WIN SHARE

四川新華文軒連鎖股份有限公司

SICHUAN XINHUA WINSHARE CHAINSTORE CO., LTD.*

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

(Stock Code: 811)

ANNOUNCEMENT

CONTINUING CONNECTED TRANSACTIONS SANZHOU SUPPLY AGREEMENT AND SANZHOU AGENCY AGREEMENT

Due to the changes in market conditions and to rationalise the arrangements between the Company and Sanzhou Xinhua Bookstores under the Sanzhou Agreement and reflect the revised governmental policy in respect of the mode of distribution and payment terms in relation to the provision of Government-subsidised Textbooks for primary and junior secondary schools in the Sanzhou Area, on 21 October 2008, the Company and the Parent entered into the Sanzhou Supply Agreement to amend and restate the terms of the Sanzhou Agreement, and to terminate the Sanzhou Agreement. With effect from the date on which the Sanzhou Supply Agreement is approved by the Independent Shareholders, the Sanzhou Agreement will be terminated with retrospective effect and will cease to be effective.

Pursuant to the Sanzhou Supply Agreement, the Company shall (i) provide Non-government-subsidised Products to Sanzhou Xinhua Bookstores (excluding the Sanzhou Franchise Stores); (ii) provide Franchise Products to Sanzhou Franchise Stores; and (iii) provide Government-subsidised Textbooks for primary and junior secondary schools in the Sanzhou Area to Sanzhou Xinhua Bookstores (excluding the Sanzhou Franchise Stores), for the period from 1 January 2008 to 31 December 2010.

On 21 October 2008, the Company and the Parent also entered into the Sanzhou Agency Agreement. Pursuant to the Sanzhou Agency Agreement, Sanzhou Xinhua Bookstores shall provide agency services to the Company in connection with the provision of Sanzhou Products to the chainstores and textbook distribution divisions of the Company in the Sanzhou Area, for the period from 21 October 2008 to 31 December 2010.

As at the date of this announcement, the Parent is a promoter and a controlling shareholder of the Company. Accordingly, the Parent is a connected person of the Company for the purposes of Chapter 14A of the Listing Rules and each of the Sanzhou Supply Arrangement and the Sanzhou Agency Arrangement constitutes a continuing connected transaction for the Company under the Listing Rules.

As each of the applicable percentage ratios (other than the profits ratio) calculated in accordance with the Listing Rules in respect of the Sanzhou Supply Arrangement is, on an annual basis, more than 2.5% and the maximum purchase price payable under the Sanzhou Supply Arrangement is, on an annual basis, more than HK$10,000,000, the Sanzhou Supply Arrangement is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios (other than the profits ratio) calculated in accordance with the Listing Rules in respect of the Sanzhou Agency Arrangement is, on an annual basis, more than 0.1% but less than 2.5%, the Sanzhou Agency Arrangement 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 and is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Having considered that the Sanzhou Products are of the same nature as some of the products regulated by the Sanzhou Supply Agreement and the relevant counter party is also Sanzhou Xinhua Bookstores, the Sanzhou Agency Arrangement is aggregated with the Sanzhou Supply Arrangement and is also subject to the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee has been formed to consider and advise the Independent Shareholders as to whether the terms of the Sanzhou Supply Arrangement and the Sanzhou Agency Arrangement, and the annual caps for the Sanzhou Supply Arrangement and the Sanzhou Agency Arrangement for each of the three years ending 31 December 2010 are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to how to vote at the EGM. An independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

A circular containing, among other things, details of the Sanzhou Supply Arrangement and the Sanzhou Agency Arrangement, the recommendation of the Independent Board Committee, the advice of its independent financial adviser and a notice convening the EGM will be despatched to the Shareholders as soon as practicable.

BACKGROUND INFORMATION

On 29 April 2007, the Company entered into the Sanzhou Agreement with the Parent regarding the distribution, franchise and agency arrangements in connection with Sanzhou Xinhua Bookstores for the period from 1 January 2007 to 31 December 2009. Details of the Sanzhou Agreement were set out in the section headed "Connected Transactions" of the prospectus of the Company dated 16 May 2007.

Due to the changes in market conditions and to rationalise the arrangements between the Company and Sanzhou Xinhua Bookstores under the Sanzhou Agreement and reflect the revised governmental policy in respect of the mode of distribution and payment terms in relation to the provision of Government-subsidised Textbooks for primary and junior secondary schools in the Sanzhou Area, on 21 October 2008, the Company and the Parent entered into the Sanzhou Supply Agreement to amend and restate the terms of the Sanzhou Agreement, and to terminate the Sanzhou Agreement. With effect from the date on which the Sanzhou Supply Agreement is approved by the Independent Shareholders, the Sanzhou Agreement will be terminated with retrospective effect and will cease to be effective.

Sanzhou Xinhua Bookstores have been carrying on businesses which are the same as or similar to those of the Company. Due to government policy considerations, Sanzhou Xinhua Bookstores are retained and controlled by the Parent, and remain as public interest entities in the PRC. As such, Sanzhou Xinhua Bookstores had not been transferred to the Company under the reorganisation of the Group prior to the listing of the Company on the Stock Exchange in 2007. The primary functions of Sanzhou Xinhua Bookstores are to implement PRC ethnic minority protection policies and to promote cultural exchange.

The Sanzhou Area is generally characterised by relatively poor transport and communications infrastructure and hilly landscape. Prior to 1 January 2006, Government-subsidised Textbooks were sold and distributed in the Sanzhou Area exclusively by the Sanzhou Xinhua Bookstores. Since 1 January 2006, Government-subsidised Textbooks have been sold to the Sanzhou Government directly by the Company, pursuant to the exclusive distribution right granted to the Company by the Government of the Sichuan Province of the PRC for distribution of Government-subsidised Textbooks in the entire Sichuan Province (including the Sanzhou Area) of the PRC.

THE SANZHOU SUPPLY AGREEMENT

On 21 October 2008, the Company and the Parent entered into the Sanzhou Supply Agreement to amend and restate the terms of the Sanzhou Agreement, and to terminate the Sanzhou Agreement. Pursuant to the Sanzhou Supply Agreement, the Company shall (i) provide Non-government-subsidised Products to Sanzhou Xinhua Bookstores (excluding the Sanzhou Franchise Stores); (ii) provide Franchise Products to Sanzhou Franchise Stores; and (iii) provide Government-subsidised Textbooks for primary and junior secondary schools in the Sanzhou Area to Sanzhou Xinhua Bookstores (excluding the Sanzhou Franchise Stores), for the period from 1 January 2008 to 31 December 2010.

The Sanzhou Supply Agreement is conditional upon, among other things, the Independent Shareholders' having approved the Sanzhou Supply Agreement and Sanzhou Supply Arrangement in accordance with the Listing Rules.

(i) Distribution of Non-government-subsidised Products to Sanzhou Xinhua Bookstores (excluding the Sanzhou Franchise Stores)

Under the Sanzhou Supply Agreement, the Company shall provide Non-government-subsidised Products to Sanzhou Xinhua Bookstores (excluding Sanzhou Franchise Stores), at a distribution price (the "**Non-government-subsidised Products Distribution Price**"), which ranges from approximately 45% to 80% of the Mayang, depending on the type of merchandise involved. The Directors confirm that the Non-government-subsidised Products Distribution Price has been determined in accordance with market standards.

Sanzhou Xinhua Bookstores (excluding Sanzhou Franchise Stores) shall settle the total payment for Non-government-subsidised Products every six months, with payment being made on or before the last day of each six-month period by depositing the payment into a designated bank account opened in the name of the Company. The Parent shall procure that the Company is the sole and exclusive supplier of Non-government-subsidised Products to Sanzhou Xinhua Bookstores (excluding Sanzhou Franchise Stores).

Under the Sanzhou Agreement (which will be terminated and will cease to be effective with effect from the date on which the Sanzhou Supply Agreement is approved by the Independent Shareholders), the Company shall provide Non-government-subsidised Products to Sanzhou Xinhua Bookstores (excluding Sanzhou Franchise Stores), at a distribution price, which ranges from approximately 60% to 85% of the Mayang, depending on the type of merchandise involved.

(ii) Distribution of Franchise Products to Sanzhou Franchise Stores

Under the Sanzhou Supply Agreement, the Company shall provide Franchise Products to Sanzhou Franchise Stores, and shall act as the sole supplier of each Sanzhou Franchise Store in respect of the Franchise Products and provide the merchandise to each Sanzhou Franchise Store at a discounted price (the "**Franchise Price**") which ranges from approximately 60% to 75% of the Mayang, depending on the type of merchandise involved. Such merchandise is delivered on credit, and each Sanzhou Franchise Store shall pay the Franchise Price to the Company on a monthly basis, by depositing the payment into a designated bank account opened in the name of the Company.

In addition to the Franchise Price, Sanzhou Franchise Stores shall be charged a franchise fee (the "**Franchise Fee**") and a franchise management fee (the "**Franchise Management Fee**", together with the Franchise Fee and the Franchise Price, the "**Franchise Payment**"). Franchise Fees and Franchise Management Fees shall be charged at a certain percentage up to 1% of the monthly or quarterly revenue of the Sanzhou Franchise Stores in respect of the selling of the Franchise Products. Similar to the franchise arrangement engaged by the Group outside the Sanzhou Area, an exemption of the Franchise Fees and Franchise Management Fees may be offered to some of Sanzhou Franchise Stores for the first three years and such fee will be charged from the fourth operating year onwards. The Directors confirm that the Franchise Payment has been determined in accordance with market standards.

Under the Sanzhou Agreement (which will be terminated and will cease to be effective with effect from the date on which the Sanzhou Supply Agreement is approved by the Independent Shareholders), the Company shall provide Franchise Products to Sanzhou Franchise Stores, and shall act as the sole supplier of each Sanzhou Franchise Store in respect of the Franchise Products and provide the merchandise to each Sanzhou Franchise Store at a discounted price which ranges from approximately 60% to 70% of the Mayang, depending on the type of merchandise involved.

(iii) Distribution of Government-subsidised Textbooks to Sanzhou Xinhua Bookstores (excluding the Sanzhou Franchise Stores)

Under the Sanzhou Supply Agreement, the Company shall provide Government-subsidised Textbooks to Sanzhou Xinhua Bookstores (excluding Sanzhou Franchise Stores), at a distribution price (the "**Government-subsidised Textbooks Distribution Price**") of approximately 78% of the Mayang. The Directors confirm that the Government-subsidised Textbooks Distribution Price has been determined in accordance with market standards.

Sanzhou Xinhua Bookstores (excluding Sanzhou Franchise Stores) shall settle the total payment for Government-subsidised Textbooks every six months, with payment being made on or before the last day of each six-month period by depositing the payment into a designated bank account opened in the name of the Company. The Parent shall procure that the Company is the sole and exclusive supplier of Government-subsidised Textbooks to Sanzhou Xinhua Bookstores (excluding Sanzhou Franchise Stores).

Under the Sanzhou Agreement (which will be terminated and will cease to be effective with effect from the date on which the Sanzhou Supply Agreement is approved by the Independent Shareholders), Sanzhou Xinhua Bookstores (excluding Sanzhou Franchise Stores) shall act as agent of the Company to receive orders and deliver Government-subsidised Textbooks to primary and junior secondary schools in the Sanzhou Area. The Company shall pay an agency fee (the "**18% Agency Fee**") to Sanzhou Xinhua Bookstores, which is calculated at 18% of the total Mayang of all Government-subsidised Textbooks handled by Sanzhou Xinhua Bookstores (excluding Sanzhou Franchise Stores). The Company shall pay the 18% Agency Fee to Sanzhou Xinhua Bookstores (excluding Sanzhou Franchise Stores) in two separate payments in spring and autumn respectively.

Annual caps and basis of determining the annual caps

For the year ended 31 December 2007 and the six months ended 30 June 2008, the total payment received by the Company in relation to the distribution and franchise arrangements under the Sanzhou Agreement amounted to approximately RMB21,264,000 (equivalent to approximately HK$24,147,172) and approximately RMB14,992,000 (equivalent to approximately HK$17,024,756), respectively.

In considering the annual caps for the Sanzhou Supply Arrangement, the Directors have considered a number of factors including: (i) the total payment received by the Company in relation to the distribution and franchise arrangements under the Sanzhou Agreement for the year ended 31 December 2007 and for the six months ended 30 June 2008; (ii) the governmental policies of the PRC regarding the pricing of textbooks which may be revised upward according to the procurement cost of textbooks of the Government of the PRC and the market value of other books from time to time as result of the increase in the cost of paper and inflation; (iii) the anticipated increase in the number of students in the Sanzhou Area from 2008 to 2010 as a result of the governmental policy of the PRC to exempt students living in minority regions (including the Sanzhou Area) who are receiving obligatory education from all mandatory school sundry expenses, such that more children from low income families will be able to receive education; and (iv) the anticipated increase in the selling prices of the Government-subsidised Textbooks to be paid by the Government of the Sichuan Province of the PRC from 2008 to 2010. Having considered the above factors, the Directors propose that the annual cap for the Sanzhou Supply Arrangement for each of the three years ending 31 December 2010 shall approximately be as follows:

	Year ending 31 December		
	2008	**2009**	**2010**
	RMB	*RMB*	*RMB*
Annual cap for the Sanzhou Supply Arrangement	128,804,000	150,223,000	175,422,000

THE SANZHOU AGENCY AGREEMENT

Prior to 21 October 2008, the Sanzhou Products ordered by the Company were delivered by the suppliers of the Company in the Sanzhou Area to the Chengdu Logistics Centre of the Company, which were then delivered to the chainstores and textbook distribution divisions of the Company in the Sanzhou Area from the Chengdu Logistics Centre of the Company by the Company.

On 21 October 2008, the Company and the Parent also entered into the Sanzhou Agency Agreement, pursuant to which, Sanzhou Xinhua Bookstores shall provide agency services to the Company in connection with the provision of Sanzhou Products to the chainstores and textbook distribution divisions of the Company in the Sanzhou Area, for the period from 21 October 2008 to 31 December 2010.

The Sanzhou Agency Agreement is conditional upon, among other things, the Independent Shareholders' having approved the Sanzhou Agency Agreement and Sanzhou Agency Arrangement in accordance with the Listing Rules. The Sanzhou Agency Arrangement shall be a new arrangement between the Company and Sanzhou Xinhua Bookstores in respect of the receipt and delivery of Sanzhou Products.

Agency services in relation to the provision of Sanzhou Products to the Sanzhou Area

Pursuant to the Sanzhou Agency Agreement, Sanzhou Xinhua Bookstores shall act as the agent of the Company for acknowledging receipt of Sanzhou Products from the suppliers of the Company in the Sanzhou Area and delivering Sanzhou Products to the chainstores and textbook distribution divisions of the Company in the Sanzhou Area. The Company shall pay an agency fee (the "**5% Agency Fee**") to Sanzhou Xinhua Bookstores, which is calculated at 5% of the total Mayang of all Sanzhou Products handled by Sanzhou Xinhua Bookstores. The Company shall pay the 5% Agency Fee to Sanzhou Xinhua Bookstores on or before the last day of each quarter by depositing the payment into the designated bank accounts opened in the names of the relevant Sanzhou Xinhua Bookstores. The Directors confirm that the 5% Agency Fee has been determined in accordance with market standards and reflects the prevailing market rates of comparable services.

Annual caps and basis of determining the annual caps

In considering the annual caps for the Sanzhou Agency Arrangement, the Directors have considered a number of factors including: (i) the anticipated increase in the demand for Sanzhou Products due to the changes in the choices of books and audio-visual products of the ultimate customers; and (ii) the anticipated increase in the selling prices of Sanzhou Products depending on market demand from 2008 to 2010. Having considered the above factors, the Directors propose that the annual cap for the Sanzhou Agency Arrangement for each of the three years ending 31 December 2010 shall approximately be as follows:

	Year ending 31 December		
	2008	**2009**	**2010**
	RMB	*RMB*	*RMB*
Annual cap for the Sanzhou Agency Arrangement	8,068,000	8,472,000	8,895,000

GENERAL

The Group is currently principally 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 Parent is principally engaged in the business of wholesaling and retailing, leasing of properties, real estate, project investment, computer software and hotel services. Sanzhou Xinhua Bookstores are public interest entities in the PRC and are managed and operated by the Parent.

THE CONNECTED RELATIONSHIP BETWEEN THE PARTIES

As at the date of this announcement, the Parent is a promoter and a controlling shareholder of the Company. Accordingly, the Parent is a connected person of the Company for the purposes of Chapter 14A of the Listing Rules and each of the Sanzhou Supply Arrangement and the Sanzhou Agency Arrangement constitutes a continuing connected transaction for the Company under the Listing Rules.

REASONS FOR AND BENEFITS OF THE SANZHOU SUPPLY ARRANGEMENT AND THE SANZHOU AGENCY ARRANGEMENT

Sanzhou Supply Arrangement

The Directors believe that the Sanzhou Supply Arrangement would minimise any competition or potential competition between the businesses of the Company and those of the Sanzhou Xinhua Bookstores, and would increase the revenue of the Company.

The Directors consider that the Sanzhou Supply Arrangement would also help to promote the brand image of the Group, as the Sanzhou Franchise Stores are required to operate under the Company's self-owned "WenXuan" or "Times Xinhua" brand names, while other Sanzhou Xinhua Bookstores only operate under the "Xinhua Bookstore" brand name and have no right to use the Group's self-owned "WenXuan" and "Times Xinhua" brand names. The Sanzhou Supply Arrangement, therefore, serves a promotional and longer term brand building purpose.

Sanzhou Agency Arrangement

Prior to 21 October 2008, the Sanzhou Products ordered by the Company were delivered by the suppliers of the Company in the Sanzhou Area to the Chengdu Logistics Centre of the Company, which were then delivered to the chainstores and textbook distribution divisions of the Company in the Sanzhou Area from the Chengdu Logistics Centre of the Company by the Company. Under the Sanzhou Agency Arrangement, Sanzhou Xinhua Bookstores shall act as the agent of the Company to acknowledge receipt of the Sanzhou Products from the suppliers of the Company directly in the Sanzhou Area and to deliver the Sanzhou Products to the chainstores and textbook distribution divisions of the Company in the Sanzhou Area. The Directors believe that the Sanzhou Agency Arrangement would enable the Company to reduce the cost and time for delivering the Sanzhou Products from the suppliers to the chainstores and textbook distribution divisions of the Company in the Sanzhou Area.

The Directors' views

The major amendments to the Sanzhou Agreement as stipulated in the Sanzhou Supply Agreement include: (i) the change in the mode of distributing Government-subsidised Textbooks to primary and junior secondary schools in the Sanzhou Area from (a) engaging Sanzhou Xinhua Bookstores as agent of the Company to distribute the Government-subsidised Textbooks to (b) distributing the Government-subsidised Textbooks to Sanzhou Xinhua Bookstores for their further distribution; and (ii) the adjustments to certain payment terms.

Since entering into the Sanzhou Agreement and in accordance with the Sanzhou Agreement, Sanzhou Xinhua Bookstores (excluding Sanzhou Franchise Stores) acted as agent of the Company to receive orders and deliver Government-subsidised Textbooks to primary and junior secondary schools in the Sanzhou Area. The Parent and the Company agreed that the Company shall pay the 18% Agency Fee to Sanzhou Xinhua Bookstores, which is calculated at 18% of the total Mayang of all Government-subsidised Textbooks handled by Sanzhou Xinhua Bookstores (excluding Sanzhou Franchise Stores).

To reflect the current governmental policy in relation to the provision of Government-subsidised Textbooks to primary and junior secondary schools in Sichuan Province which requires that the distribution price of the textbooks supplied to Sanzhou Xinhua Bookstores be set at 78%, the Parent and the Company propose to enter into the Sanzhou Supply Agreement. Under the Sanzhou Supply Agreement, the Company shall provide Government-subsidised Textbooks to Sanzhou Xinhua Bookstores (excluding Sanzhou Franchise Stores) for their further distribution, at a distribution price of approximately 78% of the Mayang, which is determined in accordance with the relevant governmental policy of the PRC in respect of the provision of Government-subsidised Textbooks to primary and junior secondary schools in Sichuan Province in support of the education in the poverty regions (including the Sanzhou Area).

The adjustment contemplated under the Sanzhou Supply Agreement in respect of the distribution of Government-subsidised Textbooks to Sanzhou Xinhua Bookstores (excluding Sanzhou Franchise Stores) has been endorsed by the Press and Publication Bureau of the Sichuan Province (四川省新聞出版局). The Press and Publication Bureau of the Sichuan Province (四川省新聞出版局) is the authority directly under the Government of the Sichuan Province, which is in charge of the press and publishing industry and the administration of copyrights.

The difference between (a) the total revenue (net of tax) under the Sanzhou Supply Agreement and (b) the total revenue (net of tax and the 18% Agency Fee) under the Sanzhou Agreement, to be received by the Company in respect of the distribution of Government-subsidised Textbooks to the primary and junior secondary schools in the Sanzhou Area for the year ending 31 December 2008 is estimated to be approximately RMB147,400, representing a difference of approximately 0.205%.

In light of the above, the Directors consider that such adjustments are fair and reasonable and in the interests of the Company and the Shareholders taken as a whole. Save as disclosed above, the Directors consider that the terms and scope of the Sanzhou Agreement are generally compatible with those of the Sanzhou Supply Agreement.

The Directors (excluding the independent non-executive Directors whose views will be set out in the circular to be sent to the Shareholders) consider that the Sanzhou Supply Agreement and Sanzhou Agency Agreement are entered into in the ordinary and usual course of business of the Company and the terms as contained in the Sanzhou Supply Agreement and Sanzhou Agency Agreement are normal commercial terms, which are arrived at after arm's length negotiations between the parties, the relevant annual caps stated in this announcement are fair and reasonable, and the terms of the Sanzhou Supply Arrangement and Sanzhou Agency Arrangement are fair and reasonable and in the interests of the Company and the Shareholders taken as a whole.

LISTING RULES IMPLICATIONS

The Sanzhou Supply Arrangement constitutes a continuing connected transaction for the Company under the Listing Rules. As each of the applicable percentage ratios (other than the profits ratio) calculated in accordance with the Listing Rules in respect of the Sanzhou Supply Arrangement is, on an annual basis, more than 2.5% and the maximum purchase price payable under the Sanzhou Supply Arrangement is, on an annual basis, more than HK$10,000,000, the Sanzhou Supply Arrangement is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Sanzhou Agency Arrangement also constitutes a continuing connected transaction for the Company under the Listing Rules. As each of the applicable percentage ratios (other than the profits ratio) calculated in accordance with the Listing Rules in respect of the Sanzhou Agency Arrangement is, on an annual basis, more than 0.1% but less than 2.5%, the Sanzhou Agency Arrangement 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 and is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Having considered that the Sanzhou Products are of the same nature as some of the products regulated by the Sanzhou Supply Agreement and the relevant counter party is also Sanzhou Xinhua Bookstores, Sanzhou Agency Arrangement is aggregated with the Sanzhou Supply Arrangement and is also subject to the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee has been formed to consider and advise the Independent Shareholders as to whether the terms of the Sanzhou Supply Arrangement and the Sanzhou Agency Arrangement, and the annual caps for the Sanzhou Supply Arrangement and the Sanzhou Agency Arrangement for each of the three years ending 31 December 2010 are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to how to vote at the EGM. An independent financial adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

A circular containing, among other things, details of the Sanzhou Supply Arrangement and the Sanzhou Agency Arrangement, the recommendation of the Independent Board Committee, the advice of its independent financial adviser and a notice convening the EGM will be despatched to the Shareholders as soon as practicable.

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
"EGM"	an extraordinary general meeting of the Company to be convened to approve the Sanzhou Supply Agreement and the Sanzhou Supply Arrangement
"Franchise Products"	publications which are sold through the franchise stores of the Company under the franchise scheme of the Company
"Government-subsidised Textbooks"	the government subsidised textbooks that are used at primary and junior secondary schools, and are distributed free of charge to the education bureaus in the PRC (which then pass them on to primary and junior secondary schools) under the applicable governmental education subsidy programme of the PRC
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the Board composed of all independent non-executive Directors, namely Mr. Han Xiaoming, Mr. Cheng Sanguo and Mr. Chan Yuk Tong
"Independent Shareholders"	has the meaning ascribed to it under Rule 14A.10(5) of the Listing Rules, and in relation to the Company means the shareholders of the Company other than the Parent and its associates
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

"Mayang"	the list price of a book, as printed at the back of a book. The Mayang in relation to the Non-government-subsidised Products (excluding textbooks) are determined by the relevant publishers/manufacturers of those products. The Mayang in relation to all textbooks for primary and secondary schools, including Government-subsidised Textbooks and certain Non-government-subsidised Products which are textbooks are determined by reference to the pricing standards as prescribed by the relevant governmental authorities in the PRC
"Non-government-subsidised Products"	non-government-subsidised textbooks and supplementary materials, books of general interest and audio-visual products, excluding Government-subsidised Textbooks
"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 Macao Special Administrative Region of the PRC and Taiwan)
"Sanzhou Agency Agreement"	an agreement dated 21 October 2008 entered into between the Company and the Parent in respect of the provision of agency services by Sanzhou Xinhua Bookstores to the Company, for the period from 21 October 2008 to 31 December 2010
"Sanzhou Agency Arrangement"	the transactions contemplated under the Sanzhou Agency Agreement
"Sanzhou Agreement"	an agreement dated 29 April 2007 entered into between the Company and the Parent regarding the distribution, franchise and agency arrangements in connection with Sanzhou Xinhua Bookstores
"Sanzhou Area"	the three autonomous prefectures of A Ba, Ganzi and Liangshan in the Sichuan Province of the PRC
"Sanzhou Franchise Stores"	certain Sanzhou Xinhua Bookstores operated under the franchise scheme of the Company
"Sanzhou Products"	Government-subsidised Textbooks and Non-government-subsidised Products manufactured by suppliers of the Company in the Sanzhou Area

"Sanzhou Supply Agreement"	an agreement dated 21 October 2008 entered into between the Company and the Parent in respect of (i) the provision of Non-government-subsidised Products to Sanzhou Xinhua Bookstores (excluding Sanzhou Franchise Stores) by the Company; (ii) the provision of Franchise Products to Sanzhou Franchise Stores by the Company; and (iii) the provision of Government-subsidised Textbooks for primary and junior secondary schools in the Sanzhou Area to Sanzhou Xinhua Bookstores (excluding the Sanzhou Franchise Stores) by the Company, for the period from 1 January 2008 to 31 December 2010
"Sanzhou Supply Arrangement"	the transactions contemplated under the Sanzhou Supply Agreement
"Sanzhou Xinhua Bookstores"	a total of 52 Xinhua Bookstores located within the Sanzhou Area as at the date of this announcement, the businesses of which are managed and operated by the Parent
"Shareholder(s)"	the shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Xinhua Bookstore(s)"	新華書店, any or all of the members of China Xinhua Bookstore Association established at the administrative level in the PRC which are operated or managed under the nationwide Xinhua Bookstore system
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent

For the purpose of this announcement, conversion of RMB into HK$ is calculated at the exchange rate of HK$1.00 to RMB0.8806.

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

Sichuan, PRC, 21 October 2008

As at the date of this announcement, the Board comprises (a) Mr. Gong Cimin and Mr. Zhang Bangkai as executive directors; (b) Ms. Wang Jianping, Mr. Zhang Chengxing, Mr. Li Jiawei, Mr. Luo Jun, Mr. Yu Changjiu, Mr. Wu Qiang, Mr. Mo Shixing and Mr. Zhao Junhuai as non-executive directors; and (c) Mr. Han Xiaoming, Mr. Cheng Sanguo and Mr. Chan Yuk Tong as independent non-executive directors.

* *For identification purposes only*