholders to consider and, if thought fit, approve the Renewed Publications Purchase Agreement and the transactions contemplated thereunder and (ii) for the Shareholders to consider and, if thought fit, approve the appointment of Mr. Chan Yuk Tong as independent non-executive Director
"EGM Notice"	the notice dated 5 January 2016 convening the EGM
"Group"	the Company and its subsidiaries
"H Share(s)"	overseas listed foreign share(s) with a nominal value of RMB1.00 each in the ordinary share capital of the Company, all of which are listed on the Main Board of the Stock Exchange
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the Board comprising all independent non-executive Directors, namely Mr. Mak Wai Ho, Mr. Han Liyan and Ms. Xiao Liping
"Independent Financial Adviser"	Halcyon Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Renewed Publications Purchase Agreement and the transactions contemplated thereunder, being a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO
"Independent Shareholders"	Shareholders other than Sichuan Xinhua Publishing Group and its associates

"INED Announcement"	the announcement of the Company dated 23 November 2015 in relation to, among other things, the proposed appointment of independent non-executive Director
"Latest Practicable Date"	5 January 2016, being the latest practicable date prior to the printing of this circular for ascertaining information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Online Sales Platforms"	Winshare Online's e-commerce platform, WinXuan.com and other online sales platforms
"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 circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
"Previous Publications Purchase Agreement"	an agreement dated 20 December 2012 entered into between the Company and Winshare Online in connection with the purchase of Subject Publications by Winshare Online from the Company for the period from 1 January 2013 to 31 December 2015
"Publications"	paper publications, electronic publications and audio and visual productions provided by the Group (excluding Winshare Online) to Winshare Online under the Renewed Publications Purchase Agreement
"Renewed Publications Purchase Agreement"	the framework agreement dated 23 November 2015 entered into between the Company and Winshare Online, pursuant to which the Company has agreed to sell and Winshare Online has agreed to purchase the Subject Publications from the Company for the period from 1 January 2016 to 31 December 2018
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

"Share(s)"	Domestic Shares and H Shares
"Shareholder(s)"	holder(s) of the Share(s)
"Sichuan Development"	Sichuan Development Holding Co., Ltd.* (四川發展(控股)有限責任公司), a state-owned entity established in the PRC and the ultimate controlling shareholder of the Company
"Sichuan Xinhua Publishing Group"	Sichuan Xinhua Publishing Group Co., Ltd.* (四川新華發行集團有限公司), a state-owned company established in the PRC which is the controlling shareholder of the Company and a wholly-owned subsidiary of Sichuan Development
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subject Publications"	the Publications and Digital Reading Contents
"substantial shareholder"	has the same meaning as ascribed to this term under the Listing Rules
"Winshare Online"	Sichuan Winshare Online E-commerce Co., Ltd.* (四川文軒在線電子商務有限公司), a limited liability company established in the PRC and a subsidiary of the Company which is owned as to 75% and 25% by the Company and Sichuan Xinhua Publishing Group respectively as at the Latest Practicable Date
"%"	per cent

* *For identification purposes only*

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: 811)

Executive Directors:
Mr. He Zhiyong *(Chairman)*
Mr. Luo Yong
Mr. Yang Miao

Non-executive Directors:
Mr. Luo Jun
Mr. Zhang Peng
Mr. Zhao Junhuai

Independent non-executive Directors:
Mr. Mak Wai Ho
Mr. Han Liyan
Mrs. Xiao Liping

Registered office in the PRC:
12th Floor, No. 86 Section One
People's South Road
Qingyang District
Chengdu, Sichuan
PRC

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Chengdu, Sichuan 610081
PRC

Principal place of business in Hong Kong:
18th Floor
Tesbury Centre
28 Queen's Road Central
Wanchai
Hong Kong

7 January 2016

To the Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTION;
AND
PROPOSED APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR

INTRODUCTION

Reference is made to the CCT Announcement in relation to, among other things, the Renewed Publications Purchase Agreement and the INED Announcement in relation to, among other things, the proposed appointment of a new independent non-executive Director.

The purpose of this circular is to provide you with (i) details of the Renewed Publications Purchase Agreement and transactions contemplated thereunder, (ii) information regarding the proposed appointment of Mr. Chan Yuk Tong ("**Mr. Chan**") as independent non-executive Director, (iii) a letter setting out the opinions and recommendations from the Independent Board Committee to the Independent Shareholders regarding the Renewed Publications Purchase Agreement, and (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Renewed Publications Purchase Agreement.

RENEWAL OF CONTINUING CONNECTED TRANSACTION

On 20 December 2012, the Company entered into the Previous Publications Purchase Agreement with Winshare Online, pursuant to which the Company (on behalf of the Group (excluding Winshare Online)) agreed to sell and Winshare Online agreed to purchase publications from the Company. According to the Previous Publications Purchase Agreement, it has expired on 31 December 2015.

As such, on 23 November 2015, the Company and Winshare Online entered into the Renewed Publications Purchase Agreement, pursuant to which the Company agreed to continue to sell and Winshare Online agreed to continue to purchase the Subject Publications from the Company (on behalf of the Group (excluding Winshare Online)) for the period from 1 January 2016 to 31 December 2018.

The summary of the principal terms of the Renewed Publications Purchase Agreement are set out below.

The Renewed Publications Purchase Agreement

Date:	23 November 2015
Term:	Subject to having obtained the Independent Shareholders' approval at the EGM, the Renewed Publications Purchase Agreement shall take retrospective effect from 1 January 2016 to 31 December 2018 (both dates inclusive)
Parties:	(1) the Company (on behalf of the Group (excluding Winshare Online)) as supplier (2) Winshare Online as purchaser
Nature of transaction:	Winshare Online shall purchase the Subject Publications from the Group (excluding Winshare Online) for wholesale and retail on the Online Sales Platforms.

Price:	Winshare Online shall purchase the Subject Publications through purchase contracts or orders, which are set out in, among others, the pricing and payment terms of the Subject Publications.
Payment terms:	The settlement of payment shall be agreed between the Group (excluding Winshare Online) and Winshare Online having regard to the type and quantity of the Subject Publications under each specific purchase contract or order and the actual sales conditions. Unless otherwise agreed by the parties, the settlement of payment for each purchase shall be made by transfer or bank drafts within four months upon actual business engagement between the parties. The payment terms, subject to further negotiation between the parties in respect of each purchase, will be in line with market practices and will not be more favourable to that offered by the Group to Independent Third Parties which are engaged in similar business.
Option to renew:	Subject to the Listing Rules and the approvals of the Stock Exchange, the Board and/or the Independent Shareholders (if required), the Company may separately enter into a written publications purchase agreement upon serving a written notice to Winshare Online prior to the expiry of the Renewed Publications Purchase Agreement.
Conditions precedent:	The Renewed Publications Purchase Agreement is conditional upon, among others, the Company having obtained its Independent Shareholders' approval of the Renewed Publications Purchase Agreement and the transactions contemplated thereunder. For all transactions entered into between Winshare Online and the Group during the period after the expiry of the Previous Publications Purchase Agreement on 31 December 2015 and prior to the Company having obtained its Independent Shareholders' approval of the Renewed Publications Purchase Agreement at the EGM, the Company shall comply at all times with the relevant applicable reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pricing policy

As a general principle, the pricing of the Subject Publications shall be determined by the parties through arm's length negotiations and will be on normal commercial terms.

In accordance with industry market practice, publication suppliers generally determine the wholesale price of a publication based on the list price of a publication (being the "**Retail Price**") (which is pre-determined at the time of production and printed at the back of a publication) at a specified discount (the "**Discount**") offered to wholesalers. The relevant cost rate pertaining to a publication is calculated according to: (Retail Price – Discount) ÷ Retail Price × 100% (the "**Purchase Cost Rate**"). "**Integrated Purchase Cost Rate**" refers to the average Purchase Cost Rate during a financial year among relevant publications as a whole, which is calculated according to: (aggregate Retail Price – aggregate Discount) ÷ aggregate Retail Price × 100%. Accordingly, the pricing of the Publications takes reference from the Integrated Purchase Cost Rate of the Company of the relevant financial year and the prevailing market price which is the price offered to Independent Third Parties by the Group in respect of the relevant Publication. The Integrated Purchase Cost Rate of the Company for the two years ended 31 December 2014 and the eleven months ended 30 November 2015 was not higher than 53.6%.

In respect of Digital Reading Contents, revenue arising therefrom are shared among Winshare Online and the Group pursuant to the Renewed Publications Purchase Agreement. In general, there are two mechanisms in determining the settlement price of the Digital Reading Contents:

(i) Based on the total revenue arising from purchases and/or rental of Digital Reading Contents made by end-users of the Online Sales Platforms according to a specified revenue-sharing ratio between Winshare Online and the Group; or

(ii) Based on the types of Digital Reading Contents made available on the Online Sales Platforms, calculated according to: the actual quantity of the types of Digital Reading Contents made available × the agreed fixed unit price.

The adoption of either settlement mechanism for Digital Reading Contents shall be determined by reference to the prevailing market demand and through negotiations between the parties, and the settlement mechanism which is estimated to be more favourable to the Group will be adopted. Generally, (i) the revenue-sharing ratio between Winshare Online and the Group lies between the ratio of 30%:70% to 40%:60% and (ii) the fixed unit price lies between RMB30 – 100 per unit, which are in line with market practices.

The pricing of the Subject Publications shall not be more favourable to the average price offered by the Group in the relevant financial year to no less than two contemporaneous purchasers in the market who are Independent Third Parties which were engaged in similar business in the market.

Internal Control Measures on the Renewed Publications Purchase Agreement

In order to safeguard the interests of the Company and the Shareholders as a whole, the Company has adopted the following measures in monitoring the transactions between the Group and Winshare Online, namely:

(i) The Purchase Cost Rates applicable to the Publications offered to Winshare Online shall be determined by the Financial Management Department of the Company, and further discussed and reviewed by the Operation Centre, Financial Management Centre and the Merchandising Centre of the Company, and then pricing proposals will be made with reference to the prevailing market price (benchmarked with the average price offered by the Group in the relevant financial year to no less than two Independent Third Parties which were engaged in similar business in the market) which will be further submitted to the management of the Company for approval and confirmation.

(ii) The Group has designed and implemented an informationised enterprise resource planning system (the "**ERP System**") to achieve automatic and standardised pricing control procedures for all its publications sold in the market. The ERP System is uniformly applied to the pricing control of the Publications to be sold to Winshare Online under the Renewed Publications Purchase Agreement and of the publications sold to Independent Third Parties in the market. The pricing of the Publications are pre-set onto the ERP System by the Data Centre of the Company based on the Purchase Cost Rates confirmed by the pricing documents of the Publications sold to Winshare Online as approved by the management of the Company. Under the ERP System, actual sales data recorded on the Online Sales Platforms shall be transferred onto the Company's SAP System (which is a sub-system under the ERP System with stock and sales management functions) automatically. Once the SAP System receives the actual sales data, the system on itself would generate the relevant specific purchase contracts or orders and invoices in accordance with the sales category and quantity, and followed by the despatch of the relevant Publications.

(iii) The purchase contracts or orders are automatically generated based on the Purchase Cost Rates pre-set onto the ERP System and shall constitute the bases of transaction between Winshare Online and the Group. The operation of the ERP System is monitored by the Data Centre of the Company daily. The actual sales data recorded on the Online Sales Platforms shall be verified by the Company and Winshare Online each month.

(iv) The Integrated Purchase Cost Rate for the relevant financial year shall be reviewed by the Financial Management Centre of the Company. When there are considerable fluctuations in the Integrated Purchase Cost Rate or the Purchase Cost Rates offered to Winshare Online are found to be more favourable than that offered to Independent Third Parties which are engaged in similar business in the market, the pricing policy shall be submitted to the Operation Centre, Financial Management Centre and

Merchandising Centre of the Company for re-evaluation and resubmitted to the management of the Company for adjustment. The Data Centre is only authorised to update the pre-set Purchase Cost Rates on the ERP System for the Publications upon receipt of approval documents from the management of the Company.

(v) The settlement price of the Digital Reading Contents shall be proposed by the relevant business department of the Company's relevant subsidiary with reference to the average settlement price offered by the Group in the relevant financial year to no less than two Independent Third Parties which are engaged in similar business in the market, which shall be submitted to the management of the subsidiary for approval and confirmation, and the financial department of the subsidiary shall be responsible for monitoring the implementation of the pricing policy.

(vi) According to the relevant system for the management of connected transactions of the Company, the Board and the Financial Management Department of the Company shall trace, monitor and evaluate the payment arrangements and transaction amounts under the Renewed Publications Purchase Agreement on a monthly basis, to ensure that the annual caps of the continuing connected transactions will not be exceeded.

(vii) The Group shall engage the Company's auditor to conduct annual review on the continuing connected transactions every year in accordance with Rule 14A.56 of the Listing Rules, including but not limited to the relevant pricing policy and annual caps.

(viii) The Group shall disclose in annual reports and accounts the transactions with Winshare Online under the Renewed Publications Purchase Agreement during each financial period, together with the conclusions drawn by the independent non-executive Directors whether the related transactions are conducted on normal commercial terms, fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

The Board considers that the above internal control measures adopted by the Company in respect of the Renewed Publications Purchase Agreement are appropriate and that the measures will give sufficient assurance that the continuing connected transactions under the Renewed Publications Purchase Agreement will be appropriately monitored by the Company.

Historical caps and transaction amounts

The following table summarises the historical cap amounts and their relevant historical transaction amounts for the Previous Publications Purchase Agreement for the two years ended 31 December 2014 and the eleven months ended 30 November 2015:

	For the year ended 31 December 2013	**For the year ended 31 December 2014**	**For 11 months ended 30 November 2015**
	RMB'000	*RMB'000*	*RMB'000*
Cap amount	450,000	600,000	900,000
Historical transaction amount	221,509	368,736	681,237

Annual caps and basis for determining the annual caps

In considering the annual caps under the Renewed Publications Purchase Agreement, the Directors have considered a number of factors including:

(i) the historical transaction amounts under the Previous Publications Purchase Agreement;

(ii) the growth rate of the historical transaction amounts under the Previous Publications Purchase Agreement, in particular, the annualised transaction amount in 2015 amounted to RMB0.74 billion (utilising 82.6% of the annual cap for the year) and representing an annual compound growth rate of 83.2% in 2013 to 2015;

(iii) supported by the rapid growth trend in the PRC e-commerce market, the change in purchasing and reading habits of consumers and the favourable macro and market regulatory policies and tax incentives introduced by the PRC government on the cultural and publication industries in recent years, including but not limited to:

(a) 《關於促進信息消費擴大內需的若干意見》 (*Certain Opinions on Promoting Information Consumption and Expanding Domestic Demands**) and 《中共中央關於全面深化改革若干重大問題的決定》 (*the Decision of the Central Committee of The Communist Party of China on Major Issues Concerning Comprehensively Deepening The Reform**) issued by the State Council;

(b) 《深化新聞出版體制改革實施方案》 (*Implementation Plan on Deepening the Reform of Press and Publication Regime**) issued by the State Administration of Press, Publication, Radio, Film and Television;

(c) 《關於延續宣傳文化增值税和營業税優惠政策的通知》 (*Circular on Continuing Preferential Policies for Value-added Tax and Business Tax on Publicity and Cultural Undertakings**) (Cai Shui [2013] No. 87) issued by the Ministry of Finance and the State Administration of Taxation;

(d) 《關於印發文化體制改革中經營性文化事業單位轉制為企業和進一步支持文化企業發展兩個規定的通知》 (*Circular on the Printing and Distribution of the Two Requirements for the Transformation of Operational Culture Entities into Enterprises in the Cultural Regime Reform and the Further Support for the Development of Cultural Enterprises**) (Guo Fa Ban [2014] No. 15) issued by the General Office of the State Council;

(e) 《關於繼續實施文化體制改革中經營性文化事業單位轉制為企業若干税收政策的通知》 (*Notice on the Continual Implementation of Certain Taxation Policies relating to the Transformation of Operational Culture Entities into Enterprises in the Cultural Regime Reform**) (Cai Shui [2014] No. 84) issued by the Ministry of Finance and the State Administration of Taxation; and

(f) 《關於推動傳統出版與新興出版融合發展的指導意見》 (*Guiding Opinion on the Promotion of the Integrated Development of Traditional Publishing and Newly Emerging Publishing**) (Xin Guang Fa [2015] No. 32) issued by the State Administration of Press, Publication, Radio, Film and Television.

(iv) Having considered the above-mentioned factors, based on the rapid growth of Winshare Online's business and its strategic plans for future business development, it is expected that there will be an annual growth rate of approximately 40%, 25% and 20% for the three years ended 31 December 2018 respectively; and

(v) In view of the increase in production cost, commodity price level and inflation, the Board expects that the annual growth rate of the market prices of publications will be approximately 2% for the three years ended 31 December 2018.

Having considered the above factors, the Directors propose that the annual cap for the Renewed Publications Purchase Agreement for each of the three years ending 31 December 2018 shall be as follows:

	For the year ended 31 December 2016	**For the year ended 31 December 2017**	**For the year ended 31 December 2018**
	RMB'000	*RMB'000*	*RMB'000*
Annual cap	1,086,000	1,368,000	1,680,000

Reasons for and benefits of the Renewed Publications Purchase Agreement

The integration of the Group's operation on its publishing and distribution chain has been realised with the business supporting platform. As one of the largest publications suppliers in the region, the Company is capable of and competitive in the supply of publications and related businesses of which should be considered as one of the best available suppliers of publications to Winshare Online.

Winshare Online is a joint venture company established for the purposes of carrying out the Group's development strategies, in particular for the expansion of the Group's publications business, and forms a part of the Group's business chain. The Renewed Publications Purchase Agreement can continue to facilitate the development of the Group's publications e-commerce business model and improve the Company's sustainability for development.

The Directors (including the independent non-executive Directors) consider that the Renewed Publications Purchase Agreement is entered into in the ordinary and usual course of business of the Group and the terms as contained in the Renewed Publications Purchase Agreement are normal commercial terms, which are arrived at after arm's length negotiations between the parties, the annual caps stated above in this circular are fair and reasonable, and the terms of the Renewed Publications Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders taken as a whole.

INFORMATION OF THE GROUP, WINSHARE ONLINE AND SICHUAN XINHUA PUBLISHING GROUP

The Group is principally engaged in the wholesale and retails of publications and electronic publications, wholesale of audio and visual products, production and distribution of electronic publications and audio and visual products and publication business, etc.

Winshare Online is primarily engaged in the provision of online transactions related services in relation to the publications and cultural products.

Sichuan Xinhua Publishing Group is principally engaged in the business of wholesaling and retailing, leasing of properties, real estate, project investment, computer software and hotel services.

RELATIONSHIP BETWEEN PARTIES AND LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Winshare Online is a non wholly-owned subsidiary of the Company whilst the controlling Shareholder of the Company, Sichuan Xinhua Publishing Group, also controls over 10% of the voting powers in Winshare Online. Accordingly, Winshare Online is a connected person of the Company and therefore the Renewed Publications Purchase Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As certain applicable percentage ratios (other than the profits ratio) for the Renewed Publications Purchase Agreement is, on an annual basis, over 5%, the Renewed Publications Purchase Agreement is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In view of the interest of Sichuan Xinhua Publishing Group in the Renewed Publications Purchase Agreement, Sichuan Xinhua Publishing Group and its associates, which are holding and entitled to exercise approximately 54.96% of the issued Shares of the Company as at the Latest Practicable Date, will abstain from voting at the EGM on the resolution in relation to the Renewed Publications Purchase Agreement and the transactions contemplated thereunder.

Pursuant to Rule 14A.70 (11) of the Listing Rules and the articles of association of the Company, Mr. Gong Cimin (resigned with effect from 29 December 2015), Mr. Luo Jun, Mr. Luo Yong and Mr. Zhang Peng may be regarded as having interests in Renewed Publications Purchase Agreement. Therefore, they may be regarded as having material interests in the Renewed Publications Purchase Agreement. As such, they have abstained from voting on the Board resolution for approving the Renewed Publications Purchase Agreement and the proposed annual cap amounts for each of the three years ending 31 December 2018. Save for the aforementioned Directors, none of the Directors has any material interests in the Renewed Publications Purchase Agreement.

PROPOSED APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR

Reference is made to the INED Announcement in relation to, among other things, the resignation of Mr. Mak Wai Ho as independent non-executive Director. As nominated by the Nomination Committee and considered by the Board, the Board proposed to appoint Mr. Chan as an independent non-executive Director. Biographical details of Mr. Chan are set out as follows:

Chan Yuk Tong, aged 53, is an independent non-executive director of FDG Electric Vehicles Limited, Ground Properties Company Limited and Kam Hing International Holdings Limited, which are companies listed on the Stock Exchange. Mr. Chan was an independent non-executive Director from April 2006 to July 2013, during which he had been the chairman and member of the Audit Committee and a member of the remuneration committee of the Company. During the last three years, he was also an independent non-executive director of Ausnutria Dairy Corporation Ltd., BYD Electronic (International) Company Limited, Daisho Microline Holdings Limited, Global Sweeteners Holdings Limited and Trauson Holdings Company Limited (now delisted), which are/were companies listed in Hong Kong. Mr. Chan obtained a Bachelor's degree in Commerce from the University of Newcastle of Australia and a Master's degree in Business Administration from the Chinese University of Hong Kong. Mr. Chan is a practicing fellow member of the Hong Kong Institute of Certificate Public Accountants and a member of CPA Australia. Mr. Chan has more than 30 years of experience in corporate finance, financial advisory services and management and professional accounting and auditing.

Saved as disclosed above, Mr. Chan confirms that (i) he did not hold any position in the Group nor any other directorship in any other listed public companies in the last three years; (ii) he has no relationship with any Directors, supervisors, senior management or substantial Shareholders or controlling Shareholders of the Company; and (iii) he has not held any interests in the Shares within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

Saved as disclosed above, the Company considers that there is no information which is discloseable nor is or was Mr. Chan involved in any of the matters required to be disclosed pursuant to any of the requirements of the provisions under Rule 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and there is no other matter that needs to be brought to the attention of the Shareholders.

The appointment of Mr. Chan as an independent non-executive Director shall be effective upon the Shareholders' approval at the EGM. The term of office of Mr. Chan shall commence from the date of the EGM to the expiration of the term of office of the current Board. Mr. Mak Wai Ho shall officially retire from the office of independent non-executive Director and cease to be the chairman and member of the audit committee of the Company upon passing of the resolution regarding the appointment of Mr. Chan at the EGM by the Shareholders.

Mr. Chan will enter into an appointment letter with the Company. The amount of emoluments payable to Mr. Chan will be determined by the Board under the authority granted by the Shareholders at the EGM and will be reviewed by the remuneration and appraisal committee of the Company with reference to his qualification and experience, duties and responsibilities with the Company, the performance of the Company and market conditions.

EGM

The EGM will be held at 10:00 a.m. on Thursday, 18 February 2016 at Sichuan Xinhua International Hotel, No.8 Guzhongshi Street, Chengdu, Sichuan, the PRC, for, among other things, (i) the Independent Shareholders to consider and, if thought fit, approve the Renewed Publications Purchase Agreement and the transactions contemplated thereunder; and (ii) the Shareholders to consider and, if thought fit, approve the appointment of Mr. Chan Yuk Tong as independent non-executive Director. At the EGM, the votes will be taken by poll.

The notice of the EGM and a form of proxy have been despatched to Shareholders on 5 January 2016.

Whether or not you are able to attend the meeting in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon. In case of H Shares, the proxy form shall be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and in case of Domestic Shares, the proxy form shall be lodged at the head office of the Company in the PRC, not less than 24 hours before the time for holding the EGM (or any adjournment thereof) or before the time appointed for taking the poll. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Therefore, voting on all resolutions set out in the EGM Notice at the EGM shall be taken by way of poll pursuant to Article 78 of the Articles of Association.

On a poll, every Shareholder present in person or by proxy or (being a corporation) by its duly authorised representative shall have one vote for each Share registered in his/her name in the register of members. A Shareholder entitled to more than one vote needs not use all his/her votes or cast all the votes he/she uses in the same manner.

RECOMMENDATIONS

Renewal of Continuing Connected Transaction

The Company has appointed Halcyon Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Renewed Publications Purchase Agreement. The text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 18 to 34 of this circular.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Mak Wai Ho, Mr. Han Liyan and Ms. Xiao Liping, has been established to give advice to the Independent Shareholders in respect of the Renewed Publications Purchase Agreement. The letter from the Independent Board Committee, which contains its recommendation to the Independent Shareholders in respect of the Renewed Publications Purchase Agreement, is set out on page 17 of this circular.

The Board considers that the Renewed Publications Purchase Agreement is in the interests of the Company and the Shareholders, and the terms and conditions of the Renewed Publications Purchase Agreement are fair and reasonable so far as the Company and the Shareholders taken as a whole are concerned. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM for approving the Renewed Publications Purchase Agreement and the transactions contemplated thereunder.

Proposed Appointment of Independent Non-executive Director

The Directors are of the opinion that the appointment of Mr. Chan as an independent non-executive Director is in the interests of the Company and its Shareholders as a whole and accordingly recommend the Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

ADDITIONAL INFORMATION

Your attention is drawn to the general information set out in the Appendix to this circular.

Yours faithfully,
For and on behalf of
Xinhua Winshare Publishing and Media Co., Ltd.
He Zhiyong
Chairman

* *For identification purposes only*

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: 811)

7 January 2016

To the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTION

We have been appointed as members of the Independent Board Committee to give our advice on the Renewed Publications Purchase Agreement and the transactions contemplated thereunder. Details of the Publications Purchase Agreement and the transactions contemplated thereunder are set out in the letter from the Board included in the circular to the Shareholders dated 7 January 2016 (the "**Circular**"), of which this letter forms a part. Terms used herein shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Halcyon Capital Limited has been appointed as the Independent Financial Adviser to advise us and Independent Shareholders on the Renewed Publications Purchase Agreement and the transactions contemplated thereunder. The letter from the Independent Financial Adviser is set out on pages 18 to 34 of the Circular.

Having considered the terms and conditions of the Renewed Publications Purchase Agreement, the advice given by the Independent Financial Adviser and the principal factors and reasons taken into consideration by them in arriving at their advice, we are of the opinion that the Renewed Publications Purchase Agreement, the transactions contemplated thereunder and the annual caps under the Renewed Publications Purchase Agreement are in the interests of the Company and the Shareholders taken as a whole, and the terms and conditions of the Renewed Publications Purchase Agreement are (i) on normal commercial terms and in the ordinary and usual course of business of the Company and (ii) fair and reasonable so far as the Company and the Shareholders as a whole are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM for approving the Renewed Publications Purchase Agreement, the transactions contemplated thereunder and the annual caps under the Renewed Publications Purchase Agreement.

Yours faithfully,
Independent Board Committee

Mr. Mak Wai Ho	**Mr. Han Liyan**	**Ms. Xiao Liping**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

* *For identification purposes only*

The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders relating to the terms of the Renewed Publications Purchase Agreement and the transactions contemplated thereunder, prepared for the purpose of incorporation in this circular:

HALCYON 鎧盛

HALCYON CAPITAL LIMITED
11TH FLOOR
8 WYNDHAM STREET
CENTRAL
HONG KONG

7 January 2016

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee in respect of the terms of the Renewed Publications Purchase Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in a circular issued by the Company (the "**Circular**") to the Shareholders dated 7 January 2016, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular and Letter from the Board unless the context otherwise requires.

Pursuant to the Renewed Publications Purchase Agreement, the Company (on behalf of the Group (excluding Winshare Online)) agreed to sell and Winshare Online agreed to purchase the Subject Publications from the Company for the period from 1 January 2016 to 31 December 2018. The Letter from the Board further sets out the Annual Caps (the "**Annual Caps**") for the sale of the Subject Publications by the Company to Winshare Online for each of the three years ending 31 December 2018.

As at the Latest Practicable Date, Winshare Online was a non-wholly owned subsidiary of the Company and Sichuan Xinhua Publishing Group controlled over 10% of the voting power of Winshare Online. Since Sichuan Xinhua Publishing Group is the controlling shareholder of the Company, Winshare Online is considered as a connected person under Rules 14A.07(5) and 14A.16(1) of the Listing Rules. By virtue of the aforesaid relationship, the sale of the Subject Publications by the Company to Winshare Online under the Renewed Publications Purchase Agreement constitutes continuing connected transactions of the Company pursuant to Rule 14A.25 of the Listing Rules.

Given the relevant percentage ratios, using the Annual Caps as the numerator, exceed 5% and the Annual Caps is more than HK$10,000,000, the Company has to comply with the announcement and shareholders' approval requirements under Rule 14A.53 of the Listing Rules.

The Independent Board Committee, comprising Mr. Mak Wai Ho, Mr. Han Liyan and Ms. Xiao Liping, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether the terms of the Renewed Publications Purchase Agreement and the transactions contemplated thereunder and the basis for determining the Annual Caps are fair and reasonable, and the entering into of the Renewed Publications Purchase Agreement is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to how to vote at the EGM.

Our role, as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Renewed Publications Purchase Agreement and the transactions contemplated thereunder and the Annual Caps thereof, is to (i) provide the Independent Board Committee and the Independent Shareholders an independent opinion and recommendation as to whether the Renewed Publications Purchase Agreement is entered into on normal and commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole, and whether the terms thereof and the basis for determining Annual Caps are fair and reasonable as far as the Company and the Shareholders are concerned; and (ii) advise the Independent Shareholders on how to vote at the EGM.

BASIS OF OUR OPINION

Except for being appointed as the independent financial adviser to the then independent board committee and independent shareholders of the Company (details of which have been set out in the letter from Halcyon Capital Limited as contained in the circular of the Company dated 31 July 2014), there were no engagement between the Group and Halcyon Capital Limited in last two years from the date of this letter. We consider that such relationship will not affect our independence as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Renewed Publications Purchase Agreement and the transactions contemplated thereunder and we have no relationships or interests with the Company and any other parties that could reasonably be regarded as relevant to our independence. We are hence independent from the Company pursuant to Rule 13.84 of the Listing Rules.

In formulating our advice and recommendation to the Independent Board Committee, we have relied on the information, financial information and the facts supplied to us and representations expressed by the Directors and/or management of the Group and have assumed that all such information, financial information and facts and any representations made to us, or referred to in the Circular, in all material aspects, are true, accurate and complete as at the time they were made and continue to be so as at the date of the Circular, has been properly extracted from the relevant underlying accounting records (in the case of financial information) and made after due and careful inquiry by the Directors and/or the management of the Group. The Directors and/or the management of the Group have confirmed that, after having made all reasonable enquiries and to the best of their knowledge and belief, all relevant information has been supplied to us and that no material facts have been omitted from the information supplied and representations expressed to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable. We have no reason to doubt the completeness, truth or accuracy of the information and facts provided and we are not aware of any facts or circumstances which would render such information provided and representations made to us untrue, inaccurate or misleading.

Our review and analysis were based upon, among others, the information provided by the Group including the Renewed Publications Purchase Agreement, the annual report of the Company for the year ended 31 December 2014 (the "**2014 Annual Report**"), the interim report of the Company for the six months ended 30 June 2015 (the "**2015 Interim Report**") the audited consolidated financial statements of Winshare Online for the years ended 31 December 2013 and 2014 prepared under generally acceptable accounting principles in the PRC, the Circular and certain published information from the public domain.

We have also discussed with the Directors and/or the management of the Group with respect to the terms of and reasons for the entering into of the Renewed Publications Purchase Agreement and the basis of determining the Annual Caps, and considered that we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted an independent verification or appraisal of the information nor have we conducted any form of in-depth investigation into the businesses, affairs, financial position, profitability or the prospects of the Group, Sichuan Xinhua Publishing Group, Winshare Online or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion for the Renewed Publications Purchase Agreement and the transactions contemplated thereunder, we have considered the following principal factors and reasons:

1. Information of the Group and Winshare Online

1.1 Principal business and background information of the Group

The Group is principally engaged in the publishing and trading of publications and related products in the PRC. The business of the Group can be further divided into three segments, namely the publication segment, distribution segment and others segment. The publication segment refers to the publishing of publications including books, periodicals, audio-visual products and digital products; provision of printing services and supply of printing materials; and the distribution segment refers to the distribution of textbooks and supplementary materials to schools and students; retailing, distribution and online sales of publications.

Growth in revenue

Set out below is the revenue recorded by the Group for the two years ended 31 December 2014 and the six months ended 30 June 2014 and 2015 as extracted from the 2014 Annual Report and 2015 Interim Report.

	For the year ended 31 December		**For the six months ended 30 June**	
	2014	**2013**	**2015**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(unaudited)*	*(unaudited)*
Revenue	5,270,061	5,135,074	2,418,955	2,182,451

The Group experienced increases in revenue for both the year ended 31 December 2014 and the six months ended 30 June 2015, as compared to the year ended 31 December 2013 and the six months ended 30 June 2014, respectively.

As stated in the 2014 Annual Report, the increase in revenue for the year ended 31 December 2014 was mainly attributable to the sales growth in online sales business, education service business, commercial supermarket business and other businesses under the Group's distribution segment, as well as the revenue increase arising from the preferential VAT exemption policy. In particular, the online sales of the Group grew by approximately 113.2% from approximately RMB235.9 million for the year ended 31 December 2013 to approximately RMB503.0 million for the year ended 31 December 2014.

As stated in the 2015 Interim Report, the increase in revenue for the six months ended 30 June 2015 was mainly attributable to the growth in sales of the education service business and online sales business under the Group's distribution segment. In particular, the online sales grew by approximately 68.9% from approximately RMB200.3 million for the six months ended 30 June 2014 to approximately RMB338.3 million for the six months ended 30 June 2015.

As further stated in the 2015 Interim Report, in order to promote the cultural industry as a pillar of national economy and enhance the overall strength and international influence of the cultural industry, in recent years, the State has released a series of intensive reform policies and measures including continuous financial support and tax incentives to the cultural industry, taking various measures to organize reading events and expediting the development of "Internet +" to promote the integration of traditional media and new forms of media. These policies and measures have effectively invigorated the industry and have created favourable macroscopic conditions for the development of the entire industry. Further information of the policies and measures were set out under the sub-heading "4. Rationale for determining the Annual Caps – Favourable policies and measures" below.

It is further stated in the 2015 Interim Report that as the national reading rate continues to rise, the market demand is expected to grow continuously. Under such background, industry leaders possessing rich content resources and innovative development models are endowed with an advantage in the transformation and upgrade of the traditional publishing industry and industry integration.

1.2 Principal business and background information of Winshare Online

As stated in the Letter from the Board, Winshare Online is a joint venture company established for the purposes of carrying out the Group's development strategies, in particular for the expansion of the Group's publications e-commerce, and forms a part of the Group's business chain. As at the Latest Practicable Date, Winshare Online was a non-wholly owned subsidiary of the Company and owned as to 75% by the Company and as to 25% by Sichuan Xinhua Publishing Group, being the controlling shareholder of the Company. The Company is the sole supplier to Winshare Online in respect of publication products.

Growth in revenue

As Winshare Online is a non-wholly owned subsidiary of the Company, the results of Winshare Online were consolidated into the consolidated financial statements of the Company. Set out below is the revenue recorded by Winshare Online for the two years ended 31 December 2014 and the eleven months ended 30 November 2014 and 2015 as extracted from the audited financial statements of Winshare Online and the unaudited management accounts of Winshare Online for the eleven months ended 30 November 2014 and 2015, each of which were prepared under generally accepted accounting principles in the PRC.

	For the year ended 31 December		**For the eleven months ended 30 November**	
	2014	**2013**	**2015**	**2014**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(unaudited)*	*(unaudited)*
Revenue	505,140	237,842	768,579	445,941

Majority of the revenue of Winshare Online were attributable to the sales of the Publications. The revenue of Winshare Online increased by approximately 112.4% from approximately RMB237.8 million for the year ended 31 December 2013 to approximately RMB505.1 million for the year ended 31 December 2014. Winshare Online has maintained the growth momentum of its revenue and recorded further increase in revenue of approximately 72.3% from approximately RMB445.9 million for the eleven months ended 30 November 2014 to approximately RMB768.6 million for the eleven months ended 30 November 2015.

1.3 Conclusion

Having considered the principal businesses of the Company and Winshare Online as stated above, we concur with the view of the management of the Company that the entering into of the Renewed Publications Purchase Agreement and the transactions contemplated thereunder fall within the ordinary and usual course of business of the Company.

2. Background and reasons for the entering into of the Renewed Publications Purchase Agreement

As stated in the Letter from the Board, the integration of the Group's operation on its publishing and distribution chain has been realised with the business supporting platform. As one of the largest publications suppliers in the region, the Company is capable of and competitive in the supply of publications and related businesses of which should be considered as one of the best available suppliers of publications to Winshare Online.

The Company has entered into the Previous Publications Purchase Agreement, which expired on 31 December 2015, and the entering into of the Renewed Publications Purchase Agreement is due to the expiry of the Previous Publications Purchase Agreement and can continuously facilitate the development of the Group's publications e-commerce business model and improve the Company's sustainability for development.

In addition, as advised by the management of the Company, Winshare Online has been focusing on developing online sale channels for the Group's products in the past few years. Other than establishing its own online sales platform "文軒網", the Group has successfully established around 10 online stores across different online sales platforms including "天貓", "當當", "京東" and "Amazon", etc. As further advised by the management of the Company, the increase in online stores across different online sales platforms would enhance the coverage of Winshare Online in the online market and potentially facilitate the growth of online sales, which is in line with the growth in online sales recorded by the Group which outweighed the overall revenue growth rate of the Group for both the year ended 31 December 2014 and six months ended 30 June 2015, as compared to their respective corresponding period as mentioned above.

Having considered the aforesaid and, in particular, the increase in revenue contribution of the online sales to the Group in recent years, we concur with the view of the management of the Company that the entering into of the Renewed Publications Purchase Agreement, in connection with the purchase of publications by Winshare Online from the Company (on behalf of the Group (excluding Winshare Online)) for the period from 1 January 2016 to 31 December 2018, and the transactions contemplated thereunder is in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the Renewed Publications Purchase Agreement and pricing policy

The principal terms of the Renewed Publications Purchase Agreement are summarized in the following.

Winshare Online shall purchase Subject Publications from the Company and its subsidiaries (excluding Winshare Online) for wholesale and retail at Winshare Online's e-commerce platform, WinXuan.com and other online sales platforms. Given the recurring nature of the transactions contemplated under the Renewed Publications Purchase Agreement, the Renewed Publications Purchase Agreement only sets out the general terms and conditions governing the continuing connected transactions contemplated thereunder. Winshare Online may place its purchase orders to the Company or enter into purchase contracts with the Company for publications for each of the continuing connected transactions and from time to time, while the relevant purchase order or contract shall contain the detail terms and conditions including, among other things, the quantity, unit price, and payment terms.

Each payment by Winshare Online to the Company under the Renewed Publications Purchase Agreement shall be made by transfer or bank drafts within four months upon the actual business engagement between the parties, unless otherwise agreed by the parties. The payment terms, subject to further negotiation between the parties in respect of each purchase, will be in line with market practices and will not be more favourable to that offered by the Group to Independent Third Parties which are engaged in similar business.

The selling price of the Subject Publications sold under the Renewed Publications Purchase Agreement are set out in, among others, the pricing and payment terms of the Subject Publications.

The pricing offered by the Group to Winshare Online in respect of the provision of the Subject Publications shall be no more favourable to the average pricing offered to no less than two Independent Third Parties who are engaged in similar business to ensure that the final pricing for the Publications is fair and reasonable.

When the terms offered are identical to other suppliers, Winshare Online procures to preferentially purchase the digital reading provided by the Company and its subsidiaries.

Pricing policies and internal control measures regarding price determination for the continuing connected transactions under the Renewed Publications Purchase Agreement

Based on our discussions with the management of the Company and as disclosed in the Letter from the Board, we understand that in addition to the pricing terms under the Renewed Publications Purchase Agreement, the Group has adopted the pricing policies and internal control measures (the "**Pricing Policies and Internal Control Measures**") and will apply the following pricing policies and measures when determining the price of products in respect of the continuing connected transactions under the Renewed Publications Purchase Agreement:

Pricing policy

As a general principle, the pricing of the Subject Publications shall be determined by the parties through arm's length negotiations and will be on normal commercial terms.

Publication suppliers generally determine the wholesale price of a publication based on the list price of a publication (being the "**Retail Price**") (which is pre-determined at the time of production and printed at the back of a publication) at a specified discount (the "**Discount**") offered to wholesalers. The relevant cost rate pertaining to a publication is calculated according to: (Retail Price – Discount) ÷ Retail Price × 100% (the "**Purchase Cost Rate**"). "**Integrated**

Purchase Cost Rate" refers to the average Purchase Cost Rate during a financial year among relevant publications as a whole, which is calculated according to: (aggregate Retail Price – aggregate Discount) ÷ aggregate Retail Price × 100%. Accordingly, the pricing of the Publications takes reference from the Integrated Purchase Cost Rate of the Company of the relevant financial year and the prevailing market price which is the price offered to Independent Third Parties by the Group in respect of the relevant Publication. The Integrated Purchase Cost Rate of the Company for the two years ended 31 December 2014 and the eleven months ended 30 November 2015 was not higher than 53.6%.

In respect of Digital Reading Contents, revenue arising therefrom are shared among Winshare Online and the Group pursuant to the Renewed Publications Purchase Agreement. In general, there are two mechanisms in determining the settlement price of the Digital Reading Contents:

(i) Based on the total revenue arising from purchases and/or rental of Digital Reading Contents made by end-users of the Online Sales Platforms according to a specified revenue-sharing ratio between Winshare Online and the Group; or

(ii) Based on the types of Digital Reading Contents made available on the Online Sales Platforms, calculated according to: the actual quantity of the types made available × the agreed fixed unit price.

The adoption of either settlement mechanism for Digital Reading Contents shall be determined by reference to the prevailing market demands and negotiations between the parties, and the settlement mechanism which is estimated to be more favourable to the Group will be adopted. Generally, (i) the revenue-sharing ratio between Winshare Online and the Group lies between the ratio of 30%:70% to 40%:60%; and (ii) the fixed unit price lies between RMB30 – 100 per unit, which are in line with the contracts with Independent Third Parties provided by the Company.

The pricing of the Subject Publications shall not be more favourable to the average price offered by the Group in the relevant financial year to no less than two contemporaneous purchasers in the market who are Independent Third Parties which were engaged in similar business in the market.

Internal control policy

In order to safeguard the interests of the Company and the Shareholders as a whole, the Company has adopted the following measures in monitoring the transactions between the Group and Winshare Online, namely:

(i) The Purchase Cost Rates applicable to the Publications offered to Winshare Online shall be determined by the Financial Management Department of the Company, and further discussed and reviewed by the Operation Centre, Financial Management Centre and the Merchandising Centre of the Company, and then pricing proposals will be made with reference to the prevailing market price (benchmarked with the average price offered by the Group in the relevant financial year to no less than two Independent Third Parties which were engaged in similar business in the market) which will be further submitted to the management of the Company for approval and confirmation.

(ii) The Group has designed and implemented an informationised enterprise resource planning system (the "**ERP System**") to achieve automatic and standardised pricing control procedures for all its publications sold in the market. The ERP System is uniformly applied to the pricing control of the Publications to be sold to Winshare Online under the Renewed Publications Purchase Agreement and of the publications sold to Independent Third Parties in the market. The pricing of the Publications are pre-set onto the ERP System by the Data Centre of the Company based on the Purchase Cost Rates confirmed by the pricing documents of the Publications sold to Winshare Online as approved by the management of the Company. Under the ERP System, actual sales data recorded on the Online Sales Platforms shall be transferred onto the Company's SAP System (which is a sub-system under the ERP System with stock and sales management functions) automatically. Once the SAP System receives the actual sales data, the system on itself would generate the relevant specific purchase contracts or orders and invoices in accordance with the sales category and quantity, and followed by the despatch of the relevant Publications.

(iii) The purchase contracts or orders are automatically generated based on the Purchase Cost Rates pre-set onto the ERP System and shall constitute the bases of transaction between Winshare Online and the Group. The operation of the ERP System is monitored by the Data Centre of the Company daily. The actual sales data recorded on the Online Sales Platforms shall be verified by the Company and Winshare Online each month.

(iv) The Integrated Purchase Cost Rate for the relevant financial year shall be reviewed by the Financial Management Centre of the Company. When there are considerable fluctuations in the Integrated Purchase Cost Rate or the Purchase Cost Rates offered to Winshare Online are found to be more favourable than that offered to Independent Third Parties which are engaged in similar business in the market, the pricing policy shall be submitted to the Operation Centre, Financial Management Centre and Merchandising Centre of the Company for re-evaluation and resubmitted to the management of the Company for adjustment. The Data Centre is only authorised to update the pre-set Purchase Cost Rates on the ERP System for the Subject Publications upon receipt of approval documents from the management of the Company.

(v) The settlement price of the Digital Reading Contents shall be proposed by the relevant business department of the Company's relevant subsidiary with reference to the average settlement price offered by the Group in the relevant financial year to no less than two Independent Third Parties which are engaged in similar business in the market, which shall be submitted to the management of the subsidiary for approval and confirmation, and the financial department of the subsidiary shall be responsible for monitoring the implementation of the pricing policy.

(vi) According to the relevant system for the management of connected transactions of the Company, the Board and the Financial Management Department of the Company shall trace, monitor and evaluate the payment arrangements and transaction amounts under the Renewed Publications Purchase Agreement on a monthly basis, to ensure that the annual caps of the continuing connected transactions will not be exceeded.

(vii) The Group shall engage the Company's auditor to conduct annual review on the continuing connected transactions every year in accordance with Rule 14A.56 of the Listing Rules, including but not limited to the relevant pricing policy and annual caps.

(viii) The Group shall disclose in annual reports and accounts the transactions with Winshare Online under the Renewed Publications Purchase Agreement during each financial period, together with the conclusions drawn by the independent non-executive Directors whether the related transactions are conducted on normal commercial terms, fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

The Board considers that the above internal control measures adopted by the Company in respect of the Renewed Publications Purchase Agreement are appropriate and that the measures will give sufficient assurance that the continuing connected transactions under the Renewed Publications Purchase Agreement will be appropriately monitored by the Company.

In addition, we understand that the senior management of the Company will review and approve the rate of discount to the retail price of the publications to be sold to Winshare Online, and the applicable discount rate will then be updated in the ERP system. The price of each publication sold to Winshare Online will be determined based on the retail price and the applicable discount rate as recorded in the EPR system to ensure such publications are priced in accordance with the Pricing Policies and Internal Control Measures and are not favourable than that offered to Independent Third Parties. On the other hand, it was concluded in the report of the consultant engaged by the Company to review its internal control up to 31 December 2014 that, for the areas included in the assessment which include certain control points of the ERP System, basic internal controls have been established and operated effectively as a whole, and have basically achieved the aim of the internal controls of the Company.

Taking into account the fact that, among other things, the Company is able to monitor the discount rate attributable to each customer through the EPR system and the internal control policies as stated above, we concur with the view of the Company that the Pricing Policies and Internal Control Measures are sufficient to ensure that the prices offered to Winshare Online are no more favourable than those to be provided to other independent third parties.

The Company has confirmed that the relevant transactions have been carried out in accordance with the terms of the Previous Publications Purchase Agreement for the years ended 31 December 2013 and 2014. We also note from the 2013 Annual Report and 2014 Annual Report that the auditors and the independent non-executive directors of the Company have reviewed the Group's continuing connected transactions and confirmed that, among other things, the relevant transactions carried out in the years ended 31 December 2013 and 31 December 2014 were carried out in the accordance with the terms of the Previous Publications Purchase Agreement. We have also reviewed reports issued by the auditors of the Company on the continuing connected transactions for each of the two years ended 31 December 2013 and 2014 confirming that, among other things, the relevant transactions carried out in the two years ended 31 December 2013 and 2014 were carried out in the accordance with the terms of the Previous Publications Purchase Agreement and the transactions were carried out in the two years ended 31 December 2013 and 2014 were carried in accordance with the pricing policies of the Company. We have obtained and reviewed the Company's minute dated 31 December 2014 in relation to the determination of the Discount rate for Winshare Online (the "**Minute**") and noted that the pricing procedures as stipulated in the Minute are consistent with the Pricing Policies and Internal Control Measures. We have further obtained the sales invoices of five sales transactions between the Company and Winshare Online and noted that the Discount rate is consistent with the information as contained in the Minute. We have obtained and reviewed the digital reading contents cooperation agreement entered into between a subsidiary of the Company and Winshare Online, and two digital reading contents cooperation agreements entered into between such subsidiary of the Company and two Independent Third Parties, and noted that the pricing as contained in the relevant agreement with Winshare Online is consistent with the Pricing Policies and Internal Control Measures.

In addition to the aforesaid, the Company has adopted the following internal control measures to ensure that the transactions with Winshare Online will be conducted on normal commercial terms:

(i) the Director(s) and/or the Shareholder(s) with an interest in the relevant transaction(s) shall abstain from voting in respect of the resolution(s);

(ii) the Group shall use the best endeavour to comply with the relevant reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules for the continuing connected transactions;

(iii) the Group will engage the Company's auditor to report on the continuing connected transactions every year in accordance with Rule 14A.56 of the Listing Rules; and

(iv) the Group will duly disclose in the annual reports and accounts the transactions under the Renewed Publications Purchase Agreement with Winshare Online during each financial period, together with the conclusions drawn by the independent non-executive Directors whether the transactions are conducted on normal commercial terms, fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

Based on the above, we concur with the Directors' view that the Renewed Publications Purchase Agreement is entered into on normal and commercial terms and the terms thereof are fair and reasonable.

4. Rationale for determining the Annual Caps

Pursuant to Rule 14A.35 of the Listing Rules, the proposed sale of the Subject Publications as outlined in section headed "Principal Terms of the Renewed Publications Purchase Agreement" above are required to be subject to an Annual Caps for each financial year of the Company up to 31 December 2018.

In connection with this, the Company sets out below the actual transaction amounts in respect of the transactions entered into pursuant to the Previous Publications Purchase Agreement for each of the two years ending 31 December 2013 and 2014 and the eleven months ended 30 November 2015:

	For the year ended 31 December 2013 *RMB'000*	**For the year ended 31 December 2014** *RMB'000*	**For the eleven months ended 30 November 2015** *RMB'000*	**For the year ending 31 December 2015** ***(Annualised)*** *(Note 1)* *RMB'000*	**Compound annual growth rate ("CAGR") from 2013 to 2015** *(Note 2)*
Purchase by Winshare Online from the Company	221,509	368,736	681,237	743,168	83.2%
Annual caps	450,000	600,000	*Not applicable*	900,000	41.4%
Utilisation Rate *(Note 3)*	49.2%	61.5%	*Not applicable*	82.6%	*Not applicable*

Notes:

1. The transaction amounts for the year ended 31 December 2015 are annualised based on the actual amounts for eleven months ended 30 November 2015.

2. The compound annual growth rate is calculated based on the annualised amount for the year ending 31 December 2015 and the amount for the year ended 31 December 2013.

3. The utilisation rate is calculated based on the transaction amounts divided by the Annual Caps of the respective financial year.

The transaction amount under the Previous Publications Purchase Agreement grew at a CAGR of approximately 83.2% during the two years ended 31 December 2014 and eleven months ended 30 November 2015, exceeding the growth rate in the then annual caps of a CAGR of approximately 41.4%, and the annualized utilization rate reached approximately 82.6% for the eleven months ended 30 November 2015. As further advised by the management of the Company, since 2013, Winshare Online has established six additional online book stores on several major online sales platforms in the PRC including "當當" and "京東", and the management of the Company believes that the establishment of online book stores on major online sales platforms has partially contributed to the growth in revenue of Winshare Online and is consistent with the Company's development strategy.

The table below further sets out the respective proposed Annual Caps of the transactions under the Renewed Publications Purchase Agreement for the three financial years ending 31 December 2016, 2017 and 2018:

	For the year ended 31 December			Growth rate of the proposed Annual Caps from 2015 to	CAGR from 2016 to
	2016	**2017**	**2018**	**2016**	**2018**
	RMB'000	*RMB'000*	*RMB'000*		
Annual Caps	1,086,000	1,368,000	1,680,000	20.7%	24.4%

As stated in the Letter from the Board, the Annual Caps stated above have been determined by reference to a number of factors including: (i) the historical transaction amounts under the Previous Publications Purchase Agreement; (ii) the growth rate of the historical transaction amounts under the Previous Publications Purchase Agreement, in particular, the annualised transaction amount in 2015 amounted to RMB0.74 billion and the relevant annual compound growth rate in 2013 to 2015; (iii) supported by the rapid growth trend in the PRC e-commerce market, the change in purchasing and reading habits of consumers and the favourable macro and market regulatory policies and tax incentives introduced by the PRC government on the cultural and publication industries in recent years, including but not limited to those policies set out under the sub-section headed "Favourable policies and measures" below; (iv) having considered the above-mentioned factors, based the rapid growth of Winshare Online's business and its strategic plans for future business development, it is expected that there will be an annual growth rate of approximately 40%, 25% and 20% for the three years ended 31 December 2018, respectively; and (iv) in view of the increase in production cost, commodity price level and inflation, the Board expects that the annual growth rate of the market prices of publications will be approximately 2% for the three years ended 31 December 2018.

In assessing the reasonableness of the Annual Caps, we have reviewed, and discussed with the management of the Company regarding the basis in determining the Annual Caps as stated above. We have also reviewed the historical financial information of Winshare Online, which is set out in "1. Information of the Group and Winshare Online" above. We have further reviewed an article issued by the State Administration of Press, Publication, Radio, Film and Television of The People's Republic of China regarding 2014 中國出版物發行業年度報告 (2014 Annual Report on Publication Publishing Industry*) (the "**Report**"). According to the Report, it is believed that policies and measures implemented by the PRC Government (which were summarised under the sub-section headed "Favourable policies and measures" below) in promoting citizens reading habit in recent years and the waiving of value added tax and enterprise income tax have successfully promoted the healthy development of the publication publishing industry. The number of online book stores reached 511 in 2013, representing an annual growth rate of approximately 39.2% and the sales of publications amounted to approximately RMB17.6 billion, representing an annual growth rate of approximately 54.4% which significantly exceeded the growth rate of the sales in the publication publishing industry. The Report further indicated that the increasing pace in merger of e-commerce and traditional publication publishing industry has become the trend of the publication publishing industry. Meanwhile, according to 第十二次全國國民閱讀調查 (The Twelfth China Nationals Reading Survey*) carried in 2014 by the Chinese Academy of Press and Publication, the average price that the citizens willing to pay for a literature book with approximately 200 pages in 2014 increased by approximately 17.0% as compared to that in 2013, and approximately 44.3% of citizens who have experienced electronic reading revealed that they are willing to pay for and download the readings, representing an increase of approximately 5.6% as compared to that in 2013. Moreover, the overall adults' reading rate on books, newspapers, magazine and electronic publications increased to 78.6% in 2014, as compared to 76.7% in 2013, among which the reading rate of books and electronic publications increased to 58.0% and 58.1%, respectively, in 2014, as compared to 57.8% and 50.1%, respectively, in 2013.

Favourable policies and measures

The PRC Government has also published the following policies and measures which were favourable to the publication industry in the PRC:

Title	Issue on	Published by	Relevant content
《關於促進信息消費擴大內需的若干意見》 (Certain Opinions on Promoting Information Consumption and Expanding Domestic Demands*) and 《中共中央關於全面深化改革若干重大問題的決定》 (the Decision of the Central Committee of The Communist Party of China on Major Issues Concerning Comprehensively Deepening The Reform*)	August 2013 and March 2014	State Council	Enrich information consumption content. Forcefully develop digital publishing, interactive new media, mobile multimedia and other emerging cultural industries, stimulate the consumption of cartoon games, digital music, online artworks and other digital cultural content. Strengthen the exploitation of digital cultural content products and services, establish digital content production, transformation, processing and delivery platforms, and enrich information consumption content product supply. Strengthen the construction of new media based on the Internet, realize online cultural information content construction projects, promote the online dissemination of excellent cultural products, encourage all categories of online cultural enterprises to produce and provide healthy and upward information content.

Title	Issue on	Published by	Relevant content
			Allow separation of production from publishing and production from broadcasting on the precondition that the right to publish and right to broadcast are franchised. Establish a multi-level market of cultural products and factors, and encourage financial capital, social capital and cultural resources to integrate with each other. Improve the policies concerning cultural economy, increase government subsidies for the culture sector and government purchasing of cultural products, and strengthen copyright protection. Improve the appraisal system for cultural products, reform the awards system, and bring out more high-quality cultural products.
《深化新聞出版體制改革實施方案》 (Implementation Plan on Deepening the Reform of Press and Publication Regime*)	October 2013	State Administration of Press, Publication, Radio, Film and Television	Strengthening the establishment of market for publications, including support the establishment of regional or national publication trading market Endeavour to launch national reading
《關於延續宣傳文化增值稅和營業稅優惠政策的通知》 (Circular on Continuing Preferential Policies for Value-added Tax and Business Tax on Publicity and Cultural Undertakings*)	December 2013	The Ministry of Finance and the State Administration of Taxation	For an effective period from 1 January 2013 to 31 December 2017: • The value-added tax charged on certain publication products will be refunded in full, and refunded in 50% for all other books, periodicals, audio-visual products and electronic publications in the publication segment. • No value-added tax will be charged on books wholesale and retail segment.

Title	Issue on	Published by	Relevant content
《關於印發文化體制改革中經營性文化事業單位轉制為企業和進一步支持文化企業發展兩個規定的通知》 (Circular on the Printing and Distribution of the Two Requirements for the Transformation of Operational Culture Entities into Enterprises in the Cultural Regime Reform and the Further Support for the Development of Cultural Enterprises*)	April 2014	General Office of the State Council	Through purchase or subsidy by the Government, lead and support cultural enterprises to provide more cultural products and services, and encourage publication of books, newspapers and magazines that suit the purchasing power of the public.
《關於繼續實施文化體制改革中經營性文化事業單位轉制為企業若干稅收政策的通知》 (Notice on the Continual Implementation of Certain Taxation Policies relating to the Transformation of Operational Culture Entities into Enterprises in the Cultural Regime Reform*)	November 2014	Ministry of Finance and the State Administration of Taxation	Cultural institutions, which transformed into enterprises, may enjoy preferential tax treatments including waiver of enterprise income tax, property tax, business tax, etc., with effect from 1 January 2014 to 31 December 2018.
《關於推動傳統出版與新興出版融合發展的指導意見》 (Guiding Opinion on the Promotion of the Integrated Development of Traditional Publishing and Newly Emerging Publishing*)	March 2015	State Administration of Press, Publication, Radio, Film and Television	Enhancing the support of the financial policy of the national publishing funds for the publishing projects involving the integrated development of publishing.

We considered that the 關於延續宣傳文化增值稅和營業稅優惠政策的通知 (Circular on Continuing Preferential Policies for Value-added Tax and Business Tax on Publicity and Cultural Undertakings*) and 關於印發文化體制改革中經營性文化事業單位轉制為企業和進一步支持文化企業發展兩個規定的通知 (Circular on the Printing and Distribution of the Two Requirements for the Transformation of Operational Culture Entities into Enterprises in the Cultural Regime Reform and the Further Support for the Development of Cultural Enterprises*) would provide more direct benefit and support to the development of the publication industry in the PRC, while the other policies have demonstrated the intention of the PRC government in facilitating the growth and development of the publication industry.

Moreover, the PRC government has recently announced the relaxation of the birth control policy that the number of children allowed for each couple will be increased to two, putting an end to the one-child policy, which was introduced in 1979 with a view to slow the population growth rate of the PRC. We believe that the relaxation of birth control policy will likely stimulate the population growth rate of the PRC in the coming years.

Taking into account of the aforesaid and the facts that, in additional to its own online sales platform "文軒網", Winshare Online has already established its online book stores in the major PRC online sales platforms including "天貓", "當當", "京東" and "Amazon", and has experienced significant growth in revenue for the year ended 31 December 2014 and the eleven months ended 30 November 2015, which represented a grow rate of approximately 101.5% based on the annualised sales for the eleven months ended 30 November 2015, and the continuous development of digital reading in the PRC market, we concur with the view of the management of the Company that the revenue growth of Winshare Online, as driven by the continuous development of online book stores, shall exceed the overall revenue growth of the publication publishing industry while at a relatively moderate rate as compared to that for the year ended 31 December 2014 and the eleven months ended 30 November 2015. The revenue growth of Winshare shall be mainly driven by the continuous growth in purchasing of publications through online book stores and also supported by the increase in reading rate and the growth in population and urbanisation of the PRC. Accordingly, we concur with the Directors' view that the basis of determining the Annual Caps is fair and reasonable in so far as the Company and the Independent Shareholders are concerned.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that (i) entering into of the Renewed Publications Purchase Agreement and the transactions contemplated thereunder falls within the ordinary and usual course of business of the Company; (ii) the entering into of the Renewed Publications Purchase Agreement and transactions contemplated thereunder is in the interests of the Company and the Shareholders as a whole; (iii) the Renewed Publications Purchase Agreement is entered into on normal and commercial terms and the terms thereof are fair and reasonable; and (iv) the basis of determining the Annual Caps is fair and reasonable in so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution at the EGM to approve the Renewed Publications Purchase Agreement and the transactions contemplated thereunder and the Annual Caps.

Yours faithfully,
For and on behalf of
Halcyon Capital Limited
Terry Chu
Managing Director

Mr. Terry Chu is a person licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and regarded as a responsible officer of Halcyon Capital Limited and has over 15 years of experience in corporate finance industry.

* *For identification purposes only*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES

(a) Interests in the Company and its associated corporations

As at the Latest Practicable Date, none of the Directors, supervisors and chief executives of the Company had an interest or short position in any shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which is required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors, supervisors or chief executives of the Company was taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

As at the Latest Practicable Date, none of the Directors, supervisors or chief executives of the Company or their spouses or children under 18 years of age were granted or had exercised any right to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

(b) Other interests

As at the Latest Practicable Date, so far is known to the Directors,

(i) none of the Directors and supervisors of the Company had any interest, direct or indirect, in any assets which have been acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group since 31 December 2014, the date to which the latest published audited financial statement of the Group was made up;

(ii) none of the Directors and supervisors of the Company was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which was subsisting and significant in relation to the business of the Group taken as a whole; and

(iii) save as disclosed in this circular, none of the Directors and their respective associates had any interest in a business, apart from the business of the Company, which competes or may compete with the business of the Company or has any other conflict of interest with the Company which would be required to be disclosed under Rule 8.10 of the Listing Rules.

3. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, save as disclosed below, so far as is known to the Directors or chief executives of the Company, no other person had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to section 324 of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

Name of Shareholder	Number of Shares	Capacity	Class of Shares	Approximate percentage of the relevant class of Shares	Approximate percentage of the total issued share capital of the Company
Sichuan Development	623,861,452 (L) *(Note 2)*	Interests in controlled corporation	State-owned Shares	97.50%	54.96%
Sichuan Xinhua Publishing Group	592,809,525 (L) *(Note 2)*	Beneficial owner	State-owned Shares	92.65%	52.22%
Chengdu Hua Sheng (Group) Industry Co., Ltd.* ("**Hua Sheng Group**")	53,336,000 (L) *(Note 3)*	Beneficial owner	Social Legal Person Shares	100.00%	4.70%
Seafarer Capital Partners, LLC	22,529,000 (L)	Investment manager	H Shares	6.10%	1.99%
Edgbaston Investment Partners Limited	22,528,000 (L)	Investment manager	H Shares	5.10%	1.98%

Notes:

1. The letter "L" represents the entities' long positions in the Shares of the Company.

2. Sichuan Development wholly-owns Sichuan Xinhua Publishing Group and is therefore deemed to have the same interests in the Company as those owned by Sichuan Xinhua Publishing Group by virtue of Part XV of the SFO, i.e. 592,809,525 Shares.

3. Hua Sheng Group has pledged all the Shares held by it.

4. COMPETING BUSINESS

So far is known to the Directors, as at the Latest Practicable Date, none of the Directors and their respective associates had an interest in a business which operates in or may operate in significant competition with the business of the Group.

5. SERVICE CONTRACTS OF THE DIRECTORS

As at the Latest Practicable Date, none of the Directors and supervisors of the Company entered or proposed to enter into any service contract with the Group which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claim of material importance and, to the Directors' best knowledge, there was no litigation or claim of material importance pending or threatened by or against any member of the Group.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014, the date to which the latest published audited accounts of the Company were made up.

8. EXPERTS AND CONSENTS

The following is the qualifications of the expert who has been named in this circular or has given opinion or advice contained in this circular:

Name	Qualification
Halcyon Capital Limited	a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO

Halcyon Capital Limited is referred to as the "**Expert**" hereinafter.

As at the Latest Practicable Date, the Expert was not beneficially interested in the share capital of any member of the Group nor has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

The Expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report and references to its names in the form and context in which they appear.

The letter and recommendation given by the Expert is given as at the date of this circular for incorporation herein.

The Expert has not, or has not had, direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2014, the date to which the latest published audited financial statement of the Group was made up.

9. DOCUMENTS FOR INSPECTION

A copy of the Renewed Publications Purchase Agreement will be available for inspection at the office of Messrs. Li & Partners at 22nd Floor, World-Wide House, Central, Hong Kong during normal business hours on any weekday (except public holidays) for a period of 14 days from the date hereof.