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WIN SHARE

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)

2014 INTERIM RESULTS ANNOUNCEMENT

The board (the “**Board**”) of directors (the “**Directors**”) of Xinhua Winshare Publishing and Media Co., Ltd.* (新華文軒出版傳媒股份有限公司) (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2014 (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 2013.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2014	2013
	Notes	(Unaudited) RMB'000	(Unaudited) RMB'000
Revenue	4	2,182,451	2,141,036
Cost of sales and services		(1,290,837)	(1,254,856)
Gross profit		891,614	886,180
Other income and gains	4	140,506	143,250
Selling and distribution expenses		(462,050)	(443,378)
Administrative expenses		(222,246)	(230,956)
Other expenses		(47,910)	(62,243)
Share of (loss) profit of associates		(1,982)	45
Share of profit of joint ventures		3,900	1,201
Finance income, net	6	4,067	263
Profit before tax		305,899	294,362
Income tax (expense) credit	7	(928)	372
Profit for the Period	5	304,971	294,734
Profit (loss) for the Period attributable to:			
Owners of the Company		321,889	307,804
Non-controlling interests		(16,918)	(13,070)
		304,971	294,734
EARNINGS PER SHARE			
– Basic (RMB)	9	0.28	0.27

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit for the Period	304,971	294,734
Other comprehensive income:		
Item that will not be reclassified to profit or loss:		
Effect of income tax exemption from year 2014 to year 2018	(6,476)	—
Item that may be subsequently reclassified to profit or loss:		
Fair value gain on available-for-sale investment	56,088	1,870
Other comprehensive income for the Period	49,612	1,870
Total comprehensive income for the Period	354,583	296,604
Total comprehensive income attributable to:		
Owners of the Company	371,501	309,674
Non-controlling interests	(16,918)	(13,070)
	354,583	296,604

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
	Notes		
Non-current assets			
Property, plant and equipment		1,347,699	1,288,295
Prepaid lease payments for land use rights		121,124	122,307
Investment properties		17,780	18,684
Goodwill		504,301	504,301
Other intangible assets		66,268	64,496
Interests in associates		93,507	40,851
Interest in joint ventures		418,816	434,068
Available-for-sale investments		1,375,962	1,283,779
Deferred tax assets		32,201	37,917
Long-term prepayments		166,631	164,336
Entrusted loan		120,000	120,000
Total non-current assets		4,264,289	4,079,034
Current assets			
Trade and bills receivables	10	699,206	668,433
Prepayments, deposits and other receivables		401,541	380,851
Inventories		1,241,249	1,399,151
Short-term investments		78,000	27,140
Pledged bank deposits and restricted cash		43,348	82,459
Cash and short-term bank deposits		1,481,939	1,485,040
		3,945,283	4,043,074
Assets classified as held for sale	11	145,826	126,673
Total current assets		4,091,109	4,169,747

		30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
	<i>Notes</i>		
Current liabilities			
Interest-bearing bank borrowings	12	35,000	65,000
Trade and bills payables	13	1,928,959	2,119,147
Deposits received, other payables and accruals		745,276	756,868
Dividends payable		324,539	—
Tax liabilities		2,894	3,080
Total current liabilities		3,036,668	2,944,095
Net current assets		1,054,441	1,225,652
Total assets less current liabilities		5,318,730	5,304,686
Capital and reserves			
Issued capital		1,135,131	1,135,131
Reserves		4,166,896	3,795,395
Proposed dividends		—	340,539
Equity attributable to owners of the Company		5,302,027	5,271,065
Non-controlling interests		16,703	33,621
Total equity		5,318,730	5,304,686
Total equity and non-current liabilities		5,318,730	5,304,686

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company 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.* (四川新華發行集團有限公司) (“**Sichuan Xinhua Publishing Group**”). Details of the information of establishing 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 (the “**H shares**”) were listed on the Stock Exchange and 406,340,000 H shares, consisting of 369,400,000 new H shares and 36,940,000 H shares converted from the Company's domestic shares (the “**Domestic Shares**”) were issued to the public. On 7 June 2007, an additional 32,361,000 new H shares and 3,236,100 H shares converted from the Domestic Shares were issued to the public as a result of the partial exercise of the over-allotment option as detailed in the Prospectus.

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

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

In the opinion of the Directors, the parent company of the Company is Sichuan Xinhua Publishing Group, a state-owned enterprise established in the PRC. Sichuan Xinhua Publishing Group is a wholly-owned subsidiary of Sichuan Development (Holding) Co., Ltd.* (四川發展(控股)有限責任公司) (“**Sichuan Development**”). Sichuan Development is wholly owned by the State-owned Assets Supervision and Administration Commission of the Sichuan Provincial Government (the “**SASAC of Sichuan**”), the Company is beneficially controlled by SASAC of Sichuan.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the Period have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Listing Rules and with International Accounting Standard (“**IAS**”) 34, *Interim Financial Reporting*. 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 2013.

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 interim condensed consolidated financial statements are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2013, except as described below.

Application of new and revised International Financial Reporting Standards

During the Period, the Group has applied, for the first time, the following new and revised International Financial Reporting Standards and amendments (“**IFRSs**”) issued by the International Accounting Standard Board that are relevant for the preparation of the Group’s interim condensed consolidated financial statements:

Amendments to IFRS 10, IFRS12 and IAS27	<i>Investment Entities</i>
Amendments to IAS 32	<i>Offsetting Financial Assets and Financial Liabilities</i>
Amendments to IAS 36	<i>Recoverable Amount Disclosures for Non-Financial Assets</i>
Amendments to IAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting</i>
IFRIC21	<i>Levies</i>

The application of the above IFRSs during the Period has had no material effect on the amounts reported in these interim condensed consolidated financial statements and/or disclosures set out in these interim condensed consolidated financial statements.

3. SEGMENT INFORMATION

The Group is organised into business units based on business lines. Information reported to the management (including Directors and senior executives), being the chief operating decision makers, for the purposes of resources allocation and assessment of segment performance focuses on types of business lines.

The Group’s reportable and operating segments under IFRS8 are as follows:

Publication:	Publishing of publications including books, periodicals, audio-visual products and digital products; provision of printing services and supply of printing materials
Distribution:	Distribution of textbooks and supplementary materials to schools and students; retailing, distribution and online sales of publications business, etc.
Others:	Business such as education, investments for film & television and sales of artwork, etc. which do not separately meet the definition of a reportable segment

Segment revenue and other income reported above represents revenue generated from external customers, allocated other income and allocated interest income and inter-segment sales, which were eliminated on consolidation. Segment profit represents the profit earned by each segment without unallocated interest income and miscellaneous income of the corporate function, dividend income from available-for-sale investments, gains on short-term investments and gains on disposal of subsidiaries. Head office and corporate expenses are also excluded from such measurement. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

Inter-segment sales are charged at prices mutually agreed between entities within different segments.

For the purposes of monitoring segment performances and allocating resources between segments:

Segment assets exclude available-for-sale investments, deferred tax assets and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax liabilities, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

No geographical information is presented as more than 99% of the Group’s revenue is derived from customers based in the PRC, and more than 99% of its assets are located in the PRC.

The following is an analysis of the Group's revenue and results by reportable and operating segments for the six months ended 30 June 2014 and six months ended 30 June 2013:

Six months ended 30 June 2014

	Publication (Unaudited) RMB'000	Distribution (Unaudited) RMB'000	Others (Unaudited) RMB'000	Consolidated (Unaudited) RMB'000
Revenue and other income				
Sales to external customers	180,951	2,000,448	1,052	2,182,451
Inter-segment sales	326,331	–	–	326,331
Other income	34,333	47,506	5,891	87,730
	<u>541,615</u>	<u>2,047,954</u>	<u>6,943</u>	<u>2,596,512</u>
Elimination of inter-segment revenue and other income				<u>(326,331)</u>
				<u>2,270,181</u>
Results				
Segment results	<u>78,143</u>	<u>108,018</u>	<u>(5,035)</u>	181,126
Elimination of inter-segment results				98,450
Unallocated income and gains				5,455
Unallocated expenses				(35,872)
Gains on short-term investments				1,476
Dividends from available-for-sale investments				<u>55,264</u>
Profit before tax				<u>305,899</u>

Six months ended 30 June 2013

	Publication (Unaudited) RMB'000	Distribution (Unaudited) RMB'000	Others (Unaudited) RMB'000	Consolidated (Unaudited) RMB'000
Revenue and other income				
Sales to external customers	244,917	1,841,919	54,200	2,141,036
Inter-segment sales	450,032	–	22	450,054
Other income	26,270	50,461	8,447	85,178
	<u>721,219</u>	<u>1,892,380</u>	<u>62,669</u>	2,676,268
Elimination of inter-segment revenue and other income				<u>(450,054)</u>
				<u>2,226,214</u>
Results				
Segment results	<u>106,897</u>	<u>112,168</u>	<u>(1,799)</u>	217,266
Elimination of inter-segment results				41,226
Unallocated income and gains				12,743
Unallocated expenses				(30,986)
Gains on short-term investments				3,119
Dividends from available-for-sale investments				<u>50,994</u>
Profit before tax				<u>294,362</u>

4. REVENUE, OTHER INCOME AND GAINS

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

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

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue		
Sales of goods	2,182,451	2,089,782
Tuition	<u>–</u>	<u>51,254</u>
Total revenue	<u>2,182,451</u>	<u>2,141,036</u>
Other income and gains		
Government grants	27,460	8,347
Gross rental income	7,599	5,968
Commission income	26,129	32,159
Gains on short-term investments	1,476	3,119
Dividends from available-for-sale investments	55,264	50,994
Others	<u>22,578</u>	<u>42,663</u>
Total other income and gains	<u>140,506</u>	<u>143,250</u>

5. PROFIT FOR THE PERIOD

The Group's profit for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Depreciation and amortisation	56,570	51,366
Recognition of lease prepayments for land use rights	3,026	3,730
Gain on disposal of subsidiaries	–	(8,372)
Loss (gain) on disposal of items of property, plant and equipment, net	142	(1,654)
Minimum lease payments under operating lease on properties	47,338	55,634
Impairment of trade and other receivables	12,886	23,312
Write-down of inventories to net realisable value	19,689	20,392
Staff costs (including Directors' and supervisors' emoluments)		
Wages, salaries and other employee benefits	262,875	257,594
Post-employment pension scheme contribution	46,066	46,444
	308,941	304,038
Cost of inventory sold and service provided	1,290,837	1,254,856

6. FINANCE INCOME, NET

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Bank interest income	6,663	8,341
Interest expense on bank borrowings, wholly repayable within five years	(2,596)	(2,193)
Interest amortisation on other payables	–	(5,885)
	4,067	263

7. INCOME TAX EXPENSE (CREDIT)

The Group is subject to income tax on an independent legal 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 any assessable income 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 is subject to corporate income tax at a rate of 25% on their respective taxable income.

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

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current income tax	1,688	1,270
Deferred income tax	(760)	(1,642)
	928	(372)

Pursuant to the Circular Cai Shui [2009] No. 34, the Company and fifteen subsidiaries are qualified cultural enterprises, of which the Company and two subsidiaries were granted enterprise income tax exemptions from 2009 to 2013. The remaining 13 subsidiaries were granted enterprise income tax exemptions from 2010 to 2013. This preferential tax policy had expired on 31 December 2013. In April 2014, General Office of the State Council of the PRC issued the Circular Guo Ban Fa [2014] No. 15, pursuant to which a qualified cultural enterprise or a cultural enterprise transformed from a cultural public institution is exempted from enterprise income tax from year 2014 to year 2018. The detailed implementation policy has not been issued by the relevant state finance and taxation authorities. Management is of the view that the Company and the fifteen subsidiaries qualified to enjoy the preferential tax policy were exempted from enterprise income tax for the Period.

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

9. EARNINGS PER SHARE

For the six months ended 30 June 2014, the calculation of basic earnings per share is based on the net profit attributable to owners of the Company of approximately RMB321,889,000 (for the six months ended 30 June 2013: RMB307,804,000) and the weighted average number of ordinary shares of 1,135,131,000 in issue during the six months ended 30 June 2014 (six months ended 30 June 2013: 1,135,131,000 shares).

The Group had no potential ordinary shares in issue during the periods presented and therefore no diluted earnings per share information is presented.

10. TRADE AND BILLS RECEIVABLES

The Group normally allows a credit period of not more than 270 days to its customers.

The following is an aged analysis of trade and bills receivables, net of allowance for doubtful debts and sales returns, presented based on the date of delivery of goods and date of rendering of services which approximated the respective dates on which revenue was recognised.

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Within 3 months	447,861	496,754
3 to 6 months	124,634	99,982
6 months to 1 year	85,429	45,936
1 to 2 years	26,704	15,354
Over 2 years	14,578	10,407
	699,206	668,433

11. ASSETS CLASSIFIED AS HELD FOR SALE

In September 2013, the Company proposed to dispose of 34% equity interest in Chengdu Xinhui Industrial Co., Ltd.* (成都鑫匯實業有限公司) (“**Chengdu Xinhui**”), an associate of the Company at an offer price of RMB126,673,000. The proposed disposal was subsequently approved by the SASAC of Sichuan and other statutory authorities, and public bidding process was commenced in September 2013. The Directors expect the equity investment in Chengdu Xinhui will be disposed of at the current offer price of RMB126,673,000 within 12 months and therefore accounted for the investment as a non-current asset held for sale.

In May 2014, the Company proposed to dispose of its 3% equity interest in Sichuan Wenxuan Zhuotai Investment Co., Ltd.* (四川文軒卓泰投資有限公司) (“**Sichuan Wenzhuo**”), a joint venture of the Company at a consideration of RMB19,153,000. The proposed disposal was subsequently approved by the SASAC of Sichuan and other statutory authorities in June 2014. The Directors expect the equity investment in Sichuan Wenzhuo will be disposed of at price of RMB19,153,000 within 12 months and therefore accounted for the investment as a non-current asset held for sale.

12. INTEREST-BEARING BANK BORROWINGS

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Bank loans-secured	20,000	40,000
Bank loans-unsecured	15,000	25,000
Total interest-bearing bank and other borrowings	35,000	65,000
Analysed into:		
Interest-bearing bank and other borrowings repayable:		
Within one year	35,000	65,000
Less: Portion classified as current liabilities	(35,000)	(65,000)
Non-current portion	-	-

13. TRADE AND BILLS PAYABLES

The trade and bills payables are interest-free and are normally settled within one year.

The following is an aged analysis of trade and bills payables, presented based on the invoice date at 30 June 2014:

	30 June 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Within 3 months	798,888	1,072,247
3 to 6 months	382,574	472,442
6 months to 1 year	440,635	257,951
1 to 2 years	136,015	133,897
Over 2 years	170,847	182,610
	<u>1,928,959</u>	<u>2,119,147</u>

As at 30 June 2014, the Group's bills payable amounted to RMB81,337,000 (31 December 2013: RMB184,394,000).

14. 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 2014 (Unaudited) RMB'000	31 December 2013 (Audited) RMB'000
Lease prepayment for land use rights	28,808	29,147
Property, plant and equipment	35,525	36,950
Pledged bank deposits for bills payable	22,673	61,800
	<u>87,006</u>	<u>127,897</u>

15. EVENT AFTER THE END OF THE INTERIM PERIOD

On 26 August 2014, the interim condensed consolidated financial statements for the six months ended 30 June 2014 were approved and authorized for issue by the Board.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

In order to promote the prosperity and development of the cultural industry, the state has released a series of relevant policies over recent years to support development of the cultural industry. Such policies have provided a strong support and drive for the new round of cultural reform and development, and policy guarantee for helping enhance the core competitiveness of the cultural industry, promote the “go overseas” strategy of cultural industry and accelerate the convergent development between the cultural industry and other industries. They are expected to play an active role in guiding the cultural industry development.

In such context, the state continued to release several preferential tax policies for cultural enterprises, so that culture publicity units shall enjoy preferential policies on value-added tax (“VAT”), business tax and enterprise income tax, which is aimed at accelerating the system reform in the cultural industry and promoting the development and prosperity of cultural enterprises.

In addition, the Chinese government continued to increase its investment in public cultural services while changing the way of public finance investment, satisfying the increasing need for public culture through purchase of a large amount of products and services by the government, and directing and encouraging social capital to invest in the field of public culture. The socialization of the public cultural service market will continue to expand the scale of the cultural consumption market and generate more market opportunities for the publishing and media industry.

From the perspective of the overall industry development, the recent years can be characterized by stable growth of the paper publication market, faster development of the digital publication market and online sales, and stable increase in the demand of residents for cultural consumption. Industry leaders, which possess rich content resources and capital operation experiences, especially the key cultural enterprises owned or controlled by the state, have managed to gain an edge over other market players in benefiting from the transformation and upgrade of the traditional publication industry, the construction of a modern public cultural service system by the state and the development of the cultural industry.

Operating Results and Financial Review

During the Period, the Group achieved sales revenue of RMB2,182 million and profit of RMB305 million, representing an increase of 1.9% and 3.5% respectively as compared with the same period of 2013; profit attributable to the owners of the Company for the Period was RMB322 million, representing an increase of 4.6 % as compared with the same period of 2013; the earnings per share was RMB0.28.

As the preferential policy of VAT exemption on book wholesale and retailing sectors effective from year 2013 to year 2017 was not released until the end of 2013, accounting and information disclosures of the Group for the first half of 2013 has been provisionally made on the basis that no VAT exemption policy is available. For the case the preferential VAT exemption policy being applicable to the Group, the output VAT on sale of tax-free commodities will be included into the sales revenue and the corresponding input tax will be included into the sales cost, therefore, it will affect both the sales revenue and gross profit margin of the Group during the Period.

Revenue

During the Period, the Group recorded sales revenue of RMB2,182 million, representing an increase of 1.9% as compared with RMB2,141 million for the same period of last year. Excluding the additional income arising from the VAT exemption policy for the Period as well as the incomparable factors for the same period of the last year such as the one-off purchase from the government for the development of public culture (such as books for libraries and dictionaries) which was included in the sales revenue and the adjustments to the scope of consolidation in respect of accounting statements, the sales revenue for the Period actually increased by 5.6% as compared with the same period of last year, which was mainly attributable to the Group’s remarkable efforts in market development and the growth in revenue from the Subscription, Online sales and Commercial supermarket business.

Gross profit margin

The consolidated gross profit margin of the Group for the Period was 40.9%, representing a slight decrease as compared with 41.4% in the same period last year.

Segment Analysis

Revenues in each business segment of the Group for the Period and the corresponding period of last year are as follows:

For the six months ended 30 June

	2014	2013	Change	Percentage of segment sales to revenue before inter-segment sales elimination		Percentage of segment external sales to consolidated revenue	
	RMB'000	RMB'000	%	2014	2013	2014	2013
				%	%	%	%
Publication segment							
External sales	180,951	244,917	(26.1)	7.2	9.4	8.3	11.5
Inter-segment sales	326,331	450,032	(27.5)	13.0	17.4		
Total	<u>507,282</u>	<u>694,949</u>	<u>(27.0)</u>	<u>20.2</u>	<u>26.8</u>		
Of which: Printing and materials supply	131,044	170,796	(23.3)	5.2	6.6		
Distribution segment							
External sales	2,000,448	1,841,919	8.6	79.8	71.1	91.7	86.0
Inter-segment sales	–	–	–	–	–		
Total	<u>2,000,448</u>	<u>1,841,919</u>	<u>8.6</u>	<u>79.8</u>	<u>71.1</u>		
Of which: Subscription	1,392,258	1,283,550	8.5	55.5	49.5		
Retailing	309,054	402,124	(23.1)	12.3	15.5		
Commercial supermarket	74,604	56,393	32.3	3.0	2.2		
Online sales	200,295	81,253	146.5	8.0	3.1		
Others segment							
External sales	1,052	54,200	(98.1)	–	2.1	–	2.5
Inter-segment sales	–	22	(100.0)	–	–		
Total	<u>1,052</u>	<u>54,222</u>	<u>(98.1)</u>	<u>–</u>	<u>2.1</u>		
Revenue before inter-segment sales elimination	<u>2,508,782</u>	<u>2,591,090</u>	<u>(3.2)</u>	<u>100.0</u>	<u>100.0</u>		
Inter-segment sales elimination	<u>(326,331)</u>	<u>(450,054)</u>	<u>(27.5)</u>				
Consolidated revenue	<u>2,182,451</u>	<u>2,141,036</u>	<u>1.9</u>			<u>100.0</u>	<u>100.0</u>

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

For the six months ended 30 June

	2014		2013	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
Publication segment (including inter-segment revenue)	152,819	30.1	192,403	27.7
Of which: Printing and materials supply	12,816	9.8	12,223	7.2
Distribution segment (including inter-segment revenue)	640,069	32.0	633,024	34.4
Of which: Subscription	481,260	34.6	453,288	35.3
Retailing	110,499	35.8	150,760	37.5
Commercial supermarket	20,075	26.9	14,815	26.3
Online sales	24,151	12.1	8,495	10.5
Others segment (including inter-segment revenue)	276	26.2	19,632	36.2
Inter-segment revenue elimination	98,450	N/A	41,121	N/A
Total	891,614	40.9	886,180	41.4

Publication segment

The Group's Publication segment covers businesses including publishing of books, periodicals, audio-visual products and digital products, etc.; provision of printing services and supply of materials.

In the first half of 2014, the Group strived to facilitate innovation in the operation and management mechanism of book publishing, carry out market-oriented adjustment and optimization of the organizational structure and business operation mode, and guide the publishers to enhance their market competitiveness.

During the Period, the Publication segment recorded a revenue of RMB507 million (including inter-segment sales), of which revenue from external sales amounted to RMB181 million, representing a decrease of 26.1% as compared with RMB245 million in the corresponding period last year, which was mainly due to a decline in paper sales to external customers during the Period, other businesses of the segment still remained at a stable trend of development.

During the Period, the gross profit margin of the Publication segment was 30.1%, representing an increase of 2.4 percentage points as compared with 27.7% in the same period last year, which was mainly due to a lower portion of revenue from the paper sales which is of lower gross profit margin.

Distribution segment

The Group's Distribution segment covers the centralised purchasing, delivery and distribution of products through different channels, distributing textbooks and supplementary materials to schools and students, retailing, distribution business and online sales of publications business, etc.

During the Period, the Distribution segment recorded a revenue of RMB2,000 million, representing an increase of 8.6% as compared with RMB1,842 million in the same period last year, which was mainly attributable to revenue growth in the Subscription business, Online sales business and Commercial supermarket business, etc.

During the Period, the gross profit margin of the Distribution segment was 32.0%, representing a decrease of 2.4 percentage points as compared with 34.4% in the corresponding period last year, which was mainly due to a higher portion of sales from Online sales business and Commercial supermarket business which are of lower gross profit margins.

Subscription

The Group's Subscription business includes the distribution of textbooks and supplementary materials to schools and students, and the provision of primary and secondary school digitalised education services for primary and secondary schools.

During the Period, the Company has managed to stabilize sales revenue from textbooks, supplementary materials, and primary and secondary school digitalised education services by taking measures, such as product upgrading and adjustment of the marketing strategies; develop and integrate core education materials and application business system, and explore an effective mechanism for joint operations.

During the Period, the Subscription business recorded a sales revenue of RMB1,392 million, representing an increase of 8.5% as compared with RMB1,284 million in the same period last year. Excluding the effects from the incomparable factors of the government's one-off purchase aid to students for using dictionaries and related reference books in the same period last year, and the preferential VAT exemption policy during the Period, etc., the sales revenue would increase by 3.8% year-on-year, which was mainly attributable to the Group's active market expansion, enhanced commodity marketing and further increase in sales of supplementary materials.

During the Period, the gross profit margin of the Subscription business was 34.6%, representing a slight decrease as compared with 35.3% for the same period last year.

Retailing

The Retailing business includes the retail store business, the group-buying business, and the libraries distribution business for primary and secondary schools (the **"libraries distribution business"**).

During the Period, the Group focused on improving users' experiences for its Retailing business by providing a combination of "books, related products and services", and conducting value-added channel operations with "share of reading" as the core while promoting the transformation and upgrade of small and medium-size stores. Facing the impact of e-bookstores and digital publications on traditional book retailing business, the Group aims to gradually shift from a product seller to a reading service provider.

During the Period, the Retailing business recorded a sales revenue of RMB309 million, representing a decrease of 23.1% as compared with RMB402 million in the same period last year. Excluding the effects from the incomparable factors of the government's purchase for the libraries books included in the sales revenue in the same period last year, and the preferential VAT exemption policy during the Period, etc. the book retailing business still recorded a sales increase of 4.1% year-on-year.

During the Period, the Retailing business recorded a gross profit margin of 35.8%, representing a decrease of 1.7 percentage points as compared with 37.5% in the same period last year, which was mainly due to decline in the sales of the libraries distribution business.

Commercial supermarket

The Group steadily pushed ahead the expansion of the Commercial supermarket business and enhanced the sales performance by developing marketable products and optimizing the customer services in cooperation with the Company's publishing institutions. During the Period, the Commercial supermarket business recorded a sales revenue of RMB75 million, representing an increase of 32.3% as compared with RMB56 million in the same period last year.

The Commercial supermarket business recorded a gross profit margin of 26.9%, representing a slight increase as compared with 26.3% in the same period last year,

Online sales

The Group has managed to continue the high-speed growth momentum of its Online sales business by enhancing the organizational and logistics distribution capabilities for e-commerce products, improving the value-added services and expanding the total sales volume. During the Period, the Online sales business recorded a sales revenue of RMB200 million, representing an increase of 146.5% as compared with RMB81 million in the same period last year.

The Online sales business recorded a gross profit margin of 12.1%, representing an increase of 1.6 percentage points as compared with 10.5% in the same period last year, which was mainly due to the decrease in discounts offered to big customers.

Others segment

Others segment of the Group covers education, investments for film & television and sales of artwork, etc. which do not separately meet the definition of a reportable segment.

During the Period, Others segment recorded a sales revenue of RMB1.05 million, representing a decline of 98.1% as compared with RMB54 million in the same period last year, the gross profit margin was 26.2%, representing a decrease of 10.0 percentage points as compared with 36.2% in the same period last year, which was mainly because Sichuan Wenzhuo had ceased to be combined into the consolidated statement of the Group as a subsidiary.

Expenses and Costs

Selling and distribution expenses and administrative expenses

During the Period, the Group's total selling and distribution expenses and administrative expenses was RMB684 million, representing an increase of 1.5% as compared with RMB674 million in the same period last year, which was mainly attributable to the rising logistics expenses that have resulted from growth in the Online sales business.

Other expenses

Other expenses of the Group for the Period amounted to RMB48 million, representing a decrease as compared with RMB62 million in the same period last year, which was primarily due to the decrease in the Group's provision during the Period.

Net Finance Income

The net finance income of the Group for the Period amounted to RMB4.07 million, representing an increase of RMB3.81 million as compared with RMB0.26 million in the same period last year, which was mainly because the accounts of Sichuan Wenzhuo had ceased to be combined into the consolidated statement of the Group as a subsidiary in the first half of this year, and its finance expenses were included into the net finance income for the same period last year.

Profit

The Group's profit for the Period amounted to RMB305 million, representing an increase of 3.5% from RMB295 million in the corresponding period last year. The profit attributable to owners of the Company was RMB322 million, representing a slight increase from RMB308 million in the same period last year.

Earnings Per Share

Earnings per share is calculated by dividing profits attributable to owners of the Company for the Period by the weighted average number of ordinary shares in issue for the Period. The Group's earnings per share for the Period was RMB0.28, representing an increase of 4.6% from RMB0.27 in the corresponding period last year. Please refer to note 9 to the interim condensed consolidated financial statements.

Liquidity and Financial Resources

As at 30 June 2014, the Group had cash and short-term deposits of approximately RMB1,482 million, and the interest-bearing bank borrowings of RMB35 million of the Company's subsidiaries. The Company did not have any interest-bearing bank and other borrowings at the end of the Period.

As at 30 June 2014, the gearing ratio (calculated by dividing total liabilities by total assets) of the Group was 36.3%, representing an increase of 0.6% as compared with 35.7% as at 31 December 2013. The Group's overall financial structure remained relatively stable.

Foreign Exchange Risk

Almost 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 confirms no foreign exchange hedging arrangement has been made.

Working Capital Management

	30 June 2014	30 June 2013
Current ratio	1.3	1.3
Inventory turnover days	186.7 days	154.1 days
Trade and bills receivables turnover days	57.2 days	59.2 days
Trade and bills payables turnover days	286.2 days	255.0 days

As at 30 June 2014, the current ratio of the Group was 1.3, remaining the same as compared with 1.3 as at 30 June 2013.

During the Period, the inventory turnover days were 186.7 days, representing an increase of 32.6 days as compared with 154.1 days in the same period last year, mainly because the movie and TV products of the Company's wholly-owned subsidiary, Beijing Huaying Winshare Movie & TV Culture Co., Ltd.* (北京華影文軒影視文化有限公司), would not be premiered until the second half of this year, thus leading to a relatively high inventory level at the end of the Period; meanwhile, the Company has increased inventory to meet the increase in sales of general books.

During the Period, the trade receivables turnover days were 57.2 days, similar to the 59.2 days in the same period last year.

During the Period, the trade payables turnover days were 286.2 days, representing an increase of 31.2 days as compared with 255.0 days in the same period last year, which was mainly due to the large balance at the end of the year that has resulted from the relatively heavy inventory level at the end of 2013.

Overview of Material Investments, Acquisitions and Disposals

During the Period, the Group focused on its growth strategies, improved existing industrial layout, and strengthened its efforts in cultural related businesses, with a view to establishing the Group as a first-class cultural media group in the PRC.

In order to meet the Group's growing demand for printing and processing publication and to enhance the chain effect of resources integration on the Group's publication, the Company plans to acquire the 100% equity interest in Sichuan Xinhua Printing Co., Ltd.* (四川新華印刷有限責任公司) from Sichuan Publication Group Company Limited* (四川出版集團有限責任公司) at a consideration of RMB144.84 million. For details, please refer to the Company's announcement dated 10 April 2014.

During the Period, the Company invested RMB100 million to set up a wholly-owned subsidiary, Winshare Investment Co., Ltd.* (文軒投資有限公司). It serves as a capital operation platform, based on which the Company aims to effectively utilize financial resources from the public, gain high-quality investment projects and professional talent for the coordinated development between industrial operation and capital operation. In order to support the Company's strategies for the great cultural industry and share the benefits of China's economic and industrial development, the Company pledges to invest RMB100 million in CITIC Buyout Investment Fund (Shenzhen) (Limited Partnership).

During the Period, the Company's subsidiary, Sichuan Winshare Online E-commerce Co., Ltd.* (四川文軒在線電子商務有限公司) ("**Winshare Online**"), invested RMB51.33 million to acquire 50% equity interest of Chongqing Yunhan Internet Media Co., Ltd.* (重慶雲漢網絡傳媒有限責任公司). Through this investment, Winshare Online has managed to quickly get involved in the building of the whole supply chain of book publishing and distribution industry and the entire e-commerce full supply chain collaborative service platform.

During the Period, the Company obtained the dividend income of RMB26 million from its investee, the Chengdu Institute, Sichuan International Studies University. In addition, Bank of Chengdu Co., Ltd.* (成都銀行股份有限公司) and Anhui Xinhua Media Co., Ltd.* (安徽新華傳媒股份有限公司) (both were investees of the Company) have announced their dividend distribution plans for the year of 2013, whereby the Company recognized the dividend income of RMB16.80 million and RMB12.46 million respectively during the Period.

During the Period, the Company transferred its 3% equity interest in Sichuan Wenzhuo at a consideration of RMB19.15 million to Sichuan Publication Group Company Limited* (四川出版集團有限責任公司) in order to integrate the Group's resource allocation in the field of vocational education business, the equity transfer was approved at the Company's extraordinary general meeting held on 26 August 2014. For details, please refer to the Company's announcement dated 10 July 2014 and circular dated 31 July 2014.

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

Future Prospects

As the state is pushing forward cultural system reform and the cultural industry is embracing good development opportunities, the Company worked out a strategic plan for the new round of development in early 2014, putting forward a strategic goal of "To form a growth pattern of balanced development between industrial operation and capital operation for the Company's culture, media and other related cultural industries in five years with effort; achieve continuous revenue growth; continuously expand market share; and maintain a leading position among its publishing and media peers in the PRC in terms of comprehensive strength.". Therefore, the Group will strongly promote the profound integration, transformation and upgrading of principal businesses, further enhance the core capabilities of principal businesses, market competitiveness of emerging digitalised business, as well as logistics distribution and information processing capabilities; further enhance the Group's market competitiveness and capabilities for sustainable development through resource integration and strategic cooperation, and cultivation of new profit growth points.

Meanwhile, the Company will steadily push ahead the issuance and listing of A shares according to the Group's development strategies in an effort to achieve the Group's leapfrog development by getting listed in both mainland China and Hong Kong, that is, the A+H dual-market listing status, so as to fully capitalize on gaining access to the international and domestic capital markets.

PLEDGE OF ASSETS

Please refer to note 14 to the interim condensed consolidated financial statements for details of the Group's pledge of assets as at 30 June 2014.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Directors are of the view that, during the Period, the Company has complied with all applicable code provisions in the Corporate Governance Code set out in Appendix 14 to the Listing Rules.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors and Supervisors of the Company, for the purpose of regulating securities transactions by the Directors and Supervisors. Having made specific enquiries to each Director and Supervisor, all Directors and Supervisors confirmed that they have complied with the required provisions as set out in the Model Code throughout the Period.

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2014 (for the six months ended 30 June 2013: Nil).

AUDIT COMMITTEE

The Company has established its audit committee (the “**Audit Committee**”) in compliance with the requirements under the Listing Rules with specific written terms of reference.

The Audit Committee has reviewed the Group's unaudited consolidated financial statements for the six months ended 30 June 2014 included in this interim results announcement and has communicated and discussed the Group's financial reporting issues with the management of the Company. The Audit Committee considered that the Group's interim financial information has been prepared in accordance with the applicable accounting standards and requirements and have made appropriate disclosures accordingly.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.winshare.com.cn). The Company's 2014 interim report will be dispatched to the shareholders and uploaded onto the websites of the Stock Exchange and the Company on or before 30 September 2014.

By order of the Board
XINHUA WINSHARE PUBLISHING AND MEDIA CO., LTD.*
Gong Cimin
Chairman

Sichuan, the PRC, 26 August 2014

As at the date of this announcement, the Board of the Company comprises (a) Mr. Gong Cimin and Mr. Luo Yong as executive Directors; (b) Mr. Zhang Chengxing, Mr. Luo Jun, Mr. Zhang Peng and Mr. Zhao Junhuai as non-executive Directors; and (c) Mr. Han Liyan, Mr. Mo Shixing and Mr. Mak Wai Ho as independent non-executive Directors.

* *For identification purposes only*