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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)**

### **CONTINUING CONNECTED TRANSACTION:**

#### **Lease Framework (Renewal) Agreement**

##### **Lease Framework (Renewal) Agreement**

Reference is made to the announcement of the Company dated 27 October 2016 in relation to, among others, the Existing Lease Framework Agreement entered into between the Company and Sichuan Publication Group. The Company has been conducting continuing connected transactions with Sichuan Publication Group pursuant to the Existing Lease Framework Agreement.

Pursuant to the Existing Lease Framework Agreement, Sichuan Publication Group agreed to lease certain buildings and warehouses to the Group and provide ancillary property management service to the Group. As the Existing Lease Framework Agreement will expire on 31 December 2019, the Company (and on behalf of the Group) and Sichuan Publication Group (and on behalf of Sichuan Publication Group and its subsidiaries) entered into the Lease Framework (Renewal) Agreement on 29 October 2019.

As at the date of this announcement, Sichuan Publication Group is a wholly owned subsidiary of Sichuan Development (indirectly controlling the Company through Sichuan Xinhua Publishing Group). Accordingly, Sichuan Publication Group is a connected person of the Company and therefore, the transactions contemplated under the Lease Framework (Renewal) Agreement shall constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

##### **LISTING RULES IMPLICATIONS**

As various applicable percentage ratios (other than the profits ratio) are, on an annual basis, more than 0.1% but less than 5%, the Lease Framework (Renewal) Agreement is subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

## **Lease Framework (Renewal) Agreement**

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Pursuant to the Existing Lease Framework Agreement, Sichuan Publication Group agreed to lease certain buildings and warehouses (with a total leased area of approximately 22,000 square metres) to the Group and provide ancillary property management services to the Group.

As the Existing Lease Framework Agreement will expire on 31 December 2019, the Company (and on behalf of the Group) and Sichuan Publication Group (and on behalf of Sichuan Publication Group and its subsidiaries) entered into the Lease Framework (Renewal) Agreement on 29 October 2019.

Terms and conditions under the Lease Framework (Renewal) Agreement have no substantial changes from, and are basically the same as, the terms and conditions under the Existing Lease Framework Agreement.

### ***Major Terms of the Lease Framework (Renewal) Agreement***

Date:	29 October 2019
Effective Period:	1 January 2020 to 31 December 2022 (both days inclusive)
Parties	Sichuan Publication Group (on behalf of Sichuan Publication Group and its subsidiaries) as lessor; and  the Company (on behalf of the Group) as lessee
Nature of transaction:	Sichuan Publication Group and/or its subsidiaries shall lease the Premises and provide corresponding ancillary property management services to the Group.
Premises:	Certain properties legally owned by Sichuan Publication Group and/or its subsidiaries (including but not limited to various buildings, corresponding ancillary facilities, venues, etc. legally owned by Sichuan Publication Group and/or its subsidiaries) with a total leased area of approximately 22,000 square metres. The leased area may be increased or decreased depending on the needs of the Group's operation.

Rental and property management service fees:	<p>The rental of the Premises leased by the Company from Sichuan Publication Group has taken into account the valuation of the rental rates for the Premises issued by Sichuan Zhongfa Appraisal Co., Ltd.* (四川中砧資產評估有限責任公司), an independent qualified property valuer, on 26 August 2019. If the area of the buildings leased by the Company from Sichuan Publication Group is adjusted during the term of the lease, the above total rental may be adjusted by the parties and ascertained by a further supplementary agreement entered into by the parties.</p> <p>The fees for the ancillary property management services shall be determined based on the applicable charging standard of the unified management service for where the Premises are located and in accordance with the properties leased by the Group and the type of service for each leased property.</p>
Payment term:	<p>Unless otherwise agreed between the Group and Sichuan Publication Group, the relevant rental and the fees for the ancillary property management services shall be paid to Sichuan Publication Group or its subsidiaries on a half year basis by the actual lessee by way of bank transfer or bills</p>
Pre-emptive rights:	<p>Pursuant to the Lease Framework (Renewal) Agreement, the Group is entitled to the pre-emptive rights to (i) acquire the Premises and the related land use rights during the term of the lease; and (ii) renew the lease on the Premises upon the expiry of the term of the agreement, on the same terms and conditions.</p>

### ***Pricing policy***

The total rental amount was arrived at after arm's length negotiations between the parties in a fair and reasonable manner on normal commercial terms with reference to the valuation of the prevailing market rental rates for the Premises as at 31 July 2019 issued by Sichuan Zhongfa Appraisal Co., Ltd.\* (四川中砧資產評估有限責任公司), an independent qualified property valuer, on 26 August 2019, and based on the market rental rates of the comparable properties.

### ***Historical caps and transaction amounts***

The following table summarises the historical cap amounts and their relevant historical transaction amounts for the Existing Lease Framework Agreement for the two years ended 31 December 2018 and the nine months ended 30 September 2019:

	<b>For the year ended 31 December 2017</b>	<b>For the year ended 31 December 2018</b>	<b>For the nine months ended 30 September 2019</b>
	<i>(RMB '000)</i>	<i>(RMB '000)</i>	<i>(RMB '000)</i>
Historical annual cap	20,000	20,000	20,000
Historical transaction amount	<u>16,360</u>	<u>16,297</u>	<u>15,486</u>

### ***Annual caps and basis for determination***

In considering the annual caps for the Lease Framework (Renewal) Agreement, the Directors have considered a number of factors including:

- (i) the total rental and the fees for the ancillary property management services paid by the Group to Sichuan Publication Group and its subsidiaries for each year under the Existing Lease Framework Agreement;
- (ii) the prevailing market rental rates of comparable properties and property management services and the valuation report on the leases prepared by an independent qualified property valuer for the leased properties;
- (iii) the anticipated area of the properties to be leased by the Group for the three years ending 31 December 2022; and
- (iv) the leased area may be increased depending on the needs of operation.

Having considered the above factors, the Directors propose that the annual caps for the Lease Framework (Renewal) Agreement for each of the three years ending 31 December 2022 shall be as follows:

	<b>For the year ending 31 December 2020</b>	<b>For the year ending 31 December 2021</b>	<b>For the year ending 31 December 2022</b>
	<i>(RMB '000)</i>	<i>(RMB '000)</i>	<i>(RMB '000)</i>
Annual cap	<u>19,000</u>	<u>19,000</u>	<u>19,000</u>

## ***Reasons for and benefits of entering into the Lease Framework (Renewal) Agreement***

Currently, buildings of Sichuan Publication Group are leased by the Company and some of its subsidiaries. During the term of the lease, the Premises are mainly used as offices and warehouses of the Group to satisfy the Group's needs on administration, goods storage and circulation. The locations and area of the Premises are both considered favourable and appropriate, by the Group for the functions discussed above. Renewal of the lease arrangements under the Existing Lease Framework Agreement can ensure the continuous availability of the Premises and continuous provision of ancillary property management services to the Group to meet its needs.

The Directors (including the independent non-executive Directors) are of the opinion that the Lease Framework (Renewal) Agreement has been entered into on normal commercial terms and in the ordinary and usual course of business; the terms of the Lease Framework (Renewal) Agreement are normal commercial terms arrived at after arm's length negotiations; and the annual caps and the terms of the Lease Framework (Renewal) Agreement contained in this announcement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### ***Internal control measures***

In order to ensure that the Group is in compliance with the pricing policies in relation to certain continuing connected transactions, and safeguard the interests of the Company and the Shareholders as a whole, the Company has adopted the following measures:

For the rental pricing, a qualified property valuer appointed by the Infrastructure and Asset Management Centre of the Company carries out assessment on the Premises, collects the data of market rents of comparable properties, and provide advice on pricing with reference to the assessment results and market rents of comparable properties, while submitting the result to the management of the Company for approval and confirmation. The Infrastructure and Asset Management Centre of the Company shall regularly review if the leased transactions of the Premises is executed in accordance with the pricing policy at the end of the financial year.

The Company has in place a system for the management of connected transactions which clearly states that the relevant administrative departments shall trace, monitor and evaluate the payment arrangements and transaction amounts under the agreement on connected transactions on a monthly basis, to ensure that the annual caps for the connected transactions will not be exceeded.

The Group will engage the auditor of the Company to carry out annual review on the continuing connected transactions (including but not limited to the relevant pricing policies and annual caps) every year in accordance with the requirement of Rule 14A.56 of the Listing Rules.

The transactions under the agreement for each financial period, as well as the conclusion made by the independent non-executive Directors on whether the relevant transactions proceed according to the normal commercial terms, are fair and reasonable, and are in the interests of the Shareholders of the Company as a whole will be disclosed in annual reports and accounts of the Group.

The Directors (including the independent non-executive Directors) are of the opinion that the above internal control measures adopted by the Company regarding the agreement are appropriate. The measures can ensure that the transactions will proceed in accordance with the pricing principles set by the agreement, and can be supervised appropriately.

## **THE CONNECTED RELATIONSHIP BETWEEN THE PARTIES**

As at the date of this announcement, Sichuan Publication Group is a wholly owned subsidiary of Sichuan Development (indirectly controlling the Company through Sichuan Xinhua Publishing Group). Accordingly, Sichuan Publication Group is a connected person of the Company and therefore, the transactions contemplated under the Lease Framework (Renewal) Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

## **INFORMATION OF THE GROUP AND THE COUNTERPARTY**

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.

Sichuan Publication Group is a limited liability company established in the PRC and is principally engaged in the investments in publication business and assets management, storage services, property management, leasing business, etc.

## **LISTING RULES IMPLICATIONS**

As various applicable percentage ratios (other than the profits ratio) for the Lease Framework (Renewal) Agreement are, on an annual basis, more than 0.1% but less than 5%, the Lease Framework (Renewal) Agreement is subject to the reporting, announcement and annual review requirements but exempt from the Independent Shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

Pursuant to Rule 14A.68 of the Listing Rules and the articles of association of the Company, Directors of the Company, namely Mr. He Zhiyong, Mr. Chen Yunhua, Mr. Luo Jun and Mr. Zhang Peng may be regarded as having material interests in the Lease Framework (Renewal) Agreement. Therefore, they have abstained from voting on the Board resolution for approving the Lease Framework (Renewal) Agreement and the proposed annual cap amount for each of the three years ending 31 December 2022. Save for the above Directors, none of the Directors has any material interests in the Lease Framework (Renewal) Agreement and none of the Directors was required to abstain from voting.

## DEFINITIONS

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

“Board”	the board of directors of the Company
“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 A Shares and H Shares of which are listed on the Shanghai Stock Exchange and the Stock Exchange respectively
“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
“Directors”	the directors of the Company
“Existing Lease Framework Agreement”	an agreement dated 27 October 2016 entered into between the Company and Sichuan Publication Group in connection with the leased of Premises and provision of ancillary property management service by Sichuan Publication Group and its subsidiaries to the Group for the period from 1 January 2017 to 31 December 2019, details of which are as set out in the announcement of the Company dated 27 October 2016
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“independent shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Independent Third Party(ies)”	persons(s) or company(ies) which is(are) independent of the Directors, supervisors, substantial shareholders and chief executive (as defined under the Listing Rules) of the Group
“Lease Framework (Renewal) Agreement”	an agreement dated 29 October 2019 entered into between the Company and Sichuan Publication Group in relation to the leased of Premises and provision of ancillary property management service by Sichuan Publication Group and its subsidiaries to the Group for the period from 1 January 2020 to 31 December 2022
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Premises”	certain properties legally owned by Sichuan Publication Group or its subsidiaries with a total leased area of approximately 22,000 square metres in Sichuan Province, the PRC
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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 which is indirectly controlling the Company through Sichuan Xinhua Publishing Group
“Sichuan Publication Group”	Sichuan Publication Group Co., Ltd.* (四川出版集團有限責任公司), a company incorporated in the PRC with limited liability and a wholly owned subsidiary of Sichuan Development
“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 entity established in the PRC which is the controlling shareholder of the Company
“%”	percentage

By order of the Board  
**XINHUA WINSHARE PUBLISHING AND MEDIA CO., LTD.\***  
**He Zhiyong**  
*Chairman*

Sichuan, the PRC, 29 October 2019

*As at the date of this announcement, the Board comprises (a) Mr. He Zhiyong, Mr. Chen Yunhua and Mr. Yang Miao as executive Directors; (b) Mr. Luo Jun, Mr. Zhang Peng and Mr. Han Xiaoming as non-executive Directors; and (c) Mr. Chan Yuk Tong, Ms. Xiao Liping and Mr. Fang Bingxi as independent non-executive Directors.*

\* *For identification purposes only*