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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)**

# 2011 INTERIM RESULTS ANNOUNCEMENT

The board of directors (the "Board") of Xinhua Winshare Publishing and Media Co., Ltd.* (新華文軒出版傳媒股份有限公司 or 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 2011 (the "Period") prepared in accordance with the relevant requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), together with the comparative figures for the corresponding period of 2010.

## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

| | | **For the six months ended 30 June** | |
|---|---|---|---|
| | | **2011** | 2010 |
| | | ***(Unaudited)*** | *(Unaudited)* |
| | *Notes* | ***RMB'000*** | *RMB'000* |
| Revenue | *5* | **1,718,502** | 1,628,206 |
| Cost of sales | | **(1,016,405)** | (1,022,017) |
| Gross profit | | **702,097** | 606,189 |
| Other income and gains | *5* | **112,458** | 33,560 |
| Selling and distribution costs | | **(395,861)** | (323,482) |
| Administrative expenses | | **(178,218)** | (120,288) |
| Other expenses | | **(41,611)** | (25,624) |
| Finance income, net | *7* | **5,839** | 14,647 |
| Share of gains/(losses) of a jointly-controlled entity | | **1,473** | (669) |
| Share of losses of associates | | **(3,031)** | (1,914) |
| Profit before tax | *6* | **203,146** | 182,419 |
| Income tax | *8* | **(1,152)** | (806) |
| Profit for the period | | **201,994** | 181,613 |
| Attributable to: | | | |
| Owners of the Company | | **211,667** | 183,138 |
| Non-controlling interests | | **(9,673)** | (1,525) |
| | | **201,994** | 181,613 |
| Earnings per share attributable to ordinary equity holders of the Company – Basic (RMB) | *10* | **0.19** | 0.16 |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | *Notes* | **For the six months ended 30 June** **2011** ***(Unaudited)*** ***RMB'000*** | 2010 *(Unaudited)* *RMB'000* |
|---|---|---|---|
| Profit for the period | | **201,994** | 181,613 |
| Gain/(loss) on change in fair value of an available-for-sale equity investment | *11* | **(34,899)** | 490,380 |
| Others | | **95** | – |
| Other comprehensive income for the period, after tax | | **(34,804)** | 490,380 |
| Total comprehensive income for the period, after tax | | **167,190** | 671,993 |
| Attributable to: | | | |
| Owners of the Company | | **176,863** | 673,518 |
| Non-controlling interests | | **(9,673)** | (1,525) |
| | | **167,190** | 671,993 |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | **30 June 2011** ***(Unaudited)*** ***RMB'000*** | 31 December 2010 *(Audited)* *RMB'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **890,120** | 889,820 |
| Lease prepayments for land use rights | | **102,273** | 104,615 |
| Investment properties | | **24,423** | 27,071 |
| Goodwill | | **504,301** | 504,301 |
| Other intangible assets | | **31,429** | 29,398 |
| Investment in a jointly-controlled entity | | **72,022** | 70,549 |
| Investments in associates | | **89,146** | 80,121 |
| Available-for-sale equity investments | *11* | **1,414,671** | 1,449,850 |
| Deferred tax assets | | **32,611** | 32,499 |
| Property under development | | **160,956** | 126,783 |
| Long-term prepayments | *12* | **351,610** | 253,934 |
| Total non-current assets | | **3,673,562** | 3,568,941 |
| **Current assets** | | | |
| Inventories | | **902,779** | 822,993 |
| Trade receivables | *13* | **592,487** | 471,355 |
| Prepayments, deposits and other receivables | | **402,315** | 423,471 |
| Held-to-maturity investments | | **13,000** | – |
| Pledged deposits | | **90,307** | 98,270 |
| Cash and short-term deposits | | **1,948,991** | 1,878,827 |
| Total current assets | | **3,949,879** | 3,694,916 |
| **Current liabilities** | | | |
| Interest-bearing bank and other borrowings | *14* | **100,000** | 94,250 |
| Trade and bills payables | *15* | **1,412,809** | 1,292,300 |
| Deposits received, other payables and accruals | | **848,057** | 921,119 |
| Dividend payable | | **324,699** | – |
| Tax payable | | **392** | 3,002 |
| Total current liabilities | | **2,685,957** | 2,310,671 |
| **Net current assets** | | **1,263,922** | 1,384,245 |
| **Total assets less current liabilities** | | **4,937,484** | 4,953,186 |

| | Notes | **30 June 2011** **(*Unaudited*)** ***RMB'000*** | 31 December 2010 (*Audited*) *RMB'000* |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Interest-bearing bank and other borrowings | *14* | **287,500** | 151,125 |
| Total non-current liabilities | | **287,500** | 151,125 |
| **Net assets** | | **4,649,984** | 4,802,061 |
| **Equity** | | | |
| Equity attributable to owners of the Company | | | |
| Issued capital | | **1,135,131** | 1,135,131 |
| Treasury shares | | **(6,900)** | (6,900) |
| Reserves | | **3,338,769** | 3,161,906 |
| Proposed final dividend | | **–** | 340,539 |
| | | **4,467,000** | 4,630,676 |
| **Non-controlling interests** | | **182,984** | 171,385 |
| **Total equity** | | **4,649,984** | 4,802,061 |

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

Xinhua Winshare Publishing and Media 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 ("H Shares") were listed on 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 of the Company.

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 "Directors"), 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. ("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 Period have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" and the applicable disclosure requirements of Appendix 16 to 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 2010.

### 2.1 Principal accounting policies

The interim condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010, except as described below.

*Application of new and revised International Financial Reporting Standards*

In the Period, the Group has applied, for the first time, the following new and revised International Financial Reporting Standards and interpretations ("IFRSs") issued by the International Accounting Standard Board.

| | |
|---|---|
| Improvements to IFRSs issued in 2010 | |
| IAS 24 (Revised) | Related Party Disclosures |
| IAS 32 (Amendments) | Amendment to IAS 32 Financial Instruments: *Presentation – Classification of Rights Issues* |
| IFRIC 14 (Amendments) | Amendments to IFRIC 14: *Prepayments of a Minimum Funding Requirement* |
| IFRIC 19 | Extinguishing Financial Liabilities with Equity Instruments |

The application of the above IFRSs has had no material impact on the amounts reported in the Group's interim condensed consolidated financial statements and disclosures set out in these interim condensed consolidated financial statements.

## 3. POLICIES ON VALUE-ADDED TAX

Pursuant to the value-added tax ("VAT") regulations in China, the Group's distribution networks at and below the county level (including county level cities) enjoy VAT exemptions for selling publications within the local areas for the two years ended 31 December 2010. This preferential tax policy had expired on 31 December 2010, and since no new or revised policies regarding the continuity of the VAT exemption have been released by relevant state finance and taxation authorities. Therefore, the Group made VAT declarations and payments to local tax authority and recorded the accounts pursuant to relevant VAT regulations during the first half of 2011, but it does not mean the Group precludes the possibility that new or revised preferential VAT policies will be released by government to stimulate the development of cultural industries.

## 4. 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: Editorial and publishing of publications
- Zhongpan: Bulk purchase of publications from publishers and the Product segment for resale 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. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax 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 tax recoverable and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude 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 individual 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 2011 and six months ended 30 June 2010:

**For the six months ended 30 June 2011**

| | Product *(Unaudited)* *RMB'000* | Zhongpan *(Unaudited)* *RMB'000* | Subscription *(Unaudited)* *RMB'000* | Retailing *(Unaudited)* *RMB'000* | Others *(Unaudited)* *RMB'000* | Consolidated *(Unaudited)* *RMB'000* |
|---|---|---|---|---|---|---|
| **Revenue and other income** | | | | | | |
| Sales to external customers | **254,950** | **103,427** | **1,110,990** | **204,957** | **44,178** | **1,718,502** |
| Intersegment sales | **271,091** | **688,977** | **–** | **–** | **630** | **960,698** |
| Other income | **60,328** | **9,469** | **6,212** | **15,708** | **1,927** | **93,644** |
| | **586,369** | **801,873** | **1,117,202** | **220,665** | **46,735** | **2,772,844** |
| Elimination of intersegment sales | | | | | | **(960,698)** |
| | | | | | | **1,812,146** |
| **Results** | | | | | | |
| Segment results | **94,994** | **2,352** | **110,006** | **(17,984)** | **(16,526)** | **172,842** |
| Elimination of intersegment results | | | | | | **25,855** |
| Unallocated expenses | | | | | | **(18,025)** |
| Unallocated income and gains | | | | | | **16,635** |
| Finance income, net | | | | | | **5,839** |
| **Profit before tax** | | | | | | **203,146** |

**For the six months ended 30 June 2010**

| | Product (Unaudited) RMB'000 | Zhongpan (Unaudited) RMB'000 | Subscription (Unaudited) RMB'000 | Retailing (Unaudited) RMB'000 | Others (Unaudited) RMB'000 | Consolidated (Unaudited) RMB'000 |
|---|---|---|---|---|---|---|
| **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 |
| | 300,974 | 739,987 | 1,107,003 | 270,921 | 13,158 | 2,432,043 |
| Elimination of intersegment results | | | | | | (780,202) |
| | | | | | | 1,651,841 |
| **Results** | | | | | | |
| Segment results | 18,118 | 7,616 | 147,781 | (5,165) | (7,241) | 161,109 |
| Elimination of intersegment results | | | | | | 28,466 |
| Unallocated expenses | | | | | | (31,728) |
| Unallocated income and gains | | | | | | 9,925 |
| Finance income, net | | | | | | 14,647 |
| **Profit before tax** | | | | | | 182,419 |

## 5. REVENUE, OTHER INCOME AND GAINS

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

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

| | **For the six months ended 30 June** | |
|---|---|---|
| | **2011** ***(Unaudited)*** ***RMB'000*** | 2010 *(Unaudited)* *RMB'000* |
| **Revenue** | | |
| Sale of goods | **1,718,502** | 1,628,206 |
| **Other income and gains** | | |
| Government grants | **53,483** | 3,095 |
| Gross rental income | **4,536** | 4,850 |
| Commission income | **12,370** | 9,825 |
| Dividends from available-for-sale equity investments | **18,232** | 9,354 |
| Others | **23,837** | 6,436 |
| Total other income and gains | **112,458** | 33,560 |

## 6. PROFIT BEFORE TAX

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

| | For the six months ended 30 June | |
|---|---|---|
| | **2011** | 2010 |
| | ***(Unaudited)*** | *(Unaudited)* |
| | ***RMB'000*** | *RMB'000* |
| Depreciation and amortization | **40,876** | 38,470 |
| Gain on disposal of items of property, plant and equipment, net | **(323)** | (96) |
| Minimum lease payments under operating lease on properties | **39,416** | 32,030 |
| Staff costs (including directors' and supervisors' emoluments) | | |
| Wages, salaries and other employee benefits | **190,749** | 129,229 |
| Post-employment pension scheme contribution | **22,055** | 13,257 |
| | **212,804** | 142,486 |
| Impairment of trade and other receivables | **633** | 12,150 |
| Write-down of inventories to net realisable value | **23,167** | 5,517 |

## 7. FINANCE INCOME, NET

| | For the six months ended 30 June | |
|---|---|---|
| | **2011** | 2010 |
| | ***(Unaudited)*** | *(Unaudited)* |
| | ***RMB'000*** | *RMB'000* |
| Bank interest income | **10,615** | 16,968 |
| Interest expense on bank and other borrowings, wholly repayable within five years | **(4,776)** | (2,321) |
| | **5,839** | 14,647 |

## 8. 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. No provision for income tax in Hong Kong was made by the Group as the Group did not have assessable income arising in Hong Kong during the Period. Under the prevailing PRC enterprise income tax law, up to 31 December 2013, except for the preferential treatment of enterprise income tax exemption available to the Company and the fifteen subsidiaries of the Group, other subsidiaries of the Group are subject to enterprise income tax at a rate of 25% on their respective taxable income.

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

| | For the six months ended 30 June | |
|---|---|---|
| | **2011** | 2010 |
| | ***(Unaudited)*** | *(Unaudited)* |
| | ***RMB'000*** | *RMB'000* |
| Current income tax | **1,264** | 1,127 |
| Deferred income tax | **(112)** | (321) |
| | **1,152** | 806 |

## 9. DIVIDENDS

The Board of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2011 (for the six months ended 30 June 2010: Nil).

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

For the six months ended 30 June 2011, the calculation of basic earnings per share is based on the profit for the Period attributable to equity holders of the Company of approximately RMB211,667,000 (for the six months ended 30 June 2010: RMB183,138,000) and the weighted average number of ordinary shares in issue of 1,128,230,572 during the Period, being the total number of ordinary shares in issue of 1,135,131,000, deducting the treasury shares of 6,900,428 held by Sichuan Youth and Children's Publishing House Co., Ltd, a subsidiary acquired by the Company in August 2010 (for the six months ended 30 June 2010: 1,135,131,000 shares).

Diluted earnings per share for the six months ended 30 June 2011 and six months ended 30 June 2010 have not been presented as no diluting events existed during the two periods presented.

## 11. AVAILABLE-FOR-SALE EQUITY INVESTMENT

| | **30 June 2011** | 31 December 2010 |
|---|---|---|
| | ***(Unaudited)*** | *(Audited)* |
| | ***RMB'000*** | *RMB'000* |
| Unlisted equity investments, at cost | **506,669** | 506,949 |
| Listed equity investment, at fair value | **908,002** | 942,901 |
| | **1,414,671** | 1,449,850 |

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.

The listed equity investment at fair value of RMB908,002,000 represented 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"). Wan Xin Media was listed on the Shanghai Stock Exchange on 18 January 2010. As at 30 June 2011, the equity investment in Wan Xin Media was stated at market price with RMB34,899,000 recognized as loss on change in fair value in other comprehensive income during the Period (for the six months ended 30 June 2010: RMB490,380,000 recognized as gain on change in fair value). Except for Wan Xin Media, the Group did not have other listed equity investment.

## 12. LONG-TERM PREPAYMENTS

As at 30 June 2011, long-term prepayments represented the prepayments for rental of land use rights of the Group amounting to RMB333,053,000, and the prepayments for construction fees by the Group amounting to RMB18,557,000. The Group has not obtained the land use right certificates in respect of the above prepayments.

## 13. 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 2011, based on invoice date and net of impairment, is as follows:

| | **30 June 2011** *(Unaudited)* *RMB'000* | 31 December 2010 *(Audited)* *RMB'000* |
|---|---|---|
| Within 3 months | **313,818** | 346,396 |
| 3 to 6 months | **210,858** | 67,662 |
| 6 months to 1 year | **49,534** | 31,277 |
| 1 to 2 years | **16,265** | 19,327 |
| Over 2 years | **2,012** | 6,693 |
| | **592,487** | 471,355 |

## 14. INTEREST-BEARING BANK AND OTHER BORROWINGS

### (a) Bank loans

| | **As at 30 June 2011** | | | As at 31 December 2010 | | |
|---|---|---|---|---|---|---|
| | **Effective contractual interest rate %** | **Maturity** | ***RMB'000*** | Effective contractual interest rate % | Maturity | *RMB'000* |
| Bank loans – secured | (i) Benchmark interest rates promulgated by People's Bank of China or 105% of benchmark interest rates promulgated by People's Bank of China | 2011 to 2012 | 260,000 | 5.31 or 105% of benchmark interest rates promulgated by People's Bank of China | 2011 to 2012 | 173,000 |
| Bank loans – unsecured | (ii) 120% of benchmark interest rates promulgated by People's Bank of China | 2012 | 40,000 | Benchmark interest rates promulgated by People's Bank of China | 2011 | 10,000 |

Certain of the Group's bank loans are secured by:

(i) lease prepayments for land use right and lease prepayments for land use rights in properties under development of the Group amounting to RMB30,842,000 (31 December 2010: RMB31,181,000) and RMB116,615,000 (31 December 2010: RMB116,615,000), respectively.

(ii) a guarantee granted by the Company up to an amount of RMB40,000,000 (31 December 2010: RMB40,000,000).

(b) **Other borrowings**

The balance of the unsecured other borrowings as at 30 June 2011 represented the entrusted loans granted by Xinhua to Sichuan Winshare Educational Investment Company Limited ("Winshare Education"), a subsidiary of the Company and the borrowings granted by Chengdu Hua Sheng (Group) Industry Company Limited ("Hua Sheng Group") to Chengdu Xin Hui Industrial Company Limited ("Chengdu Xin Hui"), a subsidiary of the Company.

On 12 November 2010, an entrusted loan agreement was entered into among Winshare Education, Xinhua and Hua Xia Bank, pursuant to which Xinhua entrusted Hua Xia Bank to grant a loan of RMB50,000,000 to Winshare Education, which bore interest at an interest rate of 5.1% per annum and matured on 12 April 2011. Such entrusted loan was extended to 15 August 2011, which bore interest at an interest rate of 5.85% per annum during the extended period. Such entrusted loan was repaid at maturity.

In April 2011, Hua Sheng Group granted a loan of RMB37,500,000 to Chengdu Xin Hui with a term of three years which bore interest at a rate equivalent to the corresponding lending rate of the banks upon maturing of the loans.

## 15. 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 2011, based on invoice date, is as follows:

| | **30 June 2011** | 31 December 2010 |
|---|---|---|
| | ***(Unaudited)*** | *(Audited)* |
| | ***RMB'000*** | *RMB'000* |
| Within 3 months | **615,697** | 536,098 |
| 3 to 6 months | **198,067** | 387,617 |
| 6 months to 1 year | **400,168** | 180,641 |
| 1 to 2 years | **89,164** | 34,356 |
| Over 2 years | **109,713** | 153,588 |
| | **1,412,809** | 1,292,300 |

As at 30 June 2011, the bills payable of the Group amounting to RMB176,500,000 (31 December 2010: RMB239,737,000). The bills payable were secured by the Group's pledged time deposits amounting to RMB90,307,000 (31 December 2010: RMB98,270,000) and guaranteed by the Company amounting to RMB149,000,000 (31 December 2010: RMB149,000,000).

## 16. CONTINGENT LIABILITIES

As at 30 June 2011, the Group did not have any significant contingent liabilities.

**17. PLEDGE OF ASSETS**

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

| | **30 June 2011** | 31 December 2010 |
|---|---|---|
| | ***(Unaudited)*** | *(Audited)* |
| | ***RMB'000*** | *RMB'000* |
| Lease prepayment for land use rights | **30,842** | 31,181 |
| Lease prepayment for land use right in properties under development | **116,615** | 116,615 |
| Cash and bank balances | **90,307** | 98,270 |
| | **237,764** | 246,066 |

**18. POST BALANCE SHEET EVENTS**

The Group did not have any significant post balance sheet events after 30 June 2011.

**19. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The interim condensed consolidated financial statements for the six months ended 30 June 2011 were approved and authorized for issue by the Board on 25 August 2011.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Industry Overview

In 2011, the PRC government proposed the goal of "promoting cultural industry into a national economic pillar industry" in the Summary of 12th Five-Year Plan for National Economic and Social Development (the "12th Five-Year Plan"). This presented tremendous opportunities to the development of publishing and distribution industries in the PRC. As the government further pushed ahead its reform of publishers nationwide, more publishers in the PRC were transformed into market-orientated entities. With the support and encouragement from the PRC government, the pace of cross regional merger, acquisition, restructuring and listing activities within the publishing and distribution industries was accelerated. Currently, a number of domestic publishing and media enterprises are actively preparing for listing, implying fiercer competition in the publishing and distribution industries.

In addition, driven by the digital network technology, traditional publishing industry accelerated its pace of transformation and upgrading. In the first half of 2011, through strengthening the cooperation with internet enterprises and platform operators, traditional publishers speeded up the construction of various digital publishing platforms and explored the development model for digital publishing industry with an aim to gain new competitive edges and market share.

### Operating Results and Financial Review

During the Period, the Group achieved revenue of RMB1,719 million and net profit of RMB202 million. Profit attributable to equity holders of the Company and earnings per share amounted to RMB212 million and RMB0.19 respectively.

Pursuant to VAT regulations of PRC, distribution network of the Group at county level (including county level cities) and below were exempted from payment of VAT for the local sales of publication materials from 2009 to 2010. As this preferential policy has expired on 31 December 2010 and the documents relating to VAT preferential policy have not yet been issued, the Group recorded the accounts and made tax declaration to the tax authority on the assumption of no VAT exemption preferential policy. However, the possibility of the issuance of new preferential tax policy by the PRC government to further stimulate the development of cultural industries and from which the Group can be benefited on an ongoing basis cannot be ruled out. If the Group can continue to enjoy the preferential tax policy, the sales revenue and profit of the Group for the Period will be added by approximately RMB98 million and RMB28 million respectively.

***Revenue***

During the Period, the Group recorded a sales revenue of RMB1,719 million, representing an increase of 5.5% as compared with the same period of last year. If the impact of the VAT exemption in the first half of 2010 was excluded and given that sales from the libraries distribution business of senior high schools in Sichuan Province ("libraries distribution business") were concentrated in the second half of the year, revenue of the Group still increased by 11.0% over the corresponding period of last year. Its growth was mainly attributable to the external sales arising from the acquisition of the fifteen publishers (the "Fifteen Publishers"), and the increase in sales of supplementary materials and senior high school textbooks under the Subscription segment of the Group.

***Gross Profit Margin***

The gross profit margin of the Group for the Period was 40.9%, which was higher than the 37.2% for the corresponding period of last year, primarily as a result of the acquisition 100% equity of of the Fifteen Publishers, which expanded the upstream business and improved the level of the Group's gross profit margin.

*Segment Analysis*

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

| | For the six months ended 30 June | | | Percentage of segment sales to revenue before intersegment sales elimination For the six months ended 30 June | | Percentage of segment external sales to consolidated revenue For the six months ended 30 June | |
|---|---|---|---|---|---|---|---|
| | **2011** | 2010 | Change | **2011** | 2010 | **2011** | 2010 |
| | ***RMB'000*** | *RMB'000* | *%* | ***%*** | *%* | ***%*** | *%* |
| Product segment | | | | | | | |
| External sales | **254,950** | 216,629 | 17.7 | **9.5** | 9.0 | **14.8** | 13.3 |
| Intersegment sales | **271,091** | 82,358 | 229.2 | **10.1** | 3.4 | | |
| Total | **526,041** | 298,987 | 75.9 | **19.6** | 12.4 | | |
| Zhongpan segment | | | | | | | |
| External sales | **103,427** | 37,746 | 174.0 | **3.9** | 1.6 | **6.0** | 2.3 |
| Intersegment sales | **688,977** | 697,844 | (1.3) | **25.7** | 29.0 | | |
| Total | **792,404** | 735,590 | 7.7 | **29.6** | 30.6 | | |
| Subscription segment | | | | | | | |
| External sales | **1,110,990** | 1,106,705 | 0.4 | **41.5** | 46.0 | **64.6** | 68.0 |
| Intersegment sales | **–** | – | – | **–** | – | | |
| Total | **1,110,990** | 1,106,705 | 0.4 | **41.5** | 46.0 | | |
| Retailing segment | | | | | | | |
| External sales | **204,957** | 254,761 | (19.5) | **7.6** | 10.5 | **12.0** | 15.6 |
| Intersegment sales | **–** | – | – | **–** | – | | |
| Total | **204,957** | 254,761 | (19.5) | **7.6** | 10.5 | | |
| Other segment | | | | | | | |
| External sales | **44,178** | 12,365 | 257.3 | **1.7** | 0.5 | **2.6** | 0.8 |
| Intersegment sales | **630** | – | 100.0 | **0.0** | – | | |
| Total | **44,808** | 12,365 | 262.4 | **1.7** | 0.5 | | |
| Revenue before intersegment sales elimination | **2,679,200** | 2,408,408 | 11.2 | **100.0** | 100.0 | | |
| Intersegment sales elimination | **(960,698)** | (780,202) | 23.1 | | | | |
| Consolidate revenue | **1,718,502** | 1,628,206 | 5.5 | | | **100.0** | 100.0 |

The gross profit and the gross profit margin of each segment of the Group for the Period and the corresponding period of 2010 are as follows:

| | For the six months ended 30 June | | | |
|---|---|---|---|---|
| | **2011** | | 2010 | |
| | **Gross profit** | **Gross profit margin** | Gross profit | Gross profit margin |
| | ***RMB'000*** | ***%*** | *RMB'000* | *%* |
| Product (including intersegment revenue) | **137,556** | **26.1** | 36,108 | 12.1 |
| Zhongpan (including intersegment revenue) | **101,164** | **12.8** | 99,825 | 13.6 |
| Subscription | **362,745** | **32.7** | 368,509 | 33.3 |
| Retailing | **59,926** | **29.2** | 64,367 | 25.3 |
| Others (including intersegment revenue) | **11,361** | **25.4** | 2,273 | 18.4 |
| Intersegment revenue elimination | **29,345** | **N/A** | 35,107 | N/A |
| Total | **702,097** | **40.9** | 606,189 | 37.2 |

*Product*

The Group's Product segment covers businesses including publication, printing and paper trading. During the Period, the Group continued to drive the business integration of publishing and distribution according to the strategic planning and fully utilized the mutual support between publishing products and distribution channels as a result of restructuring. To strengthen the integrated operation and management of educational products and facilitate cost control, the Group unified the educational products business, and initially established the originality research and development platform for educational products and the paper purchase and centralized printing platform.

During the Period, the Product segment recorded a revenue of RMB526 million (including intersegment sales). In particular, revenue from external sales amounted to RMB255 million, representing an increase of 17.7% as compared to the corresponding period of last year, mainly attributable to the growth in the revenue from the Fifteen Publishers. Excluding the effect of the consolidation with the results of the Fifteen Publishers, revenue from the Segment dropped by 20.8% as compared to the corresponding period of last year, mainly due to the decrease in revenue from external sales of paper.

During the Period, the gross profit margin of the segment was 26.1%, an increase of 14 percentage points as compared with 12.1% in the same period of last year, primarily attributable to the increase in the percentage of sales of its own publication products over the same period of last year.

*Zhongpan*

The Group's Zhongpan segment is engaged in the centralized purchasing and delivery of products across the Group's internal channels. It also includes distribution to external customers through the Group's nationwide distribution network.

During the Period, the Zhongpan segment recorded a revenue of RMB792 million (including intersegment revenue). In particular, revenue from external sales amounted to RMB103 million, representing an increase of 174.0% over the same period last year, which was mainly due to the marketing capabilities in the nationwide distribution network of the Company.

During the Period, the gross profit margin of the segment decreased from 13.6% in the same period of last year to 12.8%, which was mainly due to the adjustment of transaction price.

*Subscription*

The Group's Subscription segment covers the distribution of textbook, supplementary materials and the promotion of our digitalized classrooms system "You Ke". Despite the impact from the gradual decrease in the number of students in Sichuan Province and the policy for the reuse of education materials, sales of textbook for compulsory education continued to decline during the Period. Nevertheless, the Group further reinforced the marketing of supplementary materials leveraging advantages of its channels, as a result of which the sales of supplementary materials was able to grow continuously. In view of the curriculum reform policy for senior high schools in Sichuan Province, sales of senior high school textbook grew considerably during the Period. Meanwhile, growth of sales of this segment was also driven by the Company's initial success of the business of digitalized education solutions for primary and secondary schools.

During the Period, the Subscription segment recorded a sales revenue of RMB1,110 million, which was substantially the same as the same period last year. Excluding the impact of the VAT exemption in the first half of 2010, sales revenue from the Subscription segment increased by 7.7% over the same period of last year.

During the Period, the gross profit margin of the segment was 32.7%, equaling the corresponding period of last year.

*Retailing*

The Group's Retailing segment covers the store retail operation, the group-buying operation and the libraries distribution business. During the Period, in spite of the impact of e-bookstores and digital publications on retailing of books in the PRC, the Group improved the retailing sales of bookstores under Retailing business through methods including improving store functions, enriching joint venture product items and conducting value-added channel operations.

During the Period, the Retailing segment recorded a sales revenue of RMB205 million, representing a decrease of 19.5% over the same period of last year, mainly attributable to the concentration of sales of libraries distribution businesses of the Group in the second half of the year. The Group's sales revenue from the libraries distribution business of 2011 is expected to increase considerably as compared with 2010.

The gross profit margin of the segment rose to 29.2% for the Period as compared with 25.3% in the same period of last year, mainly due to the lower gross profit margin of commodity sales of libraries distribution business compared with that of retailing business.

***Expenses and Costs***

*Selling and distribution costs and administrative expenses*

During the Period, total selling and distribution costs and administrative expenses were RMB574 million, representing an increase of 29.4% from RMB444 million in the corresponding period of last year. Excluding the figures due to consolidation with the Fifteen Publishers, selling and distribution costs and administrative expenses increased by 15.3% over the corresponding period of last year, which was mainly due to the higher proportion of sales of supplementary materials, resulting in an increase in promotional expenses; and the increase in labor costs during the Period.

*Other expenses*

Other expenses for the Period amounted to approximately RMB42 million, an increase of 62.4% as compared with approximately RMB26 million in the same period of last year, which was primarily due to the increase in inventory provision during the Period.

***Finance Income, Net***

Finance income, net for the Period amounted to approximately RMB6 million, decreased by approximately RMB9 million when compared to the same period of last year. The decrease in finance income was mainly due to the decrease in holding of monetary assets as a result of the Group's acquisition and investment.

***Profit***

The Group's profit for the Period amounted to RMB202 million, representing an increase of 11.2% from RMB182 million in the corresponding period of last year, or 29.2% over that in the corresponding period of last year excluding the impact of VAT exemption in the first half of 2010.

The profit attributable to owners of the Company increased by 15.6% to RMB212 million from the same period of last year.

***Earnings Per Share***

Earnings per share is calculated by dividing profits for the Period 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 Period was RMB0.19, representing an increase of 16.3% from RMB0.16 in the corresponding period of last year. Please refer to note 10 to the interim condensed consolidated financial statements for the calculation of earnings per share.

***Liquidity and Financial Resources***

As at 30 June 2011, the Group had cash and short-term deposits of approximately RMB1,949 million, and the interest-bearing bank and other borrowings of the Group represented approximately RMB88 million of fixed-interest financing and RMB300 million of floating-rate financing of the subsidiaries. The Company did not have any interest-bearing bank and other borrowings.

As at 30 June 2011, the gearing ratio (calculated by dividing total liabilities by total assets) of the Group was 39.0% (31 December 2010: 33.9%), which was mainly due to RMB325 million of the Company's 2010 dividend (not paid prior to 30 June 2011).

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 2011** | 31 December 2010 |
|---|---|---|
| Current ratio | **1.5** | 1.6 |
| Inventory turnover days | **154.9** | 119.6 |
| Trade receivables turnover days | **56.5** | 39.0 |
| Trade payables turnover days | **242.9** | 198.0 |

As at 30 June 2011, the current ratio of the Group was 1.5, lower than the current ratio of 1.6 as at 31 December 2010, but yet remained at a healthy level. The decrease in current ratio was mainly due to the increase in the Group's investment in properties under development.

Inventory turnover days increased from 119.6 days in 2010 to 154.9 days in the Period, which was mainly due to the Group's inventory accumulation for the sales of libraries distribution business for the second half of the year. Trade receivables turnover days increased from 39.0 days in 2010 to 56.5 days in the Period, which was primarily attributable to the increase in sales revenue of the Group from customers outside of Sichuan province as compared with the same period of last year, as well as the longer credit period granted to customers outside of Sichuan province as compared with customers in Sichuan province. Trade payables turnover days increased from 198.0 days in 2010 to 242.9 days in the Period, which was predominantly as a result of the longer credit period generally granted by suppliers.

*Overview of Material Investments*

During the Period, the Group actively integrated the industry resources and improved the industry chain structure on the basis of fostering its traditional publishing and distribution business with a view to achieving the strategic objective of building itself into a first-class cultural media group in the PRC.

During the Period, the Group stepped up its investment for the development of logistics capacity to increase the logistics and distribution capacity of the Group. In April 2011, Sichuan Wenchuan Logistics Co., Ltd. (四川文傳物流有限公司), which is wholly owned by the Group, was established with a registered capital of RMB100 million. Currently, the Company intends to kick off the development of the "Western China Cultural Products Logistics Centre" in the international container logistics centre in Chengdu Qingbaijiang mainly through such project company.

During the Period, the Group accelerated the full integration with the Fifteen Publishers acquired in August 2010 in accordance with the stated plans to integrate operation of the publishing and distribution industries as well as to strengthen competitiveness of the Company's primary businesses.

During the Period, the Company obtained dividend income for 2010 of approximately RMB12 million and RMB6 million from the Group's investees, Bank of Chengdu Co., Ltd. and Wan Xin Media, respectively.

Save as disclosed above, the Company did not have any other material acquisitions and disposals during the Period.

**Future Prospects**

In view of the PRC government's efforts to promote the development of cultural industries and intensifying industry competition, the Group will capture the opportunities and cope with the challenges by enhancing its own profitability and sustainability and developing the media, cultural education and related businesses actively.

Accordingly, the Group will, on the one hand, continue to drive the business integration of publishing and distribution, enhance the ability to integrate operation and management of publishing and distribution, and improve the Group's research and development capabilities in publication creativity with the support of the project "Winshare Publishing and Media Products Creativity Centre" as a temporary name, to better realize integration synergies. On the other hand, coupled with the strategic planning of digital publication, the Group will push ahead the construction of its e-commerce and digital publishing platform. In addition, to further reinforce the logistics and distribution capacity, the Group will actively accelerate the project development of the "Western China Cultural Products Logistics Centre".

## CONTINGENT LIABILITIES

As at 30 June 2011, the Group did not have any material contingent liabilities.

## PLEDGE OF ASSETS

Please refer to note 17 to the interim condensed consolidated financial statements for details of the Group's pledge of assets as at 30 June 2011.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2011, 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 2011, 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 2011.

## INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2011 (for the six months ended 30 June 2010: 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 2011 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

2011 interim results announcement of the Group will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.winshare.com.cn) respectively. This interim results announcement contains all the information required by the Listing Rules. The 2011 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
**Xinhua Winshare Publishing and Media Co., Ltd.***
**Gong Cimin**
*Chairman*

Sichuan, the PRC, 25 August 2011

*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*