新華文軒出版傳媒股份有限公司
XINHUA WINSHARE PUBLISHING AND MEDIA CO., LTD.*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(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 2011
二零一一年中期報告

* For identification purposes only
僅供識別

Contents

Corporate Information

LEGAL NAME OF THE COMPANY

新華文軒出版傳媒股份有限公司

COMPANY NAME IN ENGLISH

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. Ma Chuan
Mr. Li Kun
Ms. Lan Hong
Ms. Liu Nan
Mr. Li Qiang

Independent Supervisors

Mr. Li Guangwei
Mr. Fu Daiguo

COMPANY SECRETARY

Mr. You Zugang

AUTHORISED REPRESENTATIVES

Mr. Luo Jun
Mr. You Zugang

ALTERNATE AUTHORISED REPRESENTATIVE

Ms. Ma Sau Kuen Gloria

Corporate Information (continued)

INTERNATIONAL AUDITOR

Deloitte Touche Tohmatsu
35th Floor, One Pacific Place
88 Queensway, Admiralty
Hong Kong

PRC AUDITOR

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HONG KONG LEGAL ADVISER

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Central
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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
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183 Queen's Road East
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Hong Kong

COMPANY WEBSITE

www.winshare.com.cn

STOCK CODE

00811

* *For identification purposes only*

Interim Condensed Consolidated Income Statement

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

Interim Condensed Consolidated Statement of Comprehensive Income

	Notes	For the six months ended 30 June 2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000
Profit for the period		**201,994**	181,613
Gain/(loss) on change in fair value of an available-for-sale equity investment	12	**(34,899)**	490,380
Others		**95**	–
Other comprehensive income for the period, after tax		**(34,804)**	490,380
Total comprehensive income for the period, after tax		**167,190**	671,993
Attributable to:			
Owners of the Company		**176,863**	673,518
Non-controlling interests		**(9,673)**	(1,525)
		167,190	671,993

Interim Condensed Consolidated Statement of Financial Position

	Notes	**30 June 2011 (Unaudited) RMB'000**	31 December 2010 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	11	**890,120**	889,820
Lease prepayments for land use rights		**102,273**	104,615
Investment properties		**24,423**	27,071
Goodwill		**504,301**	504,301
Other intangible assets		**31,429**	29,398
Investment in a jointly-controlled entity		**72,022**	70,549
Investments in associates		**89,146**	80,121
Available-for-sale equity investments	12	**1,414,671**	1,449,850
Deferred tax assets		**32,611**	32,499
Property under development		**160,956**	126,783
Long-term prepayments	13	**351,610**	253,934
Total non-current assets		**3,673,562**	3,568,941
Current assets			
Inventories		**902,779**	822,993
Trade receivables	14	**592,487**	471,355
Prepayments, deposits and other receivables		**402,315**	423,471
Held-to-maturity investments		**13,000**	–
Pledged deposits		**90,307**	98,270
Cash and short-term deposits		**1,948,991**	1,878,827
Total current assets		**3,949,879**	3,694,916
Current liabilities			
Interest-bearing bank and other borrowings	15	**100,000**	94,250
Trade and bills payables	16	**1,412,809**	1,292,300
Deposits received, other payables and accruals		**848,057**	921,119
Dividend payable		**324,699**	–
Tax payable		**392**	3,002
Total current liabilities		**2,685,957**	2,310,671
Net current assets		**1,263,922**	1,384,245
Total assets less current liabilities		**4,937,484**	4,953,186

Interim Condensed Consolidated Statement of Financial Position (continued)

	Notes	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Non-current liabilities			
Interest-bearing bank and other borrowings	15	**287,500**	151,125
Total non-current liabilities		**287,500**	151,125
Net assets		**4,649,984**	4,802,061
Equity			
Equity attributable to owners of the Company			
Issued capital		**1,135,131**	1,135,131
Treasury shares		**(6,900)**	(6,900)
Reserves		**3,338,769**	3,161,906
Proposed final dividend		**–**	340,539
		4,467,000	4,630,676
Non-controlling interests		**182,984**	171,385
Total equity		**4,649,984**	4,802,061

Interim Condensed Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company										
	Issued capital RMB'000	Share premium account* RMB'000	Treasury shares 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	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2011	1,135,131	1,708,203	(6,900)	(16,757)	202,859	809,421	340,539	458,180	4,630,676	171,385	4,802,061
Profit for the period	-	-	-	-	-	-	-	211,667	211,667	(9,673)	201,994
Other comprehensive income for the period	-	-	-	-	-	(34,804)	-	-	(34,804)	-	(34,804)
Total comprehensive income for the period	-	-	-	-	-	(34,804)	-	211,667	176,863	(9,673)	167,190
Final dividend for 2010	-	-	-	-	-	-	(340,539)	-	(340,539)	-	(340,539)
Dividends to non-controlling equity holders	-	-	-	-	-	-	-	-	-	(103)	(103)
Investment in a subsidiary from non-controlling equity holders	-	-	-	-	-	-	-	-	-	21,375	21,375
As at 30 June 2011 (Unaudited)	1,135,131	1,708,203	(6,900)	(16,757)	202,859	774,617	-	669,847	4,467,000	182,984	4,649,984

* *These reserve accounts comprise the consolidated reserves of RMB3,338,769,000 in the interim condensed consolidated statement of financial position as at 30 June 2011 (31 December 2010: RMB3,161,906,000).*

Interim Condensed Consolidated Statement of Changes in Equity (continued)

	Attributable to equity holders of the Company									
	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	Non-controlling 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 non-controlling equity holders	–	–	–	–	–	–	–	–	(2,500)	(2,500)
Transactions with non-controlling equity holders	–	–	(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

Interim Condensed Consolidated Statement of Cash Flows

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net cash inflow/(outflow) from operating activities	**77,197**	(243,609)
Net cash inflow/(outflow) from investing activities	**(84,068)**	171,070
Net cash inflow/(outflow) from financing activities	**144,786**	(8,924)
Net increase/(decrease) in cash and cash equivalents	**137,915**	(81,463)
Cash and cash equivalents at beginning of period	**1,789,076**	2,291,499
Cash and cash equivalents at end of period	**1,926,991**	2,210,036
Analysis of balances of cash and cash equivalents:		
Cash and short-term deposits	**1,948,991**	2,266,304
Less: Non-pledged time deposits with original maturity of more than three months when acquired	**(22,000)**	(56,268)
	1,926,991	2,210,036

Notes to Interim Condensed Consolidated Financial Statements

1. CORPORATE INFORMATION

Xinhua Winshare Publishing and Media 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 ("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 of the Company.

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. The State-owned Assets Supervision and Administration Commission of the Sichuan Provincial Government ("SASAC of Sichuan") conducted a reorganisation of the state-owned assets under its management by as directed by the Sichuan Provincial Government in 2009. As a result, Xinhua has become a wholly-owned subsidiary of Sichuan Development (Holding) Co., Ltd. ("Sichuan Development"). 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 2011 (the "Period") have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" and the applicable disclosure requirements of Appendix 16 to the 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 2010.

2.1 Principal accounting policies

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

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

Application of new and revised International Financial Reporting Standards

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

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

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

Notes to Interim Condensed Consolidated Financial Statements (continued)

3. POLICIES ON VALUE-ADDED TAX

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

4. OPERATING SEGMENT INFORMATION

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

- Product: Editorial and publishing of publications
- Zhongpan: Bulk purchase of publications from publishers and the Product segment for resale to book wholesalers, the Subscription segment and the Retailing segment
- Subscription: Distribution of textbooks and supplementary materials to schools and students
- Retailing: Retailing of books and audio-visual products
- Others: Others

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

Segment assets exclude tax recoverable and other unallocated head office and corporate assets as these assets are managed on a group basis.

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

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

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

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

Notes to Interim Condensed Consolidated Financial Statements (continued)

4. OPERATING SEGMENT INFORMATION *(Continued)*

The following tables present revenue and operating results by segments of the Group for the six months ended 30 June 2011 and six months ended 30 June 2010:

For the six months ended 30 June 2011

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

Notes to Interim Condensed Consolidated Financial Statements (continued)

4. OPERATING SEGMENT INFORMATION *(Continued)*

For the six months ended 30 June 2010

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

Notes to Interim Condensed Consolidated Financial Statements (continued)

4. OPERATING SEGMENT INFORMATION *(Continued)*

The following table presents asset by segment of the Group as at 30 June 2011 and 31 December 2010:

	Product RMB'000	Zhongpan RMB'000	Subscription RMB'000	Retailing RMB'000	Others RMB'000	Consolidated RMB'000
Segment assets						
As at 30 June 2011 (Unaudited)						
Segment assets	**2,506,376**	**2,338,060**	**590,626**	**811,119**	**903,796**	**7,149,977**
Elimination of intersegment assets						**(999,041)**
Unallocated assets						**1,472,505**
Total assets						**7,623,441**
As at 31 December 2010 (Audited)						
Segment assets	2,407,746	1,689,107	904,168	732,173	650,748	6,383,942
Elimination of intersegment assets						(647,444)
Unallocated assets						1,527,359
Total assets						7,263,857

5. REVENUE, OTHER INCOME AND GAINS

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

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

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

Notes to Interim Condensed Consolidated Financial Statements (continued)

6. PROFIT BEFORE TAX

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

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

7. FINANCE INCOME, NET

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

Notes to Interim Condensed Consolidated Financial Statements (continued)

8. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. No provision for income tax in Hong Kong was made by the Group as the Group did not have assessable income arising in Hong Kong during the Period. Under the prevailing PRC enterprise income tax law, up to 31 December 2013, except for the preferential treatment of enterprise income tax exemption available to the Company and the fifteen subsidiaries of the Group, other subsidiaries of the Group are subject to enterprise income tax at a rate of 25% on their respective taxable income.

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

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

9. DIVIDENDS

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

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

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

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

Notes to Interim Condensed Consolidated Financial Statements (continued)

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group newly acquired property, plant and equipment at a total cost of RMB25,620,000 (for the six months ended 30 June 2010: RMB36,503,000).

Property, plant and equipment with a net book value of RMB689,000 (for the six months ended 30 June 2010: RMB671,000) were disposed of by the Group during the six months ended 30 June 2011, resulting in a net gain on disposal of RMB323,000 (for the six months ended 30 June 2010: RMB96,000).

12. AVAILABLE-FOR-SALE EQUITY INVESTMENT

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

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

The listed equity investment at fair value of RMB908,002,000 represented the Group's equity investment in Anhui Xinhua Media Co., Ltd. (安徽新華傳媒股份有限公司) ("Wan Xin Media"). Wan Xin Media was listed on the Shanghai Stock Exchange on 18 January 2010. As at 30 June 2011, the equity investment in Wan Xin Media was stated at market price with RMB34,899,000 recognized as loss on change in fair value in other comprehensive income during the Period (for the six months ended 30 June 2010: RMB490,380,000 recognized as gain on change in fair value). Except for Wan Xin Media, the Group did not have other listed equity investment.

13. LONG-TERM PREPAYMENTS

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

Notes to Interim Condensed Consolidated Financial Statements (continued)

14. TRADE RECEIVABLES

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

An aged analysis of the trade receivables as at 30 June 2011, based on invoice date and net of impairment, is as follows:

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

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	**30 June 2011 (Unaudited) RMB'000**	31 December 2010 (Audited) RMB'000
Bank loans-secured	(a)	**260,000**	173,000
Bank loans-unsecured	(a)	**40,000**	10,000
Other borrowings-unsecured	(b)	**87,500**	62,375
Total interest-bearing bank and other borrowings		**387,500**	245,375
Analysis:			
Interest-bearing bank and other borrowings repayable:			
Within one year or on demand		**100,000**	94,250
In the second year		**250,000**	151,125
In the third to fifth years, inclusive		**37,500**	–
		387,500	245,375
Total interest-bearing bank and other borrowings		**387,500**	245,375
Less: portion shown under current liabilities		**(100,000)**	(94,250)
Long-term portion		**287,500**	151,125

Notes to Interim Condensed Consolidated Financial Statements (continued)

15. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Notes:

(a) Bank loans

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

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

(i) lease prepayments for land use right and lease prepayments for land use rights in properties under development of the Group amounting to RMB30,842,000 (31 December 2010: RMB31,181,000) and RMB116,615,000 (31 December 2010: RMB116,615,000)(note 18), respectively.

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

(b) Other borrowings

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

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

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

Notes to Interim Condensed Consolidated Financial Statements (continued)

16. TRADE AND BILLS PAYABLES

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

An aged analysis of the trade and bills payables as at 30 June 2011, based on invoice date, is as follows:

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

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

17. CONTINGENT LIABILITIES

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

18. PLEDGE OF ASSETS

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

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

Notes to Interim Condensed Consolidated Financial Statements (continued)

19. 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 2011, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Within one year	**8,001**	6,365
In the second to fifth years, inclusive	**15,805**	15,394
After five years	**11,381**	11,814
	35,187	33,573

(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 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Within one year	**52,560**	51,064
In the second to fifth years, inclusive	**40,847**	67,998
After five years	**29,014**	33,773
	122,421	152,835

Notes to Interim Condensed Consolidated Financial Statements (continued)

20. COMMITMENTS

The Group had the following capital and investment commitments as at 30 June 2011:

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Capital commitments		
Property, plant and equipment:		
Contracted, but not provided for	**288,002**	287,464
Authorized, but not contracted for	**120,000**	120,000
Investment commitments		
Investment in an associate:		
Contracted, but not provided for	**4,000**	–
Investment in subsidiaries:		
Contracted, but not provided for	**–**	11,475

21. RELATED PARTY TRANSACTIONS

(A) Significant related party transactions

During the six months ended 30 June 2011 and six months ended 30 June 2010, the Group had the following significant transactions with their related parties:

	For the six months ended 30 June	
	2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000
Xinhua and its subsidiaries (collectively the "Xinhua Group"):		
Sales of merchandise	**53,270**	58,873
Rental income	**672**	672
Rental expenses	**19,031**	19,216
Interest expenses	**1,914**	396
Purchase of services	**2,617**	4,097
Payment of emoluments to key management personnel	**205**	205
Associates:		
Sales of merchandise	**7,056**	7,330
Purchase of merchandise	**7,345**	–
Jointly-controlled entity:		
Purchase of merchandise	**2,606**	–

Notes to Interim Condensed Consolidated Financial Statements (continued)

21. RELATED PARTY TRANSACTIONS *(Continued)*

(B) Balances with related parties

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Trade and other receivables		
Trade receivables due from Xinhua Group	**25,384**	13,325
Trade receivables due from associates of the Group	**33,701**	26,384
Other receivables due from Xinhua Group	**210**	211
Other receivables due from associates of the Group	**125,231**	97,146
Trade and other payables		
Trade payables due to Xinhua Group	**166**	435
Trade payables due to a jointly-controlled entity	**1,252**	1,368
Trade payables due to associates of the Group	**5,936**	4,160
Other payables due to Xinhua Group	**39,139**	38,758
Other payables due to associates of the Group	**724**	507
Other borrowings due to Xinhua	**50,000**	62,375

(C) Emoluments of key management personnel of the Group are as follows:

	For the six months ended 30 June	
	2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000
Short term employee benefits	**725**	725
Total emoluments paid to key management personnel	**725**	725

22. EVENTS AFTER THE REPORTING PERIOD

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

23. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Management Discussion and Analysis

INDUSTRY OVERVIEW

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

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

OPERATING RESULTS AND FINANCIAL REVIEW

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

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

Revenue

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

Gross Profit Margin

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

Management Discussion and Analysis (continued)

Segment Analysis

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

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

Management Discussion and Analysis (continued)

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

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

Product

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

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

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

Management Discussion and Analysis (continued)

Zhongpan

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

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

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

Subscription

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

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

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

Management Discussion and Analysis (continued)

Retailing

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

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

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

Expenses and Costs

Selling and distribution costs and administrative expenses

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

Other expenses

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

Finance Income, Net

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

Management Discussion and Analysis (continued)

Profit

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

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

Earnings Per Share

Earnings per share is calculated by dividing profits for the Period attributable to equity holders of the Company by the weighted average number of ordinary shares in issue for the Period. The Group's earnings per share for the Period was RMB0.19, representing an increase of 16.3% from RMB0.16 in the corresponding period of last year. Please refer to note 10 to the interim condensed consolidated financial statements for the calculation of earnings per share.

Liquidity and Financial Resources

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

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

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

Working Capital Management

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

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

Management Discussion and Analysis (continued)

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

Overview of Material Investments

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

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

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

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

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

Management Discussion and Analysis (continued)

FUTURE PROSPECTS

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

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

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

Please refer to notes 17 and 18 to the interim condensed consolidated financial statements for details of the Group's contingent liabilities and pledge of assets as at 30 June 2011.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2011, the Group employed a total of 7,706 (30 June 2010: 6,653) staff, among which the increase of staff mainly came from the Fifteen Publishers, being subsidiaries of the Group.

The Company reviews the remuneration policy regularly and has established a performance management mechanism which is target-oriented and applying segmented appraisal methods and departmental results linked to personal performance. 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 continued to strengthen its human resources management and teambuilding whilst endeavored to provide regular training according to the human resources training objectives for staff so as to encourage them to keep on learning and to gradually enhance their work performance and competence. In the first half of 2011, the Company organized much training for employees, which included management training for various levels of managers, business skills training and professional knowledge trainings.

Other Information

SHARE CAPITAL

As at 30 June 2011, the total issued share capital of the Company was RMB1,135,131,000, divided into 1,135,131,000 shares of RMB1 each, including:

Class of shares	Number of shares	Percentage of issued share capital of the Company
Domestic Shares	639,857,900	56.37%
State-owned shares including		
(i) State-owned shares held by Sichuan Xinhua Publishing Group Company Limited (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) Company Limited.

(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 Company Limited, but excluding Chengdu Hua Sheng (Group) Industry Company Limited.

(3) The Social Legal Person Shares are held by Chengdu Hua Sheng (Group) Industry Company Limited, a promoter.

Other Information (continued)

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN THE SHARES AND SHORT POSITIONS OF THE COMPANY

As at 30 June 2011, so far as is known to the Directors and supervisors of the Company (the "Supervisors"), 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
Sichuan Development (Holding) Company Limited	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 Company Limited	53,336,000 *(Note 2)*	Beneficial owner	Social Legal Person Shares	100%	4.70%	Long Position
National Council for the Social Security Fund	35,336,100	Beneficial owner	H Shares	8.00%	3.11%	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 Company Limited pledged all the Shares it held.

Save as disclosed above, as at 30 June 2011, 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 Company Limited; and (iii) Mr. Zhao Junhuai (Non-executive Director) who is the Vice-chairman of Chengdu Hua Sheng (Group) Industry Company Limited, as at 30 June 2011, 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.

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 2011, 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
Mr. Wu Qiang	Chengdu Hua Sheng (Group) Industry Company Limited	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 Company Limited, and is therefore deemed to be interested in the shares held by Chengdu Hua Sheng (Group) Industry Company Limited.*

Save as disclosed above, as at 30 June 2011, 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.

CHANGE OF SESSION OF THE BOARD AND SUPERVISORY COMMITTEE

On 3 August 2011, at the 9th meeting of the second session of the Board of the Company in 2011, it was resolved that the third session of the Board of the Company shall comprise nine Directors instead of thirteen Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors. At the same time, it was also resolved that Mr. Gong Cimin, Mr. Zhao Miao, Mr. Zhang Chengxing, Mr. Luo Jun, Mr. Zhau Junhuai, Mr. Chan Yuk Tong and Mr. Han Xiaoming be nominated as candidates for re-election as members of the Board of the third session, and Mr. Luo Yong and Mr. Han Liyan be nominated as candidates for election as new members of the Board of the third session. Mr. Zhang Bangkai, Ms. Wang Jianping, Mr. Yu Changjiu, Mr. Li Jiawei, Mr. Wu Qiang and Mr. Cheng Sanguo, being Directors, shall retire as Directors due to change of duties from the date of appointment of Directors for the third session.

Other Information (continued)

The third session of the Supervisory Committee shall comprise nine Supervisors, including four Supervisors representing the Shareholders, two independent Supervisors and three Supervisors representing the staff and workers of the Company. On 3 August 2011, at the second meeting of the second session of the Supervisory Committee of the Company in 2011, Mr. Xu Yuzheng, Mr. Li Kun, Mr. Fu Daiguo and Mr. Li Guangwei were nominated as candidates for re-election of independent Supervisors for the third session; and Mr. Xu Ping and Ms. Tan Wei were nominated as candidates for election of new Supervisors representing the Shareholders for the third session. Mr. Xiao Changjiu and Mr. Ma Chuan, being Supervisors, shall retire as Supervisors due to change of duties from the date of appointment of Supervisors for the third session. In addition, the Supervisors representing the staff and workers of the Company will be elected at the staff meeting or staff representative meeting of the Company or otherwise in a legal and democratic manner. Accordingly, Ms. Lan Hong, Ms. Liu Nan and Mr. Li Qiang will or will not be nominated as candidates for re-election as members of the third session of the Supervisory Committee depending on the results of the election.

The proposed term of the third session of the Board and the Supervisory Committee is from 29 September 2011 to 28 September 2014.

The change of session of the Board and the Supervisory Committee shall be subject to the shareholders' approval at the extraordinary general meeting by way of ordinary resolutions and the approval and permit from the relevant authorities. For the details of above change of session of the Board and Supervisory Committee, please refer to the circular and notice of extraordinary general meeting of the Company dated 11 August 2011.

UPDATE ON DIRECTOR'S INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, change in information of the directors of the Company since the date of the 2010 annual report is set out below:

Mr Chan Yuk Tong, an independent non-executive Director, resigned as a non-executive director of Vitop Bioenergy Holdings Limited (Stock Code: 01178) with effect from 24 May 2011.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MATERIAL LITIGATION AND ARBITRATION

During the six months ended 30 June 2011, the Group has not been involved in any litigation, arbitration or claims of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Group.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Directors are of the view that, during the six months ended 30 June 2011, the Company complied with the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules.

Other Information (continued)

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, all Directors and Supervisors confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2011.

INTERIM DIVIDEND

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

AUDIT COMMITTEE

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

The Audit Committee has reviewed the Group's unaudited interim financial report for the six months ended 30 June 2011 and has discussed financial reporting issues with the management. The Audit Committee considered that the financial report has been prepared in accordance with the applicable accounting standards and requirements and have made appropriate disclosures accordingly.

By order of the Board
Xinhua Winshare Publishing and Media Co., Ltd.*
Gong Cimin
Chairman

Sichuan, the PRC, 25 August 2011

* *For identification purposes only*

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