WIN SHARE

四川新華文軒連鎖股份有限公司

SICHUAN XINHUA WINSHARE CHAINSTORE CO.,LTD.*

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

(Stock Code: 811)

CONTINUING CONNECTED TRANSACTION

On 27 May 2008, the Company and the Supplier entered into the Master Paper Supply Agreement in connection with the provision of printing paper by the Supplier to the Company for the period from 27 May 2008 to 31 December 2009.

The Parent holds 50% of the equity interest in the Supplier, and Mr. Zhang Yexin, a director of the Company, is also a director of the Supplier. The Supplier is a connected person of the Company for the purposes of Chapter 14A of the Listing Rules and the Transaction constitutes a continuing connected transaction for the Company under the Listing Rules.

As each of the applicable percentage ratios (other than the profit ratio) calculated in accordance with Chapter 14A of the Listing Rules in respect of the purchase price payable under the Master Paper Supply Agreement is, on an annual basis, over 0.1% but less than 2.5%, the Transaction is, according to Rule 14A.34(1) of the Listing Rules, only subject to the reporting, announcement and annual review requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules for the Company and is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

On 27 May 2008, the Company and the Supplier entered into the Master Paper Supply Agreement in connection with the provision of printing paper by the Supplier to the Company for the period from 27 May 2008 to 31 December 2009, details of which are as follows:

The Master Paper Supply Agreement

Date:	27 May 2008
Effective Period:	From 27 May 2008 to 31 December 2009
Party A:	The Company as purchaser
Party B:	The Supplier
Nature of Transaction:	The Supplier will provide printing paper to the Company

The connected relationship between the parties

As at the date of this announcement, the Parent holds 50% of the equity interest in the Supplier, and Mr. Zhang Yexin, a director of the Company, is also a director of the Supplier. The Supplier is a connected person of the Company for the purposes of Chapter 14A of the Listing Rules and the Transaction constitutes a continuing connected transaction for the Company under the Listing Rules.

Annual caps and basis of determining the annual caps

It was agreed between the Company and the Supplier that the prices of the printing paper to be provided by the Supplier under the Master Paper Supply Agreement shall be determined in accordance with the prevailing market price of comparable printing paper in the PRC at the time of placing the purchase orders. The quantities of the printing paper to be purchased by the Company will depend on the demand for ancillary support and services of the Company's customers which are publishers.

Pursuant to the Master Paper Supply Agreement, the purchase price of the printing paper shall be settled by the Company within one week upon receipt of the printing paper from the Supplier by way of bank transfer or bills.

In considering the annual caps for the Transaction, the Directors have considered a number of factors including: (i) the estimated quantities of printing paper to be purchased during the period from 27 May 2008 to 31 December 2009; (ii) the existing scale of the Company's ancillary support and services business and the anticipated growth of the Group; and (iii) the anticipated growth in the prices of printing paper in 2008 and 2009. Having considered the above factors, the Directors propose that the annual cap for the Transaction for each of the two years ending 31 December 2009 shall be approximately as follows:

	Annual cap for the Transaction
For the year ending 31 December 2008	RMB50 million (net of tax)
For the year ending 31 December 2009	RMB55 million (net of tax)

Reasons for and benefits of the Transaction

The Company has since 2003 provided ancillary support and services to publishers of books of general interest, textbooks and supplementary materials. The Company's ancillary support and services include selecting appropriate authors and topics, printing and delivery of finished products, including co-operative products, to its customers.

The Supplier is one of the largest paper suppliers in Sichuan, PRC. The existing paper suppliers of the Company are smaller in size and are unable to warrant the continued supply of printing paper to the Company. The Directors consider that purchasing printing paper mainly from the Supplier instead of purchasing from various suppliers in part will enable the Company to reduce the unit purchase price of printing paper payable by the Company, which in turn will reduce the operating cost of the Company, and will ensure an adequate continued supply of printing paper for the Company to provide ancillary printing services to its customers which are publishers.

The Directors (including the independent non-executive Directors) consider that the Master Paper Supply Agreement is entered into in the ordinary and usual course of business of the Company and the terms as contained in the Master Paper Supply Agreement are normal commercial terms, which are arrived at after arm's length negotiations between the parties, the annual caps stated in this announcement are fair and reasonable, and the terms of the Master Paper Supply Agreement and the Transaction are fair and reasonable and in the interests of the Company and the Shareholders taken as a whole.

General

The Group is currently engaged in (i) the operation of retail outlets for books and audio-visual products; (ii) distribution of textbooks and supplementary materials; and (iii) provision of ancillary support and services to publishers of books in the PRC.

The Supplier is principally engaged in the business of sale of printing paper and other printed paper products.

The Transaction involves the provision of goods which is carried out on a continuing or recurring basis in the ordinary and usual course of business of the Company and constitutes a continuing connected transaction for the Company under the Listing Rules. As each of the applicable percentage ratios (other than the profit ratio) calculated in accordance with Chapter 14A of the Listing Rules in respect of the purchase price payable under the Master Paper Supply Agreement is, on an annual basis, over 0.1% but less than 2.5%, the Transaction is, according to Rule 14A.34(1) of the Listing Rules, only subject to the reporting, announcement and annual review requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules for the Company and is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Definitions

For the purposes of this announcement, capitalised terms appearing herein shall, unless the context otherwise admits, have the meanings set out below:

"Board"	the board of Directors
"Company"	四川新華文軒連鎖股份有限公司 (Sichuan Xinhua Winshare Chainstore Co., Ltd.*), a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Main Board of the Stock Exchange
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Part(ies)"	third party(ies) independent of the Company and connected person(s) (as defined under the Listing Rules) of the Company and are not connected person(s) (as defined under the Listing Rules) of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Parent"	四川新華發行集團有限公司 (Sichuan Xinhua Publishing Group Co. Ltd.*), a wholly State-owned company established in the PRC, and a promoter and controlling shareholder of the Company as at the date of this announcement
"PRC"	the People's Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan)
"Master Paper Supply Agreement"	an agreement dated 27 May 2008 entered into between the Supplier and the Company in respect of the provision of printing paper to the Company by the Supplier
"Shareholder(s)"	the shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplier"	四川新華商紙業有限公司 (Xinhua Shang Paper Co., Ltd.*), a limited liability company established in the PRC on 10 November 2004 which is owned as to 50% by the Parent and as to 50% by 汕頭市廣商包裝有限公司 (Shantou Guang Shang Packaging Co., Ltd.*), an Independent Third Party, respectively as at the date of this announcement.

"Transaction"	the provision of printing paper to the Purchaser by the Supplier pursuant to the Master Paper Supply Agreement
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent.

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

Sichuan, PRC, 27 May 2008

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

* *For identification purposes only*