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## **XINHUA NEWS MEDIA HOLDINGS LIMITED**

### **新華通訊頻媒控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 309)**

### **ANNOUNCEMENT**

The Company announces that the Group entered into the Termination Agreement with the Shuyang Municipal Government to terminate and discharge of its obligations under the Investment Agreement regarding the operations of the Municipal Waste Treatment Plants.

Reference is made to the announcement (the “Announcement”) of the Company dated 5 January 2012 relating to the Termination Notice served by the Shuyang Municipal Government. Terms used herein shall have the same meaning as those used in the Announcement unless otherwise defined.

Following the receipt of the Termination Notice, the Company has consulted with its legal advisers as to the Chinese laws and has been advised that given the inability of the Municipal Waste Treatment Plant to fulfill the requirement under the Investment Agreement, Shuyang ITAD may be in breach of the Investment Agreement and may potentially bear the liability of over HK\$100 million and that the land may be re-possessed and the buildings thereon may be taken over by the Shuyang Municipal Government for such potential breach of the Investment Agreement. After having assessed the potential adverse impact on the Group as a result of the potential breach of the Investment Agreement, the Group agreed to enter into the termination agreement (the “Termination Agreement”) dated 9 January 2012 with the Shuyang Municipal Government and mutually agreed to terminate the Investment Agreement and discharge its liabilities and obligations under the Investment Agreement.

The Group is in the course of negotiating with an independent state-owned enterprise to utilise the facilities of the Municipal Waste Treatment Plant for the operations of its garbage power plant to be constructed in Shuyang county and further announcement will be made as and when appropriate by the Company in this regard.

The Municipal Waste Treatment Plant is the principal operating asset of the Group's waste treatment business segment. Based on the Group's unaudited financial information, the plant and equipment of the Municipal Waste Treatment Plant amounted to over HK\$50 million as at 30 September 2011 which may be subject to provision as a result of the Termination Agreement. As disclosed in the Company's annual reports, substantial loss has been continuously incurred by this business segment since 2009 which amounted to approximately HK\$5.8 million, HK\$11.8 million and HK\$20.7 million for each of the three years ended 31 March 2009, 2010 and 2011, respectively. Having considered the loss stated above, together with the potential legal liabilities to be born by the Group, the directors of the Company are of the view that the entering into the Termination Agreement is in the interest of the Company and its shareholders as a whole.

On behalf of the Board  
**Xinhua News Media Holdings Limited**  
**Meng Jin**  
*Executive Director*

Hong Kong, 11 January 2012

*As at the date of this announcement, the Company's board of directors comprises eight executive directors, namely, Mr. Ju Mengjun, Dr. Lo Kou Hong, Mr. Xu Zugen, Mr. Mao Hongcheng, Mr. Chang Loong Cheong, Mr. Meng Jin, Mr. Shi Guoxiong and Mr. Zhou Guanghe; one non-executive director, namely, Mr. Xu Rong; and three independent non-executive directors, namely, Ms. Xu Zhijuan, Mr. Tang Binfeng and Mr. Wang Qi.*