WIN SHARE

四川新華文軒連鎖股份有限公司
SICHUAN XINHUA WINSHARE CHAINSTORE CO.,LTD.*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 811)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

The board of directors (the "Board") of Sichuan Xinhua Winshare Chainstore Co., Ltd. (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2008 (the "Year").

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	**2008** *RMB'000*	2007 *RMB'000*
REVENUE	*3, 4*	**2,736,936**	2,309,481
Cost of sales		**(1,630,435)**	(1,383,520)
Gross profit		**1,106,501**	925,961
Other income and gains	*4*	**62,104**	95,717
Selling and distribution costs		**(546,035)**	(448,354)
Administrative expenses		**(234,904)**	(163,173)
Other expenses		**(76,675)**	(63,734)
Finance income, net	*5*	**39,995**	45,787
Share of losses of associates		**(9,772)**	(3,445)
PROFIT BEFORE TAX	*6*	**341,214**	388,759
Tax	*7*	**(3,058)**	(1,765)
PROFIT FOR THE YEAR		**338,156**	386,994
Attributable to:			
Equity holders of the Company	*8*	**337,988**	388,796
Minority interests		**168**	(1,802)
		338,156	386,994
DIVIDENDS — proposed final and special	*9*	**227,026**	340,539
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic *(RMB)*	*10*	**0.30**	0.40

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**533,473**	494,119
Lease prepayments for land use rights		**68,371**	72,051
Investment properties		**5,660**	6,066
Goodwill		**3,307**	—
Other intangible assets		**28,766**	26,901
Investments in associates		**49,079**	47,308
Available-for-sale equity investments		**428,835**	188,835
Deferred tax assets		**48,372**	47,090
Property under development		**126,203**	126,025
Long-term prepayment		**—**	160,000
Total non-current assets		**1,292,066**	1,168,395
CURRENT ASSETS			
Inventories		**827,046**	576,218
Trade receivables	*11*	**309,919**	289,745
Prepayments, deposits and other receivables		**153,546**	156,293
Held-to-maturity investments		**180,000**	330,000
Investments at fair value through profit or loss		**—**	868,180
Pledged deposits		**14,280**	10,000
Cash and short-term deposits		**2,610,701**	1,536,434
Total current assets		**4,095,492**	3,766,870
CURRENT LIAILITIES			
Other borrowings		**9,600**	—
Trade and bills payables	*12*	**1,172,939**	1,021,007
Deposits received, other payables and accruals		**461,042**	171,007
Tax payable		**4,926**	6,130
Total current liabilities		**1,648,507**	1,198,144
NET CURRENT ASSETS		**2,446,985**	2,568,726
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,739,051**	3,737,121

	Notes	**2008** ***RMB'000***	2007 *RMB'000*
NON-CURRENT LIABILITIES			
Other borrowings		**3,525**	13,125
Total non-current liabilities		**3,525**	13,125
Net assets		**3,735,526**	3,723,996
EQUITY			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Issued capital	*13*	**1,135,131**	1,135,131
Reserves		**2,311,748**	2,202,968
Proposed final and special dividends		**227,026**	340,539
		3,673,905	3,678,638
MINORITY INTERESTS		**61,621**	45,358
Total equity		**3,735,526**	3,723,996

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in the People's Republic of China (the "PRC") on 11 June 2005 as a joint stock limited company as part of the reorganisation (the "Reorganisation") of Sichuan Xinhua Publishing Group Co., Ltd. ("Xinhua"). Details of the formation of the Company are set out in the Company's prospectus dated 16 May 2007 (the "Prospectus").

On 30 May 2007, the Company's H shares (the "H Shares") were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and 406,340,000 H Shares, consisting of 369,400,000 new shares and 36,940,000 shares converted from the Company's domestic shares (the "Domestic Shares"), were issued to the public. On 7 June 2007, an additional 32,361,000 new H Shares and 3,236,100 H Shares converted from the Domestic Shares were issued to the public as a result of the partial exercise of the over-allotment option as detailed in the Prospectus.

The registered office of the Company is located at 12/F, No. 86, Section One, People's South Road, Qingyang District, Chengdu, Sichuan, the PRC.

The Group is principally engaged in the production and trading of publications and related products in the PRC.

In the opinion of the directors of the Company (the "Directors"), the parent and ultimate holding company of the Company is Xinhua, a state-owned enterprise established in the PRC.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared on a historical cost basis, except for investments at fair value through profit or loss. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and the Group for the year ended 31 December 2008. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets paid, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. Acquisition of minority interests is accounted for using the entity concept method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised as an equity transaction.

3. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as all of the Group's revenue is derived from customers based in the PRC, and most of its assets are located in the PRC.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and rewards that are different from those of the other business segments. A summary of the business segments is as follows:

- Product: Provision of ancillary support and services to book publishers
- Zhongpan: Bulk purchase of publications from publishers and Product segment for onward sale to book wholesalers, Subscription segment and Retailing segment
- Subscription: Distribution of textbooks and supplementary materials to schools and students
- Retailing: Retailing of books and audio-visual products
- Others: Others

Intersegment sales and transfer are transacted with reference to the selling prices used for sales made to third parties at the prevailing market prices.

The following table presents the revenue and profit for the segments of the Group for the year ended 31 December 2008:

Year ended 31 December 2008

	Product	Zhongpan	Subscription	Retailing	Others	Eliminations	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue and other income							
Sales to external customers	27,562	118,220	2,180,595	405,169	5,390	—	2,736,936
Intersegment sales	447,868	1,725,546	—	—	337	(2,173,751)	—
Other income	459	13,380	3,620	16,328	3	—	33,790
	475,889	1,857,146	2,184,215	421,497	5,730	(2,173,751)	2,770,726
Results							
Segment results	71,146	18,217	344,596	(48,135)	(3,920)	(42,451)	339,453
Unallocated expenses							(54,851)
Unallocated revenue and gains							1,221
Finance income, net							39,995
Gains on held-to-maturity investments							27,093
Losses on investments designated at fair value through profit or loss							(1,925)
Share of losses of associates	—	—	—	—	(9,772)	—	(9,772)
Profit before tax							341,214
Tax							(3,058)
Profit for the year							338,156

The following table presents the revenue and profit for the segments of the Group for the year ended 31 December 2007:

Year ended 31 December 2007

	Product *RMB'000*	Zhongpan *RMB'000*	Subscription *RMB'000*	Retailing *RMB'000*	Others *RMB'000*	Eliminations *RMB'000*	Consolidated *RMB'00*
Revenue and other income							
Sales to external customers	16,443	38,728	1,864,927	387,246	2,137	—	2,309,481
Intersegment sales	368,843	1,677,671	—	4,434	195	(2,051,143)	—
Other income	8,391	1,279	53,576	16,049	412	—	79,707
	393,677	1,717,678	1,918,503	407,729	2,744	(2,051,143)	2,389,188
Results							
Segment results	10,647	115,576	326,121	4,578	(2,229)	(57,855)	396,838
Unallocated expenses							(66,431)
Finance income, net							45,787
Gains on held-to-maturity investments							7,830
Gains on investments designated at fair value through profit or loss							8,180
Share of losses of associates	—	—	—	—	(3,445)	—	(3,445)
Profit before tax							388,759
Tax							(1,765)
Profit for the year							386,994

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after deduction of relevant taxes and allowances for returns and trade discounts, and after eliminations of all significant intergroup transactions.

An analysis of revenue, other income and gains is as follows:

	2008	2007
	RMB'000	*RMB'000*
Revenue		
Sales of goods	**2,736,936**	2,309,481
Other income and gains		
Government grants	**3,678**	53,322
Gross rental income	**4,464**	5,503
Commission income	**21,756**	16,513
Gains on held-to-maturity investments	**27,093**	7,830
Gains on investments designated at fair value through profit or loss	**—**	8,180
Others	**5,113**	4,369
Total other income and gains	**62,104**	95,717

5. FINANCE INCOME, NET

	2008	2007
	RMB'000	*RMB'000*
Bank interest income	**40,777**	46,583
Interest expense on other borrowings, wholly repayable within five years	**(782)**	(796)
	39,995	45,787

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2008	2007
	RMB'000	*RMB'000*
Cost of inventories sold	**1,630,435**	1,383,520
Depreciation:		
Property, plant and equipment	**39,463**	35,151
Investment properties	**406**	251
	39,869	35,402
Recognition of lease prepayments for land use rights	**3,766**	3,823
Amortisation of intangible assets*	**3,448**	2,833
Minimum lease payments under operating leases on properties	**51,285**	42,763
Loss on disposal of items of property, plant and equipment, net	**152**	561
Impairment of trade and other receivables	**2,368**	6,002
Write-down of inventories to net realisable value	**35,340**	22,358
Auditors' remuneration	**4,574**	5,150
Staff costs:		
Directors' and supervisors' emoluments	**1,912**	2,508
Other staff costs		
Wages, salaries and other employee benefits	**250,297**	162,825
Post-employment pension scheme contributions	**22,106**	13,508
	272,403	176,333
	274,315	178,841
Expenses on conversion of shares	**—**	7,545
Foreign exchange difference	**1,193**	13,242

* *The amortisation of intangible assets for the year is included in administrative expenses of the consolidated income statement.*

7. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. The Group is not liable for income tax in Hong Kong as it does not have assessable income currently arising in Hong Kong. Under the prevailing PRC income tax law, except for certain preferential treatment available to the Company and certain subsidiaries, the Group and its associates are subject to corporate income tax at a rate of 25% on their respective taxable income.

The determination of income tax in the consolidated income statement of the Group is as follows:

	2008	2007
	RMB'000	*RMB'000*
Current PRC income tax charge for the year	**2,669**	1,765
Deferred income tax	**389**	—
	3,058	1,765

A reconciliation of tax expense applicable to profit before tax at the statutory rate to tax expense at the Group's effective rate, and a reconciliation of the statutory rate to the effective tax rate, are as follows:

	2008		2007	
	RMB'000	***%***	*RMB'000*	*%*
Profit before tax	**341,214**		388,759	
Income tax at PRC statutory income tax rate of 25% (2007: 33%):	**85,303**	**25.0**	128,290	33.0
Expenses not deductible for tax purpose	**4,901**	**1.4**	7,657	2.0
Tax losses not recognised	**3,974**	**1.2**	5,585	1.4
Tax concessions*	**(91,120)**	**(26.7)**	(139,767)	(36.0)
Tax charge at the Group's effective rate	**3,058**	**0.9**	1,765	0.4

* *Pursuant to the relevant PRC income tax regulations, newly established cultural enterprises are eligible to apply for income tax exemption for a period of three years. In accordance with the approval from the relevant PRC tax authorities, the Company and two subsidiaries of the Group were granted an income tax exemption from 2006 to 2008.*

The share of tax attributable to associates amounting to RMB519,000 (2007: RMB137,000), is included in "Share of losses of associates" on the face of the consolidated income statement.

8. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 31 December 2008 includes a profit of RMB355,056,000 (2007: RMB408,039,000) which has been dealt with in the financial statements of the Company.

9. DIVIDENDS

	2008	2007
	RMB'000	*RMB'000*
Proposed final and special — RMB0.20 (2007: RMB0.30) per ordinary share	**227,026**	340,539

The proposed final and special dividends for the Year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The net profit after tax of the Company for the purpose of profit distribution will be the lesser of (i) the net profit determined in accordance with PRC GAAP and (ii) the net profit determined in accordance with IFRSs.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculations of basic earnings per share amounts are based on the profit for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the year.

	2008	2007
	RMB'000	*RMB'000*
Earnings:		
Profit attributable to ordinary equity holders of the Company	**337,988**	388,796

	Number of shares	
	2008	2007
Shares:		
Weighted average number of ordinary shares in issue during the year used in basic earnings per share calculation	**1,135,131,000**	970,415,172

Diluted earnings per share for the years ended 31 December 2007 and 2008 have not been presented because no diluting event existed during these two years.

11. TRADE RECEIVABLES

	2008	2007
	RMB'000	*RMB'000*
Trade receivables	**378,319**	360,225
Impairment of trade receivables	**(65,950)**	(66,735)
Allowance for sales returns	**(2,450)**	(3,745)
	309,919	289,745

The Group normally allows a credit period of not more than 270 days to its customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group's trade receivables comprised a large numbers of diversified customers with individual balances ranging from RMB1,000 to RMB10,080,000. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on invoice date and net of impairment, is as follows:

	2008	2007
	RMB'000	*RMB'000*
Within 3 months	**94,907**	82,749
3 to 6 months	**131,998**	147,966
6 months to 1 year	**65,161**	49,103
1 to 2 years	**17,208**	9,927
Over 2 years	**645**	—
	309,919	289,745

Included in the balance as at 31 December 2008 are trade receivables from Xinhua and its subsidiaries ("Xinhua Group") and associates of RMB27,465,000 (2007: RMB19,693,000) and RMB11,492,000 (2007: nil), respectively, which are repayable on similar credit terms to those offered to the major customers of the Group. These balances are unsecured and interest-free.

12. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the balance sheet date, based on invoice date, is as follows:

	2008	2007
	RMB'000	*RMB'000*
Within 3 months	**446,861**	376,011
3 to 6 months	**248,928**	306,531
6 months to 1 year	**270,747**	125,170
1 to 2 years	**139,062**	135,594
Over 2 years	**67,341**	77,701
	1,172,939	1,021,007

Included in the balance as at 31 December 2008 are trade payables to Xinhua Group and its associates of RMB3,995,000 (2007: nil) and RMB13,696,000 (2007: RMB7,490,000), respectively.

The trade and bills payables are interest-free and are normally settled on a one-year term.

As at 31 December 2008, the bills payable of the Group amounting to RMB34,907,000 were secured by the Group's pledged time deposits amounting to RMB14,280,000 (2007: RMB10,000,000) and inventories amounting to RMB9,222,000 (2007: nil).

13. ISSUED CAPITAL

	2008	2007
	RMB'000	*RMB'000*
Issued and fully paid:		
693,194,000 (2007: 693,194,000) Domestic Shares of RMB1.00 each	**693,194**	693,194
441,937,000 (2007: 441,937,000) H Shares of RMB1.00 each	**441,937**	441,937
	1,135,131	1,135,131

For the year ended 31 December 2008, there was no change in the total number of shares and the shareholding structure of the Company. The Company did not repurchase, sell or redeem its listed securities.

14. POST BALANCE SHEET EVENTS

On 20 February 2009, the Company entered into agreements with Chengdu Audio and Visual Press, Chengdu Times Press and Chengdu Education and Science Institute to acquire their respective equity interests of 11%, 12% and 26%, respectively, in Chengdu Yin Xing Bo Wen Book and Cultural Development Co., Ltd ("Yin Xing Bo Wen"). The total consideration of RMB5.65 million has been fully paid on 4 March 2009. Up to the date of this announcement, the updating of the business registration of Yin Xing Bo Wen is still in process. Upon the completion of the acquisition, the Company's equity interest in Yin Xing Bo Wen will reach 90%.

On 9 April 2009, the Board recommended to distribute a final dividend of approximately RMB90,810,000, equivalent to RMB0.08 per share (tax inclusive) and a special dividend of approximately RMB136,216,000, equivalent to RMB0.12 per share (tax inclusive) in respect of the Year.

Except for the events disclosed above, the Group did not have any significant post balance sheet events.

RESULTS AND DIVIDEND

In 2008, the turnover of the Group was RMB2,737 million, representing an increase of 18.5% as compared to 2007. The profit attributable to the equity holders of the Company was RMB338 million. The profit was RMB358 million after excluding non-comparable factors, which increased by 16.0% as compared to 2007. The basic earnings per share of the Group was RMB0.30.

The Board has proposed to distribute a final dividend of RMB0.08 per share (tax inclusive) and a special dividend of RMB0.12 per share (tax inclusive) for the year ended 31 December 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

In 2008, the economy in PRC had experienced the effects of the storms of severe snowfall and rainfall accompanying the cold weather in southern China at the beginning of the year, the catastrophic earthquake occurred in Wenchuan County, Sichuan Province on 12 May 2008 (the "5.12 Wenchuan

Earthquake") and the international financial crisis that erupted in the second half of the year. Despite the fact that the PRC's book distribution market was facing such a severe external environment, it still managed to attain a steady growing trend.

For the distribution of textbooks and supplementary materials market, the PRC government continued to implement the free obligatory education policy. From 2008, textbooks have been centrally purchased by the government and provided free of charge to students enrolled in obligatory education in rural areas. In addition, tuition fees and miscellaneous charges for obligatory education in urban areas were waived with effect from the Autumn school term in 2008. The Ministry of Education also required that, commencing from the Spring school term of 2008, textbooks recycling system for certain government-subsidised textbooks would be established in primary and secondary schools in rural areas. The change in the mode of textbook distribution together with the change into a completely market driven mode of supplementary materials distribution, which is a correlated segment with the distribution of textbooks, has fuelled severe competition in the markets of distributing both items. However, with their years of extensive experience and quality service as well as their market-oriented approaches to operations, the wholly or partially state-owned distribution enterprises were still in an exceedingly favourable position amidst market competition.

In respect of book retailing, which was facing the conditions of macro economy growth slowing-down, increase in unemployment and expected decline in residents' consumption, nevertheless, the book retailing market was also affected to a certain extent. However, the industry overall still managed to maintain a growing trend. Through in-depth adjustments by those wholly or partially state-owned enterprises to adapt to the market, they thereby formed a scientific and comprehensive logistics and inventory management system and a modern business management system to maximize the values of their channel resources. This has put them in an obviously advantageous position in the book retailing market.

In respect of textbooks for use in tertiary and vocational education, the continuous expansion of student recruitment exercises by tertiary institutions and vocational schools have swelled the capacity of the market. At the same time, with the rapid expansion of vocational education, it has become more and more popular to select textbooks by bidding processes, the crucial factors of selection, including discounts, quality of enterprise, scale of operations, creditworthiness, have put the wholly or partially state-owned enterprises into an obviously advantageous position to compete in the market. Moreover, as the entry barrier for libraries has been lowered, increasing readers' demand, and the continuous refinement of the market, it called for strong capability in purchasing, logistics, information management support, marketing, deliver refined services to the market to cater for the specialized needs of large scale Zhongpan.

In 2008, there was obvious increase in the momentum of China's publishing industry reform, with resources integration, capital cooperation and strategic restructuring as the important means for publishing industry reform. The pace of publishing industry reform is accelerating and has made new breakthroughs progressively. In May 2008, Hainan Phoenix Xinhua Distribution Company Limited (海南鳳凰新華發行有限責任公司) was officially established after the general restructuring of Hainan Xinhua Bookstore Group Company Limited (海南省新華書店集團有限公司) and Jiangsu Xinhua

Bookstore Group Company Limited (江蘇省新華書店集團有限公司). This had represented a breakthrough in its existing framework under which the market was segregated in terms of business segments and geographical locations. In December 2008, Guangzhou Xinhua Publishing and Distribution Group (廣州新華出版發行集團) was formed after the integration and restructuring of Guangzhou Publishing House (廣州出版社), Guangzhou Xinhua Bookstore Group (廣州市新華書店集團) and Guangzhou Audio-visual Publishing House (廣州音像出版社), resulting a publishing and distribution industry chain integration.

The management believes, in the environment of intensified reform, the Company will seize the opportunities to break through the regional and departmental restrictions, segregation of business segments, and accelerate the construction of industry chain integration to become a large-scale cultural, publishing and media enterprise through joint venture, merger and reconstructuring.

Business Review

During the Year, the Group adjusted its product structure and selling policies and the growth of the sales revenue had achieved a breakthrough. The Group's sales revenue during the Year amounted to RMB2,737 million, representing a year-on-year increase of approximately 18.5% over the same period of last year. Despite unfavorable factors including the storms of severe snowfall and rainfall accompanying the cold winter in southern China and the 5.12 Wenchuan Earthquake, the Group's sales turnover still sustained a certain level of growth. The sustainable growth of our business was primarily attributable to optimizing the structure of textbooks and supplementary material products, balanced development of business of various selling areas and rational application of pricing strategy, rising capability of channel control, and growth of book distribution to libraries ("Library Distribution") and textbooks for use in tertiary and vocational education business.

Product

Product segment provides ancillary support and services to book publishers. During the Year, the selection of topics for our products has not only taken into account the characteristics of our channels of distribution but also catered to market segments and readerships. The coordination with the Group's distribution channels (especially the nationwide Zhongpan channel) was enhanced, including planning of product publishing, product sales and marketing, feedback on sales and supply of merchandise etc. During the Year, our capability of providing ancillary support and services expanded well, providing 701 kinds of new products of general interest and 728 kinds of new products of culture and education in relation to providing ancillary support and services to book publishers, representing an increase of 90.0% and 30.0% respectively.

Zhongpan

During the Year, building upon the enhanced and optimized network of its distribution channels, our Zhongpan segment experienced a breakthrough in its development of a multi-channel network. Through the development of business of Library Distribution and textbooks for tertiary institutions and vocational schools, a sales model with multiple channels and layers was formed. Leveraging on our involvement in organizing the fair for the demonstration and procurement of new books for nationwide libraries ("Library Book Purchase Fair") under the Beijing Book Ordering Fair 2008, we successfully extended our presence into the markets of Library Distribution and textbooks for tertiary institutions and vocational schools across the nation in an innovative manner, and we successfully obtained the exclusive right of hosting the Library Book Purchase Fair for 2009. It fortified the horizontal market linkage with other segments, including the Product segment and the establishment of a coordinated exchange mechanism to align planning with sales. Customer's needs in respect of Library Distribution were analyzed in details and streamlined, and catalogue subscription was identified as the core concept in marketing strategy, sales and merchandise organization for our business of Library Distribution. The procedures and system flows of Library Distribution were also established.

Retailing

During the Year, optimisation to the positioning of our outlets were gradually put to practice, maintaining our efforts in improving our network of outlets. Adjustments were also made to the structure of the existing affiliated sales counters to introduce new affiliated products, including periodicals and cultural items, as well as new media of sales, development of value-added businesses in our channels in order to enhance the profitability of our network. Affiliated counter business maintained at high growth, with the commission income (stated as other income) increased from RMB10 million in 2007 to RMB14 million in the Year. Meanwhile, enhanced coordination was achieved between our retailing channel and Zhongpan channel in the businesses of Library Distribution and the businesses of textbooks for tertiary and vocational schools.

Subscription

By leveraging on the advantage of textbook distribution network and high-quality service, we obtained the general distribution right of textbooks in Sichuan Province for the Year. During the Year, the Ministry of Finance of the PRC raised the standard of free national curriculum textbooks funding per school year and local textbooks used by domestic regions were also subsidised by local provincial treasury. It had greatly promoted the development of the textbook business of the Company. After the distribution mode of supplementary materials had fully shifted to market-oriented mode in 2007, we quickly adjusted our operation strategy accordingly. We strengthened our control in Sichuan markets by optimizing the structure of supplementary materials and pricing adjustment strategies. At the same time, we established close contact and business relationship with various Xinhua Bookstores in the cities and counties outside Sichuan Province, in order to establish educational subscription channels and networks to the nationwide markets. We will enhance our marketing effort in those markets, for improving the corporate image and product awareness, strengthen sales management and marketing support to those sales organizations, and specify the marketing strategy of various key regional markets outside Sichuan province.

Moreover, in 2009, the Company and Sichuan Education Department signed "the purchase agreement of government-subsidised textbooks by Sichuan Provincial Government for Spring term of 2009", and continue our position as the general supplier of government-subsidised textbooks and responsible for agency and distribution of government-subsidised textbooks in the Spring term of that year.

Impact of 5.12 Wenchuan Earthquake

The 5.12 Wenchuan Earthquake caused part of the Group's operating facilities, including outlets and warehouses, suffered from different degrees of damages, but business in the affected regions had returned to normal within a short period of time. The earthquake did not cause any material effect to the Group's business and assets. The Company donated a total of RMB2 million of resources such as textbooks, schoolbags and learning kits to students of primary and secondary schools affected by the earthquake and donated RMB20 million to Sichuan Educational Fund to reconstruct the schools destroyed by the earthquake.

Investment Overview

According to the development strategy of the Group, by leveraging on the opportunity of the reform of China's publishing and distribution industry, the Company made new progress in ancillary publishing service and product co-operation, industry resources integration and sales network expansion.

In August 2008, the Company cooperated with Huaxia Publishing House (華夏出版社) to establish Beijing Huaxia Shengxuan Book Company Limited (北京華夏盛軒圖書有限公司) with a joint capital injection of RMB 15 million, of which the capital injection of the Company was RMB 7.65 million, representing 51% shareholdings. The Company expected to achieve synergy effect by this cooperation, enhance our strength in ancillary publishing service and product research and development, strengthen our advantages in sales channels and realize the powerful association between high-quality products and distribution channels.

In October 2008, the Company acquired 51% shareholdings in Sichuan Xinhua Shang Paper Co., Ltd (四川新華商紙業有限公司) at a consideration of RMB 12.39 million, which provided strong support to the Group's ancillary publishing service.

In August 2008, the Company achieved cross-regional strategy cooperation with Guizhou Xinhua Bookstore (貴州省新華書店) to establish Guizhou Xinhua Winshare Distribution Company Limited (貴州新華文軒發行有限責任公司). The newly established Guizhou Xinhua Winshare Distribution Company Limited set up 9 direct outlets including Guizhou Xinhua Winshare Bookcity (貴州新華文軒書城), which is currently operating steadily.

The Company holds 7.79% shareholdings in Anhui Xinhua Media Company Limited (安徽新華傳媒股份有限公司) (formerly known as "Anhui Xinhua Distribution Group Co., Ltd. (安徽新華發行集團有限公司)") and 2.46% shareholdings in Bank of Chengdu Company Limited (成都銀行股份有限公司) (formerly known as "Chengdu City Commercial Bank Co., Ltd. (成都市商業銀行股份有限公司)"). During the Year, the above investments did not contribute any material gain and loss to the Group. The Company treats the investment in Anhui Xinhua Media Company Limited as a long term strategic investment and continued to seek cooperation with the investees to develop the business.

Future Prospects

Facing the new situation and new environment, with the strengths of our existing resources, the Group will develop our principal business actively and steadily, and dedicate to establish a complete publishing and distribution industry chain. Meanwhile, the Company will also actively explore the development in industries that are closely related to our core business, enhance our corporate profitability and possess the ability of sustainable development. To achieve the aforesaid target, the Company intends to implement the following key strategies:

(1) To speed up the integration of the business chain within the industry and have an advanced breakthrough in 2009.

(2) To enhance the overall construction ability of large scale Zhongpan network, set up a platform by means of acquisition and cooperation, accelerate our pace in developing into a nationwide Zhongpan network. At the same time, we also will accelerate our increase in market share in national Library Distribution business and textbooks for tertiary institutions and vocational schools business.

(3) To actively seek cooperation between trans-regional industries and transowership industries, and integrating our years of experience in operating educational content products, actively carry out research and expand into the cultural and educational industry that is closely related to our principal business.

(4) With the planned and sophisticated logistics network system, the logistics operation information system will be equipped and upgraded. While enhancing our operations support functions, we will also enhance the efficiency of the logistics operations, and decrease the logistics operating costs.

(5) To improve the information management systems, enhance and optimize existing information platform for the purpose of providing more efficient support for the Company in its expansion and cross-regional development.

(6) To further expand e-commerce business of paperback and digital book contents.

Financial Review

Revenue

Sales revenue for the Year recorded a significant growth of 18.5%, which was mainly driven by the increase in sales of Subscription segment. The Group classifies its segments by nature of business. The Product segment is responsible for the provision of ancillary support and services to book publishers. The Subscription segment and the Retailing segment are responsible for selling products to their customers through different channels. The Zhongpan segment is responsible for centralized products procurement and distribution through different channels or selling products to external customers through the nationwide Zhongpan network of the Group. Under its integrated operation, with the exceptions of Zhongpan segment and Product segment where some of their goods are sold directly to external customers, most of the goods have to go through more than one of the segments before reaching the final customer. Thus, it resulted in an increase in intersegment sales and sales elimination.

Gross Profit and Gross Profit Margin

The gross profit margin of the Group for the Year was 40.4%, a slight increase over 2007.

Segment Analysis

Segment revenue of the Group for the year ended 31 December 2008 and the corresponding period of 2007 are as follows:

				Percentage of segment sales to revenue before intersegment sales elimination		Percentage of segment external sales to consolidated revenue	
	2008	2007	Changes	**2008**	2007	**2008**	2007
	RMB'000	RMB'000	%	**%**	%	**%**	%
Product segment							
External sales	**27,562**	16,443	67.6	**0.6**	0.4	**1.0**	0.7
Intersegment sales	**447,868**	368,843	21.4	**9.1**	8.5		
Total	**475,430**	385,286	23.4	**9.7**	8.9		
Zhongpan segment							
External sales	**118,220**	38,728	205.3	**2.4**	0.9	**4.3**	1.7
Intersegment sales	**1,725,546**	1,677,671	2.9	**35.1**	38.5		
Total	**1,843,766**	1,716,399	7.4	**37.5**	39.4		
Subscription segment							
External sales	**2,180,595**	1,864,927	16.9	**44.4**	42.7	**79.7**	80.7
Intersegment sales	**—**	—	—	**—**	—		
Total	**2,180,595**	1,864,927	16.9	**44.4**	42.7		
Retailing segment							
External sales	**405,169**	387,246	4.6	**8.3**	8.9	**14.8**	16.8
Intersegment sales	**—**	4,434	(100.0)	**—**	0.1		
Total	**405,169**	391,680	3.4	**8.3**	9.0		
Other segments							
External sales	**5,390**	2,137	152.2	**0.1**	—	**0.2**	0.1
Intersegment sales	**337**	195	72.8	**—**	—		
Total	**5,727**	2,332	145.6	**0.1**	—		
Revenue before intersegment sales elimination	**4,910,687**	4,360,624	12.6	**100.0**	100.0		
Intersegment sales elimination	**(2,173,751)**	(2,051,143)	6.0				
Consolidated revenue	**2,736,936**	2,309,481	18.5			**100.0**	100.0

The gross profit and the gross profit margin of each segment of the Group for the Year and the corresponding period of 2007 are as follows:

	2008		2007	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	RMB'000	***%***	*RMB'000*	*%*
Product (including intersegment revenue)	**79,110**	**16.6**	40,794	10.6
Zhongpan (including intersegment revenue)	**220,448**	**12.0**	254,983	14.9
Subscription (including intersegment revenue)	**718,347**	**32.9**	568,166	30.5
Retailing (including intersegment revenue)	**108,694**	**26.8**	118,119	30.2
Others (including intersegment revenue)	**2,887**	**50.4**	1,486	63.7
Intersegment revenue elimination	**(22,985)**	**N/A**	(57,587)	N/A
Total	**1,106,501**	**40.4**	925,961	40.1

Product

During the Year, the Product segment had a significant revenue growth of 23.4%, which was mainly attributable to the significant increase in the sales of cooperative supplementary materials products. The gross profit margin of the Product segment also increased from 10.6% in the corresponding period of last year to 16.6% for the year, which was the result of the Company's on-going development of ancillary support and services business.

Zhongpan

The Zhongpan segment had a revenue growth of 7.4% during the Year, among which sales to external customers recorded a revenue of RMB118 million, representing a two-fold increase when compared with RMB39 million in the corresponding period of 2007. The increase was driven by the rapid growth of the Group's nationwide distribution business, coupled with the two new businesses (Library Distribution and supply of textbooks for tertiary institutions and vocational schools) developed in 2008. Due to lower gross profit margin of these new businesses and rising purchasing costs of government-subsidised textbooks, gross profit margin of Zhongpan segment decreased from 14.9% in 2007 to 12.0% for the Year.

Subscription

The revenue of Subscription segment had a significant growth of 16.9% during the Year, which was attributable to a considerable growth recorded in the sales of government-subsidised textbooks with the government support to students under obligatory education in rural areas. As for the market-oriented supplementary reading materials, the Group also intensified their promotion and recorded a higher growth. Gross profit margin of this segment increased from 30.5% last year to 32.9% in the Year, mainly due to the decrease in sales discount offered for government-subsidised textbooks in Autumn term of 2008.

Retailing

The revenue of Retailing segment recorded a stable growth of 3.4% during the Year. Gross profit margin of this segment decreased from 30.2% last year to 26.8% for the Year which was due to changes in its sales composition during the Year, which constituted a higher ratio of products having lower gross profit margins.

Expenses and costs

Selling and distribution costs and administrative expenses

During the Year, the total selling and distribution costs and administrative expenses were RMB781 million, representing an increase of 27.7% from RMB612 million in the corresponding period of last year. After deducting the write-back of accrued welfare of RMB26 million last year, expenses for the Year increased by 22.5% when compared with last year. This was due to relatively higher business development expenses for business expansion outside Sichuan Province, intensified marketing promotion of supplementary materials that caused corresponding increases in marketing expenses and transportation costs, newly-recruited staff in promoting new businesses and staff salaries increases that raised the staff costs during the Year and increase in maintenance costs caused by the 5.12 Wenchuan Earthquake.

Other expenses

Other expenses for the Year amounted to RMB77 million. During the Year, exchange losses decreased by RMB12 million and there was no allocation of expenses of RMB8 million as a result of the conversion of state-owned shares transferred to the National Council for the Social Security Fund for its listing during the Year. However, during the Year, donations related to 5.12 Wenchuan earthquake amounted to RMB22 million, and provision for inventories impairment increased by RMB13 million, causing other expenses to increase by 20.3%.

Finance income, net

Finance income, net for the Year amounted to RMB40 million, decreased by 12.6% when compared to 2007. This was mainly due to the absence of interest income on application monies in connection with the H Shares offering of the Company of RMB20 million during the Year, but was partially offset by the increase in interest income during the Year.

Profit

The Group's profit for the Year amounted to RMB338 million, representing a decrease of 12.6% from RMB387 million in the corresponding period of last year. The profit attributable to shareholders decreased by 13.1% to RMB338 million from last year.

The Group's profit for the Year and 2007 were affected by several non-operating factors. Non-operating factors for the Year included exchange losses of RMB1 million, government grants of RMB4 million and donations in relation to 5.12 Wenchuan earthquake of RMB22 million; while non-operating factors for the year 2007 included exchange losses of RMB13 million, government grants of RMB53 million, share conversion expenses due to the listing of the state-owned shares of RMB8 million, interest income on application monies in connection with the H Shares offering of the Company of RMB20 million and write-back of accrued welfare of RMB26 million.

After adjusting the above factors, the Group's profit for the Year amounted to RMB358 million, representing an increase of 16.0% from RMB308 million in 2007. The growth in profit for the Year was mainly due to the growth in sales in government-subsidised textbooks and supplementary materials.

EARNINGS PER SHARE

Earnings per share is calculated by dividing profits attributable to equity holders of the Company by weighted average number of ordinary shares in issue for the period. The Group's earnings per share for the Year was RMB0.30, representing a decrease of 25.0% from RMB0.40 in the corresponding period of last year. The decrease in earnings per share was mainly due to the substantial increase in the weighted average number of ordinary shares in issue during the Year as a result of the issuance of H Shares last year.

After adjusting the non-operating factors, earnings per share of the Group for the Year was RMB0.32, approximate to that of 2007.

Please refer to note 10 to financial statements for the calculation of earnings per share.

LIQUIDITY AND FINANCIAL RESOURCES

Except for the borrowings of Chengdu Xin Hui Industrial Company Limited, a subsidiary of the Company, the Group did not have any bank loans and other borrowings. As at 31 December 2008, the Group had other borrowings of RMB13 million as fixed-interest financing. The stable and strong cash flow and robust financial conditions laid out a sound foundation for the continuing development of the Group.

As at 31 December 2008, the gearing ratio (calculated by dividing total liabilities by total assets) of the Group was 30.7% (31 December 2007: 24.5%). There was no significant change in the Group's capital structure during the Year.

As at 31 December 2008, the Group had cash and short-term deposits of approximately RMB2,611 million. In order to increase the yield of the fund, the Group deposited part of the fund in commercial banks in PRC as structured deposits according to its own cashflow projection. These structured deposits are principal-secured on terms ranging from one month to one year. These structured deposits are stated on the balance sheet as held-to-maturity investments and investments at fair value through profit or loss. As at 31 December 2008, the Group had cash and short-term deposits, pledged deposits and structured deposits of approximately RMB2,805 million in total.

Substantially all of the Group's assets, liabilities, revenues, costs and expenses were denominated in RMB. As a result, the management believes that foreign exchange exposure of the Group is minimal and the Group has not entered into any foreign exchange hedging arrangement.

WORKING CAPITAL MANAGEMENT

	As at 31 December 2008	As at 31 December 2007
Current ratio	**2.48**	3.14
Inventory turnover days	**157.1**	120.7
Trade receivables turnover days	**40.0**	48.3
Trade payables turnover days	**245.6**	249.4

As at 31 December 2008, the current ratio of the Group was 2.48 (31 December 2007: 3.14), which indicated that the Group remained financially stable. The decrease in current ratio was mainly due to the distribution of dividends for the year ended 2007 by the Company during the Year, and the receipt of advanced payments by the end of 2008 caused an increase in current assets and liabilities.

Inventory turnover days increased from 120.7 days in 2007 to 157.1 days in 2008. This was due to the higher inventory level caused by the expansion of the Group's distribution business outside Sichuan Province and its ancillary support business. Moreover, as the first day of school for Spring term 2009 was earlier than that in 2008, the Company purchased the required goods in advance and increased its inventories level by the end of 2008. Trade receivables turnover days decreased from 48.3 days in 2007 to 40.0 days in 2008, which was attributable to the Group's continuous implementation of strict control on trade receivables while maintaining a rapid growth in sales. Trade payables turnover days remained at a relative longer period of approximately eight months due to longer repayment term generally granted by suppliers.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

As at 31 December 2008, the Group did not have any material contingent liability.

As at 31 December 2008, other than a pledged fixed deposit of RMB14.28 million and pledged assets of RMB9.22 million, the Group did not have any asset under pledge or guarantee.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2008, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company is committed to sound corporate governance by continuously strengthening and improving the Company's internal control system. For the year ended 31 December 2008, the Company adopted and was in compliance with the applicable code provisions as set out in the Code on Corporate Governance Practices stipulated in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

For the purpose of governing securities transactions by the Directors and supervisors, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors and supervisors of the Company. Having made specific enquiries to each of the Directors and supervisors of the Company, all Directors and supervisors confirmed that they have complied with all the terms set out in the Model Code during the year ended 31 December 2008.

AUDIT COMMITTEE

The Company established its Audit Committee in compliance with Appendix 14 to the Listing Rules. The Audit Committee has considered and reviewed the accounting principles adopted by the Group, and discussed with the management matters relating to internal control and financial reporting, and has reviewed and confirmed the audited results announcement and report for the year ended 31 December 2008.

USE OF PROCEEDS RAISED

The Company was listed on the Stock Exchange in May 2007, the net proceeds of which amounted to RMB2,110 million. As at 31 December 2008, approximately RMB438 million have been applied according to the intended use stated in the prospectus of the Company dated 16 May 2007 as follows:

— Approximately RMB52 million was used for the establishment of retail chain bookstores and renovation of retail outlets for the retail network expansion;

— Approximately RMB213 million was used to expand the textbooks and supplementary materials distribution network within and outside Sichuan Province;

— Approximately RMB20 million was used for the co-operation with or acquisition of publishing organizations related to the ancillary support and services business;

— Approximately RMB48 million was used to finance the establishment of logistics centres and enhancement of the information management system; and

— Approximately RMB105 million was used to supplement the working capital.

As at 31 December 2008, the remaining proceeds of approximately RMB1,672 million was placed in commercial banks in the PRC as short term deposits.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2008, the Company had a total of 6,265 (2007: 6,174) employees.

The Company has in place a performance appraisal system and incentive/penalty mechanism whereby salaries are linked to the performance of employees. The remuneration policy of the Company is regularly reviewed and is proactively promoted using appraisal as its core in motivating employees' performance, and the remuneration system is regularly enhanced.

The standard remuneration package of the Company includes basic salary, performance-based bonus and benefits. Pension, medical insurance, unemployment insurance, employment injury insurance, maternity insurance and housing welfare funds are available to employees. Moreover, the Company has implemented paid annual leave policy with effect from 2008.

Internal training and regular training are available to the staff of the Company. During the Year, in view of the unique feature of regional development, the Company had implemented online classroom training sessions to expand the scope of training to the staff.

DIVIDEND

The Board has proposed the distribution of a final dividend of RMB0.20 in total (tax inclusive) per share (2007: RMB0.30 per share in total) for the year ended 31 December 2008, totaling RMB227 million (tax inclusive). Whereas the total dividend comprised the final dividend of RMB0.08 per share (tax inclusive) (2007: final dividend of RMB0.09 per share) and the special dividend of RMB0.12 per share (tax inclusive) (2007: special dividend of RMB0.21 per share). The distribution of a special dividend is not an indication of any future distribution of the same. Dividends payable to holders of the Domestic Shares will be made and paid in RMB, whereas dividends payable to holders of the H Shares will be declared in RMB and payable in Hong Kong dollars.

In accordance with the "Corporate Income Tax Law of the PRC" and its regulations effective on 1 January 2008, non-resident enterprises shall pay corporate tax based on their income generated within the PRC, and the applicable tax rate is 10%, and the balance is withheld by the listed issuer. In this regard, any H Shares registered in the name of non-individual shareholders, including HKSCC Nominees limited, other nominees, trustees or other groups and organizations will be treated as being held by non-resident enterprise shareholders and the Company will distribute the final and special dividends to such non-resident enterprise shareholders after withholding a corporate income tax of 10%.

The proposed final dividend and special dividend are subject to approval by shareholders of the Company at the annual general meeting (the "AGM") to be held on 16 June 2009. Holders of H Shares and Domestic Shares whose names appear on the register of members of the Company on 16 June 2009 (the "Record Date") will be entitled to the final and special dividends and to attend and vote at the AGM.

All investors should read the aforesaid contents carefully. If any investor intends to have his name appeared on the H Shares share register of members of the Company, please enquire about the relevant procedures with your nominees or trustees. The Company has no responsibility and shall not be responsible for confirming the identities of the shareholders. The Company will strictly comply with the law, and withhold and pay the corporate income tax on behalf of the relevant shareholders based on the H Shares share register of members of the Company on the Record Date. The Company will not accept any requests relating to any delay in confirming the identity of the shareholders or any inaccuracies in the identity of the shareholders.

ANNUAL GENERAL MEETING

The 2008 AGM of the Company will be held at Sichuan Xinhua International Hotel, No. 8 Guzhongshi Street, Chengdu, Sichuan, the PRC on 16 June 2009. Details of the AGM will be set out in the notice of AGM to be despatched by the Company. Such notice will also be made available on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.winshare.com.cn).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 16 May 2009 to 16 June 2009 (both dates inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed final and special dividends and to attend and vote at the AGM, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for H Shares shareholders, or the head office of the Company at No. 6 Wenxuan Road, Shang Mao Avenue, Cheng Bei, Chengdu, Sichuan (Postal code 610081), the PRC for Domestic Shares shareholders for registration no later than 4:30 pm on 15 May 2009.

PUBLICATION OF ANNUAL REPORT

The annual report, including the audited financial statements, for the year ended 31 December 2008 of the Company, containing all information required under the Listing Rules, will be despatched to shareholders on or before 30 April 2009 and will be made available on the Stock Exchange's website and the Company's website.

By Order of the Board
Sichuan Xinhua Winshare Chainstore Co., Ltd.
Gong Cimin
Chairman

Sichuan, the PRC
9 April 2009

As at the date of this announcement, the Board of the Company comprises (a) Mr. Gong Cimin and Mr. Zhang Bangkai as executive directors; (b) Ms. Wang Jianping, Mr. Yu Changjiu, Mr. Zhang Chengxing, Mr. Li Jiawei, Mr. Luo Jun, Mr. Zhao Junhuai, Mr. Wu Qiang and Mr. Zhao Miao as non-executive directors; and (c) Mr. Chan Yuk Tong, Mr. Han Xiaoming and Mr. Cheng Sanguo as independent non-executive directors.

* *For identification purposes only*