

Interim Report 2008 中期報告



WIN SHARE

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

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

(於中華人民共和國註冊成立之股份有限公司)

(Stock Code 股份代號 : 00811)

*For identification purposes only
僅供識別

Contents

Corporate Information	2
Interim Condensed Consolidated Income Statement	4
Interim Condensed Consolidated Balance Sheet	5
Interim Condensed Consolidated Statement of Changes in Equity	7
Interim Condensed Consolidated Cash Flow Statement	8
Notes to the Interim Condensed Consolidated Financial Statements	9
Management Discussion and Analysis	18
Other Information	28

Corporate Information

Legal Name of the Company

四川新華文軒連鎖股份有限公司

Company Name in English

SICHUAN XINHUA WINSHARE CHAINSTORE CO.,LTD.

Legal Representative

Mr. Gong Cimin

Board of Directors

EXECUTIVE DIRECTORS

Mr. Gong Cimin (*chairman*)

Mr. Zhang Bangkai (*vice chairman*)

NON-EXECUTIVE DIRECTORS

Ms. Wang Jianping

Mr. Yu Changjiu

Mr. Li Jiawei

Mr. Wu Qiang

Mr. Luo Jun

Mr. Zhao Junhuai

Mr. Zhang Chengxing

Mr. Mo Shixing

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Han Xiaoming

Mr. Cheng Sanguo

Mr. Chan Yuk Tong

Board Committees

STRATEGY AND INVESTMENT PLANNING COMMITTEE

Mr. Cheng Sanguo (*chairman*)

Mr. Han Xiaoming

Mr. Zhang Bangkai

Mr. Yu Changjiu

Mr. Zhao Junhuai

EDITORIAL COMMITTEE

Mr. Zhang Bangkai (*chairman*)

Mr. Mo Shixing

Mr. Yu Changjiu

Mr. Zhang Chengxing

Ms. Wang Jianping

AUDIT COMMITTEE

Mr. Chan Yuk Tong (*chairman*)

Mr. Han Xiaoming

Ms. Wang Jianping

REMUNERATION AND REVIEW COMMITTEE

Mr. Han Xiaoming (*chairman*)

Mr. Chan Yuk Tong

Mr. Zhang Bangkai

NOMINATION COMMITTEE

Mr. Han Xiaoming (*chairman*)

Mr. Cheng Sanguo

Mr. Luo Jun

Supervisory Committee

SUPERVISORS

Mr. Xiao Changjiu (*chairman*)

Mr. Xu Yuzheng

Mr. Peng Xianyi

Ms. Dai Wen

Ms. Lan Hong

Ms. Liu Nan

Mr. Li Qiang

INDEPENDENT SUPERVISORS

Mr. Fu Daiguo

Mr. Li Guangwei

Joint Company Secretaries

Mr. You Zugang

Mr. Ngai Wai Fung

Corporate Information (Continued)

Qualified Accountant

Mr. Mak Ming Fai

Authorised Representatives

Mr. Luo Jun

Mr. You Zugang

Alternate Authorised Representative

Mr. Ngai Wai Fung

International Auditor

Ernst & Young

18th Floor

Two International Finance Centre

8 Finance Street

Central

Hong Kong

PRC Auditor

ShineWing Certified Public Accountants

9th Floor, Block A

Fu Hua Mansion

No. 8 Chao Yang Men Bei Da Jie

Dong Cheng District

Beijing

China

Compliance Adviser

WAG Worldsec Corporate Finance Limited

6th Floor, New Henry House

10 Ice House Street

Central

Hong Kong

Hong Kong Legal Adviser

Mallesons Stephen Jaques

37th Floor

Two International Finance Centre

8 Finance Street

Central

Hong Kong

Registered Office in the PRC

12th Floor, No. 86 Section One

People's South Road, Qingyang District

Chengdu, Sichuan

China

Principal Place of Business in Hong Kong

8th Floor, Gloucester Tower

The Landmark

15 Queen's Road Central

Central

Hong Kong

Principal Bankers

The Industrial and Commercial Bank of China

China Construction Bank

Hong Kong H Share Registrar

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor

Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

Company Website

<http://www.winshare.com.cn>

Stock Code

811

Interim Condensed Consolidated Income Statement

	Notes	For the six months ended 30 June	
		2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
Revenue		1,267,373	997,441
Cost of sales		(758,852)	(569,234)
Gross profit		508,521	428,207
Other income and gains		22,220	14,441
Selling and distribution costs		(247,276)	(187,455)
Administrative expenses		(82,509)	(77,897)
Other expenses		(34,358)	(37,174)
Earthquake related expenses		(23,133)	—
Finance income, net	5	18,052	28,917
Share of losses of associates		(2,331)	(2,305)
Profit before tax	4	159,186	166,734
Tax	6	1,864	173
Profit for the period		161,050	166,907
Attributable to:			
Equity holders of the parent		158,873	167,613
Minority interests		2,177	(706)
		161,050	166,907
Dividend	7	—	—
Earnings per share attributable to ordinary equity holders of the parent			
— Basic (RMB)	8	0.14	0.21

Interim Condensed Consolidated Balance Sheet

	Notes	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	9	512,374	494,119
Lease prepayments for land use rights		70,167	72,051
Investment properties		5,863	6,066
Intangible assets		27,907	26,901
Goodwill		1,503	—
Investments in associates		44,978	47,308
Available-for-sale equity investments		188,835	188,835
Deferred tax assets		49,447	47,090
Property under development		126,067	126,025
Prepayment for investment	10	258,650	160,000
Total non-current assets		1,285,791	1,168,395
Current assets			
Inventories		582,249	576,218
Trade receivables	11	351,081	289,745
Prepayments, deposits and other receivables		251,106	156,293
Held-to-maturity investments		221,750	330,000
Investments at fair value through profit or loss		495,231	868,180
Pledged deposits		26,000	10,000
Cash and short-term deposits		1,583,785	1,536,434
Total current assets		3,511,202	3,766,870
Current liabilities			
Other borrowings	12	9,600	—
Trade and bills payables	13	1,015,449	1,021,007
Deposits received, other payables and accruals		209,530	171,007
Dividend payable		9,897	—
Tax payable		5,545	6,130
Total current liabilities		1,250,021	1,198,144
Net current assets		2,261,181	2,568,726
Total assets less current liabilities		3,546,972	3,737,121
Non-current liabilities			
Other borrowings	12	3,525	13,125
Total non-current liabilities		3,525	13,125
Net assets		3,543,447	3,723,996

Interim Condensed Consolidated Balance Sheet (Continued)

Notes	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
Equity		
Equity attributable to equity holders of the parent		
Issued capital	1,135,131	1,135,131
Reserves	2,361,841	2,202,968
Proposed final dividend	—	340,539
	3,496,972	3,678,638
Minority interests		
	46,475	45,358
Total equity		
	3,543,447	3,723,996

Interim Condensed Consolidated Statement of Changes in Equity

	Attributable to equity holders of the parent									
	Issued capital RMB'000	Share premium account* RMB'000	Capital reserve* RMB'000	Statutory surplus reserve*		Proposed final dividend RMB'000	Retained earnings* RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
				RMB'000	RMB'000					
As at 1 January 2008	1,135,131	1,708,203	33,514	93,285	48,393	340,539	319,573	3,678,638	45,358	3,723,996
Profit for the period	—	—	—	—	—	—	158,873	158,873	2,177	161,050
Dividend paid	—	—	—	—	—	(340,539)	—	(340,539)	—	(340,539)
Dividend paid to minority equity holders of subsidiaries	—	—	—	—	—	—	—	—	(2,563)	(2,563)
Deemed acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	—	1,503	1,503
As at 30 June 2008 (Unaudited)	1,135,131	1,708,203	33,514	93,285	48,393	—	478,446	3,496,972	46,475	3,543,447

* These reserve accounts comprise the consolidated reserves of RMB2,361,841,000 in the interim condensed consolidated balance sheet as at 30 June 2008.

	Attributable to equity holders of the parent									
	Issued capital RMB'000	Share premium account RMB'000	Capital reserve RMB'000	Statutory surplus reserve		Proposed final dividend RMB'000	Retained earnings RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
				RMB'000	RMB'000					
As at 1 January 2007	733,370	—	33,514	53,040	63,461	—	382,504	1,265,889	47,160	1,313,049
Profit for the period	—	—	—	—	—	—	167,613	167,613	(706)	166,907
Issue of H shares	401,761	1,878,014	—	—	—	—	—	2,279,775	—	2,279,775
H shares issue expenses	—	(173,513)	—	—	—	—	—	(173,513)	—	(173,513)
Effect of change in tax rate	—	—	—	—	(15,069)	—	—	(15,069)	—	(15,069)
Dividend paid	—	—	—	—	—	—	(70,943)	(70,943)	—	(70,943)
As at 30 June 2007 (Unaudited)	1,135,131	1,704,501	33,514	53,040	48,392	—	479,174	3,453,752	46,454	3,500,206

Interim Condensed Consolidated Cash Flow Statement

	For the six months ended 30 June	
	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
Net cash inflow from operating activities	70,993	31,192
Net cash inflow/(outflow) from investing activities	269,167	(63,217)
Net cash inflow/(outflow) from financing activities	(332,809)	2,042,196
Net increase in cash and cash equivalents	7,351	2,010,171
Cash and cash equivalents at beginning of period	1,336,434	873,026
Exchange difference	—	(9,797)
Cash and cash equivalents at end of period	1,343,785	2,873,400

Notes to the Interim Condensed Consolidated Financial Statements

1. Corporate Information

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

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

The Company and its subsidiaries (the “Group”) is principally engaged in the production and trading of publications and related products in the PRC. The registered office of the Company is located at 12/F, No.86 Section One, People’s South Road, Qingyang District, Chengdu, Sichuan, the PRC.

In the opinion of the directors of the Company, the parent and ultimate holding company of the Company was Xinhua, a state-owned enterprise established in the PRC.

2. Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2008 (the “Period”) have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2007.

2.1 IMPACT OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2007, except for the adoption of the new and revised International Financial Reporting Standards and interpretations as noted below:

IFRIC 11	IFRS 2 — Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 14	IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

3. Segment Information

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

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

The Company restructured its operating activities in 2007. A summary of the business segments before the restructuring (the "Old Segments") is as follows:

- Distribution: Distribution of textbooks and supplementary materials to schools and students
- Retailing: Retailing of books and audio-visual products
- Others: Provision of ancillary support and services to publishers and others

A summary of the business segments pursuant to the restructuring in 2007 (the "New Segments") is as follows:

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

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

In the opinion of the directors of the Company, it is impracticable to restate the comparative information for the six months ended 30 June 2007 under the New Segments. As a result, the Old Segments information for the six months ended 30 June 2008 is presented for comparative purpose.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

3. Segment Information *(Continued)*

The following table presents revenue and operating results by the New Segments of the Group for the six months ended 30 June 2008.

For the six months ended 30 June 2008

	Product RMB'000 (Unaudited)	Zhongpan RMB'000 (Unaudited)	Subscription RMB'000 (Unaudited)	Retailing RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Eliminations RMB'000 (Unaudited)	Consolidated RMB'000 (Unaudited)
Revenue and other income							
Sales to external customers	3,324	74,713	997,448	190,187	1,701	—	1,267,373
Intersegment sales	169,529	647,651	—	—	338	(817,518)	—
Other income	9,059	7,818	2,339	6,202	293	(8,711)	17,000
	181,912	730,182	999,787	196,389	2,332	(826,229)	1,284,373
Results							
Segment results	36,032	(5,654)	173,393	(20,228)	(1,670)	4,811	186,684

The following tables present revenue and operating results by the Old Segments of the Group for the six months ended 30 June 2008 and six months ended 30 June 2007.

For the six months ended 30 June 2008

	Distribution RMB'000 (Unaudited)	Retailing RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Eliminations RMB'000 (Unaudited)	Consolidated RMB'000 (Unaudited)
Revenue and other income					
Sales to external customers	993,910	192,649	80,814	—	1,267,373
Intersegment sales	408	—	51,759	(52,167)	—
Other income	10,148	6,504	348	—	17,000
	1,004,466	199,153	132,921	(52,167)	1,284,373
Results					
Segment results	212,549	(6,378)	(12,775)	(6,712)	186,684

For the six months ended 30 June 2007

	Distribution RMB'000 (Unaudited)	Retailing RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Eliminations RMB'000 (Unaudited)	Consolidated RMB'000 (Unaudited)
Revenue and other income					
Sales to external customers	799,137	175,015	23,289	—	997,441
Intersegment sales	—	4,434	72,510	(76,944)	—
Other income	5,143	8,873	425	—	14,441
	804,280	188,322	96,224	(76,944)	1,011,882
Results					
Segment results	190,054	4,427	(7,591)	(2,244)	184,646

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

4. Profit Before Tax

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 June	
	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
Depreciation and amortisation	22,116	18,865
Loss on disposal of items of property, plant and equipment	36	450
Minimum lease payments under operating leases on properties	26,130	20,907
Staff costs (including directors' and supervisors' emoluments)		
Wages, salaries and other employee benefits	93,146	76,861
Post-employment pension scheme contributions	8,270	6,953
	101,416	83,814
Impairment of trade and other receivables	15,310	11,326
Write-down of inventories to net realisable value	11,086	1,759

5. Finance Income, Net

	For the six months ended 30 June	
	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
Bank interest income	18,471	29,205
Interest expense on other borrowings, wholly repayable within five years	(419)	(288)
	18,052	28,917

6. Tax

Pursuant to the relevant PRC income tax regulations and the approval from the relevant PRC tax authority, the Company and certain subsidiaries were granted an income tax exemption from 2006 to 2008. Some of the subsidiaries of the Group and its associates are subject to corporate income tax at a rate of 25% (2007: 33%) on their respective taxable income. The Group is not liable for income tax in Hong Kong as it did not have assessable income currently arising in Hong Kong.

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

	For the six months ended 30 June	
	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
Current income tax	(527)	(804)
Deferred income tax	2,391	977
	1,864	173

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

7. Dividend

The board of directors of the Company (the "Board") does not recommend the payment of an interim dividend for the six months ended 30 June 2008 (for the six months ended 30 June 2007: Nil).

8. Earnings Per Share

The calculation of basic earnings per share for the six months ended 30 June 2008 is based on the net profit attributable to equity holders of the parent for the Period of approximately RMB158,873,000 and 1,135,131,000 ordinary shares in issue during the Period.

The calculation of basic earnings per share for the six months ended 30 June 2007 is based on the net profit attributable to equity holders of the parent for the period of approximately RMB167,613,000 and the weighted average number of approximately 802,969,000 ordinary shares in issue during the period, as adjusted to reflect the issue of 369,400,000 H shares and 32,361,000 H shares as a result of the listing of the Company's H shares on the Stock Exchange on 30 May 2007 and the partial exercise of the over-allotment option by the international underwriters on 7 June 2007, respectively.

Diluted earnings per share for the six months ended 30 June 2008 and six months ended 30 June 2007 have not been calculated because no diluting events existed during the two periods.

9. Property, Plant and Equipment

During the six months ended 30 June 2008, the Group acquired property, plant and equipment at a total cost of RMB37,421,000 (2007: RMB31,087,000).

Property, plant and equipment with a net book value of RMB321,000 (2007: RMB876,000) were disposed of by the Group during the six months ended 30 June 2007, resulting in a net loss on disposal of RMB36,000 (2007: RMB450,000).

10. Prepayment for Investments

Prepayment for investments mainly comprises investment deposit of RMB 240,000,000 for the acquisition of 2.46% equity interest in Chengdu City Commercial Bank Co., Ltd. ("Chengdu CCB"). As at 30 June 2008, related share registration procedures was not completed yet, thus the balance of RMB240,000,000 was stated as prepayment for investments. In July 2008, the Company obtained the share rights certificate of Chengdu CCB.

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

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

	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
Within 3 months	123,706	82,749
3 to 6 months	142,066	147,966
6 months to 1 year	80,382	49,103
1 to 2 years	4,927	9,927
	351,081	289,745

12. Other Borrowings

As at 30 June 2008 and 31 December 2007, other borrowings represented the entrusted loans granted by Xinhua to Chengdu Xin Hui Industrial Co., Ltd. ("Chengdu Xin Hui"), a subsidiary of the Company. On 28 April 2007 and 2 July 2007, two entrusted loan agreements were entered into among Chengdu Xin Hui, Xinhua and China Construction Bank Company Limited ("CCB") respectively, pursuant to which Xinhua agreed to entrust CCB to grant loans of RMB9,600,000 and RMB3,525,000, respectively, to Chengdu Xin Hui and these entrusted loan agreements bore interest rate of 5.91% and 6.08% per annum and were repayable on 27 April 2009 and 1 July 2010, respectively.

13. 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 the balance sheet date, based on invoice date, is as follows:

	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
Within 3 months	416,513	376,011
3 to 6 months	138,660	306,531
6 months to 1 year	194,461	125,170
1 to 2 years	182,327	135,594
Over 2 years	83,488	77,701
	1,015,449	1,021,007

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

14. Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 June 2008.

15. Operating Lease Arrangements

(A) AS LESSOR

The Group leases their properties under operating lease arrangements, with leases negotiated for terms ranging from one to six years. The terms of the leases generally also require the tenants to pay security deposits.

As at the balance sheet date, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
Within one year	3,895	4,055
In the second to fifth year, inclusive	2,440	4,429
	6,335	8,484

(B) AS LESSEE

The Group leases certain of their properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to twelve years.

As at the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
Within one year	38,447	33,524
In the second to fifth year, inclusive	27,278	47,654
After five years	11,245	33,172
	76,970	114,350

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

16. Commitments

The Group had the following capital commitments as at the balance sheet date:

	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
Contracted, but not provided for:		
Property, plant and equipment	12,300	9,644
Investment	—	80,000
Total capital commitments	12,300	89,644

17. Related Party Transactions

(A) SIGNIFICANT RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2008 and six months ended 30 June 2007, the Group had the following significant transactions with their related parties:

	For the six months ended 30 June	
	2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
Xinhua and its subsidiaries (collectively the "Xinhua Group"):		
Sale of merchandise	14,237	7,030
Rental income	672	672
Rental expenses	11,290	11,290
Interest expenses	655	288
Purchases of services	13,445	10,266
Purchase of property, plant and equipment	52	152
Entrusted loans received	—	9,600
Payment of emoluments to key management personnel	305	—
Associates:		
Purchase of merchandise	5,283	3,399
Purchase of printing services	578	398

Notes to the Interim Condensed Consolidated Financial Statements (Continued)

17. Related Party Transactions *(Continued)*

(B) BALANCES WITH RELATED PARTIES

	30 June 2008 (Unaudited) RMB'000	31 December 2007 (Audited) RMB'000
Trade and other receivables		
Trade receivables due from Xinhua Group	15,159	19,693
Other receivables due from Xinhua Group	3,143	1,836
Trade and other payables		
Trade payables due to associates of the Group	6,340	7,490
Other payables due to Xinhua Group	10,925	259
Other borrowings due to Xinhua	13,125	13,125

Except for other borrowings, the above balances are unsecured, interest-free and have no fixed term of repayment. For the terms of other borrowings, please refer to note 12 for details.

(C) COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP:

	For the six months ended	
	30 June 2008 (Unaudited) RMB'000	2007 (Unaudited) RMB'000
Short term employee benefits	683	601
Post-employment benefits	7	16
Total compensation paid to key management personnel	690	617

18. Post Balance Sheet Events

The Group did not have any significant events taken place subsequent to 30 June 2008.

19. Approval of the Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements for the six months ended 30 June 2008 were approved and authorised for issue by the Board on 25 August 2008.

Management Discussion and Analysis

Industry Overview

In the first half of 2008, the PRC still managed to attain steady growth in its book distribution market notwithstanding the storms of severe snowfall and rainfall accompanying the cold winter in southern China at the beginning of the year and the severe earthquake occurring in Wenchuan County, Sichuan Province of the PRC on 12 May 2008 (the “5.12 Wenchuan Earthquake”).

In respect of distribution of textbooks and supplementary materials, since the spring term in 2008, textbooks have been centrally purchased by the government and provided free of charge to students under obligatory education in rural areas. In addition, tuition fee and miscellaneous fee in respect of urban obligatory education are to be fully exempted with effect from the autumn term this year. The change in the mode of distribution of textbooks together with the change into a completely market-driven mode of distribution of supplementary materials, which is a correlated segment with the distribution of textbooks, has fuelled competition in the markets of distribution of both items. However, wholly or partially state-owned distribution enterprises were in an exceedingly favourable position amidst market competition with their years of extensive experience and service quality as well as their market-oriented approaches to operations.

The book retailing industry faced an increasingly immense pressure in view of the upsurge of general prices this year, which had caused costs of operations including staff costs and rental costs to keep going up. Adjustments were made by those wholly or partially state-owned enterprises to adapt to the market, thereby forming a scientific, sound system of logistics and inventory management, and a modern system of business management, to maximize the values of their channel resources. This put them in an obviously better position in the book retailing market.

In respect of textbooks for use in tertiary and vocational education, the expanded student recruitment exercises by tertiary institutions and vocational schools have swelled the capacity of the market. In addition, as it has become a popular practice to select textbooks by bidding processes, the crucial factors of selection, including discounts, quality of business, scale of operations, creditworthiness, have put wholly or partially state-owned enterprises in an obviously advantageous position to compete in the market.

In addition, the segment of book distribution to libraries was on a steadily rising track, as the entry barrier had been lowered with the state’s actions in stepping up the investment of resources to public cultural services, and readers’ demand had gone up. The continual refinement of the market further called for large-scale Zhongpan, which have strong capability in purchasing, logistics, information support and marketing, to deliver refined services to the market to cater to the specialized needs of customers.

Management Discussion and Analysis (Continued)

In 2008, with the enhanced efforts of the government to reform the nation's cultural framework, the publishing and distribution industry, which represents a forerunning sector in the reform, underwent the process in an accelerated pace. A series of administrative regulations have been issued by the General Administration of Press and Publication since April 2008, safeguarding the reform of the publishing sector's framework. Resources integration, adjustments of structure, cross-regional and cross-industry acquisition and restructuring activities also proceeded along the vertical dimension of the industry. The restructuring and formation of Shenzhen Publishing and Distribution Group (深圳出版發行集團) by Shenzhen Distribution Group (深圳發行集團) and Haitian Publisher (海天出版社) and the establishment of China Heping Publisher Company Limited (中國和平出版社有限責任公司) in Beijing signified further progress in cross-regional restructuring and resources integration of PRC entities engaged in publishing and distribution. The formation of Hainan Phoenix Xinhua Distribution Company Limited (海南鳳凰新華發行有限責任公司) upon the restructuring of Hainan Xinhua Bookstore Group Company Limited (海南省新華書店集團有限公司) and Jiangsu Xinhua Bookstore Group Company Limited (江蘇省新華書店集團有限公司) represented a breakthrough against the existing framework under which the market was segregated in terms of business segments and geographical locations. The integration of capital, markets and business operations and the resulting mutual complementation and joint development are a natural trend in the process of business chain development and cross-regional and cross-ownership development for the publishing industry.

The Group believes that there will be ample opportunities for its development as the enhancement in the reform of the nation's cultural framework, the full-scale progress in the reform of the publishing and distribution industry and consequently the ability to surpass limitations in terms of geographical locations and business segments, will favour the growth of large-scale corporations with a high concentration of industry assets and resources and enable them to attain the role of strategic investors in the industry.

Business Review

During the Period, the Group's sales revenue amounted to RMB1,267 million, representing a year-on-year increase of approximately 27.1% over the same period of last year. Despite unfavorable factors including natural disasters in particular the 5.12 Wenchuan Earthquake and the increase of general prices, the Company's sales turnover still sustained a certain level of growth. The sustainable growth of our business was primarily attributable to the government's efforts in fostering the reform of the publishing and distribution industry of the PRC, the growth of business of supplementary materials and the expansion of our Zhongpan business on a nationwide basis.

PRODUCT

The Company provides ancillary support and services to publishers of books. During the Period, the selection of topics for publishing not only took into account the features of our channels of distribution but also catered to market segments and readerships. The effectiveness in organizing our publishing work and the coordination with the Company's distribution channels (especially the nationwide Zhongpan channel) was enhanced, covering planning of product publishing, product sales and marketing, feedback on sales and supply of merchandise etc. During the Period, our capability of providing ancillary support and services expanded well, producing on a cooperative basis 478 kinds of products of general interest, representing an increase of 13.2 times from the same period of last year, and 488 kinds of products of culture and education, representing an increase of 2.0 times from the same period of last year. During the Period, sales revenue of the segment amounted to RMB173 million (including intersegment revenue).

Management Discussion and Analysis (Continued)

ZHONGPAN

During the Period, building upon the enhanced and optimized network of its distribution channels, our Zhongpan business experienced a breakthrough in its development of a multi-channel network. Through the development in the markets of book distribution to libraries and textbooks for tertiary institutions and vocational schools, a sales model with multiple channels and levels was formed. Leveraging on its involvement in organizing the national fair for the demonstration and procurement of new books for nationwide libraries under the Beijing Book Ordering Fair 2008, we successfully extended our presence to the markets of book distribution to libraries and textbooks for tertiary institutions and vocational schools across the nation in an innovative manner. It fortified the horizontal linkage with other segments, including the Product segment, in respect of marketing, and the establishment of a coordinated exchange mechanism to align planning with sales. Customer needs in respect of book distribution to libraries were analyzed in details and streamlined, and category subscription was identified as the core concept in marketing strategy, sales and merchandise organization for our business of book distribution to libraries. The procedures and systems of book distribution to libraries were also established. During the Period, sales revenue of the segment amounted to RMB722 million (including intersegment revenue).

RETAILING

During the Period, adjustments to the positioning of our outlets and hypermarkets were gradually put to practice, maintaining our efforts in renovating our network of outlets. Adjustments were also made to the structure of the existing affiliation of hypermarkets to introduce new items of affiliation, including periodicals and cultural items, as well as new media of sales, development of value-added businesses in our channels in order to enhance the profitability of our network. Enhanced coordination was achieved between our retailing channel and Zhongpan channel in the businesses of book distribution to libraries and the businesses of books for tertiary and vocational education, which contributed to our sales growth. During the Period, sales revenue of the segment amounted to RMB190 million (including intersegment revenue).

SUBSCRIPTION

The enhancement and implementation of the obligatory education funding protection mechanism for rural areas across the nation in early 2008 generated positive effects on the subscription business of the Company, driving up our sales of textbooks and supplementary materials in Sichuan Province. During the Period, the year-on-year growth in respect of textbooks (in Sichuan Province) was 20.4% over the same period of last year, whereas the year-on-year growth in respect supplementary materials (in Sichuan Province) was 31.4% over the same period of last year. This translates into a year-on-year growth in respect of both categories (in Sichuan Province) of 19.9% over the same period of last year. In addition, in pursuance of the development trend of the market, we implemented a corporate marketing campaign to step up promotion and our ability to harness the market. During the Period, sales revenue of the segment amounted to RMB997 million (including intersegment revenue).

Management Discussion and Analysis (Continued)

CAPABILITY BUILDING

During the Period, optimization and enhancement continued to be made to the Company's information system to set up a BI Warehouse to monitor our operating activities and also analyze our operations and key performance indicators. The enhancement to the system of business development for our retail operations, on the other hand, strengthened the system's prompt support to the business development in other retail regions. In addition, procedures in respect of our business of book distribution to libraries were established, and preparation for optimizing our respective SBU procedures was underway, clearly defining the functions and operating processes of the logistics centers under our logistics network and strengthening the coordination between the operations of various logistics centers and sub-centers. Our logistics centers located in Beijing, Guangyuan and Guizhou underwent researches in respect of the deployment of their logistics operations information systems (SAP + WMS) as well as the selection of models of equipment and systems, which were all meant to prepare for the implementation of the logistics centers and the development and launch of their information systems.

IMPACT OF THE 5.12 WENCHUAN EARTHQUAKE

On 12 May 2008, an earthquake measuring 8.0 on the Richter scale occurred in Wenchuan County, Sichuan Province, causing serious damage to some regions in the province. The Group is principally based in Sichuan and its operating facilities including outlets and treasury premises located in the respective earthquake regions were under varying degrees of destructions. The earthquake caused losses to some stocks but did not have a material adverse effect on the business and assets of the Group. For our retail operations, other than 3 outlets located in the seriously-affected regions, all are currently back to normal business operations. In July and August 2008, daily sales turnover for our retail outlets exceeded the corresponding figures in the same period of 2007. For our subscription operations, the distribution of textbooks and supplementary materials in respect of the spring term 2008 was completed before the occurrence of the earthquake. As of the end of July 2008, subscription level for textbooks and supplementary materials for the autumn term of 2008 was higher than the subscription level for the autumn term of 2007. During the Period, the Group wrote off property, plant and equipment and inventory destroyed in the earthquake, which had a total net book value of RMB1,220,000.

To duly carry out its corporate and social responsibilities, the Company responded promptly to the occurrence of the earthquake. As of 30 June 2008, textbooks, schoolbags, learning tools and other materials amounting to RMB1,910,000 in aggregate had been donated to primary and secondary school students affected by the earthquake. In addition, the Company made a donation of RMB20 million to Sichuan Province Education Foundation for the re-construction of the schools destroyed by the earthquake.

Saved as aforesaid, the earthquake did not have a material adverse effect on the business and assets of the Group.

Future Prospects

With the stepping up of the reform of the cultural framework in the PRC, the publishing and distribution industry will see a high pace of growth driven by the huge demand for cultural products which in turn is attributable to the burgeoning market of cultural industry and the rising level of consumer spending.

Management Discussion and Analysis (Continued)

In the second half of 2008, it will be the intention of the Company to strengthen its existing core competence to further expand its business outside of Sichuan Province. Meanwhile, to leverage upon the opportunity brought by the change and integration of the industry, it will seek to develop a complete chain of publishing and distribution businesses by forging cooperation and development with industries that are closely related to our core business. Cross-regional integration of industry resources and capital is intended to be explored and realised, so that our core competitiveness in the market and ability of sustainable development will be further consolidated. Further, the Company will take an industry-leading pace and level of soundness in developing its business scale.

Financial Review

Revenue

Segment revenue of the Group presented based on the old business segments for this Period and the same period of 2007 are as follows:

	Six months ended 30 June			
	2008		2007	
	RMB'000	%	RMB'000	%
Retailing (including intersegment revenue)	192,649	15.2	179,449	18.0
Distribution (including intersegment revenue)				
— Textbooks	594,773	46.9	494,160	49.5
— Supplementary materials	399,545	31.5	304,977	30.6
Sub-total	994,318	78.4	799,137	80.1
Others (including intersegment revenue)	132,573	10.5	95,799	9.6
Intersegment revenue eliminated	(52,167)	(4.1)	(76,944)	(7.7)
Total	1,267,373	100.0	997,441	100.0

Sales revenue for the Period grew substantially by 27.1%, which was primarily driven by the strong sales growth of the distribution segment.

RETAILING

Revenue of the retailing segment recorded steady growth at 7.4% for the Period.

DISTRIBUTION

Textbook

Benefiting from the government's stepped-up support for students under obligatory education in rural areas, sales of government-subsidized textbooks recorded remarkable growth for the Period, causing overall sales of textbooks to increase substantially by 20.4% year on year.

Management Discussion and Analysis (Continued)

Supplementary materials

Affected by the change in government regulation on sales of supplementary materials, the supplementary materials market in Sichuan Province shrunk in the second half of 2006. Sales of supplementary materials was in a period of recovery in the first half of 2007. With its stepped-up marketing efforts in expanding the market of supplementary materials, the Group recorded a high rate of growth at 31.0% in the sales of supplementary materials, a sales level which was the same as before the change in government regulation on sales of supplementary materials.

Gross Profit and Gross Profit Margin

The gross profit and the gross profit margin of each segment of the Group presented based on the old business segments for this Period and the same period of 2007 are as follows:

	Six months ended 30 June			
	2008		2007	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
Retailing (including intersegment revenue)	66,511	34.5	64,685	36.0
Distribution (including intersegment revenue)				
— Textbooks	214,516	36.1	184,123	37.3
— Supplementary materials	207,182	51.9	172,310	56.5
Sub-total	421,698	42.4	356,433	44.6
Others (including intersegment revenue)	25,030	18.9	9,333	9.7
Intersegment revenue eliminated	(4,718)	N/A	(2,244)	N/A
Total	508,521	40.1	428,207	42.9

RETAILING

Affected by the change in regulation, a portion of sales of supplementary materials was directed to our retail outlets from our subscription channel in the first half of 2007. The higher gross profit margin of supplementary materials compared with other products of the Company contributed to higher gross profit margin in our retailing segment for the first half of 2007. Netting off this factor, the gross profit margin of the retailing segment basically remained stable.

DISTRIBUTION

Textbooks

Gross profit margin in respect of textbooks for the Period decreased by 1.2 percentage points from the same period of last year, primarily due to the drop in gross profit margin of government-subsidized textbooks. Despite the slight decrease in gross profit margin for the Period, gross profit for the Period grew at 16.5% year on year because of the substantial increase in sales turnover.

Management Discussion and Analysis (Continued)

Supplementary materials

Cooperative products accounted for a substantial portion in the sales of supplementary materials for the first half of 2007, resulting in higher gross profit margin. During the Period, Cooperative supplementary materials recorded modest growth in sales figure. Given the even stronger growth of the overall sales of supplementary materials, however, cooperative products accounted for a slightly smaller proportion for the Period, thereby reducing the gross profit margin of our business of supplementary materials.

In 2007, the Company restructured the segmentation of its business operations with respect to the production and procurement of its upstream business in accordance with the needs of our business development, in order to reflect our state of operations in an accurate and clear manner.

The revenue and gross profit of the Group based on the new business segments for the six months ended 30 June 2008 are as follows:

	Six months ended 30 June 2008		
	Sales turnover	Gross profit	Gross profit margin
	RMB'000	RMB'000	%
Product (including intersegment revenue)	172,853	38,605	22.3
Zhongpan (including intersegment revenue)	722,364	68,411	9.5
Subscription (including intersegment revenue)	997,448	333,227	33.4
Retailing (including intersegment revenue)	190,187	51,560	27.1
Others (including intersegment revenue)	2,039	1,201	58.9
Intersegment revenue eliminated	(817,518)	15,517	N/A
Total	1,267,373	508,521	40.1

Product

The Product segment is primarily the provision of ancillary support and services to book publishers, whereas relevant products are sold through the channel of Zhongpan segment. During the Period, this segment recorded a gross profit margin of 22.3%.

Zhongpan

The Zhongpan segment primarily handles the purchase of merchandise from publishers and related logistics business. The merchandise purchased by this segment are mainly sold to the Subscription and Retailing segments, while a small portion are sold directly to end customers at our outlets in various provinces. During the Period, this segment recorded a gross profit margin of 9.5%.

Subscription

The Subscription segment purchases from our Zhongpan segment textbooks and supplementary materials, which will in turn be distributed to schools and students through our subscription channel. During the Period, this segment recorded a gross profit margin of 33.4%.

Management Discussion and Analysis (Continued)

Retailing

The Retailing segment purchases from our Zhongpan segment various books and audio-visual products, which will in turn be sold to our end customers through our retail outlets or under our group purchase schemes. During the Period, this segment recorded a gross profit margin of 27.1%.

Expenses and costs

SELLING AND DISTRIBUTION COSTS

Selling and distribution costs for the Period increased by 31.9% as compared to the corresponding period in the last year. This is mainly due to the sharp increase in sales revenue during the Period, which in turn caused the marketing promotion and transportation costs to rise. Besides, the Group has recruited new staffs to promote new business and raised staff salaries in the second half of 2007; these caused the staff costs for the Period to increase.

ADMINISTRATIVE EXPENSES

Administrative expenses for the Period increased by 5.9% as compared to the corresponding period in the last year. This is due to the incurrence of related maintenance costs subsequent to the listing of the Company's H shares in Hong Kong on 30 May 2007.

OTHER EXPENSES

During the Period, exchange losses decreased by RMB9 million and share conversion expenses of RMB8 million for the last year did not recur. However, bad debt provisions and inventories impairment provisions for the Period increased by RMB13 million. As a result, other expenses for the Period slightly decreased by 7.6% to RMB34 million.

Finance income, net

Finance income, net for the Period decreased by 37.6% as compared to the corresponding period in the last year. This is mainly due to the absence of interest income on application monies in connection with the H shares offering of the Company of RMB20 million during the Period, while this is partially offset by the increase in interest income during the Period.

Profit

The Group's profit for the Period amounted to RMB161 million, which represented a decrease of 3.5% from RMB167 million in the corresponding period in last year.

The Group's profit for the Period and the corresponding period in last year were both affected by several non-operating factors. Non-operating factors for the Period included exchange losses of RMB1 million and earthquake related expenses of RMB23 million; while non-operating factors for the corresponding period of last year included exchange losses of RMB10 million, share conversion expenses due to the listing of the state-owned shares of RMB8 million and the interest income on application monies in connection with the H shares offering of the Company of RMB20 million.

After adjusting for the above factors, the Group's profit for the Period amounted to RMB185 million, representing an increase of 13.0% from RMB164 million for the corresponding period of last year. The growth in profit during the Period is mainly driven by the strong growth in sales in supplementary materials.

Management Discussion and Analysis (Continued)

Earnings Per Share

Earnings per share is calculated by dividing profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue for the period. Earnings per share of the Company for the Period was RMB0.14, representing a decrease of 33.0% from RMB0.21 for the corresponding period in last year. After adjusting for the non-operating factors in the section headed "Profit" above, earnings per share for the Period was RMB0.16, representing a decrease of 21.5% from RMB0.21 for the corresponding period in last year. The decrease in earnings per share is mainly due to the substantial increase in the weighted average number of ordinary shares in issue for the Period as a result of the issuance of H shares in the last year. Please refer to Note 8 to the interim condensed consolidated financial statements for the calculation of earnings per share.

Liquidity and Financial Resources

Except for the other borrowings of Chengdu Xin Hui, a subsidiary of the Company, the Group did not have any bank and other borrowings. As at 30 June 2008, the Group had other borrowings of RMB13 million as fixed-interest financing. The stable and strong cash flow and robust financial conditions laid down a solid foundation for the continuing business development of the Group.

As at 30 June 2008, the gearing ratio (calculated by dividing total liabilities by total assets) of the Group was 26.1% (31 December 2007: 24.5%). There is no significant change in the Group's capital structure during the Period.

As at 30 June 2008, the Group had cash and short-term deposits of approximately RMB1,584 million. To increase the yield on the fund, the Group deposited part of the fund in commercial banks in the PRC as structured deposits according to its own cashflow projection. These structured deposits are principal-secured on terms ranging from one month to one year. These structured deposits are stated on the balance sheet as held-to-maturity investments and investments at fair value through profit or loss. As at 30 June 2008, the Group had cash and short-term deposits, pledged deposits and structured deposits totalling approximately RMB2,327 million.

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 2008	31 December 2007
Current ratio	2.81	3.14
Inventory turnover days	139.3	120.7
Trade receivables turnover days	46.1	48.3
Trade payables turnover days	244.9	249.4

Management Discussion and Analysis (Continued)

Current ratio of the Group as at 30 June 2008 is 2.81 (31 December 2007: 3.14), which indicated that the Group remained financially stable. The decrease in current ratio is primarily caused by the distribution of dividend for the year ended 2007 by the Company during the Period.

Trade receivables turnover days and trade payables turnover days of the Group for the Period both slightly decreased as compared to that of 2007. Inventory turnover days increased from 120.7 days in 2007 to 139.3 days for the Period. The shorter inventory turnover days for 2007 is mainly because of the lower inventory level for 2006, which in turn caused the average inventory balance used in the calculation of inventory turnover days for 2007 to decrease. Since 2007, the Group developed its distribution business outside Sichuan Province and its ancillary support business, thus the inventory level increased as compared to that of 2006. The inventory level of the Group as at 30 June 2008 is basically the same as the level at 31 December 2007.

Significant Investments

The Company holds 7.79% equity interest in Anhui Xinhua Distribution Group Co., Ltd. The investment did not have any impact on the profit and loss of the Group during the Period. The Company treats the investment in Anhui Xinhua Distribution Group Co., Ltd. as long term strategic investment, and will continue to explore business development opportunities with the investee.

Contingent Liabilities and Charge on Assets

As at 30 June 2008, the Group did not have any material contingent liabilities.

Other than a fixed-term pledged deposit amounting to RMB26 million due to be released in early July 2008, the Group did not have any other charge or guarantee on its assets as at 30 June 2008.

Use Of Proceeds Raised

The Company was listed on the Hong Kong Stock Exchange on 30 May 2007, the net proceeds of which amounted to RMB2,110 million. During the Period, RMB23 million was applied according to the use stated in the prospectus issued by the Company, primarily on financing the establishment of outlets, logistics and information system. As at 30 June 2008, a total of RMB352 million had been utilised. The balance has been deposited in commercial banks in the PRC.

Employees and Remuneration Policy

EMPLOYEES

As at 30 June 2008, we employed a total of 6,166 employees.

Our remuneration policy is regularly reviewed. Standard remuneration package of the Company includes basic salary, performance-based bonus and benefits. Pension, medical insurance, unemployment insurance, employment injury insurance, maternity insurance and housing welfare funds are made available to employees. With effect from 2008, paid annual leave has been made available. Our employees also participate in trade unions. Overall speaking we maintain satisfactory relationship with our employees.

Internal and external training is made available to our employees to encourage long-term learning and self-enhancement. During the first half of the year, our training sessions, covering SAP system, business skills, professional knowledge and enhancement in areas of human resources, finance, auditing, capital operations and administration, had about 850 participants.

Other Information

Share Capital

As at 30 June 2008, the registered capital of the Company was RMB1,135,131,000 comprising 1,135,131,000 shares of RMB1.00 each, including the following:

Class of shares	Number of shares	Approximate % of registered capital of the Company
Domestic Shares		
State-owned shares	639,857,900	56.37%
Including		
(i) State-owned Shares held by Sichuan Xinhua Publishing Group Co., Ltd.	592,809,525	52.22%
(ii) State-owned Shares held by other Promoters (Note 1)	47,048,375	4.15%
Social Legal Person Shares (Note 2)	53,336,000	4.70%
H Shares	441,937,100	38.93%
Total Share Capital	1,135,131,000	100%

Notes:

- (1) Other Promoters include Sichuan Publication Group, Sichuan Daily Newspaper Group, Sichuan Province Youth and Children Press, and Liaoning Publication Group Co. Ltd. but exclude Chengdu Hua Sheng (Group) Industry Co. Ltd..
- (2) Social Legal Person Shares are held by Chengdu Hua Sheng (Group) Industry Co. Ltd., a Promoter.

Other Information (Continued)

Substantial Shareholders' and Other Persons' Interests in the Shares and Short Positions of the Company

As at 30 June 2008, so far as is known to the Directors and supervisors of the Company, the following persons (not being a Director, supervisor or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares, underlying shares or debentures of the Company which were required, pursuant to section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), to be entered in the register required to be kept by the Company referred to therein:

Name of shareholder	Number of Shares directly or indirectly held	Capacity	Class of Shares	Approximate % in the relevant class of Shares	Approximate % of registered capital	Long Position/ Short Position/ Lending Pool
The Parent	592,809,525	Beneficial owner	State-owned Shares	92.65%	52.22%	Long Position
Chengdu Hua Sheng (Group) Industry Co. Ltd. (Note 1)	53,336,000	Beneficial owner	Social Legal Person Shares	100%	4.70%	Long Position
Atlantis Investment Management Ltd	23,000,000	Investment manager	H Shares	5.20%	2.03%	Long Position
Arisaig Greater China Fund Limited (Note 2)	22,300,000	Beneficial owner	H Shares	5.05%	1.96%	Long Position
Arisaig Partners (Mauritius) Limited (Note 2)	22,300,000	Investment manager	H Shares	5.05%	1.96%	Long Position
Cooper Lindsay William Ernest (Note 2)	22,300,000	Interest in controlled corporation	H Shares	5.05%	1.96%	Long Position
National Council for the Social Security Fund	40,176,100	Beneficial owner	H Shares	9.09%	3.54%	Long Position

Notes:

1. On 30 May 2008, Chengdu Hua Sheng (Group) Industry Co. Ltd. pledged all Shares held by it.
2. The above references to 22,300,000 Shares refer to the same block of Shares.

Save as disclosed above, as at 30 June 2008, so far as is known to the Directors and supervisors of the Company, no other person (not being a Director, supervisor or chief executive of the Company) had an interest or short position in the Shares, underlying shares or debentures of the Company which were required, pursuant to section 336 of the SFO, to be entered in the register required to be kept by the Company referred to therein.

Other Information (Continued)

Interests and Short Positions of Directors, Supervisors and Chief Executives in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 30 June 2008, the Directors, supervisors and chief executives of the Company had interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange as follows:

Director/ Supervisor	Name of company	Nature of interest	Number of Shares	Approximate % of registered capital of the Company	Long Position/ Short Position/ Lending Pool
Wu Qiang	Chengdu Hua Sheng (Group) Industry Co. Ltd.	Corporate (Note)	53,336,000	4.70%	Long Position

Note: Wu Qiang owns 90% equity interest in Chengdu Hua Sheng (Group) Industry Co. Ltd., hence is deemed to be interested in the Shares held by Chengdu Hua Sheng (Group) Industry Co. Ltd.

Save as disclosed above, as at 30 June 2008, so far as is known to the Directors, none of the Directors, supervisors and chief executives of the Company had any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV the SFO) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange.

New Sessions of the Board and the Supervisory Committee

At the extraordinary general meeting ("EGM") of the Company held on 30 July 2008, Mr. Gong Cimin, Mr. Zhang Bangkai, Ms. Wang Jianping, Mr. Zhang Chengxing, Mr. Li Jiawei, Mr. Luo Jun, Mr. Yu Changjiu, Mr. Wu Qiang, Mr. Mo Shixing, Mr. Zhao Junhuai, Mr. Han Xiaoming, Mr. Cheng Sanguo and Mr. Chan Yuk Tong were elected as members of the Board in the second session; and Mr. Xiao Changjiu, Mr. Peng Xianyi, Mr. Xu Yuzheng, Ms. Dai Wen, Mr. Fu Daiguo and Mr. Li Guangwei were elected as members of Supervisory Committee in the second session, the remaining membership of which comprises Ms. Lan Hong, Mr. Li Qiang and Ms. Liu Nan, being employee representative supervisors who were elected at a staff representative meeting of the Company.

Each of the aforesaid membership of the Board and the Supervisory Committee in second session shall be for a term of three years commencing 30 July 2008.

Other Information (Continued)

The Board in its second session met for the first time on 30 July 2008, electing Mr. Gong Cimin as the Chairman and Mr. Zhang Bangkai as the Vice Chairman of the Board in its second session; appointing Mr. Luo Yong as the General Manager and Mr. You Zugang as the Secretary to the Board; appointing, upon nomination by the General Manager, Mr. Zhang Jing as the Chief Editor; Mr. Yang Miao, Mr. Zhang Yexin, Mr. Chen Dali, Mr. Deng Xinming as Deputy General Managers; Mr. Zhu Zaixiang as the Chief Financial Officer; Mr. Liu Yuecheng as the Chief Operating Officer; Mr. Yuan Rongjian as the Chief Capital Operating Officer; Ms. Zhang Jian as the Chief Information Officer; Ms. Shen Xiaoyi as the Chief Production Officer; Mr. Zhao Xuefeng as the Chief Procurement Officer; and Mr. Li Jian as the Chief Legal Adviser.

Further, at the directors' meeting on 30 July 2008, Mr. Luo Jun was appointed as an authorised representative and Mr. You Zugang was confirmed as an authorised representative of the Company.

The Supervisory Committee in its second session also met for the first time on 30 July 2008, electing Mr. Xiao Changjiu as the chairman of the Supervisory Committee in its second session.

Board committees of the Company are as follows:

- (1) The Audit Committee comprises Mr. Chan Yuk Tong (independent non-executive Director), Mr. Han Xiaoming (independent non-executive Director) and Ms. Wang Jianping (non-executive Director). Mr. Chan Yuk Tong serves as chairman of the committee.
- (2) The Remuneration and Review Committee comprises Mr. Han Xiaoming (independent non-executive Director), Mr. Chan Yuk Tong (independent non-executive Director) and Mr. Zhang Bangkai (executive Director). Mr. Han Xiaoming serves as chairman of the committee.
- (3) The Strategy and Investment Planning Committee comprises Mr. Cheng Sanguo (independent non-executive Director), Mr. Han Xiaoming (independent non-executive Director), Mr. Zhang Bangkai (executive Director), Mr. Yu Changjiu (non-executive Director) and Mr. Zhao Junhuai (non-executive Director). Mr. Cheng Sanguo serves as chairman of the committee.
- (4) The Nomination Committee comprises Mr. Han Xiaoming (independent non-executive Director), Mr. Cheng Sanguo (independent non-executive Director) and Mr. Luo Jun (non-executive Director). Mr. Han Xiaoming serves as chairman of the committee.
- (5) The Editorial Committee comprises Mr. Zhang Bangkai (executive Director), Mr. Mo Shixing (non-executive Director), Mr. Yu Changjiu (non-executive Director), Mr. Zhang Chengxing (non-executive Director) and Ms. Wang Jianping (non-executive Director). Mr. Zhang Bangkai serves as chairman of the committee.

Share Appreciation Right Incentive Scheme

During the Period, the Share Appreciation Right Incentive Scheme was not yet in effect.

As described in the annual report 2007 of the Company, the detailed proposal of the Share Appreciation Right Incentive Scheme had been submitted to the State-owned Assets Supervision and Administration Commission of the Sichuan Provincial Government (四川省政府國有資產監督管理委員會) for its approval.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Other Information (Continued)

Material Litigation and Arbitration

On 7 July 2008, the legal proceeding involving our South-western Book City (as disclosed in the Prospectus) was reviewed by the Intermediate People's Court of Chengdu, Sichuan Province which gave its first-instance ruling to the effect that the Company shall pay to the plaintiff an outstanding usage fee of RMB3.885 million in respect of the period from 1 September 2002 to 31 December 2007. Provision has been made in the Company's accounts. An appeal against the ruling has been submitted to the High People's Court of Sichuan Province by the Company and the other defendants of the litigation.

Save as disclosed above, throughout the six months ended 30 June 2008, the Group was not involved in any litigation or arbitration of material importance.

Acquisitions and Disposals

During the Period, there was no material acquisition or disposal of any subsidiaries, jointly-controlled entities or associates by the Company.

Compliance with the Code on Corporate Governance Practices

The Directors of the Company are of the view that, during the six months ended 30 June 2008, the Company was in compliance with the provisions as set out in 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 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 governing securities transactions by the Directors and supervisors. Having made specific enquiries of every Director and supervisor of the Company, 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 2008.

Interim Dividend

The Board does not propose the distribution of any interim dividend for the six months ended 30 June 2008 (for the six months ended 30 June 2007: Nil).

Audit Committee

The Company established its Audit Committee on 20 April 2006 in compliance with Appendix 14 to the Listing Rules. The Audit Committee has considered and reviewed the accounting principles adopted by the Group, and discussed with the management matters relating to internal control and financial reporting, including the review of the unaudited interim condensed consolidated financial statements for the six months ended 30 June 2008 and the provision of advice and recommendations thereon.

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

Sichuan, the PRC, 25 August 2008

承新華輝煌
譜文軒新篇



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

No. 6, Wenxuan Road, Shang Mao Dadao,
Cheng Bei, Chengdu, Sichuan
Postal Code: 610081

四川省成都市城北商貿大道文軒路6號
郵政編碼：610081

Website 網址：www.winshare.com.cn