



WIN SHARE

四川新華文軒連鎖股份有限公司

SICHUAN XINHUA WINSHARE CHAINSTORE CO.,LTD.*

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

(Stock Code: 811)

ANNOUNCEMENT

IMPACT OF THE EARTHQUAKE IN WENCHUAN COUNTY, SICHUAN PROVINCE ON THE GROUP

Reference is made to the announcement of 四川新華文軒連鎖股份有限公司 (Sichuan Xinhua Winshare Chainstore Co., Ltd.*) (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 13 May 2008 in relation to, among other things, the earthquake measuring 7.8 (currently adjusted to be 8) on the Richter scale in Wenchuan County, Sichuan Province (“**Sichuan**”) of the People’s Republic of China (the “**PRC**”) at 2:28 p.m. (Beijing time) on 12 May 2008 (the “**Earthquake**”). This announcement is issued pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The board of directors (the “**Board**” or “**Directors**”) of the Company wishes to provide the shareholders and the potential investors of the Company with an update on the impact of the Earthquake on the Group.

The Group is currently engaged in (i) the operation of retail outlets for books and audio-visual products; (ii) distribution of textbooks and supplementary materials; and (iii) provision of ancillary support and services to publishers of books in the PRC. The Group’s business operations are principally based in Sichuan. Save as disclosed below, the Board considers the Earthquake did not have a material adverse effect on the business and assets of the Group.

The business of operation of retail outlets for books and audio-visual products

As at 19 May 2008, to the best knowledge of the Directors and based on the information available to the Directors, out of the Group’s 187 books and audio-visual products chainstores, 12 chainstores were damaged as a result of the Earthquake, out of which a total of 2 chainstores rented by the Group in Dujiangyan City and Beichuan County respectively collapsed. For the year ended 31 December 2007, the sales attributable to the damaged chainstores represented in aggregate approximately 0.88% of the total annual sales of the Group. The Board considers that the Group’s business of operation of retail outlets for books and audio-visual products is not materially affected by the Earthquake. Save as disclosed above, as at 19 May 2008, the remaining 149 chainstores of the Group were open for normal business, and 26 chainstores of the Group were expected to re-open for normal business in the near future subject to the local government’s approvals or passing of the relevant safety inspection.

The business of distribution of textbooks and supplementary materials

The Group is currently the sole distributor of non-government-subsidised textbooks for primary and lower secondary schools in Sichuan, the general supplier of government-subsidised textbooks for primary and lower secondary schools in Sichuan, and the sole distributor of non-government-subsidised textbooks for upper secondary schools in Sichuan. In addition to textbooks, the Group also distributes supplementary materials mainly to school students, and universities, libraries and other institutions in Sichuan. Meanwhile, the Group is developing its business of distributing supplementary materials outside Sichuan and is establishing a subscription network outside Sichuan (including the Beijing exploration centre and services centres in Yunnan, Guizhou and Chongqing of the PRC).

As at 19 May 2008, to the best knowledge of the Directors and based on the information available to the Directors, the Earthquake affected the Group's textbooks and supplementary materials distribution business in certain villages, towns and schools in nine counties or county-level cities in Sichuan. For the year ended 31 December 2007, the sales of textbooks and supplementary materials in the nine counties or county-level cities represented in aggregate approximately 3.09% of the total annual sales of the Group. As the Group had already completed the distribution of textbooks and supplementary materials for the Spring term of 2008 to primary and secondary schools in Sichuan before the Earthquake, the Directors believe that the actual impact of the Earthquake on the Group's textbooks and supplementary materials distribution business will be insignificant.

General

Save as disclosed above, the Group's business in other regions and other businesses of the Group are not affected by the Earthquake. As at 19 May 2008, the Group's ancillary support and services business and "zhongpan" operation (outside Sichuan) were not affected by the Earthquake and there was no reported fatality of staff of the Group as a result of the Earthquake.

Accordingly, based on the information available to the Directors as at 19 May 2008, the Board considers the Earthquake did not have a material adverse effect on the business and assets of the Group.

Immediately after the Earthquake, the Company established an earthquake relief team headed by Mr. Gong Cimin (the chairman of the Company) and Mr. Yang Miao (an executive Director and the general manager of the Company) to direct the rescue and relief work of the Group and review the impact on the Group's business and operations.

In response to the call for national relief and in order to assist in the recovery of the educational sector in Sichuan and express the Company's condolence, the Board announces that the Company, being a caring and socially responsible PRC-incorporated company listed on the Stock Exchange which is principally based in Sichuan, will provide textbooks that were reported damaged or missing in the Earthquake for free and donate schoolbags, learning tools and other materials to primary and secondary

school students affected by the Earthquake (subject to a maximum total amount of RMB10 million in market value), and had made a donation of RMB20 million to Sichuan Province Education Foundation for the re-construction of the schools destroyed by the Earthquake in Sichuan.

The Directors are of the view that the above actions for relief and donation will not have any material impact on the financial position and operations of the Group.

The Company will provide further information on the impact of the Earthquake on the Group if necessary.

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

Sichuan, PRC, 20 May 2008

As at the date of this announcement, (a) the executive Directors are Gong Cimin, Dai Chuanping, Yang Miao and Zhang Yexin; (b) the non-executive Directors are Wang Jianping, She Jingping, Li Jiawei, Wu Qiang, Mo Shixing and Zhao Junhuai; and (c) the independent non-executive Directors are Han Xiaoming, Cheng Sanguo and Chan Yuk Tong.

** For identification purposes only*