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册成立之股份有限公司)
(Stock Code 股份代號: 00811)

Interim Report 2010
二零一零年中期報告

* For identification purposes only
僅供識別

Contents

Corporate Information

LEGAL NAME OF THE COMPANY

四川新華文軒連鎖股份有限公司
(to be renamed as 新華文軒出版傳媒股份有限公司)

COMPANY NAME IN ENGLISH

SICHUAN XINHUA WINSHARE CHAINSTORE CO., LTD.*
(to be renamed as XINHUA WINSHARE PUBLISHING AND MEDIA 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. Luo Jun
Mr. Wu Qiang
Mr. Zhang Chengxing
Mr. Zhao Junhuai
Mr. Zhao Miao

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 and Publication Committee

Mr. Zhang Bangkai *(Chairman)*
Ms. Wang Jianping
Mr. Yu Changjiu
Mr. Zhang Chengxing
Mr. Zhao Miao

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. Li Guangwei
Mr. Fu Daiguo

JOINT COMPANY SECRETARIES

Mr. You Zugang
Mr. Ngai Wai Fung

QUALIFIED ACCOUNTANT

Mr. Mak Ming Fai

AUTHORISED REPRESENTATIVES

Mr. Luo Jun
Mr. You Zugang

ALTERNATE AUTHORISED REPRESENTATIVE

Mr. Ngai Wai Fung

Corporate Information (continued)

INTERNATIONAL AUDITORS

Ernst & Young
18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

PRC AUDITORS

ShineWing Certified Public Accountants
9th Floor, Block A
Fu Hua Mansion
No. 8 Chao Yang Men Bei Da Jie
Dong Cheng District
Beijing
China

HONG KONG LEGAL ADVISER

Li & Partners
22th Floor, World Wide House
19 Des Voeux Road Central
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

* *For identification purposes only*

Interim Condensed Consolidated Income Statement

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

Interim Condensed Consolidated Statement of Comprehensive Income

	Notes	For the six months ended 30 June **2010** **(Unaudited)** **RMB'000**	 2009 (Unaudited) RMB'000
Profit for the period		**181,613**	163,837
Asset revaluation surplus arising on the acquisition of a subsidiary	9	**–**	11,018
Change in fair value of an available-for-sale equity investment	11	**490,380**	–
Others		**–**	(646)
Other comprehensive income for the period, after tax		**490,380**	10,372
Total comprehensive income for the period, after tax		**671,993**	174,209
Attributable to:			
Equity holders of the parent		**673,518**	173,443
Minority interests		**(1,525)**	766
		671,993	174,209

Interim Condensed Consolidated Statement of Financial Position

	Notes	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	9	**822,899**	823,169
Lease prepayments for land use rights		**105,825**	109,246
Investment properties		**5,052**	5,254
Goodwill		**3,307**	3,307
Other intangible assets		**26,672**	28,372
Investments in associates		**31,650**	32,599
Investment in a jointly-controlled entity	10	**49,331**	–
Available-for-sale equity investments	11	**1,183,215**	692,835
Deferred tax assets		**33,821**	33,638
Property under development		**125,152**	124,841
Prepayment for investments	12	**32,500**	62,000
Total non-current assets		**2,419,424**	1,915,261
Current assets			
Inventories		**627,154**	696,826
Trade receivables	13	**564,294**	324,335
Prepayments, deposits and other receivables		**240,827**	172,079
Held-to-maturity investments		**–**	260,000
Pledged deposits		**107,218**	82,309
Cash and short-term deposits		**2,266,304**	2,347,215
Total current assets		**3,805,797**	3,882,764
Current liabilities			
Bank and other borrowings	14	**37,775**	46,125
Trade and bills payables	15	**1,351,836**	1,224,160
Deposits received, other payables and accruals		**273,155**	626,556
Dividend payable		**302,903**	–
Tax payable		**2,057**	3,345
Total current liabilities		**1,967,726**	1,900,186

Interim Condensed Consolidated Statement of Financial Position (continued)

	Notes	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Net current assets		**1,838,071**	1,982,578
Total assets less current liabilities		**4,257,495**	3,897,839
Non-current liabilities			
Bank and other borrowings	14	**1,125**	1,125
Total non-current liabilities		**1,125**	1,125
Net assets		**4,256,370**	3,896,714
Equity			
Equity attributable to owners of the parent			
Issued capital		**1,135,131**	1,135,131
Reserves		**3,029,355**	2,357,111
Proposed final dividend		**–**	317,837
		4,164,486	3,810,079
Minority interests		**91,884**	86,635
Total equity		**4,256,370**	3,896,714

Interim Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the parent									
	Issued capital RMB'000	Share premium account* RMB'000	Capital reserve* RMB'000	Statutory surplus reserve* RMB'000	Other reserve* RMB'000	Proposed final dividend RMB'000	Retained profits* RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
As at 1 January 2010	1,135,131	1,708,203	31,332	162,291	52,935	317,837	402,350	3,810,079	86,635	3,896,714
Profit for the period	–	–	–	–	–	–	183,138	183,138	(1,525)	181,613
Other comprehensive income for the period	–	–	–	–	490,380	–	–	490,380	–	490,380
Total comprehensive income for the period	–	–	–	–	490,380	–	183,138	673,518	(1,525)	671,993
Final dividend for 2009	–	–	–	–	–	(317,837)	–	(317,837)	–	(317,837)
Investment in a subsidiary	–	–	–	–	–	–	–	–	8,000	8,000
Dividends to minority equity holders	–	–	–	–	–	–	–	–	(2,500)	(2,500)
Transactions with minority interests	–	–	(1,274)	–	–	–	–	(1,274)	1,274	–
As at 30 June 2010 (Unaudited)	1,135,131	1,708,203	30,058	162,291	543,315	–	585,488	4,164,486	91,884	4,256,370

* *These reserve accounts comprise the consolidated reserves of RMB3,029,355,000 in the interim condensed consolidated statement of financial position as at 30 June 2010. (30 June 2009: RMB2,485,191,000)*

Interim Condensed Consolidated Statement of Changes in Equity (continued)

	Attributable to owners of the parent									
	Issued capital RMB'000	Share premium account* RMB'000	Capital reserve* RMB'000	Statutory surplus reserve* RMB'000	Other reserve* RMB'000	Proposed final dividend RMB'000	Retained profits* RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
As at 1 January 2009	1,135,131	1,708,203	31,332	126,853	48,393	227,026	396,967	3,673,905	61,621	3,735,526
Profit for the period	–	–	–	–	–	–	163,071	163,071	766	163,837
Other comprehensive income for the period	–	–	–	–	10,372	–	–	10,372	–	10,372
Total comprehensive income for the period	–	–	–	–	10,372	–	163,071	173,443	766	174,209
Final dividend for 2008	–	–	–	–	–	(227,026)	–	(227,026)	–	(227,026)
Dividends to minority equity holders	–	–	–	–	–	–	–	–	(3,353)	(3,353)
Acquisition of interest in a subsidiary	–	–	–	–	–	–	–	–	28,398	28,398
Loss of control of a subsidiary	–	–	–	–	–	–	–	–	(3,195)	(3,195)
Transactions with minority interests	–	–	–	–	–	–	–	–	(96)	(96)
As at 30 June 2009 (Unaudited)	1,135,131	1,708,203	31,332	126,853	58,765	–	560,038	3,620,322	84,141	3,704,463

Interim Condensed Consolidated Statement of Cash Flows

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net cash outflow from operating activities	**(243,609)**	(177,243)
Net cash inflow/(outflow) from investing activities	**171,070**	(238,104)
Net cash outflow from financing activities	**(8,924)**	(1,433)
Net decrease in cash and cash equivalents	**(81,463)**	(416,780)
Cash and cash equivalents at beginning of period	**2,291,499**	2,534,945
Cash and cash equivalents at end of period	**2,210,036**	2,118,165
Analysis of balances of cash and cash equivalents:		
Cash and short-term deposits	**2,266,304**	2,203,552
Less: Non-pledged time deposits with original maturity of more than three months when acquired	**(56,268)**	(85,387)
	2,210,036	2,118,165

Notes to Interim Condensed Consolidated Financial Statements

1. CORPORATE INFORMATION

Sichuan Xinhua Winshare Chainstore Co., Ltd. (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. ("Xinhua"). Details of the formation of the joint stock limited company are set out in the Company's prospectus dated 16 May 2007 (the "Prospectus").

On 30 May 2007, the Company's H shares were listed on the Stock Exchange of Hong Kong Limited (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 (collectively, the "Group") is principally engaged in the production and trading of publications and related products in the PRC. The registered office of the Company is located at 12/F, No. 86 Section One, People's South Road, Qingyang District, Chengdu, Sichuan, the PRC.

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

Notes to Interim Condensed Consolidated Financial Statements (continued)

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2010 (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 2009.

2.1 Impact of new and revised international financial reporting standards

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

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

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

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

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

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax from continuing operations. The adjusted profit/(loss) before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income, finance costs, dividend income, gains on held-to-maturity investments, as well as head office and corporate expenses are excluded from such measurement.

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

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

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

No geographical information is presented as all of the Group's revenue is derived from customers based in the PRC, and most of its assets are located in the PRC.

3. OPERATING SEGMENT INFORMATION *(Continued)*

The following tables present revenue and operating results by segments of the Group for the six months ended 30 June 2010 and six months ended 30 June 2009:

For the six months ended 30 June 2010

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

3. OPERATING SEGMENT INFORMATION *(Continued)*

For the six months ended 30 June 2009

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

3. OPERATING SEGMENT INFORMATION *(Continued)*

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

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

4. PROFIT BEFORE TAX

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

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

5. FINANCE INCOME, NET

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

6. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. The Group is not liable for income tax in Hong Kong as it did not have assessable income currently arising in Hong Kong. Under the prevailing PRC income tax law, except for certain preferential treatment available to the Company and certain subsidiaries, the Group and its associates are subject to corporate income tax at a rate of 25% on their respective taxable income.

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

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current income tax	**1,127**	1,026
Deferred income tax	**(321)**	–
	806	1,026

7. DIVIDENDS

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

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

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

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

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2010, the Group newly acquired property, plant and equipment at a total cost of RMB36,503,000 (for the six months ended 30 June 2009: RMB21,236,000).

During the six months ended 30 June 2010, there was no increase in net book value of property, plant and equipment of the Group through acquisition of subsidiaries (for the six months ended 30 June 2009: RMB111,573,000).

Property, plant and equipment with a net book value of RMB671,000 (for the six months ended 30 June 2009: RMB236,000) were disposed of by the Group during the six months ended 30 June 2010, resulting in a net gain on disposal of RMB96,000 (for the six months ended 30 June 2009: net gain on disposal of RMB2,000).

10. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

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

11. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

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

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

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

12. PREPAYMENT FOR INVESTMENTS

Prepayment for investments represented the Group's investment deposits in Sichuan Winshare Online E-commerce Company Limited (四國川文軒在線電子商務有限公司) and Sichuan Winshare Education Investment Company Limited (四川文軒教育投資有限公司), amounting to RMB22,500,000 and RMB10,000,000 respectively as at 30 June 2010. The business licences of the companies above have not been approved as at 30 June 2010.

13. TRADE RECEIVABLES

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

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

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

14. BANK AND OTHER BORROWINGS

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

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

15. TRADE AND BILLS PAYABLES

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

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

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

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

16 CONTINGENT LIABILITIES

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

17. PLEDGE OF ASSETS

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

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

18. OPERATING LEASE ARRANGEMENTS

(A) As lessor

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

As at 30 June 2010, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Within one year	**9,470**	7,674
In the second to fifth years, inclusive	**17,426**	16,127
After five years	**13,022**	15,623
	39,918	39,424

(B) As lessee

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

As at 30 June 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Within one year	**54,354**	55,315
In the second to fifth years, inclusive	**82,095**	89,941
After five years	**34,576**	7,389
	171,025	152,645

Notes to Interim Condensed Consolidated Financial Statements (continued)

19. COMMITMENTS

The Group had the following capital and investment commitments as at 30 June 2010:

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Capital commitments		
Property, plant and equipment:		
Contracted, but not provided for	**314,568**	19,486
Authorized, but not contracted for	**120,000**	–
Investment commitments		
Investment in an associate:		
Contracted, but not provided for	**1,960**	16,000
Investment in subsidiaries:		
Contracted, but not provided for	**129,800**	48,000

20. RELATED PARTY TRANSACTIONS

(A) Significant related party transactions

During the six months ended 30 June 2010 and six months ended 30 June 2009, the Group had the following significant transactions with their related parties:

	For the six months ended 30 June	
	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
Xinhua and its subsidiaries (collectively the "Xinhua Group"):		
Sales of merchandise	**58,873**	43,523
Rental income	**672**	672
Rental expenses	**19,216**	11,482
Interest expenses	**396**	362
Purchase of services	**4,097**	5,594
Payment of emoluments to key management personnel	**205**	205
Associates:		
Sales of merchandise	**7,330**	29
Purchase of merchandise	**–**	6,854
Purchase of printing services	**–**	877

20. RELATED PARTY TRANSACTIONS *(Continued)*

(B) Balances with related parties

	30 June 2010 (Unaudited) RMB'000	31 December 2009 (Audited) RMB'000
Trade and other receivables		
Trade receivables due from Xinhua Group	**51,454**	8,144
Trade receivables due from associates of the Group	**36,827**	43,565
Other receivables due from Xinhua Group	**7,104**	442
Trade and other payables		
Trade payables due to Xinhua Group	**4**	197
Trade payables due to associates of the Group	**–**	9,814
Other payables due to Xinhua Group	**49,610**	39,400
Other payables due to associates of the Group	**507**	3,624
Other borrowings due to Xinhua	**15,900**	14,250

Other borrowings represented three entrusted loans which were unsecured, bore annual interest rate ranging from 5.31% to 6.075% and fully repayable within two years. Except for other borrowings, the above balances are unsecured, interest-free and have no fixed term of repayment.

(C) Emoluments of key management personnel of the Group

	For the six months ended 30 June	
	2010 (Unaudited) RMB'000	2009 (Unaudited) RMB'000
Short term employee benefits	**725**	725
Total emoluments paid to key management personnel	**725**	725

Notes to Interim Condensed Consolidated Financial Statements (continued)

21. POST BALANCE SHEET EVENTS

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

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

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

22. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements for the six months ended 30June 2010 were approved and authorized for issue by the Board on 20 August 2010.

Management Discussion and Analysis

INDUSTRY OVERVIEW

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

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

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

BUSINESS REVIEW

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

Products

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

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

Zhongpan

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

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

Retailing

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

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

Subscription

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

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

Overview of significant investments

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

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

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

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

Save as disclosed above, no material acquisitions and disposals were made by the Company during the Period.

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

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

FUTURE PROSPECTS

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

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

Management Discussion and Analysis (continued)

FINANCIAL REVIEW

Revenue

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

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

Gross Profit Margin

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

Management Discussion and Analysis (continued)

Segment analysis

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

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

Management Discussion and Analysis (continued)

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

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

Product

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

Zhongpan

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

Subscription

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

Retailing

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

Expenses and costs

Selling and distribution costs and administrative expenses

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

Other expenses

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

Finance income, net

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

Profit

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

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

Earnings per share

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

Management Discussion and Analysis (continued)

Cash flows

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

Liquidity and financial resources

As at 30 June 2010, the Group's cash and short-term deposits were approximately RMB2,266 million, and bank and other borrowings were fixed-interest financing of approximately RMB29 million and floating-rate financing of approximately RMB10 million of the subsidiaries. Save as disclosed above, the Company did not have any bank and other borrowings. The stable and strong cash flow and robust financial conditions laid out a sound foundation for the sustainable development of the Group.

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

Foreign exchange rates fluctuation risk

Substantially all of the Group's assets, liabilities, revenues, costs and expenses were denominated in RMB. As a result, the management believes that foreign exchange exposure of the Group is minimal and the Group has not entered into any foreign exchange hedging arrangement.

Working capital management

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

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

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

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

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

Management Discussion and Analysis (continued)

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

Please refer to notes 16 and 17 to the interim condensed consolidated financial statements for details of the Group's contingent liabilities and pledge of assets as at 30 June 2010.

USE OF PROCEEDS RAISED

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

1. as to approximately RMB698 million for the development of the Company's core publishing and distribution business;

2. as to approximately RMB321 million for investing in such other areas as the culture, media and education sectors related to the Company's core business; and

3. as to approximately RMB125 million for the Company's general working capital.

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

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2010, the Company employed a total of 6,653 (30 June 2009: 6,170) employees.

The remuneration policy of the Company is reviewed regularly. The 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 available to employees. Employees of the Company can also participate in trade unions. The relationship between the Company and its employees is generally satisfactory.

The Company provides internal training and external training to encourage its employees to keep on learning and to gradually raise the value of its own staff, and uses web-based training to provide more staff with training opportunities. These trainings include management training for managers, business skills training, professional & knowledge training and others improvement trainings for related professionals such as human resources, finance and auditing staff.

Other Information

SHARE CAPITAL

As at 30 June 2010, the total issued share capital of the Company was RMB1,135,131,000, divided into 1,135,131,000 shares of RMB1.00 each, including;

Class of shares	Number of shares	Percentage of issued share capital of the Company
Domestic Shares		
State-owned shares including	639,857,900	56.37%
(i) State-owned Shares held by Sichuan Xinhua Publishing Group Co., Ltd. (the "Parent Company") *(Note 1)*	592,809,525	52.22%
(ii) State-owned Shares held by other Promoters *(Note 2)*	47,048,375	4.15%
Social Legal Person Shares *(Note 3)*	53,336,000	4.70%
H Shares	441,937,100	38.93%
Total Share Capital	1,135,131,000	100%

Notes:

(1) It is a wholly-owned subsidiary of Sichuan Development (Holding) Co., Ltd.

(2) Other Promoters include Sichuan Publication Group Company Limited, Sichuan Daily Newspaper Group, Sichuan Youth and Children's Publishing House Company Limited, and Liaoning Publication Group Co. Ltd., but excluding Chengdu Hua Sheng (Group) Industry Co. Ltd.

(3) The 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 2010, so far as is known to the Directors and Supervisors of the Company, the following persons (not being Directors, Supervisors or chief executives of the Company) had, or were deemed to have interests or short positions in the shares, underlying shares and 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 total issued share capital	Long Position/ Short Position/ Lending Pool
Sichuan Development (Holding) Co., Ltd.	592,809,525 *(Note 1)*	Interests in controlled corporation	State-owned Shares	92.65%	52.22%	Long Position
Parent Company	592,809,525 *(Note 1)*	Beneficial owner	State-owned Shares	92.65%	52.22%	Long Position
Chengdu Hua Sheng (Group) Industry Co. Ltd.	53,336,000 *(Note 2)*	Beneficial owner	Social Legal Person Shares	100%	4.70%	Long Position
National Council for the Social Security Fund	40,176,100	Beneficial owner	H Shares	9.09%	3.54%	Long Position

Notes:

(1) The aforementioned 592,809,525 Shares refer to the same block of shares.

(2) On 30 May 2008, Chengdu Hua Sheng (Group) Industry Co. Ltd. pledged all the Shares it held.

Save as disclosed above, as at 30 June 2010, 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 and 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.

Apart from (i) Mr. Gong Cimin (Executive Director and Chairman of the Company) who is the Chairman of the Parent Company, (ii) Mr. Wu Qiang (Non-executive Director) who is the Chairman of Chengdu Hua Sheng (Group) Industry Co.Ltd.; and (iii) Mr. Zhao Junhuai (Non-executive Director) who is the Vice-chairman of Chengdu Hua Sheng (Group) Industry Co. Ltd., as at 30 June 2010, none of the Directors held any positions as directors or employed as employees in any company having interests or short positions which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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 2010, the Directors, Supervisors and chief executives of the Company who had interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) and which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange were set out 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
Mr. Wu Qiang	Chengdu Hua Sheng (Group) Industry Co. Ltd.	Interests in controlled corporation *(Note)*	53,336,000	4.70%	Long Position

Note: Mr. Wu Qiang owns 90% equity interests in Chengdu Hua Sheng (Group) Industry Co. Ltd., and is therefore deemed to be interested in the shares held by Chengdu Hua Sheng (Group) Industry Co. Ltd.

Save as disclosed above, as at 30 June 2010, 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 and 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 into the register referred to therein, or which are required, pursuant to the Model Code set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

SHARE APPRECIATION RIGHT INCENTIVE SCHEME

During the six months ended 30 June 2010, the Share Appreciation Right Incentive Scheme of the Company was not yet in effect.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

MATERIAL LITIGATION AND ARBITRATION

During the six months ended 30 June 2010, the Group has not been involved in any litigation, arbitration or claims of material importance and no pending or threatened litigation or claim of material importance is known to the Directors.

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 2010, the Company complied with the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules.

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

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors and Supervisors of the Company, for the purpose of regulating securities transactions by the Directors and Supervisors. Having made specific enquiries of each 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 2010.

INTERIM DIVIDEND

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

AUDIT COMMITTEE

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

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

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

Sichuan, the PRC, 20 August 2010

四川新華文軒連鎖股份有限公司
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