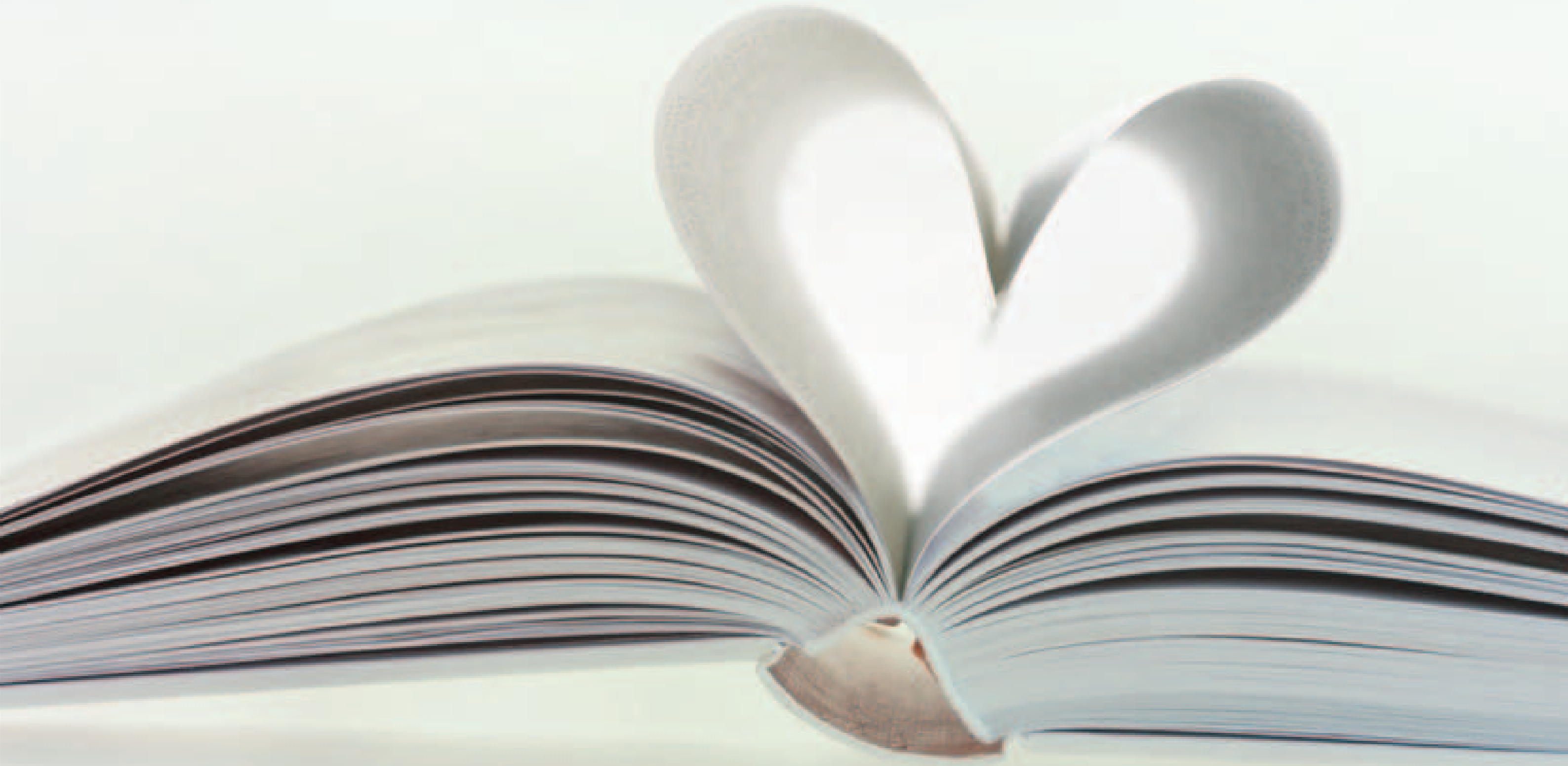
新華文軒出版傳媒股份有限公司

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冊成立之股份有限公司)
(Stock Code 股份代號: 00811)

Interim Report 2012
二零一二年中期報告



* For identification purposes only
僅供識別

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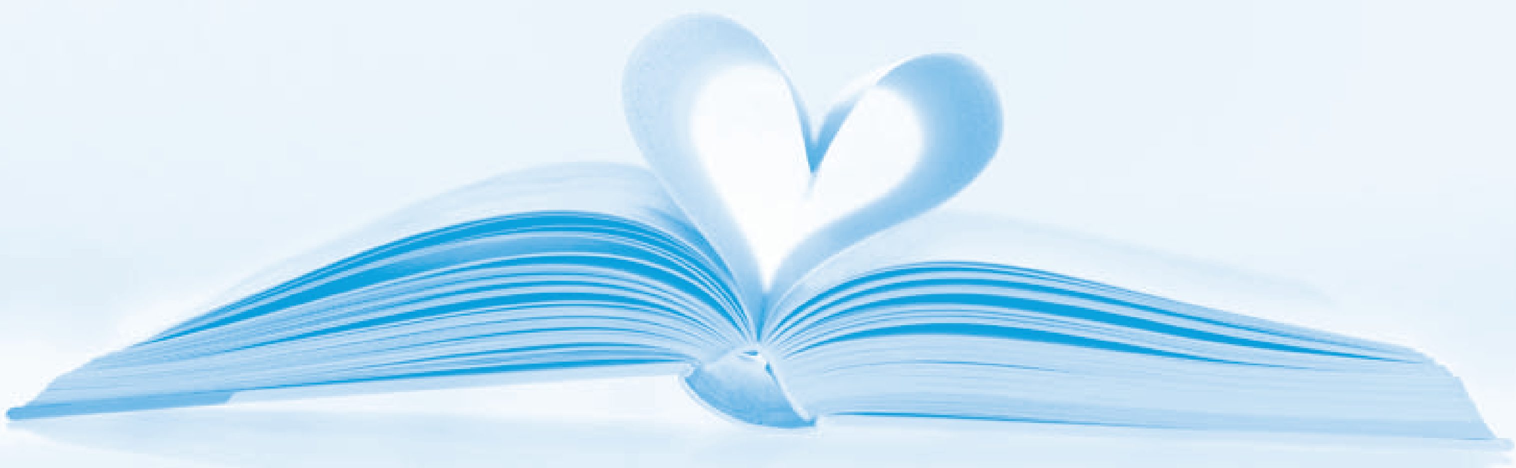

Corporate Information

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. Zhao Miao *(Vice Chairman)*
Mr. Luo Yong

Non-Executive Directors

Mr. Luo Jun
Mr. Zhang Chengxing
Mr. Zhao Junhuai

Independent Non-Executive Directors

Mr. Han Xiaoming
Mr. Chan Yuk Tong
Mr. Han Liyan

BOARD COMMITTEES

Strategy and Investment Planning Committee

Mr. Han Xiaoming *(Chairman)*
Mr. Han Liyan
Mr. Zhang Chengxing
Mr. Zhao Junhuai
Mr. Zhao Miao

Editorial and Publication Committee

Mr. Zhao Miao *(Chairman)*
Mr. Zhang Chengxing
Mr. Luo Yong

Audit Committee

Mr. Chan Yuk Tong *(Chairman)*
Mr. Han Xiaoming
Mr. Zhao Junhuai

Remuneration and Review Committee

Mr. Han Liyan *(Chairman)*
Mr. Han Xiaoming
Mr. Luo Jun

Nomination Committee

Mr. Han Xiaoming *(Chairman)*
Mr. Chan Yuk Tong
Mr. Luo Jun

SUPERVISORY COMMITTEE

Supervisors

Mr. Xu Ping *(Chairman)*
Mr. Xu Yuzheng
Mr. Li Kun
Ms. Tan Wei
Ms. Wang Jianping
Ms. Lan Hong
Ms. Liu Nan

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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Shanghai
China

HONG KONG LEGAL ADVISER

Li & Partners
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19 Des Voeux Road Central
Central
Hong Kong

REGISTERED OFFICE IN THE PRC

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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

00811

* *For identification purposes only*

Interim Condensed Consolidated Income Statement

	Notes	For the six months ended 30 June 2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Revenue	4	**2,048,018**	1,718,502
Cost of sales		**(1,157,753)**	(1,016,405)
Gross profit		**890,265**	702,097
Other income and gains	4	**81,497**	112,458
Selling and distribution expenses		**(470,879)**	(395,861)
Administrative expenses		**(206,619)**	(178,218)
Other expenses		**(41,157)**	(41,611)
Share of losses of associates		**(1,941)**	(3,031)
Share of (loss) profit of a jointly-controlled entity		**(3,562)**	1,473
Finance income, net	6	**3,297**	5,839
Profit before tax		**250,901**	203,146
Income tax expense	7	**(631)**	(1,152)
Profit for the Period	5	**250,270**	201,994
Profit (loss) for the Period attributable to:			
Owners of the Company		**272,284**	211,667
Non-controlling interests		**(22,014)**	(9,673)
		250,270	201,994
Earnings per share			
Basic (RMB)	9	**0.24**	0.19

Interim Condensed Consolidated Statement of Comprehensive Income

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit for the Period	**250,270**	201,994
Fair value loss on an available-for-sale equity investment	**(3,739)**	(34,899)
Others	**–**	95
Other comprehensive loss for the Period	**(3,739)**	(34,804)
Total comprehensive income for the Period	**246,531**	167,190
Total comprehensive income (loss) attributable to:		
Owners of the Company	**268,545**	176,863
Non-controlling interests	**(22,014)**	(9,673)
	246,531	167,190

Interim Condensed Consolidated Statement of Financial Position

	Notes	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	10	**948,822**	963,842
Prepaid lease prepayments for land use rights		**97,589**	99,929
Investment properties		**22,460**	23,244
Goodwill		**504,301**	504,301
Other intangible assets		**73,720**	30,836
Interests in associates		**91,700**	93,641
Interest in a jointly-controlled entity		**100,975**	104,537
Available-for-sale equity investments	11	**1,182,198**	1,185,956
Deferred tax assets		**34,872**	34,430
Property under development	12	**–**	173,284
Long-term prepayments	13	**141,402**	422,120
Total non-current assets		**3,198,039**	3,636,120
Current assets			
Trade and bills receivables	14	**695,280**	587,352
Prepayments, deposits and other receivables		**495,087**	345,200
Inventories		**883,996**	1,055,122
Short-term investments		**184,000**	108,000
Pledged bank deposits and restricted cash		**75,209**	103,062
Cash and short-term bank deposits		**1,820,245**	1,794,486
		4,153,817	3,993,222
Assets classified as held for sale	15	**538,621**	–
Total current assets		**4,692,438**	3,993,222
Current liabilities			
Interest-bearing bank and other borrowings	16	**96,830**	376,950
Trade and bills payables	17	**1,502,025**	1,569,545
Deposits received, other payables and accruals		**935,759**	875,801
Dividends payable		**324,699**	160
Tax liabilities		**915**	1,460
		2,860,228	2,823,916
Liabilities associated with assets classified as held for sale	15	**332,369**	–
Total current liabilities		**3,192,597**	2,823,916
Net current assets		**1,499,841**	1,169,306
Total assets less current liabilities		**4,697,880**	4,805,426

Interim Condensed Consolidated Statement of Financial Position (continued)

	Notes	**30 June 2012 (Unaudited) RMB'000**	31 December 2011 (Audited) RMB'000
Capital and reserves			
Issued capital		**1,135,131**	1,135,131
Treasury shares	18	**–**	(6,900)
Reserves		**3,394,349**	3,110,978
Proposed dividends		**–**	340,539
Equity attributable to owners of the Company		**4,529,480**	4,579,748
Non-controlling interests		**168,400**	188,178
Total equity		**4,697,880**	4,767,926
Non-current liabilities			
Interest-bearing bank and other borrowings	16	**–**	37,500
Total non-current liabilities		**–**	37,500
Total equity and non-current liabilities		**4,697,880**	4,805,426

Interim Condensed Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company										
	Issued capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Capital reserves RMB'000	Statutory surplus reserve RMB'000	Revaluation reserve RMB'000	Proposed dividends RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2012	1,135,131	1,708,203	(6,900)	13,978	249,739	545,903	340,539	593,155	4,579,748	188,178	4,767,926
Profit for the period	-	-	-	-	-	-	-	272,284	272,284	(22,014)	250,270
Other comprehensive loss for the period	-	-	-	-	-	(3,739)	-	-	(3,739)	-	(3,739)
Total comprehensive income for the period	-	-	-	-	-	(3,739)	-	272,284	268,545	(22,014)	246,531
Final dividends for 2011	-	-	-	-	-	-	(340,539)	-	(340,539)	-	(340,539)
Dividends to non-controlling equity holders	-	-	-	-	-	-	-	-	-	(135)	(135)
Issuance of treasury shares	-	-	6,900	16,261	-	-	-	-	23,161	-	23,161
Equity transaction with non-controlling equity holders	-	-	-	(1,365)	-	-	-	-	(1,365)	1,365	-
Investment in subsidiaries from non-controlling equity holders	-	-	-	-	-	-	-	-	-	24,500	24,500
Disposal of a subsidiary (Note 23)	-	-	-	-	-	-	-	-	-	(23,494)	(23,494)
Liquidation of a subsidiary	-	-	-	-	-	(70)	-	-	(70)	-	(70)
30 June 2012 (Unaudited)	1,135,131	1,708,203	-	28,874	249,739	542,094	-	865,439	4,529,480	168,400	4,697,880

Interim Condensed Consolidated Statement of Changes in Equity (continued)

	Attributable to equity holders of the Company										
	Issued capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Capital reserves RMB'000	Statutory surplus reserve RMB'000	Revaluation reserve RMB'000	Proposed dividends 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 dividends for 2010	–	–	–	–	–	–	(340,539)	–	(340,539)	–	(340,539)
Investment in a subsidiary from non-controlling equity holders	–	–	–	–	–	–	–	–	–	21,375	21,375
Dividends to non-controlling equity holders	–	–	–	–	–	–	–	–	–	(103)	(103)
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

Interim Condensed Consolidated Statement of Cash Flows

	Note	For the six months ended 30 June **2012** **(Unaudited)** **RMB'000**	2011 (Unaudited) RMB'000
Net cash inflow from operating activities		**123,430**	77,197
Net cash outflow from investing activities		**(121,859)**	(84,068)
Net cash inflow from financing activities		**5,642**	144,786
Net increase in cash and cash equivalents		**7,213**	137,915
Cash and cash equivalents at beginning of period		**1,660,534**	1,789,076
Cash and cash equivalents at end of period		**1,667,747**	1,926,991
Analysis of balances of cash and cash equivalents:			
Cash and short-term bank deposits		**1,820,245**	1,948,991
Non-pledged time deposits with original maturity of more than three months when acquired		**(157,861)**	(22,000)
Cash and short-term bank deposits classified as a part of disposal groups held for sale	15	**5,363**	–
		1,667,747	1,926,991

Notes to the 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 a part of the reorganisation (the "**Reorganisation**") of Sichuan Xinhua Publishing Group Co., Ltd. ("**Xinhua Publishing Group**"). Details of the information 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 (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.

On 22 June 2010, the Company entered into an equity transfer agreement with Sichuan Publication Group Company Limited ("**SPG**") to acquire 100% equity interests in fifteen wholly-owned subsidiaries (the "**Fifteen Publishers**") of SPG (the "**Acquisition**"). The Acquisition was approved by shareholders at the extraordinary general meeting of the Company on 20 August 2010. For details of the Acquisition, please refer to the Company's announcement dated 22 June 2010 and the circular dated 28 June 2010.

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

The Company and its subsidiaries (collectively, the "**Group**") is principally engaged in the production and trading of publications and related products in the PRC.

In the opinion of the directors of the Company (the "**Directors**"), the parent of the Company is Xinhua Publishing Group, a state-owned enterprise established in the PRC. Xinhua Publishing Group has become a wholly-owned subsidiary of Sichuan Development (Holding) Co., Ltd. (四川發展（控股）有限責任公司) ("**Sichuan Development**") as a result of a reorganisation conducted by the State-owned Assets Supervision and Administration Commission of the Sichuan Provincial Government (the "**Sichuan SASAC**") as directed by the Sichuan Provincial Government in 2009. Accordingly, Sichuan Development, which is wholly owned and controlled by the Sichuan SASAC, has become the ultimate holding company of the Company.

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 the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and with International Accounting Standard 34 "*Interim Financial Reporting*". The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2011.

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.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

2. BASIS OF PREPARATION *(Continued)*

2.1 Principal accounting policies *(Continued)*

The accounting policies and methods of computation used in the interim condensed consolidated financial statements are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011, except as described below.

Application of new and revised International Financial Reporting Standards ("IFRSs")

In the current interim Period, the Group has applied, for the first time, the following new and revised IFRSs issued by the International Accounting Standard Board.

Amendments to IFRS 7	Disclosure – Transfers of Financial Assets
Amendments to IAS 12	Deferred Tax – Recovery of Underlying Assets

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

3. SEGMENT INFORMATION

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

The Group's reportable and operating segments under IFRS 8 are as follows:

Product:	Editorial and publishing of publications
Zhongpan:	Bulk purchase of publications from the Product segment and third-party publishers for distribution 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:	Other businesses which do not separately meet the definition of a reporting segment

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

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

3. SEGMENT INFORMATION *(Continued)*

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

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

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

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

The following is an analysis of the Group's revenue and results by reportable and operating segments for the six months ended 30 June 2012 and six months ended 30 June 2011:

For the six months ended 30 June 2012

	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	234,752	18,293	1,303,486	428,518	62,969	2,048,018
Inter-segment sales	184,434	644,219	–	–	569	829,222
Other income	28,172	6,289	3,568	19,134	3,899	61,062
	447,358	668,801	1,307,054	447,652	67,437	2,938,302
Elimination of inter-segment results						(829,222)
						2,109,080
Results						
Segment results	56,553	6,206	110,865	(24,312)	(18,458)	130,854
Elimination of inter-segment results						125,826
Unallocated income and gains						4,713
Unallocated expenses						(35,351)
Gains on short-term investments						2,981
Dividends from available-for-sale equity investments						21,878
Profit before tax						250,901

Notes to the Interim Condensed Consolidated Financial Statements (continued)

3. SEGMENT INFORMATION *(Continued)*

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
Inter-segment sales	271,091	688,977	–	–	630	960,698
Other income	64,278	9,553	6,874	16,042	2,328	99,075
	590,319	801,957	1,117,864	220,999	47,136	2,778,275
Elimination of inter-segment results						(960,698)
						1,817,577
Results						
Segment results	98,944	2,435	110,668	(17,650)	(18,303)	176,094
Elimination of inter-segment results						25,855
Unallocated income and gains						990
Unallocated expenses						(18,025)
Dividends from available-for-sale equity investments						18,232
Profit before tax						203,146

3. SEGMENT INFORMATION *(Continued)*

The following is an analysis of the Group's assets by reportable and operating segments as at 30 June 2012 and 31 December 2011:

	Product RMB'000	Zhongpan RMB'000	Subscription RMB'000	Retailing RMB'000	Others RMB'000	Consolidated RMB'000
Segment assets						
As at 30 June 2012 (Unaudited)						
Segment assets	**2,763,237**	**1,944,097**	**1,190,034**	**1,227,536**	**997,996**	**8,122,900**
Elimination of inter-segment assets						**(1,596,873)**
Unallocated assets						**1,364,450**
Total assets						**7,890,477**
As at 31 December 2011 (Audited)						
Segment assets	2,690,979	2,367,864	1,077,240	919,408	969,179	8,024,670
Elimination of inter-segment assets						(1,917,664)
Unallocated assets						1,522,336
Total assets						7,629,342

4. REVENUE, OTHER INCOME AND GAINS

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

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

	For the six months ended 30 June	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Revenue		
Sales of goods	**2,048,018**	1,718,502
Other income and gains		
Government grants	**16,222**	53,483
Gross rental income	**4,839**	4,536
Commission income	**15,494**	12,370
Gains on short-term investments	**2,981**	–
Dividends from available-for-sale equity investments	**21,878**	18,232
Others	**20,083**	23,837
Total other income and gains	**81,497**	112,458

Notes to the Interim Condensed Consolidated Financial Statements (continued)

5. PROFIT FOR THE PERIOD

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

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Depreciation and amortisation	**47,660**	38,532
Recognition of lease prepayments for land use rights	**2,344**	2,344
Gain on disposal of a subsidiary (Note 23)	**(223)**	–
Gain on disposal of items of property, plant and equipment, net	**(84)**	(323)
Minimum lease payments under operating lease on properties	**45,367**	39,416
Impairment of trade and other receivables	**9,074**	633
Write-down of inventories to net realisable value	**15,061**	23,167
Staff costs (including directors' and supervisors' emoluments)		
Wages, salaries and other employee benefits	**225,892**	190,749
Post-employment pension scheme contribution	**39,540**	22,055
	265,432	212,804
Cost of inventory sold	**1,157,753**	1,016,405

6. FINANCE INCOME, NET

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Bank interest income	**9,138**	10,615
Interest expense on bank and other borrowings, wholly repayable within five years	**(5,841)**	(4,776)
	3,297	5,839

7. INCOME TAX EXPENSE

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 any assessable income arising in Hong Kong. Under the prevailing PRC income tax law, except for certain preferential treatment available to the Company and certain subsidiaries, the Group is subject to corporate income tax at a rate of 25% on their respective taxable income.

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

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current income tax	**1,073**	1,264
Deferred income tax	**(442)**	(112)
	631	1,152

8. DIVIDENDS

The board of Directors of the Company (the "**Board**") does not recommend the payment of an interim dividend for the six months ended 30 June 2012 (for the six months ended 30 June 2011: Nil).

9. EARNINGS PER SHARE

For the six months ended 30 June 2012, the calculation of basic earnings per share is based on the profit for the Period attributable to owners of the Company of approximately RMB272,284,000 (for the six months ended 30 June 2011: RMB211,667,000) and the weighted average number of ordinary shares of 1,129,898,807 in issue during the Period (for the six months ended 30 June 2011: 1,128,230,572 shares), which is derived from the 1,135,131,000 ordinary shares in issue deducting the weighted average number of treasury shares of 5,232,193 shares outstanding during the Period.

The Group had no potential ordinary shares in issue during the Period presented.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group newly acquired property, plant and equipment at a total cost of RMB34,452,000 (six months ended 30 June 2011: RMB25,620,000).

During the six months ended 30 June 2012, property, plant and equipment with a net book value of RMB128,000 (six months ended 30 June 2011: RMB689,000) were disposed of, resulting in a net gain on disposal of RMB84,000 (six months ended 30 June 2011: RMB323,000).

During the six months ended 30 June 2012, property, plant and equipment with a net book value of RMB863,000 (note 23) (six months ended 30 June 2011: Nil) were disposed of as a result of disposal of a subsidiary.

During the six months ended 30 June 2012, property, plant and equipment with a net book value of RMB7,366,000 (note 15) (six months ended 30 June 2011: Nil) were classified as a part of disposal groups held for sale.

11. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Unlisted equity investments, at cost	**506,554**	506,573
Listed equity investment, at fair value	**675,644**	679,383
	1,182,198	1,185,956

12. PROPERTY UNDER DEVELOPMENT

During the six months ended 30 June 2012, property under development of RMB194,742,000 (note 15) were classified as a part of disposal groups held for sale.

13. LONG-TERM PREPAYMENTS

During the six months ended 30 June 2012, long-term prepayments of RMB282,852,000 (note 15) were classified as a part of disposal groups held for sale.

During the six months ended 30 June 2012, long-term prepayments of the Group RMB50,000,000 (note 23) were disposed of, attributable to the disposal of 51% equity interest in Sichuan Winshare Logistics Co., Ltd. ("**Winshare Logistics**"), a subsidiary of the Company.

14. TRADE AND BILLS RECEIVABLES

The Group normally allows a credit period of no more than 270 days to its customers.

The following is an aged analysis of trade and bills receivables, net of allowance for doubtful debts and sales returns, presented based on the invoice date at 30 June 2012. The analysis below excludes trade receivables classified as a part of disposal groups held for sale.

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Within 3 months	**418,835**	448,513
3 to 6 months	**126,245**	80,966
6 months to 1 year	**105,036**	43,036
1 to 2 years	**36,154**	9,259
Over 2 years	**9,010**	5,578
	695,280	587,352

15. DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

The Company proposed to dispose of its 28.5% equity interest in Chengdu Xinhui Industrial Co., Ltd ("**Chengdu Xinhui**"), a subsidiary of the Company in October 2011. The proposed disposal was subsequently approved by the Sichuan SASAC and other statutory authorities in January 2012, and commenced the public bidding process in January 2012. Chengdu Hua Sheng (Group) Industry Co., Ltd ("**Hua Sheng Group**") won the bid and entered into an agreement with the Company in March 2012 to acquire the 28.5% equity interest in Chengdu Xinhui at a cash consideration of RMB117,635,300. The proposed disposal has been approved by the independent shareholders of the Company at the annual general meeting of the Company held on 17 May 2012. Upon completion of the disposal, the Group will retain 34% equity interest in Chengdu Xinhui and account for Chendu Xinhui as an associate with initial measurement at fair value. The difference between the fair value and carrying value on retained 34% equity interest in Chengdu Xinhui shall recognise as a gain or loss.

The Company proposed to dispose of its 51% equity interest in Sichuan Winshare Properties Co., Ltd. ("**Winshare Properties**"), a subsidiary of the Company in October 2011. The proposed disposal was subsequently approved by the Sichuan SASAC and other statutory authorities in December 2011, and commenced the public bidding process in January 2012. Hua Sheng Group won the bid and entered into an agreement with the Company in February 2012 to acquire the 51% equity interest in Winshare Properties at a cash consideration of RMB24,220,000.

The Company proposed to dispose of its 17% equity interest in Sichuan Winshare Pre-school Education Management Co., Ltd. ("**Winshare Pre-school**"), a subsidiary of the Company in October 2011, and will retain 34% equity interest in Winshare Pre-school. The proposed disposal was subsequently approved by the Sichuan SASAC and other statutory authorities in December 2011, and commenced the public bidding process in January 2012. Hua Sheng Group won the bid and entered into an agreement with the Company in February 2012 to acquire the 17% equity interest in Winshare Pre-school at a cash consideration of RMB1,109,000.

15. DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE *(Continued)*

As at 30 June 2012, the aforesaid proposed disposals had not been completed. The assets and liabilities attributable to the aforesaid subsidiaries are expected to be sold within twelve months, and have been classified as disposal groups held for sale, which are separately presented in the interim condensed consolidated statement of financial position.

The net proceeds of each disposal are expected to exceed the net carrying amount for the relevant assets and liabilities, accordingly, no impairment losses have been recognised.

The assets and liabilities classified as disposal groups held for sale are included in the Group's Others Segment for the purpose of segment presentation.

All intra-group balances between the Company and disposal groups classified as held for sale were eliminated in the interim condensed consolidated financial statements.

Major classes of assets and liabilities of the disposal groups as at 30 June 2012 are as follows:

	Note	**30 June 2012 (Unaudited) RMB'000**
Property, plant and equipment (Note 10)		**7,366**
Property under development (Note 12)	(a)	**194,742**
Other intangible assets		**18**
Long-term prepayments (Note 13)		**282,852**
Inventories		**78**
Trade receivables		**29**
Prepayments, deposits and other receivables		**47,273**
Restricted cash		**900**
Cash and short-term bank deposits		**5,363**
Assets classified as held for sale		**538,621**
Interest-bearing bank and other borrowing (Note 16)	(a)	**(328,300)**
Trade payables		**(28)**
Deposits received, other payables and accruals		**(4,041)**
Liabilities associated with assets classified as held for sale		**(332,369)**

Note:

(a) A lease prepayment for land using rights of RMB116,615,000 (note 19) included in property under development was pledged to secure an interest-bearing bank loan of RMB279,550,000 as at 30 June 2012.

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

The analysis below includes those classified as a part of disposal groups held for sale.

	Notes	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Bank loans – secured	(a)	**302,550**	272,700
Bank loans – unsecured	(a)	**73,830**	93,000
Other borrowings – unsecured	(b)	**48,750**	48,750
Total interest-bearing bank and other borrowings		**425,130**	414,450
Analysed into:			
Interest-bearing bank and other borrowings repayable:			
Within one year		**387,630**	376,950
In the second year		**37,500**	–
In the third to fifth year, inclusive		**–**	37,500
		425,130	414,450
Less: Portion classified as a part of disposal groups held for sale (Note 15)		**(328,300)**	–
		96,830	414,450
Less: Portion classified as current liabilities		**(96,830)**	(376,950)
Non-current portion		**–**	37,500

Notes:

(a) Bank loans

	As at 30 June 2012			As at 31 December 2011		
	Effective contractual interest rate %	**Maturity**	**RMB'000**	Effective contractual interest rate %	Maturity	RMB'000
Bank loans – secured	**6.14-6.89/and 105% of benchmark rate of People's Bank of China**	**2012-2013**	**302,550**	6.14-6.72/and 105% of benchmark rate of People's Bank of China	2012	272,700
Bank loans – unsecured	**6.10-7.78/and benchmark rate of People's Bank of China**	**2012-2013**	**73,830**	6.10-7.87	2012	93,000

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

Notes: (Continued)

(b) Other borrowings

The balance of the unsecured other borrowing as at 30 June 2012 represented two loans granted by Hua Sheng Group to Chengdu Xinhui, a subsidiary of the Company.

On 30 March 2011, a loan agreement was entered into between Chengdu Xinhui and Hua Sheng Group, pursuant to which Hua Sheng Group granted a loan amounting to RMB37,500,000 to Chengdu Xinhui, which bears interest at a rate of 6.40% per annum and will mature on 29 March 2014.

On 22 September 2011, a loan agreement was entered into between Chengdu Xinhui and Hua Sheng Group, pursuant to which Hua Sheng Group granted a loan amounting to RMB11,250,000 to Chengdu Xinhui, which bears interest at a rate of 6.56% per annum and will mature on 22 September 2012.

17. TRADE AND BILLS PAYABLES

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

The following is an analysis of trade and bills payables by age, presented based on the invoice date at 30 June 2012. The analysis below excludes trade payables classified as a part of disposal groups held for sale.

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Within 3 months	**565,937**	786,900
3 to 6 months	**294,810**	318,806
6 months to 1 year	**340,134**	263,265
1 to 2 years	**155,427**	93,444
Over 2 years	**145,717**	107,130
	1,502,025	1,569,545

As at 30 June 2012, the Group's bills payable amounted to RMB168,720,000 (31 December 2011: RMB107,600,000).

18. TREASURY SHARES

Sichuan Youth and Children's Publishing House Co., Ltd., ("**SYCPH**") was acquired by the Company as a wholly-owned subsidiary from SPG in August 2010. On the acquisition date, SYCPH being one of the founding shareholders of the Company, held 6,900,428 shares, representing 0.61% of the issued capital of the Company, which were accounted for as treasury shares and recorded at par value by the Company, and the excess of quoted market price over par value of RMB17,259,000 was recorded as a reduction of capital reserve.

Pursuant to the document of the State-owned Asset Supervision and Administration Commission of the State Council, the Company, SPG and SYCPH entered into an arrangement, pursuant to which SYCPH shall transfer the 6,900,428 shares of the Company to SPG, and SPG shall refund RMB23,161,400 (equivalent to RMB3.36 per share) to the Company (the "**Share Transfer**"). The Share Transfer was completed in May 2012 and the excess of refunds over the par value of the treasury shares was recorded in the capital reserve.

19. 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 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Properties under development	**–**	116,615
Properties under development classified as a part of disposal groups held for sale (Note 15)	**116,615**	–
Lease prepayment for land use rights	**30,164**	30,503
Pledged bank deposits for bills payable	**54,920**	82,796
	201,699	229,914

20. OPERATING LEASE

(A) The Group as lessee

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for terms from one to fifteen years.

As at 30 June 2012, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Within one year	**53,601**	63,492
In the second to fifth years, inclusive	**59,826**	33,083
Over five years	**22,656**	7,432
	136,083	104,007

(B) The Group as lessor

Property rental income represents rentals receivable by the Group from its investment properties. Leases are negotiated for terms from one to sixteen years.

As at 30 June 2012, the Group had contracted with tenants for the following future minimum lease payments:

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Within one year	**7,420**	7,650
In the second to fifth years, inclusive	**13,545**	13,834
After five years	**7,476**	8,922
	28,441	30,406

Notes to the Interim Condensed Consolidated Financial Statements (continued)

21. COMMITMENTS

As at 30 June 2012, the Group had the following capital and investment commitments:

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Capital commitments		
Property, plant and equipment:		
Contracted, but not provided for	**18,852**	19,130
Authorised, but not contracted for	**120,000**	120,000
Investment commitments		
Investment in subsidiaries:		
Contracted, but not provided for	**51,200**	147,900

22. ACQUISITION OF BUSINESS

In January 2012, a subsidiary of the Company, acquired a publication retailing business (the "**Acquired Business**") within supermarkets including 357 outlets, by way of purchase of operating assets from a non-controlling equity holder at cash consideration of RMB109,745,000 (the "**Acquisition**"). Up to the date of this interim report, the Group was still in the process of assessing the fair value of the intangible asset acquired at the date of the Acquisition, and therefore, the initial accounting for the Acquisition is incomplete and the amount of intangible asset recognised in the interim condensed consolidated financial statements is determined on a provisional basis provisional basis.

	RMB'000
Current assets	
Inventories	56,610
Prepayments, deposits and other receivables	7,359
Non-current assets	
Property, plant and equipment	832
Other intangible assets	44,944
	109,745

No goodwill (determined on a provisional basis) was recognised as the consideration transferred equals to the recognised amount of identifiable net assets acquired.

The net cash outflow equals to the cash consideration transferred as no cash and cash equivalent were acquired.

22. ACQUISITION OF BUSINESS *(Continued)*

For the six months ended 30 June 2012, the Acquired Business generated revenue of RMB25,144,000 and incurred net loss of RMB5,498,000 since the date of the Acquisition. There would be no material impact to the Group's interim condensed consolidated financial statements had the Acquisition been effective at the beginning of the Period.

23. DISPOSAL OF A SUBSIDIARY

The Company proposed to dispose of its 51% equity interest in Winshare Logistics, a subsidiary of the Company in October 2011. The proposed disposal was subsequently approved by the Sichuan SASAC and other statutory authorities in December 2011 and commenced the public bidding process in January 2012. Hua Sheng Group won the bid and entered into a sale and purchase agreement with the Company in February 2012 to dispose of the 51% equity interest in Winshare Logistics at a cash consideration of RMB24,676,000. The disposal was completed on 31 March 2012.

Analysis of assets and liabilities over which control was lost as at the date of disposal:

	RMB'000
Property, plant and equipment (Note 10)	863
Long-term prepayments (Note 13)	50,000
Prepayments, deposits and other receivables	2,134
Cash and short-term bank deposits	3
Deposits received, other payables and accruals	(5,053)
Net assets disposed of	47,947
Gain on disposal of a subsidiary:	
Consideration received	24,676
Net assets disposed of	(47,947)
Non-controlling interests	23,494
Gain on disposal (Note 5)	223
Net cash inflow arising on disposal:	
Cash consideration	24,676
Less: Cash and short-term bank deposits disposed of	(3)
	24,673

Notes to the Interim Condensed Consolidated Financial Statements (continued)

24. RELATED PARTY TRANSACTIONS

(A) Significant related party transactions

The Group had the following significant transactions with their related parties during the six months ended 30 June 2012 and six months ended 30 June 2011.

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Xinhua Publishing Group:		
Sales of merchandise	**49,975**	53,270
Rental income	**672**	672
Rental expenses	**19,144**	19,031
Interest expenses	**837**	1,914
Purchase of services	**5,494**	2,617
SPG*:		
Sales of merchandise	**8,854**	N/A
Sales of equipments	**4,728**	N/A
Render of printing services	**42**	N/A
Rental and property management fee	**8,147**	N/A
Purchase of publications	**7,308**	N/A
Purchase of printing services	**8,448**	N/A
Purchase of services	**122**	N/A
Associates:		
Sales of merchandise	**7,596**	7,056
Purchase of merchandise	**8,978**	7,345
Purchase of services	**3,500**	–
Jointly-controlled entity:		
Purchase of merchandise	**2,013**	2,606

* *SPG became a subsidiary of Sichuan Development on 1 August 2011, which is the ultimate holding company of the Company. From 1 August 2011, SPG has become a fellow subsidiary of the Group.*

Notes to the Interim Condensed Consolidated Financial Statements (continued)

24. RELATED PARTY TRANSACTIONS *(Continued)*

(B) Balances with related parties

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Trade and other receivables		
Trade receivables due from Xinhua Publishing Group	**26,613**	24,789
Trade receivables due from SPG	**8,208**	7,304
Trade receivables due from associates of the Group	**35,174**	23,220
Other receivables due from Xinhua Publishing Group	**875**	594
Other receivables due from SPG	**12,184**	2,350
Other receivables due from associates of the Group	**176,403**	129,526
Trade and other payables		
Trade payables due to Xinhua Publishing Group	**66**	1,284
Trade payables due to SPG	**26,218**	27,399
Trade payables due to a jointly-controlled entity	**2,112**	1,876
Trade payables due to associates of the Group	**7,112**	24,802
Other payables due to Xinhua Publishing Group	**41,019**	40,360
Other payables due to SPG	**6,559**	15,655
Other payables due to associates of the Group	**571**	507

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

	For the six months ended 30 June	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Short-term employee benefits	**725**	725
Total emoluments paid to key management personnel	**725**	725

25. EVENTS AFTER THE END OF THE INTERIM PERIOD

In July 2012, the Company proposed to dispose of its 51% equity interests in Sichuan Winshare Education and Investment Co., Ltd., (四川文軒教育投資有限公司) a subsidiary of the Company, by way of the public bidding at cash consideration of no less than RMB29,780,000. The proposed disposal was subsequently approved by the Sichuan SASAC and other statutory authorities. As at the date of the interim report, the proposed disposal had not been completed.

On 24 August 2012, the interim condensed consolidated financial statements for the six months ended 30 June 2012 were approved and authorized for issue by the Board.

Management Discussion and Analysis

INDUSTRY OVERVIEW

During the first half of year 2012, the PRC government promulgated the Outline of the Cultural Reform and Development Plan During the National "12th Five-Year Plan" Period, regarding the further deployment on cultural reform and development and the continuous promotion of the cultural industry as a pillar industry for the national economy. Meanwhile, the General Administration of Press and Publication of the PRC also issued policy documents which encourage and support the merger and acquisition and restructuring of publishing and media groups, promote traditional publishing groups to develop digital publishing business and support media groups to develop business overseas.

In view of the industry development trend, in the first half of year 2012, the publishing industry continued to feature with a stable growth in the traditional publishing market and a rapid development in the emerging businesses such as digital publishing. Digital publishing has significantly expanded the potential value and development prospect of the publishing industry. Market leaders with abundant copyrights resources and innovative development approaches will take advantages in the reform of the traditional publishing industry.

Furthermore, in order to facilitate the healthy and orderly development of the publishing industry and the education sector, the state has issued various policy documents to strengthen quality management and market management on educational publications, and to regulate and guide the usage of supplementary materials for primary and secondary schools. The related policies will have some impact on the publishing industry.

OPERATING RESULTS AND FINANCIAL REVIEW

During the Period, the Group achieved sales revenue of RMB2,048 million and profit for the Period of RMB250 million, representing an increase of 19.2% and 23.9% respectively as compared with the same period last year. Profit attributable to equity holders of the Company and earnings per share for the Period amounted to RMB272 million and RMB0.24, respectively.

Pursuant to the tax preferential treatment of the PRC government regarding the continuous support of the development of the propaganda and cultural industry, during the period from 1 January 2011 to 31 December 2012, distribution network of the Group at county level (including cities at county level) and below were exempted from payment of VAT for the local sales of publication materials. The above preferential tax treatment was announced in December 2011, and therefore the Group did not record such benefit from the preferential treatment in preparation of the interim condensed consolidated financial statements for the six months ended 30 June 2011. Excluding this factor, the sales revenue and profit of the Group for the Period increased by 12.7% and 8.8% respectively over the same period last year.

Revenue

During the Period, the Group recorded sales revenue of RMB2,048 million, representing an increase of 19.2% from RMB1,719 million as compared with the same period last year. Such increase, excluding the effect of the VAT preferential policy, was mainly attributable to the growth of revenues in the Retailing segment and Subscription segment of the Group.

Gross Profit Margin

The gross profit margin of the Group for the Period was 43.5%, which was 2.6 percentage points higher than 40.9% for the corresponding period last year, mainly attributable to the change in the Group's sales structure.

Segment Analysis

Revenues in each segment of the Group for the Period and the corresponding period of 2011 are as follows:

	For the six months ended 30 June			Percentage of segment sales to revenue before inter-segment sales elimination For the six months ended 30 June		Percentage of segment external sales to consolidated revenue For the six months ended 30 June	
	2012 RMB'000	2011 RMB'000	Change %	**2012 %**	2011 %	**2012 %**	2011 %
Product segment							
External sales	**234,752**	254,950	(7.9)	**8.2**	9.5	**11.5**	14.8
Inter-segment sales	**184,434**	271,091	(32.0)	**6.4**	10.1		
Total	**419,186**	526,041	(20.3)	**14.6**	19.6		
Zhongpan segment							
External sales	**18,293**	103,427	(82.3)	**0.6**	3.9	**0.9**	6.0
Inter-segment sales	**644,219**	688,977	(6.5)	**22.4**	25.7		
Total	**662,512**	792,404	(16.4)	**23.0**	29.6		
Subscription segment							
External sales	**1,303,486**	1,110,990	17.3	**45.3**	41.5	**63.6**	64.6
Inter-segment sales	**–**	–	–	**–**	–		
Total	**1,303,486**	1,110,990	17.3	**45.3**	41.5		
Retailing segment							
External sales	**428,518**	204,957	109.1	**14.9**	7.6	**20.9**	12.0
Inter-segment sales	**–**	–	–	**–**	–		
Total	**428,518**	204,957	109.1	**14.9**	7.6		
Other segment							
External sales	**62,969**	44,178	42.5	**2.2**	1.7	**3.1**	2.6
Inter-segment sales	**569**	630	(9.7)	**0.0**	0.0		
Total	**63,538**	44,808	41.8	**2.2**	1.7		
Revenue before inter-segment sales elimination	**2,877,240**	2,679,200	7.4	**100.0**	100.0		
Inter-segment sales elimination	**(829,222)**	(960,698)	(13.7)				
Consolidated revenue	**2,048,018**	1,718,502	19.2			**100.0**	100.0

The gross profit and the gross profit margin of each segment of the Group for the Period and the corresponding period of 2011 are as follows:

	For the six months ended 30 June			
	2012		2011	
	Gross profit RMB'000	**Gross profit margin %**	Gross profit RMB'000	Gross profit margin %
Product segment (including inter-segment revenue)	**122,705**	**29.3**	137,556	26.1
Zhongpan segment (including inter-segment revenue)	**68,313**	**10.3**	101,164	12.8
Subscription segment	**428,555**	**32.9**	362,745	32.7
Retailing segment	**128,431**	**30.0**	59,926	29.2
Other segment (including inter-segment revenue)	**10,821**	**17.0**	11,361	25.4
Inter-segment revenue elimination	**131,440**	**N/A**	29,345	N/A
Total	**890,265**	**43.5**	702,097	40.9

Product segment

The Group's Product segment covers businesses including publication, printing and paper trading, etc. The Group has realized integrated operation and management of the educational product business and will continue to manage mass originality products by product line and specification. By virtue of the achievements in the scope expansion and protection on copyrights, the Company was given the Copyright Promotion and Application Gold Award, the highest honour in the global copyright industry, from the World Intellectual Property Organization in the 4th China International Copyright Expo in 2012.

During the Period, the Product segment recorded revenue of RMB419 million (including inter-segment sales), of which the revenue from external sales amounted to RMB235 million, representing a decrease of 7.9% from RMB255 million as compared with the corresponding period last year, mainly attributable to the impact of the market environment which resulted in a decline of the sales from the paper trading business.

During the Period, the gross profit margin of the Product segment was 29.3%, representing an increase of 3.2 percentage points as compared with 26.1% in the same period last year, primarily attributable to the combined effect on the increase in the percentage of sales of its self-developed publication products, especially its originality educational products, and the decline in the percentage of sales of the paper trading business, which has a relatively low gross profit.

Zhongpan segment

The Group's Zhongpan segment covers the centralized purchasing and delivery of the Group's products through its internal channels. It also includes distribution to external customers through the Group's nationwide distribution network. During the Period, the Group's Zhongpan segment put its efforts in transiting its operation mode into "the development of a book supply chain platform which provides book products and supply chain management services to customers". Meanwhile, the Group actively expanded the "Courtyard Bookhouse" market outside Sichuan Province through scaled organization and operation and attained certain market share.

During the Period, the Zhongpan segment recorded revenue of RMB663 million (including inter-segment sales), of which the revenue from external sales amounted to RMB18 million, representing a decrease of 82.3% from RMB103 million compared with the same period last year, mainly attributable to the transformation of operation mode according to the changes in market demand.

During the Period, the gross profit margin of the Zhongpan segment was 10.3%, representing a decrease of 2.5 percentage points from 12.8% in the same period last year, which was mainly due to the adjustment in transaction price.

Subscription segment

The Group's Subscription segment covers businesses such as sales of textbooks, supplementary materials and our digitalized education services for primary and secondary schools ("**You Class Digitalized Classrooms**"). Facing the impact from the continuous decrease in the number of students in Sichuan Province and the policy on reusing education materials, the Group further enhanced the operation and sales of supplementary materials through strategies such as strengthening regional classification guidance, tapping potential sales and improving efficiency, actively promoting the channel upgrade, etc. as well as utilizing its channel advantage. At the same time, the Company continued to propel market expansion of the business of "You Class Digitalized Classrooms", casting sound market influence in the aspect of digitalized education across the nation, especially in Sichuan region.

During the Period, the Subscription segment recorded sales revenue of RMB1,303 million, representing an increase of 17.3% from RMB1,111 million as compared with the same period last year, which was mainly due to the growth in the sales of supplementary materials and the considerable growth in the sales of high school textbooks during the Period as a result of the curriculum reform policy for the high schools. In addition, the growth in sales of the Subscription segment was also driven by the Group's initial success in the business of "You Class Digitalized Classrooms".

During the Period, the gross profit margin of the Subscription segment was 32.9%, approximating to that in the corresponding period last year.

Retailing segment

The Group's Retailing segment covers the retail store business, the group-buying business, the libraries distribution business for the primary and secondary schools (the "**Libraries Distribution Business**") and the book retailing business in commercial supermarkets, etc. During the Period, facing the impact of e-bookstores and digital publications on traditional book retailing business, the Group, focusing on its business idea of "refined management, innovative retailing business form and improved profitability", improved the sales in the retail store business through measures including improving store functions, enriching joint venture product items and conducting value-added channel operations. Meanwhile, the Group put great efforts in exploring the book retailing market in commercial supermarkets, with a view to establishing a new business growth engine.

During the Period, the Retailing segment recorded sales revenue of RMB429 million, representing an increase of 109.1% from RMB205 million compared with the same period last year, among which the Libraries Distribution Business recorded sales revenue of RMB134 million. In 2011, most of the sales of the commodities for the Group's Libraries Distribution Business were recorded in the second half of the year. The newly developed book retailing business in commercial supermarkets recorded sales revenue of RMB35 million.

The gross profit margin of the Retailing segment increased to 30.0% for the Period as compared with 29.2% in the same period last year. The gross profit margin from the retail store business increased over the same period last year. However, the gross profit margin from the book retailing business in commercial supermarkets newly operated during the Period was lower than that of the retail store business, offsetting the gross profit of the Retailing segment to a certain extent.

Expenses and Costs

Selling and distribution costs and administrative expenses

During the Period, the total of the selling and distribution costs and administrative expenses was RMB677 million, representing an increase of 18.0% from RMB574 million in the corresponding period last year, which was mainly due to: (i) increase in the sales of supplementary materials resulting in an increase in the related sales promotion expenses; (ii) increase in the related operating expenses arising from the expansion of new business.

Other expenses

Other expenses for the Period amounted to RMB41 million, similar to that in the same period last year.

Net Finance Income

The net finance income for the Period amounted to RMB3.30 million, decreased by 43.5% as compared with RMB5.84 million in the same period last year, which was mainly due to the decline in interest income as a result of the increase in loan amounts of certain subsidiaries of the Company and the increase in loan interest rates.

Profit

The Group's profit for the Period amounted to RMB250 million, representing an increase of 23.9% from RMB202 million in the corresponding period last year. The profit attributable to owners of the Company for the Period amounted to RMB272 million, increased by 28.6% from RMB212 million in the same period last year.

Management Discussion and Analysis (continued)

Earnings Per Share

Earnings per share is calculated by dividing profits attributable to owners of the Company for the Period by the weighted average number of ordinary shares in issue for the Period. The Group's earnings per share for the Period was RMB0.24, representing an increase of 28.4% from RMB0.19 in the corresponding period last year. Please refer to note 9 to the interim condensed consolidated financial statements for the calculation of earnings per share.

Liquidity and Financial Resources

As at 30 June 2012, the Group had cash and short-term bank deposits of approximately RMB1,820 million, and the interest-bearing bank and other borrowings of the Company's subsidiaries of approximately RMB97 million, excluding the interest-bearing bank and other borrowings classified as a part of the disposal groups held for sale. The Company did not have any interest-bearing bank and other borrowings at the end of the Period.

As at 30 June 2012, the gearing ratio (calculated by dividing total liabilities by total assets) of the Group was 40.5%, representing an increase of 3.0 percentage points from 37.5% as at 31 December 2011, which was mainly due to the final and special dividends declared for the year 2011 were recorded as liabilities for the Period. The Group's overall financial structure remained relatively stable.

Foreign Exchange Risk

Almost all of the Group's assets, liabilities, revenues, costs and expenses were denominated in Renminbi. As a result, the management believes that foreign exchange exposure of the Group is minimal and no foreign exchange hedging arrangement has been made.

Working Capital Management

	30 June 2012	30 June 2011
Current ratio	**1.5**	1.5
Inventory turnover days	**152.8 days**	154.9 days
Trade and bills receivables turnover days	**57.1 days**	56.5 days
Trade and bills payables turnover days	**242.1 days**	242.9 days

Note: *Interim financial figures are less comparable to the figures as at the end of previous year since the Group's business is rather sensitive to seasonality factors. Therefore, comparison was made with the same period last year.*

As at 30 June 2012, the current ratio of the Group was 1.5, approximating to that as at 30 June 2011. In the first half of year 2012, inventory turnover days, trade and bills receivables turnover days and trade and bills payables turnover days of the Group were 152.8 days, 57.1 days and 242.1 days respectively, which were respectively similar to those in the same period last year.

Overview of Material Investments

During the Period, the Group continued to adjust and cement its traditional publishing and distribution businesses, improved industrial layout, and strengthened its efforts in education and cultural related businesses, with a view to continuously establishing the Group as a first-class cultural media group in the PRC.

In the first half of year 2012, to meet the operation and development needs of the Company's subsidiary Xinhua Winshare Commercial Chain (Beijing) Co., Ltd. (新華文軒商業連鎖（北京）有限公司, "**Winshare Commercial**") and explore the Group's book retailing business in commercial supermarkets, the Company injected a capital of RMB86.70 million into Winshare Commercial in proportion to its shareholding therein. After completion of the capital injection, the Company's shareholding in Winshare Commercial remained 51%, the same as before.

In May 2012, to grasp the market opportunity and develop the Group's film culture business, the Company injected a capital of RMB50 million into its subsidiary Beijing Huaying Winshare Movie & TV Culture Co., Ltd. (北京華影文軒影視文化有限公司, "**Huaying Winshare**"). After completion of the capital injection, the Company's shareholding in Huaying Winshare increased from 65.0% to 86.7%.

During the Period, the Company obtained dividends incomes of RMB14.40 million and RMB7.48 million for the year 2011 from Bank of Chengdu Co., Ltd. and Anhui Xinhua Media Co., Ltd. (安徽新華傳媒股份有限公司), respectively.

In addition, regarding the various equity disposal proposals disclosed in the Company's 2011 annual report, except that all the procedures for the disposal of 51% equity interest in Winshare Logistics have been completed during the Period, the disposals of 51% equity interest in Winshare Properties, 17% equity interest in Winshare Pre-school and 28.5% equity interest in Chengdu Xinhui are being processed pursuant to the statutory procedures on transfer of state-owned assets in the PRC. However, the disposal proposal of 33.8% equity interest in Hainan Chuangxiang Cultural Development Co., Ltd. (海南創享文化發展有限公司) is in the process of obtaining approval from the competent authorities pursuant to the statutory procedures on transfer of state-owned assets in the PRC.

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

Leveraging on the Group's extensive experience in serving primary and secondary schools over the years as well as its capability and advantage in digitalized education services, in July 2012, the Company entered into a strategic cooperation agreement with the Education Department of Sichuan Province to jointly establish an information system management and application platform for the libraries of primary and secondary schools in the province, as well as to cooperate on the research, development and application of the content for educational products. This cooperation will greatly promote the Company's transformation from a traditional publisher and distributor into a modern education service provider in the education sector, thus expanding the Group's market share in digitalized education services for primary and secondary schools.

In addition, the Company capitalized on the benefit of integrated operation of industry chains after business integration and explored the abundant resources of cultural publishing in Sichuan Province to develop quality products and find ways to develop business overseas. In the first half of year 2012, the Company has established strategic cooperations with McGraw-Hill Education Group in the United States and the New World Press under China International Publishing Group (also known as CIPG) successively, and has agreed to cooperate in areas including topic selection and development, digital publishing, copyright trading and cultural exchange, etc, which will speed up the pace of the publishing industry in Sichuan Province to develop business overseas.

FUTURE PROSPECTS

As the state is pushing forward the development of the cultural industry, the Group will continue to propel in-depth integration of its principal businesses of publication and distribution, continuously perfect and improve the value of publications' contents and service capacity of channels, facilitate the integration of traditional principal businesses with digital publishing business, as well as promote the transformation of traditional businesses and innovative industry environment. At the same time, the Group will also propel cross-region development in cultural and education industries through resources integration and strategic corporation to continuously enhance the Group's market core competitiveness and sustainable development capability.

PLEDGE OF ASSETS

Please refer to note 19 to the interim condensed consolidated financial statements for details of the Group's pledge of assets as at 30 June 2012.

CONTINGENT LIABILITIES

As at 30 June 2012, the Group had no contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2012, the Group has a total of 9,418 (as at the end of 2011: 7,938) employees. Additional employees are mainly employed in Winshare Commercial, a newly established subsidiary of the Group, in order to satisfy the needs of expanding the Group's book retailing business in commercial supermarkets.

The Company reviews its employees and remuneration policy regularly, and improves and optimizes its remuneration management system continuously, by which it has established an incentive mechanism that aligns employees' remuneration to the Company's development. During the Period, the Company established an unified target salary system based on the value of position, and adhered to the principle of "unified regulation, hierarchical control and process supervision" to perfect its salary management system, so as to roll out a scientific and standardized income allocation.

The standard remuneration package of the Company includes basic salary, performance-based bonus and benefits. Pensions, medical insurance, unemployment insurance, employment injury insurance, maternity insurance and housing welfare funds, etc are also available to the employees. In order to enhance long-term incentives of the Company's remuneration and benefit system, the Company has implemented its corporate annuity plan starting from January 2012.

The Company continues to provide regular trainings according to the human resources training objectives for staff such as business trainings, online classroom training sessions and continues to improve its training system, with a view to enhancing the business qualities and working abilities of its staff, to lay a solid foundation for continuous development of the Company.

Other Information

INTERESTS IN SHARE CAPITAL

As at 30 June 2012, 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	Approximate percentage of issued share capital of the Company
Domestic Shares		
State-owned Shares	639,857,900	56.37%
Including		
(i) State-owned Shares held by Xinhua Publishing Group *(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. *Xinhua Publishing Group, the controlling shareholder of the Company, is a wholly-owned subsidiary of Sichuan Development.*

2. *Other promoters of the Company include SPG, Sichuan Daily Newspaper Group, SYCPH and Liaoning Publication Group Co., Ltd. (遼寧出版集團有限公司), but excluding Hua Sheng Group. The shares of the Company originally held by SYCPH were transferred to SPG in May 2012. Please refer to note 18 to the interim condensed consolidated financial statements for details of the Share Transfer.*

3. *Social Legal Person Shares are held by Hua Sheng Group, a promoter of the Company.*

Other Information (continued)

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

As at 30 June 2012, so far as is known to the Directors, the following persons (not being Directors, supervisors (the "**Supervisors**") or senior management 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 held	Capacity	Class of shares	Approximate percentage in the relevant class of shares	Approximate percentage of total issued share capital of the Company	Long position/ short position
Sichuan Development	623,861,452 *(Note 1)*	Interests in controlled corporation	State-owned Shares	97.50%	54.96%	Long position
Xinhua Publishing Group	592,809,525	Beneficial owner	State-owned Shares	92.65%	52.22%	Long position
Hua Sheng Group	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	7.99%	3.11%	Long position
Brandes Investment Partners, L.P.	22,120,500	Investment manager	H Shares	5.01%	1.95%	Long position

Notes:

1. *Sichuan Development is the controlling shareholder of Xinhua Publishing Group and SPG. According to the SFO, Sichuan Development is deemed to indirectly hold 592,809,525 shares of the Company through Xinhua Publishing Group and 31,051,927 shares of the Company through SPG, which are 623,861,452 shares in total.*

2. *On 30 May 2008, Hua Sheng Group pledged all the Company's shares it held.*

Save as disclosed above, as at 30 June 2012, so far as is known to the Directors, no other person (not being a Director, Supervisor or senior management of the Company) had any interest or short position in the shares, underlying shares or debentures of the Company which were required, pursuant to section 336 of the SFO, to be entered in the register required to be kept by the Company referred to therein.

Apart from (i) Mr. Gong Cimin, the Chairman and Executive Director, who is the chairman of Xinhua Publishing Group, and Mr. Luo Jun and Mr. Zhang Chengxing, both Non-executive Directors, who are directors of Xinhua Publishing Group, and (ii) Mr. Zhao Junhuai, Non-executive Director, who is the vice-chairman of Hua Sheng Group, as at 30 June 2012, none of the Directors of the Company 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

So far as is known to the Directors, as at 30 June 2012, none of the Directors, Supervisors and chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to section 352 of the SFO, to be entered in the register required to be kept by the Company, or which are 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.

UPDATE ON DIRECTOR'S INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, change in information of the Directors since the date of the 2011 annual report is set out below:

Mr. Chan Yuk Tong, an independent non-executive Director, resigned as an independent non-executive director of Anhui Conch Cement Company Limited (安徽海螺水泥股份有限公司, Stock Code of A Shares: 600585/Stock Code of H Shares: 00914) with effect from 31 May 2012.

PURCHASE, SALE, REDEMPTION OR TRANSFER OF LISTED SECURITIES OF THE COMPANY

Except the Share Transfer of SYCPH disclosed in note 18 to the interim condensed consolidated financial statements, during the six months ended 30 June 2012, neither the Company nor any of its subsidiaries purchased, sold, redeemed or transferred any of the Company's listed securities.

SHARE APPRECIATION RIGHT INCENTIVE SCHEME

During the six months ended 30 June 2012, the Company has not implemented any share appreciation right incentive scheme.

MATERIAL LITIGATION AND ARBITRATION

During the six months ended 30 June 2012, 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 CORPORATE GOVERNANCE CODE

The Directors are of the view that, during the six months ended 30 June 2012, the Company complied with the code provisions in the Code on Corporate Governance Practices (which was amended and renamed as the Corporate Governance Code in April 2012, the "**CG Code**") set out in Appendix 14 to the Listing Rules, except that the behaviour of the management to provide the Board with updates on a monthly basis deviated with the requirements under provision C.1.2 of the newly amended CG Code.

According to C.1.2 of the newly amended CG Code, the management should provide the Board with updates on a monthly basis, giving a balanced and understandable assessment of the issuer's performance, financial position and prospects. Starting from April 2012, the Company has been preparing related work but it was unable to provide the Board with the above information as scheduled during the Period. In order to comply with the code provision, the Company had provided the Board in July 2012 with the information for the six months ended 30 June 2012 and will strictly comply with C.1.2 of the CG Code thereafter.

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 to each Director and Supervisor, all Directors and Supervisors confirmed that they have complied with the relevant provisions as set out in the Model Code throughout the six months ended 30 June 2012.

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 June 2012 (for the six months ended 30 June 2011: Nil).

AUDIT COMMITTEE

The Company has established its audit committee (the "**Audit Committee**") in compliance with the Listing Rules with specific written terms of reference. The Company has also published the terms of reference of the Audit Committee on the websites of the Stock Exchange and the Company according to the latest requirements of the CG Code.

The Audit Committee has reviewed the Group's unaudited consolidated financial report for the six months ended 30 June 2012 included in this interim report and has discussed the financial reporting issues with the management of the Company. The Audit Committee considered that the consolidated 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, 24 August 2012

* *For identification purposes only*

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