

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



WINSHARE

四川新華文軒連鎖股份有限公司

SICHUAN XINHUA WINSHARE CHAINSTORE CO., LTD.*

(to be renamed as 新華文軒出版傳媒股份有限公司 XINHUA WINSHARE PUBLISHING AND MEDIA CO., LTD.)*

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

(Stock Code: 811)

2010 Interim Results Announcement

The Board of Directors (the “Board”) of Sichuan Xinhua Winshare Chainstore Co., Ltd. (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively as the “Group”) for the six months ended 30 June 2010 (the “Period”) prepared in accordance with the relevant requirements of the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), together with the comparative figures for the corresponding period of 2009.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 30 June	
		2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
Revenue		1,628,206	1,378,371
Cost of sales		(1,022,017)	(861,612)
Gross profit		606,189	516,759
Other income and gains		33,560	38,146
Selling and distribution costs		(323,482)	(288,232)
Administrative expenses		(120,288)	(91,828)
Other expenses		(25,624)	(28,345)
Finance income, net	5	14,647	18,850
Share of loss of a jointly controlled entity		(669)	—
Share of losses of associates		(1,914)	(487)
Profit before tax	4	182,419	164,863
Income tax	6	(806)	(1,026)
Profit for the period		181,613	163,837
Attributable to:			
Equity holders of the parent		183,138	163,071
Minority interests		(1,525)	766
		181,613	163,837
Dividends	7	—	—
Earnings per share attributable to ordinary equity holders of the parent			
– Basic (RMB)	8	0.16	0.14

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended 30 June	
		2010	2009
		(Unaudited)	(Unaudited)
		RMB'000	RMB'000
Notes			
	Profit for the period	<u>181,613</u>	<u>163,837</u>
	Asset revaluation surplus arising on the acquisition of a subsidiary	–	11,018
	Change in fair value of an available-for-sale equity investment	<u>490,380</u>	–
10	Others	<u>–</u>	<u>(646)</u>
	Other comprehensive income for the period, after tax	<u>490,380</u>	<u>10,372</u>
	Total comprehensive income for the period, after tax	<u><u>671,993</u></u>	<u><u>174,209</u></u>
	Attributable to:		
	Equity holders of the parent	673,518	173,443
	Minority interests	<u>(1,525)</u>	<u>766</u>
		<u><u>671,993</u></u>	<u><u>174,209</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		822,899	823,169
Lease prepayments for land use rights		105,825	109,246
Investment properties		5,052	5,254
Goodwill		3,307	3,307
Other intangible assets		26,672	28,372
Investments in associates		31,650	32,599
Investment in a jointly-controlled entity	<i>9</i>	49,331	–
Available-for-sale equity investments	<i>10</i>	1,183,215	692,835
Deferred tax assets		33,821	33,638
Property under development		125,152	124,841
Prepayment for investments	<i>11</i>	32,500	62,000
Total non-current assets		2,419,424	1,915,261
Current assets			
Inventories		627,154	696,826
Trade receivables	<i>12</i>	564,294	324,335
Prepayments, deposits and other receivables		240,827	172,079
Held-to-maturity investments		–	260,000
Pledged deposits		107,218	82,309
Cash and short-term deposits		2,266,304	2,347,215
Total current assets		3,805,797	3,882,764
Current liabilities			
Bank and other borrowings	<i>13</i>	37,775	46,125
Trade and bills payables	<i>14</i>	1,351,836	1,224,160
Deposits received, other payables and accruals		273,155	626,556
Dividend payable		302,903	–
Tax payable		2,057	3,345
Total current liabilities		1,967,726	1,900,186
Net current assets		1,838,071	1,982,578
Total assets less current liabilities		4,257,495	3,897,839

		30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
	<i>Notes</i>		
Non-current liabilities			
Bank and other borrowings	13	<u>1,125</u>	<u>1,125</u>
Total non-current liabilities		<u>1,125</u>	<u>1,125</u>
Net assets		<u>4,256,370</u>	<u>3,896,714</u>
Equity			
Equity attributable to owners of the parent			
Issued capital		1,135,131	1,135,131
Reserves		3,029,355	2,357,111
Proposed final dividend		<u>–</u>	<u>317,837</u>
		<u>4,164,486</u>	<u>3,810,079</u>
Minority interests		<u>91,884</u>	<u>86,635</u>
Total equity		<u>4,256,370</u>	<u>3,896,714</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Sichuan Xinhua Winshare Chainstore Co., Ltd. was established in the People's Republic of China (the "PRC") on 11 June 2005 as a joint stock limited company as part of 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 were listed on the Stock Exchange of Hong Kong Limited 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 Group is principally engaged in the production and trading of publications and related products in the PRC. 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.

In the opinion of the directors of the Company, the parent of the Company is Xinhua, a state owned enterprise established in the PRC. 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 the State-owned Assets Supervision and Administration Commission of the Sichuan Provincial Government ("SASAC of Sichuan") as directed by the Sichuan Provincial Government in 2009. Accordingly, Sichuan Development, which is wholly-owned and controlled by the SASAC of Sichuan, has become the ultimate holding company of the Company.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2010 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2009.

2.1 Impact of new and revised international financial reporting standards

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009, except for the adoption of the new and revised International Financial Reporting Standards and interpretations as noted below:

IFRS 1 (Revised)	First-time Adoption of International Financial Reporting Standards
IFRS 1 Amendments	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters
IFRS 2 Amendments	Amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions
IFRS 3 (Revised)	Business Combinations
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IAS 39 Amendment	Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
IFRIC 17	Distributions of Non-cash Assets to Owners
Amendments to IFRS 5 included in Improvements to IFRSs issued in May 2008	Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary
Improvements to IFRSs (April 2009)	Amendments to a number of IFRSs

The adoption of new and revised International Financial Reporting Standards and interpretations has had no material effect on the accounting policies of the Group and the methods of computation in the interim condensed consolidated financial statements.

3. OPERATING 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 the Product segment for onward sale to book wholesalers, the Subscription segment and the 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.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis. Segment liabilities exclude interest-bearing bank and other borrowings, the amount due to the ultimate holding company, tax payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

The Group has not placed reliance on any single external customers, amounting to 10% or more of its revenues.

No geographical 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 following tables present revenue and operating results by segments of the Group for the six months ended 30 June 2010 and six months ended 30 June 2009:

For the six months ended 30 June 2010

	Product <i>RMB'000</i> <i>(Unaudited)</i>	Zhongpan <i>RMB'000</i> <i>(Unaudited)</i>	Subscription <i>RMB'000</i> <i>(Unaudited)</i>	Retailing <i>RMB'000</i> <i>(Unaudited)</i>	Others <i>RMB'000</i> <i>(Unaudited)</i>	Consolidated <i>RMB'000</i> <i>(Unaudited)</i>
Revenue and other income						
Sales to external customers	216,629	37,746	1,106,705	254,761	12,365	1,628,206
Intersegment sales	82,358	697,844	–	–	–	780,202
Other income	1,987	4,397	298	16,160	793	23,635
	<u>300,974</u>	<u>739,987</u>	<u>1,107,003</u>	<u>270,921</u>	<u>13,158</u>	<u>2,432,043</u>
Elimination of intersegment sales						(780,202)
						<u>1,651,841</u>
Results						
Segment results	<u>18,118</u>	<u>7,616</u>	<u>147,781</u>	<u>(5,165)</u>	<u>(7,241)</u>	161,109
Elimination of intersegment results						28,466
Unallocated expenses						(31,728)
Unallocated income and gains						9,925
Finance income, net						<u>14,647</u>
Profit before tax						<u>182,419</u>

For the six months ended 30 June 2009

	Product <i>RMB'000</i> <i>(Unaudited)</i>	Zhongpan <i>RMB'000</i> <i>(Unaudited)</i>	Subscription <i>RMB'000</i> <i>(Unaudited)</i>	Retailing <i>RMB'000</i> <i>(Unaudited)</i>	Others <i>RMB'000</i> <i>(Unaudited)</i>	Consolidated <i>RMB'000</i> <i>(Unaudited)</i>
Revenue and other income						
Sales to external customers	115,399	73,946	978,724	203,826	6,476	1,378,371
Intersegment sales	70,996	584,840	–	–	204	656,040
Other income	706	11,850	285	12,024	696	25,561
	<u>187,101</u>	<u>670,636</u>	<u>979,009</u>	<u>215,850</u>	<u>7,376</u>	<u>2,059,972</u>
Elimination of intersegment sales						(656,040)
						<u>1,403,932</u>
Results						
Segment results	<u>8,191</u>	<u>(16,964)</u>	<u>139,653</u>	<u>(19,167)</u>	<u>(2,080)</u>	109,633
Elimination of intersegment results						45,560
Unallocated expenses						(21,765)
Unallocated income and gains						12,585
Finance income, net						<u>18,850</u>
Profit before tax						<u>164,863</u>

The following table presents asset by segment of the Group as at 30 June 2010 and 31 December 2009:

	Product <i>RMB'000</i>	Zhongpan <i>RMB'000</i>	Subscription <i>RMB'000</i>	Retailing <i>RMB'000</i>	Others <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Segment assets						
As at 30 June 2010						
(Unaudited)						
Segment assets	867,911	2,877,222	779,576	581,142	219,593	5,325,444
Elimination of intersegment assets						(315,938)
Unallocated assets						<u>1,215,715</u>
Total assets						<u>6,225,221</u>
As at 31 December 2009						
(Audited)						
Segment assets	656,808	2,368,767	915,545	666,688	195,831	4,803,639
Elimination of intersegment assets						(23,034)
Unallocated assets						<u>1,017,420</u>
Total assets						<u>5,798,025</u>

4. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Depreciation and amortization	38,470	27,890
Loss/(gain) on disposal of items of property, plant and equipment, net	(96)	(2)
Minimum lease payments under operating lease on properties	32,030	24,643
Staff costs (including directors' and supervisors' emoluments)		
Wages, salaries and other employee benefits	129,229	107,865
Post-employment pension scheme contribution	13,257	10,465
	142,486	118,330
Impairment of trade and other receivables	12,150	5,779
Write-down of inventories to net realizable value	5,517	15,131

5. FINANCE INCOME, NET

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Bank interest income	16,968	19,912
Interest expense on bank and other borrowings, wholly repayable within five years	(2,321)	(1,062)
	14,647	18,850

6. 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.

An analysis of the corporate income tax provision is as follows:

	For the six months ended 30 June	
	2010	2009
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	RMB'000	RMB'000
Current income tax	1,127	1,026
Deferred income tax	(321)	—
	806	1,026

7. DIVIDENDS

The board of directors of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2010 (for the six months ended 30 June 2009: Nil).

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share for the six months ended 30 June 2010 is based on the net profit attributable to equity holders of the parent for the Period of approximately RMB183,138,000 (for the six months ended 30 June 2009: RMB163,071,000) and 1,135,131,000 ordinary shares in issue (for the six months ended 30 June 2009: 1,135,131,000 ordinary shares in issue) during the Period.

Diluted earnings per share for the six months ended 30 June 2010 and six months ended 30 June 2009 have not been presented because no diluting events existed during the two periods.

9. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

In January 2010, the Company jointly established Hainan Publisher Company Limited (海南出版社有限公司) with the Department of Finance of the Hainan Province (海南省財政廳). The Company and the Department of Finance of the Hainan Province each holds 50% equity interest in Hainan Publisher Company Limited and will jointly manage the business of Hainan Publisher Company Limited.

10. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Unlisted equity investments, at cost	506,420	692,835
Listed equity investment, at fair value	676,795	—
	1,183,215	692,835

The unlisted equity investments were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

Available-for sale equity investments include the Group's equity investment in Anhui Xinhua Media Co., Ltd. (安徽新華傳媒股份有限公司) ("Wan Xin Media"). As at 31 December 2009, the equity investment in Wan Xin Media was stated at investment cost of RMB186,415,000. Wan Xin Media was listed on Shanghai Stock Exchange on 18 January 2010. As at 30 June 2010, the equity investment in Wan Xin Media was stated at market price with RMB490,380,000 recognized as other comprehensive income during the Period. Except for Wan Xin Media, the Group did not have other listed equity investment.

11. PREPAYMENT FOR INVESTMENTS

Prepayment for investments represented the Group's investment deposits in Sichuan Winshare Online E-commerce Company Limited (四川文軒在線電子商務有限公司) and Sichuan Winshare Education Investment Company Limited (四川文軒教育投資有限公司), amounting to RMB22,500,000 and RMB10,000,000 respectively as at 30 June 2010. The business licences of the companies above have not been approved as at 30 June 2010.

12. TRADE RECEIVABLES

The Group normally allows a credit period of not more than 270 days to its customers. Trade receivables are non-interest bearing.

An aged analysis of the trade receivables as at 30 June 2010, based on invoice date and net of impairment, is as follows:

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Within 3 months	281,244	197,146
3 to 6 months	150,401	60,983
6 months to 1 year	74,583	65,285
1 to 2 years	58,066	921
	564,294	324,335

13. BANK AND OTHER BORROWINGS

As at 30 June 2010, bank borrowings represented two borrowings amounted to RMB23,000,000 (secured by lease prepayment for land use rights), which were granted by Bank of Chengdu to Sichuan Xinhua Colour Printing Co., Ltd., a subsidiary of the Company.

Other borrowings represented three entrusted loans amounted to RMB15,900,000 where Xinhua agreed to entrust China Construction Bank Company Limited to grant loans to Chengdu Xin Hui Industrial Co., Ltd., a subsidiary of the Company.

14. TRADE AND BILLS PAYABLES

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

An aged analysis of the trade and bills payables as at 30 June 2010, based on invoice date, is as follows:

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Within 3 months	561,815	403,703
3 to 6 months	224,823	353,924
6 months to 1 year	325,946	247,447
1 to 2 years	100,201	85,134
Over 2 years	139,051	133,952
	1,351,836	1,224,160

As at 30 June 2010, the bills payable of the Group amounting to RMB251,560,000 (31 December 2009: RMB154,050,000). The bills payable were secured by the Group's pledged time deposits amounting to RMB107,218,000 (31 December 2009: RMB82,309,000) and guaranteed by the Company amounting to RMB174,000,000 (31 December 2009: RMB64,000,000).

15. CONTINGENT LIABILITIES

As at 30 June 2010, the Group did not have any significant contingent liabilities.

16. PLEDGE OF ASSETS

Certain of the Group's assets are pledged to the bank for obtaining bank loans and other banking facilities. A summary of the assets pledged is as follows:

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Lease prepayment for land use rights	31,520	31,859
Cash and bank balances	107,218	82,309
	138,738	114,168

17. POST BALANCE SHEET EVENTS

On 20 August 2010, an extraordinary general meeting of the Company was held and approved the acquisition of 15 companies from Sichuan Publication Group Company Limited (please refer to the circular of the Company dated 28 June 2010 for details of the acquisition) at a consideration of RMB1,255,000,000. The relevant registration and filing procedures have not been completed as at the date of this Announcement.

At the same extraordinary general meeting, the shareholders of the Company approved to change the Chinese name of the Company from “四川新華文軒連鎖股份有限公司” to “新華文軒出版傳媒股份有限公司” and to adopt “Xinhua Winshare Publishing and Media Co., Ltd.” as the new English name of the Company. The relevant registration and filing procedures have not been completed as at the date of this Announcement.

Except for the above, the Group did not have any significant post balance sheet events after 30 June 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

In the first half of 2010, fueled by increasing demand for cultural products, rising consumer spending and in-depth cultural system reform, China's publishing industry maintained a steady growth. Following gradual implementation of a series of cultural industry incentive policies (including the "Plan for Revitalization of Cultural Industry", the "Guidelines on Further Implementing the Institutional Reform in the Press and Publishing Industry" and the "Guidelines on Further Promoting Development of the Press and Publishing Industry") promulgated by the PRC government, the accelerated integration between new media technology and traditional publishing industry, and the upgrading of capital operation and restructuring and cooperation with character of cross-region and cross-industry within the industry, the press and publication industry entered into an important strategic transformation period.

In 2010, digitalized publication continued a fast growth momentum just as it did in recent years. With sustained growth in digital contents, continuous expansion of investment scale, stronger government support and guidance, the rapid popularization of 3G and pilot of unification of the three networks, China's digitalized publication industry will enter into a faster development phase.

Driven by multiple factors including development of digital technology, changes in reading habits, increased consumption of cultural products and the national incentive policies, content providers, third party distribution platforms providers and operators and terminal hardware manufacturers began to establish presence in the digital publication industry. Their participations and investments will speed up the construction of all sections in the digital publication industry chain and directly help with the early arrival of the era of digital publication.

Business Review

During the Period, the Group's sales revenue amounted to RMB1,628 million, representing an increase of 18.1% over the same period of last year. Excluding the effect of approximately RMB80 million derived from the benefits of value-added tax exemption for the Period, the Group recorded an actual growth of sales revenue of 12.3% in 2010 as compared with the same period of 2009. The increase in sales was mainly attributable to the growth in subscription, retail businesses and sales of papers.

Products

During the Period, the Group continued to strengthen cooperation with publishers in the upstream sectors of the industry and optimized its product structure. Meanwhile, benefited from higher paper sales, the sales revenue of this segment achieved a significant growth over the same period of last year.

During the Period, the sales revenue of this segment amounted to approximately RMB299 million (including intersegment revenue).

Zhongpan

During the Period, the Group steadily promoted the nationwide construction of DaZhongpan in order to establish a nationwide product distribution platform focusing on publications as well as a service platform for the industry. The external sales revenue of Zhongpan recorded a decrease as compared to that of the corresponding period of last year as the Group strengthened its credit term management and optimized its customer portfolio.

During the Period, the sales revenue of this segment amounted to approximately RMB736 million (including intersegment revenue).

Retailing

During the Period, the retailing business of the Group maintained a simultaneous growth in number of books sold and turnover. Meanwhile, riding on its own channel and quality service, the Group secured the business of book distribution to libraries of primary and secondary schools in Sichuan province, which became a new growth driver of the Group's sales revenue during the Period. In addition, the Group proactively utilized market resources and carried out diversified merchandise operations of relevant cultural products, and remarkable results have been achieved.

During the Period, the sales revenue of this segment amounted to approximately RMB255 million.

Subscription

Affected by the textbook recycling policy implemented by the Sichuan provincial government and the drop in number of students, the sales of textbooks continued to decrease during the Period. However, due to the growth in sales of supplementary materials, the sales revenue of this segment recorded a steady increase.

During the Period, the sales revenue of this segment amounted to approximately RMB1,107 million.

Overview of significant investments

Driven by the national policies of revitalizing cultural industries and boosting cultural development, the Company continued to consolidate and develop its core business and proactively expand relevant businesses in media and cultural education industries. During the Period, the Company achieved positive results in integration of resources in the industry and arrangement of business chain.

In June 2010, the Company entered into an equity transfer agreement with Sichuan Publication Group Company Limited (四川出版集團有限責任公司) to acquire 100% equity interests of 15 wholly-owned subsidiaries of Sichuan Publication Group Company Limited (the "15 Publication Entities") at a consideration of RMB1,255 million, with a view to expand its business to the upstream of the industry by way of equity interests acquisition to further achieve one-stop operation of its business chain.

Such acquisition was approved at the extraordinary general meeting of the Company held on 20 August 2010. For details of the transaction, please refer to the Company's announcement dated 22 June 2010 and the circular dated 28 June 2010 despatched by the Company to its shareholders.

The Board proposed that upon completion of the acquisition the Company's Chinese name would be changed from “四川新華文軒連鎖股份有限公司” to “新華文軒出版傳媒股份有限公司” and the new English name “Xinhua Winshare Publishing and Media Co., Ltd.” would be adopted to replace “Sichuan Xinhua Winshare Chainstore Co., Ltd.” The proposed change of Company name was approved at the extraordinary general meeting of the Company held on 20 August 2010 and the relevant procedures relating to the registration of such change are still under process.

Save as disclosed above, none of any material acquisitions and disposals were made by the Company during the Period.

During the Period, the Company also made investment and coordination on logistical capacity building and e-commerce. In April 2010, the Company launched the construction project of Western China Cultural Products Logistics Centre (西部文化商品物流配送中心); in July 2010, the Company, Sichuan Xinhua Publishing Group (四川新華發行集團有限公司) and Chongqing Gold Abacus Software Company Limited (重慶金算盤軟件有限公司) jointly established Sichuan Winshare Online E-Commerce Company Limited (四川文軒在線電子商務有限公司). Details for these transactions, please refer to the announcements dated 1 April 2010 and 18 May 2010 issued by the Company.

Being one of the Group's investees, Anhui Xinhua Media Co. Ltd. (安徽新華傳媒股份有限公司) (“Wan Xin Media (皖新傳媒)”, Stock Code: 601801) was successfully listed on Shanghai Stock Exchange on 18 January 2010. As a result, the investment of 62,320,000 shares (investment cost of RMB2.98 per share, with a lockup period until 28 February 2012) held by the Company was recognized as an other comprehensive income of RMB490.38 million for the Period. During the Period, the Company obtained a dividend of approximately RMB4.36 million from Wan Xin Media in 2009.

Future Prospects

Against a backdrop of aggressive promotion by the government to develop the press and publishing industry, the Company will grasp the opportunity brought by the system reform of press and publication industry in the PRC; better explore its existing principal business of book publishing and distribution; integrate and optimize the vertically integrated operation for the Company's publishing and distribution business and actively develop its media and cultural education related business to turn the Company into a major cultural media group in the PRC.

Therefore, on one hand, the Company will proactively and steadily consolidate and develop its traditional business, speed up integration of the publishing and distribution business chain, complete business integration with the 15 Publication Entities as soon as possible, achieve business integration, thereby enhancing the competitiveness of the Company's core businesses. On the other hand, the Company will continuously explore a business mode and operating method for digitalized publishing content operation platform, continue to push forward steadily the nationwide construction of DaZhongpan and improve the management and marketing capabilities, and grasp the opportunity in the construction project of Western China Cultural Products Logistics Centre and improve the logistics network circulation capabilities and expand our new logistics business.

Financial Review

Revenue

During the Period, a significant growth of 18.1% was recorded as compared to the corresponding period of last year. In December 2009, the Company was granted preferential value-added tax policy for 2009-2010 by the national finance and tax departments and such preferential policies helped increase sales revenue for the period when the Company was entitled thereto. However, as these preferential policies had not been introduced when preparing the 2009 interim report, the comparative figures for the corresponding period of last year did not reflect such benefits. After excluding the impact of VAT exemption, sales revenue growth for the Period was 12.3%, mainly due to the growth in subscription business, retail business and sales of papers.

The Group classifies its operating 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 the customers through their respective channels. The Zhongpan segment is responsible for centralized products procurement and distribution for different channels or selling products to external customers through the nationwide distribution network of the Group. Under the Group's integrated operation. With the exceptions of Zhongpan segment and Product segment where some of their goods are sold directly to external customers, other goods have to go through more than one of the segments before reaching the end customers. Thus, it results in a higher level of intersegment sales and sales elimination.

Gross Profit Margin

The gross profit margin of the Group for the Period was 37.2 %, which approximated to 37.5% for the corresponding period of last year.

Segment analysis

Segment revenue of the Group for the Period and the corresponding period of last year are as follows:

	For the six months ended 30 June			Percentage of segment sales to revenue before intersegment sales elimination		Percentage of segment external sales to consolidated revenue	
	2010	2009	Changes	For the six months ended 30 June		For the six months ended 30 June	
	RMB'000	RMB'000	%	2010	2009	2010	2009
				%	%	%	%
Product segment							
External sales	216,629	115,399	87.7	9.0	5.7	13.3	8.4
Intersegment sales	82,358	70,996	16.0	3.4	3.5		
Total	298,987	186,395	60.4	12.4	9.2		
Zhongpan segment							
External sales	37,746	73,946	(49.0)	1.6	3.7	2.3	5.4
Intersegment sales	697,844	584,840	19.3	29.0	28.7		
Total	735,590	658,786	11.7	30.6	32.4		
Subscription segment							
External sales	1,106,705	978,724	13.1	46.0	48.1	68.0	70.9
Intersegment sales	–	–	–	–	–		
Total	1,106,705	978,724	13.1	46.0	48.1		
Retailing segment							
External sales	254,761	203,826	25.0	10.5	10.0	15.6	14.8
Intersegment sales	–	–	–	–	–		
Total	254,761	203,826	25.0	10.5	10.0		
Other segments							
External sales	12,365	6,476	90.9	0.5	0.3	0.8	0.5
Intersegment sales	–	204	(100.0)	–	–		
Total	12,365	6,680	85.1	0.5	0.3		
Revenue before intersegment sales elimination	2,408,408	2,034,411	18.4	100.0	100.0		
Intersegment sales elimination	(780,202)	(656,040)	18.9				
Consolidated revenue	1,628,206	1,378,371	18.1			100.0	100.0

Gross profit and gross profit margin of each segment of the Group for the Period and the corresponding period of 2009 are as follows:

	For the six months ended 30 June			
	2010		2009	
	Gross profit	Gross profit	Gross profit	Gross profit
	margin	margin	margin	margin
	RMB'000	%	RMB'000	%
Product (including intersegment revenue)	36,108	12.1	20,939	11.2
Zhongpan (including intersegment revenue)	99,825	13.6	56,366	8.6
Subscription	368,509	33.3	328,021	33.5
Retailing	64,367	25.3	56,972	28.0
Others (including intersegment revenue)	2,273	18.4	1,903	28.5
Intersegment revenue elimination	35,107	N/A	52,558	N/A
Total	606,189	37.2	516,759	37.5

Product

During the Period, the Product segment recorded a revenue growth of 60.4% over the corresponding period of last year, which was mainly attributable to the rapid expansion of the Group's paper trading business, with sales amount increasing from RMB116 million in the corresponding period of last year to RMB204 million for the Period. Gross profit margin of the Product segment for the Period was 12.1%, similar to that of the corresponding period of last year.

Zhongpan

During the Period, revenue of the Zhongpan segment increased by 11.7% over the corresponding period of last year, among which sales to external customers recorded a revenue of RMB37.75 million, representing a decrease of 49.0% as compared with the corresponding period of last year, which was mainly attributable to the Group's strengthening of the control on the credit term of the distribution business and the optimization of its customer structure. During the Period, the gross profit margin of the Zhongpan segment increased from 8.6% in the corresponding period of last year to 13.6% for the Period, which was mainly attributable to the increase in the proportion of co-operative products to the segment sales during the Period.

Subscription

During the Period, the revenue of the Subscription segment recorded a growth of 13.1% over the corresponding period of last year. After the adjustment for the effect of VAT exemption, revenue of the segment increased by 5.4% over the corresponding period of last year, mainly attributable to the growth in sales of supplementary education materials. Gross profit margin of the Subscription segment remained stable during the Period and approximated to that of the corresponding period of last year.

Retailing

During the Period, revenue for the Retailing segment recorded a growth of 25.0% over the corresponding period of last year, mainly attributable to the increase of distribution business to libraries in primary and secondary schools in the Sichuan Province and the continuous growth of retail business. Gross profit margin of the Retailing segment decreased from 28.0% for the corresponding period of last year to 25.3% for the Period, mainly attributable to the increased proportion of the distribution business to libraries in Sichuan primary and secondary schools. Excluding the impact of this factor, gross profit margin of the Retailing segment was basically the same as last year.

Expenses and costs

Selling and distribution costs and administrative expenses

The total selling and distribution costs and administrative expenses were RMB444 million for the Period, representing an increase of 16.8% from RMB380 million for the corresponding period of last year. This was mainly because promotional expenses of supplementary education materials accounted for a higher proportion, resulting in an increase of related promotional expenses. In addition, affected by various factors including the increase in headcount, labour costs also increased by RMB24 million for the Period. Furthermore, the Company carried out preparation work for the acquisition of equity interests in 15 Publication Entities from Sichuan Publishing Group Co., Ltd., resulting in related audit, legal and asset valuation costs of RMB12.09 million.

Other expenses

Other expenses for the Period was RMB26 million, representing a decrease of 9.6% compared with the corresponding period of last year. This was because of the decrease in impairment provision for inventory for the Period.

Finance income, net

Finance income, net for the Period was RMB15 million, representing a decrease of 22.3% compared with the corresponding period of last year.

Profit

The Group's profit for the Period amounted to RMB182 million, representing an increase of 10.8% from the corresponding period of last year. The profit attributable to shareholders of the Company amounted to RMB183 million, representing an increase of 12.3 % from the corresponding period of last year.

After eliminating the impact of VAT exemption and the expenses related to the preparation work for the acquisition of equity interests in 15 Publication Entities from Sichuan Publishing Group Co., Ltd., the profit for the Period amounted to RMB168 million, representing an increase of 2.8% from the corresponding period of last year.

Earnings Per Share

The Group's earnings per share for the Period was RMB0.16, representing an increase of 12.3% compared with RMB0.14 in the corresponding period of last year. After eliminating incomparable factors, the earnings per share for the Period was RMB0.15, representing an increase of 2.8% compared with the corresponding period of last year. Please refer to note 8 to the interim condensed consolidated financial statements for the calculation of earnings per share.

Cash Flows

Cash flows from operating activities of the Group for the Period recorded a net outflow of RMB244 million. This was mainly due to the receipt of advanced payments by the Group in December 2009 for books sold during the Period, and part of the sales revenue of 2010 spring term textbooks was expected to be received by the end of August 2010, which caused a decrease in payments received during the Period.

Liquidity and Financial Resources

As at 30 June 2010, the Group's cash and short-term deposits were approximately RMB2,266 million, and bank and other borrowings were fixed-interest financing of approximately RMB29 million and floating-rate financing of approximately RMB10 million of the subsidiaries. Save as disclosed above, 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 sustainable development of the Group.

As at 30 June 2010, the gearing ratio (calculated by dividing total liabilities by total assets) of the Group was 31.6% (31 December 2009: 32.7%). There was no material change in the Group's capital structure during the Period.

Foreign Exchange Rates Fluctuation Risk

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

	30 June 2010	31 December 2009
Current ratio	1.94	2.04
Inventory turnover days	118.2	138.4
Trade receivables turnover days	49.8	36.1
Trade payables turnover days	230.0	217.8

As at 30 June 2010, the current ratio of the Group was 1.94 (31 December 2009: 2.04), which indicated that the Group remained financially sound.

Inventory turnover days decreased from 138.4 days of last year to 118.2 days for the Period, which was mainly due to the later opening of school term in the spring of 2010 than that of 2009, resulting in the Company's deferred lead time for inventory.

Trade receivables turnover days increased from 36.1 days of last year to 49.8 days for the Period, This was mainly because part of the sales revenue of Spring term textbooks of the Group was expected to be received by the end of August 2010.

Trade payables turnover days remained at a relative longer period due to longer credit term generally granted by suppliers.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

Please refer to notes 15 and 16 to the interim condensed consolidated financial statements for details of the Group's contingent liabilities and pledge of assets as at 30 June 2010.

USE OF PROCEEDS RAISED

The Company was listed on the Stock Exchange in May 2007, raising net proceeds of RMB2,110 million. As at 30 June 2010 approximately RMB1,144 million had been applied according to the use of proceeds as stated in the Company's prospectus and the adjusted usage as reviewed and approved by the Board of the Company on 8 June 2009 and the details are as follows:

1. as to approximately RMB698 million for the development of the Company's core publishing and distribution business;
2. as to approximately RMB321 million for investing in such other areas as the culture, media and education sectors related to the Company's core business; and
3. as to approximately RMB125 million for the company's general working capital.

As at 30 June 2010, the balance of the proceeds of approximately RMB966 million was placed with commercial banks in China as short-term deposits.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Directors are of the view that, during the six months ended 30 June 2010, the Company complied with the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules.

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

The Company has adopted 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 (the "Supervisors") of the Company, for the purpose of regulating securities transactions by the Directors and Supervisors. Having made specific enquiries of each Director and Supervisor, all Directors and Supervisors confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2010.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2010 (for the six months ended 30 June 2009: Nil).

AUDIT COMMITTEE

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

The Audit Committee has reviewed the Group's unaudited interim financial report for the six months ended 30 June 2010 and has discussed financial reporting issues with the management. The Audit Committee considered that the financial report has been prepared in accordance with the applicable accounting standards and requirements and have made appropriate disclosures accordingly.

PUBLICATION OF FINANCIAL INFORMATION

2010 interim results announcement of the Group will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.winshare.com.cn>) respectively. This interim results announcement contains all the information required by the Listing Rules. The 2010 interim report will be dispatched to the shareholders in due course and uploaded onto the websites of the Stock Exchange and the Company respectively.

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

Sichuan, the PRC, 20 August 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.

* *For identification purposes only*