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 2009

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 2009 (the "Year").

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
REVENUE	3, 4	**3,208,988**	2,736,936
Cost of sales		**(2,008,828)**	(1,630,435)
Gross profit		**1,200,160**	1,106,501
Other income and gains	4	**80,581**	62,104
Selling and distribution costs		**(631,287)**	(546,035)
Administrative expenses		**(268,779)**	(234,904)
Other expenses		**(38,649)**	(76,675)
Finance income, net	5	**32,213**	39,995
Share of losses of associates		**(7,585)**	(9,772)
PROFIT BEFORE TAX	6	**366,654**	341,214
Income tax expense	7	**(2,922)**	(3,058)
PROFIT FOR THE YEAR		**363,732**	338,156
Attributable to:			
Equity holders of the parent	8	**358,658**	337,988
Minority interests		**5,074**	168
		363,732	338,156
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB)	10	**0.32**	0.30

* *For identification purpose only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	2009 *RMB'000*	2008 *RMB'000*
PROFIT FOR THE YEAR	**363,732**	338,156
Asset revaluation surplus arising on the acquisition of a subsidiary	**11,018**	–
Effect of income tax exemption from 2009 to 2013	**(6,476)**	–
Other comprehensive income for the year, after tax	**4,542**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, AFTER TAX	**368,274**	338,156
Attributable to:		
Equity holders of the parent	**363,200**	337,988
Minority interests	**5,074**	168
	368,274	338,156

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Notes	**2009** **RMB'000**	2008 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**823,169**	533,473
Lease prepayments for land use rights		**109,246**	68,371
Investment properties		**5,254**	5,660
Goodwill		**3,307**	3,307
Other intangible assets		**28,372**	28,766
Investments in associates		**32,599**	49,079
Available-for-sale equity investments		**692,835**	428,835
Deferred tax assets		**33,638**	48,372
Property under development		**124,841**	126,203
Long-term prepayment		**62,000**	–
Total non-current assets		**1,915,261**	1,292,066
CURRENT ASSETS			
Inventories		**696,826**	827,046
Trade receivables	*11*	**324,335**	309,919
Prepayments, deposits and other receivables		**172,079**	153,546
Held-to-maturity investments		**260,000**	180,000
Pledged deposits		**82,309**	14,280
Cash and short-term deposits		**2,347,215**	2,610,701
Total current assets		**3,882,764**	4,095,492
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**46,125**	9,600
Trade and bills payables	*12*	**1,224,160**	1,172,939
Deposits received, other payables and accruals		**626,556**	461,042
Tax payable		**3,345**	4,926
Total current liabilities		**1,900,186**	1,648,507
NET CURRENT ASSETS		**1,982,578**	2,446,985
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,897,839**	3,739,051

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
As at 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
NON-CURRENT LIABILITIES			
Other borrowings		**1,125**	3,525
Total non-current liabilities		**1,125**	3,525
Net assets		**3,896,714**	3,735,526
EQUITY			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Issued capital	*13*	**1,135,131**	1,135,131
Reserves		**2,357,111**	2,311,748
Proposed final dividends and special dividends	*9*	**317,837**	227,026
		3,810,079	3,673,905
MINORITY INTERESTS		**86,635**	61,621
Total equity		**3,896,714**	3,735,526

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Sichuan Xinhua Winshare Chainstore Co., Ltd. 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 joint stock limited company are set out in the Company's prospectus dated 16 May 2007 (the "Prospectus").

On 30 May 2007, the Company's H shares ("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 in 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 of the Company is Xinhua, a state-owned enterprise established in the PRC. However, Xinhua has become a wholly-owned subsidiary of Sichuan Development (Holding) Co., Ltd. (四川發展(控股)有限責任公司) ("Sichuan Development") as a result of a reorganisation conducted by State-owned Assets Supervision and Administration Commission of the Sichuan Provincial Government ("SASAC of Sichuan") as directed by Sichuan Provincial Government in 2009. Accordingly, Sichuan Development, which is wholly-owned and controlled by SASAC of Sichuan, has become the ultimate holding company of the Company.

2.1 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 which have been measured at fair value. 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 Group for the year ended 31 December 2009. 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 income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

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 given, 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.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies, the adoption of these new and revised IFRSs has had no significant effect on these financial statements.

IFRS 1 and IAS 27 Amendments	Amendments to IFRS 1 *First-time Adoption of IFRSs* and IAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
IFRS 8	*Operating Segments*
IAS 1 (Revised)	*Presentation of Financial Statements*
IAS 18 Amendment*	Amendment to Appendix to IAS 18 Revenue – *Determining whether an entity is acting as a principal or as an agent*
IAS 23 (Revised)	*Borrowing Costs*
IAS 32 and IAS 1 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
IFRIC 9 and IAS 39 Amendments	Amendments to IFRIC 9 – *Reassessment of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*
IFRIC 13	*Customer Loyalty Programmes*
IFRIC 15	*Agreements for the Construction of Real Estate*
IFRIC 16	*Hedges of a Net Investment in a Foreign Operation*
IFRIC 18	*Transfers of Assets from Customers (adopted from 1 July 2009)*
Improvements to IFRSs (May 2008)	Amendments to a number of IFRSs

* Included in Improvements to IFRSs 2009 (as issued in April 2009).

** IAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

3. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments 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

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax from continuing operations. The adjusted profit/(loss) before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income, finance costs, dividend income, gains on held-to-maturity investments, as well as head office and corporate expenses are excluded from such measurement.

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

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.

For the year ended 31 December 2009

	Product	Zhongpan	Subscription	Retailing	Others	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue and other income						
Sales to external customers	**285,210**	**115,586**	**2,288,013**	**503,922**	**16,257**	**3,208,988**
Intersegment sales	**160,017**	**1,668,185**	**–**	**–**	**215**	**1,828,417**
Other income	**9,039**	**16,769**	**1,726**	**26,787**	**1,457**	**55,778**
	454,266	**1,800,540**	**2,289,739**	**530,709**	**17,929**	**5,093,183**
Elimination of intersegment sales						**(1,828,417)**
						3,264,766
Results						
Segment results	**52,978**	**18,293**	**304,672**	**(33,704)**	**(14,998)**	**327,241**
Elimination of intersegment results						**21,067**
Unallocated expenses						**(38,670)**
Unallocated income and gains						**592**
Finance income, net						**32,213**
Gains on held-to-maturity investments						**8,691**
Dividends from available-for-sale equity investments						**15,520**
Profit before tax						**366,654**

For the year ended 31 December 2008

	Product *RMB'000*	Zhongpan *RMB'000*	Subscription *RMB'000*	Retailing *RMB'000*	Others *RMB'000*	Consolidated *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	4,944,477
Elimination of intersegment sales						(2,173,751)
						2,770,726
Results						
Segment results	71,146	18,217	344,596	(48,135)	(13,692)	372,132
Elimination of intersegment results						(42,451)
Unallocated expenses						(54,851)
Unallocated income and gains						1,221
Finance income, net						39,995
Gains on held-to-maturity investments						27,093
Loss on investment designated at fair value through profit or loss						(1,925)
Profit before tax						341,214

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 elimination of all significant intergroup transactions.

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

	2009 ***RMB'000***	2008 *RMB'000*
Revenue		
Sale of goods	**3,208,988**	2,736,936
Other income and gains		
Government grants	**822**	3,678
Gross rental income	**7,479**	4,464
Commission income	**26,776**	21,756
Gains on held-to-maturity investments	**8,691**	27,093
Dividends from available-for-sale equity investments	**15,520**	–
Excess over the cost of business combination	**3,590**	–
Others	**17,703**	5,113
Total other income and gains	**80,581**	62,104

5. FINANCE INCOME, NET

	2009	2008
	RMB'000	*RMB'000*
Bank interest income	**35,815**	40,777
Interest expense on bank and other borrowings, wholly repayable within five years	**(3,602)**	(782)
	32,213	39,995

6. PROFIT BEFORE TAX

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

	2009	2008
	RMB'000	*RMB'000*
Cost of inventories sold	**2,008,828**	1,630,435
Depreciation:		
Property, plant and equipment	**55,740**	39,463
Investment properties	**406**	406
	56,146	39,869
Recognition of lease prepayments for land use rights	**4,278**	3,766
Amortisation of intangible assets *	**4,098**	3,448
Minimum lease payments under operating leases on properties	**51,204**	51,285
Loss on disposal of items of property, plant and equipment, net	**265**	152
Impairment/(reversal of impairment) of trade and other receivables	**(4,046)**	2,368
Write-down of inventories to net realisable value	**25,356**	35,340
Auditors' remuneration	**3,520**	4,574
Staff costs:		
Directors' and supervisors' emoluments	**2,056**	1,912
Other staff costs		
Wages, salaries and other employee benefits	**287,354**	250,297
Post-employment pension scheme contributions	**24,705**	22,106
	312,059	272,403
	314,115	274,315
Foreign exchange difference	**141**	1,193

* The amortisation of intangible assets for the year is included in administrative expenses on the face 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 did 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:

	2009	2008
	RMB'000	*RMB'000*
Current PRC income tax charge for the year	**2,826**	2,669
Deferred income tax	**96**	389
	2,922	3,058

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:

	2009		2008	
	RMB'000	*%*	*RMB'000*	*%*
Profit before tax	**366,654**		341,214	
Income tax at PRC statutory income tax rate of 25%	**91,663**	**25.0**	85,303	25.0
Income not subject to tax	**(3,880)**	**(1.1)**	–	–
Expenses not deductible for tax purposes	**18,600**	**5.1**	4,901	1.4
Tax losses not recognised	**1,430**	**0.4**	3,974	1.2
Tax concessions*	**(104,891)**	**(28.6)**	(91,120)	(26.7)
Tax charge at the Group's effective rate	**2,922**	**0.8**	3,058	0.9

* 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 2009 to 2013.

The share of tax attributable to associates amounting to RMB594,000 (2008: RMB519,000), is included in "Share of losses of associates" on the face of the consolidated income statement.

8. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 31 December 2009 includes a profit of RMB365,836,000 (2008: RMB355,056,000) which has been dealt with in the financial statements of the Company.

9. DIVIDENDS

	2009	2008
	RMB'000	*RMB'000*
Proposed final and special dividends – RMB0.28 (2008: RMB0.2) per ordinary share	**317,837**	227,026

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 PARENT

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

	2009	2008
	RMB'000	*RMB'000*
Earnings:		
Profit attributable to ordinary equity holders of the parent	**358,658**	337,988

	Number of shares	
	2009	2008
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,135,131,000**	1,135,131,000

Diluted earnings per share for the years ended 31 December 2008 and 2009 have not been presented because no diluting event existed during these two years.

11. TRADE RECEIVABLES

	2009	2008
	RMB'000	*RMB'000*
Trade receivables	**387,435**	378,319
Impairment of trade receivables	**(60,530)**	(65,950)
Allowance for sales returns	**(2,570)**	(2,450)
	324,335	309,919

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 of the Group at balance sheet date, based on invoice date and net of impairment, is as follows:

	2009	2008
	RMB'000	*RMB'000*
Within 3 months	**197,146**	94,907
3 to 6 months	**60,983**	131,998
6 months to 1 year	**65,285**	65,161
1 to 2 years	**921**	17,208
Over 2 years	**–**	645
	324,335	309,919

Included in the balance as at 31 December 2009 are trade receivables from Xinhua and the fellow subsidiaries (collectively the "Xinhua Group") and associates of RMB8,144,000 (2008: RMB27,465,000) and RMB43,565,000 (2008: RMB11,492,000), 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 at balance sheet date, based on invoice date, is as follows:

	2009	2008
	RMB'000	*RMB'000*
Within 3 months	**403,703**	446,861
3 to 6 months	**353,924**	248,928
6 months to 1 year	**247,447**	270,747
1 to 2 years	**85,134**	139,062
Over 2 years	**133,952**	67,341
	1,224,160	1,172,939

Included in the balance as at 31 December 2009 are trade payables to Xinhua Group and associates of RMB197,000 (2008: RMB3,995,000) and RMB9,814,000 (2008: RMB13,696,000), respectively.

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

As at 31 December 2009, the bills payable of the Group amounting to RMB154,050,000 (2008: RMB34,907,000) was secured by the Group's pledged time deposits amounting to RMB82,309,000 (2008: RMB14,280,000) and guaranteed by the Company amounting to RMB64,000,000 (2008: nil). There was no inventory pledged as security as at 31 December 2009 (2008: RMB9,222,000).

13. ISSUED CAPITAL

	2009 RMB'000	2008 RMB'000
Issued and fully paid:		
693,194,000 (2008: 693,194,000) Domestic Shares of RMB1.00 each	**693,194**	693,194
441,937,000 (2008: 441,937,000) H shares of RMB1.00 each	**441,937**	441,937
	1,135,131	1,135,131

There was no movement in the Group and Company's total number of shares and share structure in the year ended 31 December 2009.

14. POST BALANCE SHEET EVENTS

Anhui Xinhua Media Co., Ltd., ("Wan Xin Media") an available-for-sale equity investment of the Company, was listed on Shanghai Stock Exchange on 18 January 2010 with an offering price of RMB11.8 per share. The Company holds 62,320,000 shares in Wan Xin Media with a lockup period until 28 February 2012.

The meeting of the board of directors of the Company was held on 1 April 2010, in which a final dividend of approximately RMB90,811,000, equivalent to RMB0.08 per share (tax inclusive) and a special dividend of approximately RMB227,026,000, equivalent to RMB0.20 per share (tax inclusive), was proposed 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 2009, the turnover of the Group was RMB3,209 million, representing an increase of 17.2% as compared to 2008. The profit attributable to the equity holders of the Company was RMB359 million, representing an increase of 6.1% as compared to 2008. The basic earnings per share of the Group was RMB0.32.

The Board has proposed to distribute a final dividend of RMB0.08 per share (tax inclusive) and a special dividend of RMB0.20 per share (tax inclusive) for the year ended 31 December 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

In 2009, under the impact of international financial crisis, however, the book distribution market in the PRC was still able to sustain a steady growth. Sales of books, total outputs in printing industry and digitalized publishing industry attained relatively higher growth rates. With the on-going positive development of China's macro-economy, it is expected that the demand of cultural consumer market will expand gradually.

At the same time, the overall strength of publishing industry was further enhanced with the publishing system reform entering into a new stage of open diversification and intense vertical dissemination. In 2009, the State Counsel and the General Administration of Press and Publication of the PRC issued the "planning for revitalization of cultural industry" and the "guidelines regarding further promoting the system reform of the press and publishing industry" respectively and together with their respective supporting policies. These had stipulated the specific requirements on revitalizing cultural industry in an accelerated pace, expanding industry size, enhancing the overall strength and competitiveness of cultural industry. Backing up by these policies, cross-region restructuring and financing by listing of various companies in publishing and distributing industry were making progress, and modern publishing and media groups with adequate market competitiveness and influence are emerging, which in turn had fuelled up industry competition.

In 2009, the industry scale of digitalized publishing industry in the PRC had expanded rapidly. The PRC government has taken measures in encouraging and supporting the distribution and publishing enterprises in exploring the digitalized publishing industry. In January 2010, the General Administration of Press and Publication of the PRC promulgated the "guidelines regarding further promoting development of the press and publishing industry" and put forwarded to actively develop the strategic business of press and publishing industry like digitalized publishing, network publishing, mobile phone publishing, which was mainly featured by digitalized content, digitalized production and digitalized transmission.

Currently, public reading is no longer confined to traditional paper media reading. The fast-change of reading content carrier indicates that the imminent era of digitalized reading has finally arrived. Numerous international and domestic information technology enterprises, internet enterprises, mobile operators and traditional books publishing enterprises are now getting involved in digitalized publishing industry, and the industry integration brought by digitalized tide has broken the boundary between industries like publishing, media, network, electronic and telecommunication. The digitalized publishing industry demonstrates huge potential and prospects, arousing the interests of the whole publishing industry. However, with the relatively conservative domestic traditional publishing and distribution enterprises, the current digitalized publishing market is lead by equipment providers, mobile service providers and for network literature platform providers. The digitalized publishing industry chain is emerging with content providers, digital format producers, content service platform, network service providers and terminal equipment providers as principals, however the matured digitalized publishing business model is yet to be formed. However, with the arrival of digitalized reading era, popularization of terminal equipment, and more diversified reading needs of readers, the cross-industry digitalized publishing industry complex, covering electronic books, digitalized newspapers, digitalized audio-video, electronic magazines, website, mobile newspapers, network game, animation and multimedia, to name a few, will be formed to satisfy the various forms demanded by digitalized reading. To better address the needs of digitalized reading, the digitalized publishing industry is in urgent need of a content operation platform integrating abundant content, possesses with marketing and service functions so as to connect the writers, publishers and terminal readers of the digitalized publishing industry in both upstream and downstream. Accordingly, it is not difficult to see that content production and service in the digitalized publishing era are still fundamental on digitalized publishing. If traditional publishing enterprises can capitalise on its own strengths and content to establish the digitalized content operation platform, coupled with the synergy of traditional publishing, it will certainly have a promising prospect in the digitalized publishing field. Furthermore, the digitalized publishing is becoming the integration of several massive industries like traditional publishing industry combining with information technology manufacturers and network service providers. With the surging development of informatized society, the accelerated unification of the three networks, as well as the popularization of wireless internet and intelligentization of palm networking terminal, the digitalized publishing industry will demonstrate a strong development momentum and becomes the front line of publishing industry reform. This will also offer greater opportunities for traditional publishing and distribution enterprises.

The Group believes, augmented by the nation's facilitation of further speeding up of the development and revitalization of cultural industry policies, better environment and opportunities will be available for the development of the Company. At the same time, facing with intense industry competition, the emersion of digitalized publishing businesses, while the Company will gradually promote the transformation and upgrade its traditional business; it will continue to seek new development models innovatively at the same time, in order to improve the overall competitiveness and profitability of the Company.

Business Review

During the Year, the Group's sales revenue amounted RMB3,209 million, representing an increase of 17.2% as compared with that of 2008. The increase in sales was mainly due to the growth in sales of supplementary material products, sales of papers and retail businesses.

Product

During the Year, the Group actively sought a shift of our production model from product variety oriented to quality and profitability oriented. Through rationalization and optimization of selected subjects, we increased our control efforts over product marketing and costs and risks so as to enhance the quality and market competitiveness of our products. With these efforts, it resulted in a relatively large decrease of our supply of ancillary support and service to book publishers in the category and number of books in this segment as compared with 2008.

At the same time, through its diversification to the upstream sectors of the industry, the Group integrated the related resources like paper supply and printing services. During the Year, paper sales had a significant increase when compared to 2008, and augmented with the new printing services income.

During the Year, sales revenue of this segment amounted to approximately RMB445 million (including intersegment revenue).

Zhongpan

During the Year, the Group continued to push forward steadily the nationwide construction of DaZhongpan, and grasped our foothold to set up a publication-oriented nationwide merchandise distribution platform and industry service platform. Through the setting up of a solid development foundation, operating mechanism transformation and operation risks control, the Group had further enhanced the construction of its channel network and set up its distribution network across the country, thereby strengthen our distribution capacity of nationwide publication. However, as affected by the optimization of the structure of co-operative products and adjustments of distribution operating mechanisms and network, the sales revenue slightly dropped.

During the Year, sales revenue of this segment amounted to approximately RMB1,784 million (including intersegment revenue).

Retailing

During the Year, benefiting from the strengths of the channels, the retail sales of books achieved a simultaneous growth in terms of both quantities sold and turnover for the first time. For group purchase business, through enhancing the building up of our professional tender capabilities, the Group had obtained various key tender projects. At the same time, through the active exploration of new business models of cultural malls, sales of affiliated products increased significantly.

During the Year, sales revenue of this segment amounted to approximately RMB504 million.

Subscription

Affected by the reuse of some of the government-subsidized textbooks as well as the slight drop in the number of students enrolled in secondary and primary schools, sales of textbooks decreased during the Year as compared with that of 2008. As for the supplementary material products, under the homogeneous intensifying competitive market environment, by leveraging on its channel advantages actively, optimizing its sales structure, balancing its regional development strategy, the Group realized a significant increase in the sales of supplementary material products, and drove to achieve a steady growth in the overall sales of Subscription segment.

During the Year, sales revenue of this segment was approximately RMB 2,288 million.

Investment Overview

With the strategic target of building a strong cultural and media group in PRC, the Group made new progresses in the development of publishing and distribution industry chain and expansion in cultural and relevant industry.

In April 2009, the Company acquired a 20% equity interest in Sichuan Xinhua Colour Printing Company Limited (四川新華彩色印務有限公司) ("Xinhua Colour Printing"), an associated company, from other shareholders, thereby the Company's shareholding in Xinhua Colour Printing was increased to 65%. Through that acquisition, it helped to facilitate the coordination and extension of the industry chain of the Company.

In June 2009, the Company acquired a 24.3% equity interests in Chengdu Institute Sichuan International Studies University (四川外語學院成都學院) at a consideration of RMB260 million. The project presents a stable earnings prospect and cash inflow, which will generate considerable investment return for the Group. Investment in the aforesaid institute is the exploration of the Group into the cultural and education sector. In December 2009, the Group obtained a dividend of RMB 11.76 million.

In June 2009, the Company acquired a 59% equity interests in Chengdu Yin Xing Bo Wen Book and Cultural Development Co., Ltd. (成都銀杏博文圖書文化發展有限公司) , a then associated company, from other shareholders. It then became a wholly-owned subsidiary of the Company. In December 2009, the Company injected additional capital of RMB 15 million into that company. In December 2009, the Company jointly established Mingbo Education & Technology Co., Ltd. (明博教育科技有限公司) together with China Cartographic Publishing House (中國地圖出版社) and Beijing Fangzheng Zhixin Investment Company Limited (北京方正致信投資有限公司). The Company contributed RMB20,400,000 to its capital, holding 34% of the shares. Through the above investments, the Group can further leverage on the advantage of traditional business to fully demonstrate our decades of experience in the education service industry and to grasp the development trend of education informatization in entering the secondary and primary school education informatization service area.

In December 2009, the Company entered into a cooperation agreement with Hainan Province Finance Bureau (海南省財政廳) . The agreement contracted both parties to establish Hainan Publisher Company Limited (海南出版社有限公司) through joint contribution and that the Company contributed RMB98 million to hold 50% equity interests in that company. At the same time, both parties had agreed that Hainan Province Finance Bureau and the Company would enjoy 49% and 51% of total voting rights of that company, respectively. Through this cooperation, the Company furthermore achieved the cross-region cooperation and expansion into the upstream of publishing business chain which would facilitate the development of our business chain of the Company into a vertically integrated operation.

Furthermore, during the Year, the Company and Sichuan Periodical Press Group (四川黨建期刊集團) jointly established Sichuan Periodical Media (Group) Co., Ltd., (四川期刊傳媒(集團)股份有限公司) of which the Company contributed RMB4 million, holding 8% of its equity interests. The Company, Mr. Zhang Daxing and Mr. Liu Zhengxing (both are natural person) jointly contributed to establish Sichuan Winshare Arts Investment Management Co., Ltd. (四川文軒藝術投資管理有限責任公司), of which the Company contributed RMB12 million, holding 60% of its equity interests. Moreover, the Company acquired 59% equity interests in an associated company, Beijing Huaying Winshare Movie & TV Culture Company Limited (北京華影文軒影視文化有限公司) to turn it into a whole-owned subsidiary and the Company further injected RMB18.5 million to its capital. The above investments were the major measures that the Company had participated in cultural system reform, integrating respective cultural industry resources and cultural industry expansion.

The Company holds a 7.79% equity interests (62,320,000 shares with investment cost of RMB2.98 per share) in Anhui Xinhua Media Company Limited (安徽新華傳媒股份有限公司) ("Wan Xin Media") as at 31 December 2009. During the Year, the Company obtained investment income of RMB3.74 million from Wan Xin Media. Wan Xin Media was listed on Shanghai Stock Exchange on 18 January 2010. Wan Xin Media issued a total of 110,000,000 shares at the issue price of RMB11.80 per share through this listing, and its total share capital was enlarged to 910 million shares, reducing the Company's shareholding to 6.85%.

FUTURE PROSPECTS

Under the current state policy of "planning for revitalization of cultural industry" and "guidelines regarding further promoting development of the press and publishing industry" with an emphasis in speeding up the pace of the revitalization process, expansion in scale of the industry and reinforcement of the overall strength of cultural industry and competitiveness; in order to grasp the development opportunities bring about by the revitalization of cultural industry policy by the PRC government, the Company had, based on its existing resources and capabilities and with the consideration and approval from the Board and in general meeting in 2009, timely adjusted its strategies to exploring its existing principal business of book publishing and distribution; to grasp opportunities brought by the system reform of the PRC news publishing industry; to achieve the vertically integrated operation for the Company's publishing and distribution business; to actively develop (including but not limited to) its media and cultural education related business; and to turn the Company into a major cultural media group in the PRC.

With such strategy in mind, the Company will continue to consolidate and develop its traditional business, striving to achieve its publishing and distribution industry chain integration and expansion into its relevant industries. The Company will actively yet prudently develop new businesses, enhance its corporate profitability and the ability of sustainable development. To achieve these goals, the Company is carrying out all the operation plans step by step focusing on the implementation of the following key strategies:

(1) to actively yet prudently consolidate and develop its traditional business and to speed up the integration and optimization of the publishing and distribution business chain.

(2) to continue to explore the operation model for comprehensive cultural malls, to enhance and optimize the building of retail stores network, to promote stores transformation and upgrading and to increase their overall competitiveness and efficiency.

(3) to converge the existing traditional publishing and distribution business advantages, step into the digitalized publishing industry, explore a business mode and operating method for digitalized publishing content operation platform with content creation, digitalized copyright content operation and e-commerce sales as its core.

(4) to further improve the circulation function and sales capability in Zhongpan and accelerate the establishment of core competitive advantage in target markets, in order to allow Zhongpan to further manage its upstream and downstream channels.

(5) to seek proactively investment opportunities in other cultural media and education industry relevant to the Company's principal business for strengthening corporate capabilities in both profitability and sustained development.

(6) to grasp the opportunities in the adjustments of logistics industry development plans by government, fulfill our sustainable development business demand and improve the logistics network circulation capabilities in order to lay a foundation for expanding our new logistics business and integrating our industry chain in publishing and distribution industry.

Financial Review

Revenue

Sales revenue for the Year recorded a significant growth of 17.2%, which was mainly driven by the increase in sales of Retailing segment , Subscription segment and Product 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 for 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 a larger amount of intersegment sales and sales elimination.

Gross Profit Margin

The gross profit margin of the Group for the Year was 37.4%, which was lower than the 40.4% for the corresponding period of 2008. The decrease in gross profit margin was mainly due to the lower gross profit level of the subsidiary acquired in late 2008. The gross profit margin was maintained at the same level as compared with last year after excluding such factor.

Segment Analysis

Segment revenue of the Group for the year ended 31 December 2009 and the corresponding period of 2008 are as follows:

				Percentage of segment sales to revenue before intersegment sales elimination		**Percentage of segment external sales to consolidated revenue**	
	2009	2008	Changes	**2009**	2008	**2009**	2008
	RMB'000	*RMB'000*	%	**%**	%	**%**	%
Product segment							
External sales	**285,210**	27,562	934.8	**5.7**	0.6	**8.9**	1.0
Intersegment sales	**160,017**	447,868	(64.3)	**3.2**	9.1		
Total	**445,227**	475,430	(6.4)	**8.9**	9.7		
Zhongpan segment							
External sales	**115,586**	118,220	(2.2)	**2.3**	2.4	**3.6**	4.3
Intersegment sales	**1,668,185**	1,725,546	(3.3)	**33.1**	35.1		
Total	**1,783,771**	1,843,766	(3.3)	**35.4**	37.5		
Subscription segment							
External sales	**2,288,013**	2,180,595	4.9	**45.4**	44.4	**71.3**	79.7
Intersegment sales	**–**	–	–	**–**	–		
Total	**2,288,013**	2,180,595	4.9	**45.4**	44.4		
Retailing segment							
External sales	**503,922**	405,169	24.4	**10.0**	8.3	**15.7**	14.8
Intersegment sales	**–**	–	–	**–**	–		
Total	**503,922**	405,169	24.4	**10.0**	8.3		
Others segment							
External sales	**16,257**	5,390	201.6	**0.3**	0.1	**0.5**	0.2
Intersegment sales	**215**	337	(36.2)	**–**	–		
Total	**16,472**	5,727	187.6	**0.3**	0.1		
Revenue before intersegment sales elimination	**5,037,405**	4,910,687	2.6	**100.0**	100.0		
Intersegment sales elimination	**(1,828,417)**	(2,173,751)	(15.9)				
Consolidated revenue	**3,208,988**	2,736,936	17.2			**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 2008 are as follows:

	2009		2008	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	RMB'000	***%***	*RMB'000*	*%*
Product (including intersegment revenue)	**70,107**	**15.7**	79,110	16.6
Zhongpan (including intersegment revenue)	**201,838**	**11.3**	220,448	12.0
Subscription (including intersegment revenue)	**745,147**	**32.6**	718,347	32.9
Retailing (including intersegment revenue)	**134,417**	**26.7**	108,694	26.8
Others (including intersegment revenue)	**4,171**	**25.3**	2,887	50.4
Intersegment revenue elimination	**44,479**	**N/A**	(22,985)	N/A
Total	**1,200,159**	**37.4**	1,106,501	40.4

Product

During the Year, the Product segment had a revenue decrease of 6.4%, which was mainly attributable to the Group's optimization in its co-operative products structure during the Year, which resulted in a decrease in both kinds amount and sales amount for co-operative products. However, at the same time, the Group acquired the equity interest in Sichuan Xinhua Shang Paper Co., Ltd. (四川新華商紙業有限公司) in October 2008. During the Year, the increased paper sales business significantly raised the external sales amount of Product segment.

For gross profit margin, although the gross profit margin of co-operative products had improved during the Year after business optimization, however, the paper trading industry had a lower gross profit margin, thus, it caused the gross profit margin of the Product segment to decrease from 16.6% for 2008 to 15.7% for the Year.

Zhongpan

The Zhongpan segment had a revenue decrease of 3.3% during the Year, among which sales to external customers recorded a revenue of RMB116 million, representing a decrease of 2.2% when compared with RMB118 million for the corresponding period of 2008. This was mainly affected by the optimization of co-operative products structure and adjustment of the operating mechanism of distribution.

Gross profit margin of the Zhongpan segment decreased slightly to 11.3%, which was attributable to a slight decrease in the proportion of co-operative products to the segment sales during the Year.

Subscription

The revenue of Subscription segment had a growth of 4.9% during the Year. Sales of textbooks for the Year dropped due to adverse factors such as the textbook-reuse policy and the decrease in the number of students for primary and secondary schools, however, the Group maintained the strong growth of sales of supplementary education materials which in turn drove the growth of the Subscription segment.

Gross profit margin of the Subscription segment during the Year approximated to that of 2008.

In December 2009, the Company was granted preferential value-added tax policy for 2009 by the national finance and tax departments. The policy was in line with the preferential policy granted to the Company in 2008, i.e. the distribution network of the Company at county level (including county level cities) and below was exempted from payment of value-added tax for the local sales of publication materials.

Retailing

The revenue of Retailing segment recorded a rapid growth of 24.4% during the Year, which was attributable to continuous optimization of store network and the enhancement of internal operational management capabilities of the Company, as well as that the group purchase business obtained various key tender projects (of which revenue from distribution business to libraries in Sichuan primary and secondary schools amounted to RMB57 million).

The gross profit margin of Retailing segment was basically the same as 2008.

Expenses and Costs

Selling and distribution costs and administrative expenses

During the Year, total selling and distribution costs and administrative expenses were RMB900 million, representing an increase of 15.3% from RMB781 million in the corresponding period of last year. This was mainly due to the higher promotional expenses of supplementary materials as compared to that of textbooks, and the increase of promotional expenses resulting from an increase in sales of supplementary materials. In addition, the increase in labour costs was due to the business development and acquisition of subsidiaries during the Year, which increased the expenses for the Year.

Other expenses

Other expenses for the Year amounted to RMB39 million. After excluding the 2008 earthquake related donations of RMB22 million, a decrease of other expenses of 29.4% was recorded during the Year as compared with 2008. This was due to the optimization of inventory structure, resulting in a decrease in the provision for inventories. At the same time, various measures were adopted to quicken receivables collection during the Year and reversed the provision for bad debts for previous years.

Finance Income, Net

Finance income, net for the Year amounted to RMB32 million, decreased by 19.5% when compared to 2008. This was mainly due to the lower bank deposits rate in 2009 than that of 2008.

Tax

Pursuant to the "Notice on the list of cultural system reform enterprises and recognition issues" issued by the Ministry of Finance, the State Administration of Taxation and the Central Department of Propaganda of the Communist Party of the PRC (財政部、國家稅務總局、中共中央宣傳部關於轉制文化企業名單及認定問題的通知) (Caishui 2009 No. 105), the Company and two subsidiaries of the Group, as a cultural system reform unit, continues to enjoy exemption from corporate income tax for the period from 1 January 2009 to 31 December 2013.

Profit

The Group's profit for the Year amounted to RMB364 million, representing an increase of 7.6% from RMB338 million in the corresponding period of last year. The profit attributable to shareholders of the Company increased by 6.1% to RMB359 million from last year.

Earnings Per Share

Earnings per share is calculated by dividing profits attributable to equity holders of the Company by the weighted average number of ordinary shares in issue for the period. The Group's earnings per share for the Year was RMB0.32, representing an increase of 6.1% from RMB0.30 in the corresponding period of last year.

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

Liquidity And Financial Resources

As at 31 December 2009, the Group had cash and short-term deposits of approximately RMB2,347 million, and the bank and other borrowings of the Group represented RMB47 million of fixed-interest financing of the subsidiaries. The Company did not have any bank and other borrowings. 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 2009, the gearing ratio (calculated by dividing total liabilities by total assets) of the Group was 32.7 % (31 December 2008: 30.7 %). During the Year, there was no significant change in the Group's capital structure during the Year.

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

	31 December 2009	31 December 2008
Current Ratio	**2.04**	2.48
Inventory Turnover Days	**138.4**	157.1
Trade Receivables Turnover Days	**36.1**	40.0
Trade Payables Turnover Days	**217.8**	245.6

As at 31 December 2009, the current ratio of the Group was 2.04 (31 December 2008: 2.48), which indicated that the Group remained financially stable. The decrease in current ratio as compared with 2008 was mainly due to the purchase of offices for regional operations in Beijing and several equity investments by the Company during the Year.

Inventory turnover days decreased from 157.1 days in 2008 to 138.4 days in 2009. This was because the new paper trading business acquired by the Group has a shorter turnover days, thereby decreasing the overall turnover days. Trade receivables turnover days decreased from 40.0 days in 2008 to 36.1 days in 2009, which was attributable to faster collection of receivables arising from adoption of various measures. Trade payables turnover days decreased from 245.6 days in 2008 to 217.8 days in 2009, which was attributable to the shorter turnover days of the new paper trading business. Turnover days remained at a relative longer period after excluding the above factor, this was due to longer credit term generally granted by suppliers.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

As at 31 December 2009, the Group did not have any material contingent liability.

As at 31 December 2009, other than a pledged deposit of RMB82.31 million and pledged assets of RMB31.86 million in respect of land use rights, the Group did not have any asset under pledge or guarantee.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to sound corporate governance, continue to perfect and optimize the internal control system of the Company. The Company has adopted and complied with all applicable code provisions of the Code on Corporate Governance Practices set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") during the Year.

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 2009.

AUDIT COMMITTEE

The Company has established an Audit Committee in compliance with Appendix 14 to the Listing Rules with written terms of reference.

The Audit Committee has reviewed the audited consolidated financial statements for the Year and the annual results announcement and has discussed the financial reporting and internal control issues with the management. The Audit Committee considered that the consolidated financial statements have been prepared in accordance with applicable accounting standards and requirements and appropriate disclosures were made.

USE OF PROCEEDS RAISED

The Company was listed on the Stock Exchange in May 2007, the net proceeds of its initial public offering amounted to RMB2,110 million. As at 31 December 2008, the remaining proceeds amounted to RMB1,672 million. As the Chinese Government has, in recent years, actively promoted the reform in cultural systems, especially those in press and publishing, by encouraging and implementing a consolidation of the publishing and distribution industry. The Company, in the hope of capitalizing on the development opportunity, strengthened the principal operating business and developed such new businesses as culture, education and other media which are closely related to its principal operating business. On 8 June 2009, the Board of the Company approved an alteration to the use of remaining initial public offering ("IPO") proceeds of RMB1,672 million to be in line with the policy of rejuvenating cultural industry by the Chinese Government and to fully utilize the fund effectively. The Company changed the use of the remaining proceeds as follows:

1. approximately 60% to 65% of the remaining proceeds continue to be used for the development of the Company's principal publishing and distribution business. By grasping the development opportunities in the industry to identify investment opportunities and optimize certain aspests relating to the Company's existing principal operating businesses including those mentioned in the Prospectus;

2. approximately 25% to 30% of the remaining proceeds will be used for seeking other investment opportunities in such other areas as the culture, media and education sectors which are related to the Company's principal operating businesses; and

3. the balance of the remaining proceeds will be used as the Company's general working capital.

For the year ended 31 December 2009, the Company used the proceeds of approximately RMB603 million and the details are as follow:

1. as to approximately RMB272 million for the development of the Company's principal publishing and distribution business;

2. as to approximately RMB311 million for investing in such other areas as the culture, media and education sectors related to the Company's principal operating business; and

3. as to approximately RMB20 million for the Company's general working capital.

As at 31 December 2009, the balance of the proceeds of approximately RMB1,069 million was placed with commercial banks in China as short-term deposits.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2009, the Company had a total of 6,680 (2008: 6,265) staff, among which the increase of staff mainly came from Xinhua Colour Printing, a subsidiary of the Group and the Zhongpan business sector.

The remuneration policy of the Company is reviewed regularly. During the Year, the Company established a performance management mechanism suitable for evaluating works of functional nature by setting up a new mechanism which is target-oriented, applying segmented appraisal methods and departmental results linked to personal performance. The implementation of new mechanism had received good incentive results.

The standard remuneration package of the Company includes basic salary, performance-based bonus and benefits. Pensions, medical insurance, unemployment insurance, employment injury insurance, maternity insurance and housing welfare funds are available to employees. Furthermore, in 2009, the Company had amended the implementation method of paid annual leave policy and holiday administration system in accordance with the relevant laws and regulations in the PRC.

The Company continued to provide regular training for staff, like business training, online classroom training sessions to enhance their business qualities and working abilities.

DIVIDENDS

The Board has proposed the distribution of a final and special dividend for the year ended 31 December 2009 totaling RMB0.28 (tax inclusive) per share, (2008: RMB0.20 per share in total) totaling RMB318 million (tax inclusive). Whereas the total dividend comprised the final dividend of RMB0.08 per share (tax inclusive) (2008: final dividend of RMB0.08 per share), and the special dividend of RMB0.20 per share (tax inclusive) (2008: special dividend of RMB0.12 per share). The distribution of the 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 Company's 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 income tax based on their income generated within the PRC, and the applicable tax rate is 10%, and the amount 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 dividend to such non-resident enterprise shareholders after withholding a corporate income tax of 10% from the final and special dividends.

The proposed final and special dividends are subject to the approval by shareholders at the annual general meeting (the "AGM") to be held on 9 June 2010. Holders of H Shares and Domestic Shares whose names appear on the register of members of the Company on 9 June 2010 (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 2009 AGM of the Company will be held at Chengdu Hejiangting Hanwen Hotel, 138 Bingjiang Donglu, Chengdu, Sichuan, the PRC (中國四川省成都市濱江東路138號成都合江亭翰文大酒店) on 9 June 2010. 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 10 May 2010 to 9 June 2010 (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 Shares share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for the holders of H Shares, 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 the holders of Domestic Shares for registration no later than 4:30 pm on 7 May 2010.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The results announcement for the year ended 31 December 2009 of the Company will be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.winshare.com.cn), and the annual report for 2009 (including the audited financial statements) will be despatched to shareholders on or before 30 April 2010 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
1 April 2010

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. Li Jiawei, Mr. Luo Jun, Mr. Wu Qiang, Mr. Zhang Chengxing, Mr. Zhao Junhuai and Mr. Zhao Miao as non-executive directors; and (c) Mr. Han Xiaoming, Mr. Cheng Sanguo and Mr. Chan Yuk Tong as independent non-executive directors.