THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in 四川新華文軒連鎖股份有限公司 (Sichuan Xinhua Winshare Chainstore Co., Ltd.*), you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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 TRANSACTIONS
SANZHOU SUPPLY AGREEMENT
AND
SANZHOU AGENCY AGREEMENT

Independent financial adviser to
the Independent Board Committee and the Independent Shareholders

CIMB

CIMB-GK Securities (HK) Limited

A notice convening an extraordinary general meeting of 四川新華文軒連鎖股份有限公司 (Sichuan Xinhua Winshare Chainstore Co., Ltd.*) to be held at Sichuan Xinhua International Hotel, No. 8 Guzhongsi Street, Chengdu, Sichuan, the People's Republic of China ("PRC") on Tuesday, 16 December 2008 at 9:30 a.m. or any adjournment thereof is set out on pages 34 to 35 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same, for holders of H shares of the Company, to the H share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1806–1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and, for holders of domestic shares of the Company, to the head office in the PRC of the Company as soon as possible but in any event not less than 24 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders of the Company from attending and voting in person at the meeting or any adjourned meeting(s) if they so wish.

* *For identification purposes only*

30 October 2008

CONTENTS

Page

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

"associates"	has the meaning ascribed thereto in the Listing Rules
"Board"	board of Directors
"CIMB"	CIMB-GK Securities (HK) Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, which is appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Sanzhou Supply Arrangement, the Sanzhou Agency Arrangement, the Sanzhou Supply Annual Caps and the Sanzhou Agency Annual Caps
"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
"China Xinhua Bookstore Association"	中國新華書店協會 (China Xinhua Bookstore Association), a not-for-profit industry association formed by the Xinhua Bookstores throughout the PRC promoting the interests of member Xinhua Bookstores which is also the legal owner of the trademark/service logo of "新華書店" (Xinhua Bookstores)
"Directors"	the director(s) of the Company
"Domestic Shares"	ordinary shares in the capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and credited as fully paid up in RMB by PRC nationals and/or PRC incorporated entities
"EGM"	an extraordinary general meeting of the Company to be convened on 16 December 2008 to approve, among other things, the Sanzhou Supply Agreement, the Sanzhou Agency Agreement, the Sanzhou Supply Arrangement, the Sanzhou Agency Arrangement, the Sanzhou Supply Annual Caps and the Sanzhou Agency Annual Caps
"Franchise Products"	publications which are sold through the franchise stores of the Company under the franchise scheme of the Company

"Government-subsidised Textbooks"	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
"H Shares"	overseas listed foreign shares in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange
"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
"Latest Practicable Date"	27 October 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"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 Latest Practicable Date. The Parent is a connected person of the Company under the Listing Rules
"Parent Group"	the Parent and its subsidiaries (excluding the Company)
"Prospectus"	the prospectus of the Company dated 16 May 2007
"PRC"	the People's Republic of China (for the purpose of this circular, 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 Annual Cap(s)"	the annual cap(s) for the Sanzhou Agency Arrangement for the three years ending 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 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; and (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), for the period from 1 January 2008 to 31 December 2010

"Sanzhou Supply Annual Cap(s)"	the annual cap(s) for the Sanzhou Supply Arrangement for the three years ending 31 December 2010
"Sanzhou Supply Arrangement"	the transactions contemplated under the Sanzhou Supply Agreement
"Sanzhou Xinhua Bookstores"	a total of 45 Xinhua Bookstores located within the Sanzhou Area as at the Latest Practicable Date, the businesses of which are managed and operated by the Parent
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shares"	ordinary shares of the Company with a nominal value of RMB1.00 each, comprising both Domestic Shares and H Shares
"Shareholder(s)"	shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules
"Xinhua Bookstores"	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.

In this circular, amounts denominated in RMB have been translated into HK$ at a rate of approximately HK$1 to RMB0.8806 for purposes of illustration only.

* *For identification purposes only*

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)

Executive Directors:
Mr. Gong Cimin *(Chairman)*
Mr. Zhang Bangkai *(Vice Chairman)*

Non-Executive Directors:
Ms. Wang Jianping
Mr. Zhang Chengxing
Mr. Li Jiawei
Mr. Luo Jun
Mr. Yu Changjiu
Mr. Wu Qiang
Mr. Mo Shixing
Mr. Zhao Junhuai

Independent Non-executive Directors:
Mr. Han Xiaoming
Mr. Cheng Sanguo
Mr. Chan Yuk Tong

Registered office in the PRC:
12th Floor, No. 86 Section One
People's South Road
Qingyang District
Chengdu, Sichuan
PRC

Head office in the PRC:
No. 6 Wenxuan Road
Shang Mao Avenue
Cheng Bei
Chengdu, Sichuan 610081
PRC

Principal place of business in Hong Kong:
8th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

30 October 2008

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

SANZHOU SUPPLY AGREEMENT AND SANZHOU AGENCY AGREEMENT

INTRODUCTION

As disclosed in the announcement of the Company dated 21 October 2008, the Board announced that the Company and the Parent entered into the Sanzhou Supply Agreement on 21 October 2008 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

* *For identification purposes only*

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.

As disclosed in the announcement of the Company dated 21 October 2008, 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.

The 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 Sanzhou Supply Annual Caps and the Sanzhou Agency Annual Caps 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.

The purpose of this circular is to provide the Shareholders with, among other things, (i) further details of the Sanzhou Supply Arrangement and the Sanzhou Agency Arrangement; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Sanzhou Supply Arrangement and the Sanzhou Agency Arrangement; (iii) the letter of advice from CIMB to the Independent Board Committee and the Independent Shareholders in respect of the Sanzhou Supply Arrangement and the Sanzhou Agency Arrangement; and (iv) a notice of the EGM.

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.

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.

Sanzhou Supply Annual Caps and basis of determining the Sanzhou Supply 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 Sanzhou Supply Annual Caps, 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 Sanzhou Supply Annual Caps shall approximately be as follows:

	Year ending 31 December		
	2008	**2009**	**2010**
	RMB	*RMB*	*RMB*
Sanzhou Supply Annual Caps	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 January 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.

Sanzhou Agency Annual Caps and basis of determining the Sanzhou Agency Annual Caps

In considering the Sanzhou Agency Annual Caps, 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 Sanzhou Agency Annual Caps shall approximately be as follows:

	Year ending 31 December		
	2008	**2009**	**2010**
	RMB	*RMB*	*RMB*
Sanzhou Agency Annual Caps	8,068,000	8,472,000	8,895,000

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 engaging Sanzhou Xinhua Bookstores as agent to 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 amendments 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 Board Committee comprising all independent non-executive Directors and whose opinion is set out on pages 15 to 16 of this circular after taking into account the advice from CIMB which is set out on pages 17 to 28 of this circular) 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 Sanzhou Supply Annual Caps and the Sanzhou Agency Annual Caps are fair and reasonable, and the terms of the Sanzhou Supply Arrangement and the Sanzhou Agency Agreement are fair and reasonable and in the interests of the Company and the Shareholders taken as a whole.

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 Latest Practicable Date, the Parent was 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.

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 Supply Arrangement is subject to the requirements of reporting, announcement and approval by the Independent Shareholders (by way of poll) at the EGM under Chapter 14A of the Listing Rules. Any Shareholder who has a material interest in the Sanzhou Supply Arrangement will be required to abstain from voting at the EGM. The Parent and its associates will be required to abstain from voting at the EGM as the Parent is materially interested in the Sanzhou Supply Arrangement.

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. Accordingly, the Sanzhou Agency Arrangement is subject to the requirements of reporting, announcement and approval by the Independent Shareholders (by way of poll) at the EGM under Chapter 14A of the Listing Rules. Any Shareholder who has a material interest in the Sanzhou Agency Arrangement will be required to abstain from voting at the EGM. The Parent and its associates will be required to abstain from voting at the EGM as the Parent is materially interested in the Sanzhou Agency Arrangement.

EXTRAORDINARY GENERAL MEETING

The notice convening the EGM is set out on pages 34 to 35 of this circular.

A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same, for holders of H Shares, to the H share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1806–1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and, for holders of Domestic Shares, to the head office in the PRC of the Company as soon as possible and in any event not less than 24 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting(s) thereof should you so wish.

Pursuant to the Articles of Association, at any general meeting a resolution shall be decided on a show on hands unless a poll is (before or after any vote by show of hands) demanded:

- by the chairman of the meeting;
- by at least two Shareholders entitled to vote present in person or by proxy; or
- by one or more Shareholders present in person or by proxy and representing 10% or more of all Shares carrying the right to vote at the meeting.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 15 to 16 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM.

Your attention is also drawn to the letter from CIMB, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, for incorporation into this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Sanzhou Supply Arrangement and the Sanzhou Agency Arrangement. The text of the letter from CIMB to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 28 of this circular.

The Independent Board Committee, having taken into account the advice and recommendation of CIMB, are of the view that the Sanzhou Supply Arrangement and the Sanzhou Agency Arrangement are in the interests of the Company and the Shareholders as a whole and the terms of the Sanzhou Supply Arrangement and Sanzhou Agency Arrangement are fair and reasonable so far as the interests of the Company and the Independent Shareholders are concerned. Accordingly, it recommends that the Independent Shareholders should vote in favour of the resolution to be proposed at the EGM to approve the Sanzhou Supply Arrangement, the Sanzhou Agency Arrangement, the Sanzhou Supply Annual Caps and the Sanzhou Agency Annual Caps.

ADDITIONAL INFORMATION

Your attention is also drawn to the appendix headed "General Information" to this circular.

Yours faithfully,
By order of the Board
SICHUAN XINHUA WINSHARE CHAINSTORE CO., LTD.*
Gong Cimin
Chairman

* *For identification purposes only*

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)

30 October 2008

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

SANZHOU SUPPLY AGREEMENT
AND
SANZHOU AGENCY AGREEMENT

We refer to the circular of the Company dated 30 October 2008 to the Shareholders (the "**Circular**"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter, unless the context requires otherwise.

Under the Listing Rules, the Sanzhou Supply Agreement is conditional and shall only be effective upon the passing of the ordinary resolution by the Independent Shareholders at the EGM approving the terms of the Sanzhou Supply Arrangement and the Sanzhou Supply Annual Caps. 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. Accordingly, the Sanzhou Supply Agreement is also conditional and shall only be effective upon passing of the ordinary resolution by the Independent Shareholders at the EGM approving the terms of the Sanzhou Agency Arrangement and the Sanzhou Agency Annual Caps. We, being the independent non-executive Directors, have been appointed by the Board as members of the Independent Board Committee to advise you as to the fairness and reasonableness of the terms of the Sanzhou Supply Agreement and the Sanzhou Agency Agreement, and the Sanzhou Supply Annual Caps and the Sanzhou Agency Annual Caps, and whether the Sanzhou Supply Arrangement and the Sanzhou Agency Arrangement are in the interests of the Company and the Shareholders as a whole. CIMB has been appointed as the independent financial adviser to advise you and us in this regard. Details of the recommendation from CIMB are set out in its letter of advice on pages 17 to 28 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 5 to 14 of the Circular and the additional information set out in the appendix to the Circular.

* *For identification purposes only*

Having taken into account the advice and recommendation of CIMB and in particular the principal factors considered by CIMB as set out in its letter of advice, we are of the view that the Sanzhou Supply Arrangement and the Sanzhou Agency Arrangement are in the interests of the Company and the Shareholders as a whole and the terms of the Sanzhou Supply Agreement and the Sanzhou Agency Agreement, and the Sanzhou Supply Annual Caps and the Sanzhou Agency Annual Caps are fair and reasonable so far as the interests of the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Sanzhou Supply Agreement, the Sanzhou Supply Arrangement, the Sanzhou Supply Annual Caps, the Sanzhou Agency Agreement, the Sanzhou Agency Arrangement and the Sanzhou Agency Annual Caps.

Yours faithfully,

Mr. Han Xiaoming
Mr. Cheng Sanguo
Mr. Chan Yuk Tong
Independent Board Committee

The following is the text of the letter of advice to the Independent Board Committee and the Independent Shareholders from CIMB dated 30 October 2008 for inclusion in this circular:

CIMB
CIMB-GK Securities (HK) Limited

25/F Central Tower
28 Queen's Road Central
Hong Kong

30 October 2008

To the Independent Board Committee and the Independent Shareholders of
Sichuan Xinhua Winshare Chainstore Co., Ltd.

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

SANZHOU SUPPLY AGREEMENT AND SANZHOU AGENCY AGREEMENT

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Sanzhou Supply Agreement, the Sanzhou Agency Agreement and the respective Sanzhou Supply Annual Caps and Sanzhou Agency Annual Caps, details of which are contained in a circular of the Company (the "Circular") to the Shareholders dated 30 October 2008, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

An independent board committee comprising Messrs. Han Xiaoming, Cheng Sanguo and Chan Yuk Tong, being the independent non-executive Directors, has been formed to advise the Independent Shareholders in relation to the terms of the Sanzhou Supply Agreement, the Sanzhou Agency Agreement, Sanzhou Supply Annual Caps and Sanzhou Agency Annual Caps.

BASIS OF OUR OPINION

In formulating our recommendation, we consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80, including the notes thereto of the Listing Rules, to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the information and facts contained or referred to in the Circular, the information provided by the Company and our review of the relevant public information. We have also assumed that the information, facts and representations contained or referred to in the Circular were true and accurate at the time they were made and up to the date of the EGM. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Group or each of the Parent, or any of their respective subsidiaries or associates. We have no reason to doubt the truth, accuracy and completeness of the information, facts and representations provided and represented to us by the Company. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion in respect of the terms of the Sanzhou Supply Agreement, the Sanzhou Agency Agreement, the Sanzhou Supply Annual Caps and the Sanzhou Agency Annual Caps, we have considered the following principal factors and reasons:

(I) Background and reasons for and benefits of the Sanzhou Supply Arrangement and the Sanzhou Agency Arrangement

Background

As stated in the Letter from the Board, 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 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. 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.

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.

In addition, since 12 July 2006, the Group has been supplying Non-government-subsidised Products to Sanzhou Xinhua Bookstores (excluding the Sanzhou Franchise Stores) and Franchise Products to Sanzhou Franchise Stores, the sales arrangements of which are governed by the terms of the Sanzhou Agreement since 1 January 2007.

As set out in the Letter from the Board, with reference to the changes in market conditions, and to rationalise the arrangements between the Company and Sanzhou Xinhua Bookstores under the Sanzhou Agreement and to 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. Details of the principal terms of the Sanzhou Supply Agreement are set out in the Letter from the Board. 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.

As stated in the Letter from the Board, prior to 21 October 2008, the Sanzhou Products ordered by the Company are first delivered by the suppliers of the Company in the Sanzhou Area to the Chengdu Logistics Centre of the Company, which are 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 the Sanzhou Agency Agreement, Sanzhou Xinhua Bookstores shall provide agency services to the Company in connection with the delivery 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.

Reasons for and benefits of the Sanzhou Supply Arrangement and the Sanzhou Agency Arrangement

As noted in the Letter from the Board, prior to 1 January 2006, Government-subsidised Textbooks were sold and distributed in the Sanzhou Area exclusively by the Sanzhou Xinhua Bookstores. Accordingly, 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. In addition, the entering into of the Sanzhou Supply Agreement ensures that the Group can carry on its existing distribution business with Sanzhou Xinhua Bookstores and Sanzhou Franchise Stores.

As set out in the Letter from the Board, the Directors consider 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.

Our analysis

As stated in the Letter from the Board, 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.

We have reviewed the Group's annual report for the year ended 31 December 2007 and interim report for the six-month ended 30 June 2008 and noted that distribution of textbooks and supplementary material to schools and students accounted for approximately 77% of the total turnover of the Group for both financial periods.

As set out in the section headed "Connected Transactions" of the Prospectus, 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 and Sanzhou Franchise Stores for the period from 1 January 2007 to 31 December 2009. We note that the terms of the Sanzhou Supply Arrangement are similar to those of the Sanzhou Agreement save for (i) under the Sanzhou Agreement, that the Group distributes Government-subsidised Textbooks to primary and junior secondary schools in the Sanzhou Area by engaging Sanzhou Xinhua Bookstores as an agent whereas under the Sanzhou Supply Agreement the Group will distribute the Government-subsidised Textbooks to Sanzhou Xinhua Bookstores for their further distribution to the primary and junior secondary schools in the Sanzhou Area; (ii) the adjustments to the distribution price range of Non-government-subsidised Products to Sanzhou Xinhua Bookstores (excluding the Sanzhou

Franchise Stores) from a range of approximately 60% to 85% of the Mayang under the Sanzhou Agreement to a range of approximately 45% to 80% of the Mayang under the Sanzhou Supply Agreement; and (iii) the adjustments to the distribution price range of Franchise Products to Sanzhou Franchise Stores from a range of approximately 60% to 70% of the Mayang under the Sanzhou Agreement to a range of approximately 60% to 75% of the Mayang under the Sanzhou Supply Agreement.

We also note from the Letter from the Board that the Sanzhou Area is generally characterized by relatively poor transport and communications infrastructure and hilly landscape. Accordingly, we concur with the Directors' view 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.

Our view

Having considered the aforesaid, we consider that each of the Sanzhou Supply Agreement and the Sanzhou Agency Agreement is entered into in the ordinary and usual course of business of the Company and is in the interests of the Group and the Shareholders as a whole.

(II) Terms of the Sanzhou Supply Agreement

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

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

As noted in the Letter from the Board, 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. As such, Government-subsidised Textbooks do not currently form part of the merchandise which the Company provides to Sanzhou Xinhua Bookstores (excluding the Sanzhou Franchise Stores) for their re-sale or to 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.

Pursuant to the Sanzhou Supply Agreement, 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).

Our analysis

As disclosed in the Letter from the Board, the Government-subsidised Textbooks Distribution Price was determined with reference to the relevant governmental policy of the PRC. We also note that 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. We have reviewed the relevant policy and our findings are in line with the management's representations.

In order to assess the Group's financial impact under the change in mode of distribution, we have also discussed with the management of the Company and have reviewed the analysis as provided by the Company that compares the net financial effect to the Company for engaging Sanzhou Xinhua Bookstores as an agent for the distribution of Government-subsidised Textbooks under the Sanzhou Agreement; and distributing the Government-subsidised Textbooks directly to Sanzhou Xinhua Bookstores for their further distribution under the Sanzhou Supply Agreement. We note that taking into account the Government-subsidised Textbooks Distribution Prices, the value-added tax effects and the agency fee payable by the Company to Sanzhou Xinhua Bookstores under the Sanzhou Agreement, there is no material financial effect to the Company between the above two models of distributing the Government-subsidised Textbooks to primary and junior secondary schools in the Sanzhou Area.

In addition, we note that the payment terms offered to Sanzhou Xinhua Bookstores under the Sanzhou Supply Agreement are similar to that of the Sanzhou Agreement.

(B) ***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.

As stated in the Letter from the Board, 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).

Our analysis

We note that, save for the change in the Non-government-subsidised Products Distribution Price from a range of approximately 60% to 85% of the Mayang under the Sanzhou Agreement to a range of approximately 45% to 80% of the Mayang under the Sanzhou Supply Agreement, the terms of the distribution of Non-government-subsidised Products to Sanzhou Xinhua Bookstores (excluding Sanzhou Franchise Stores) under the Sanzhou Supply Agreement are similar to those in the Sanzhou Agreement.

We have reviewed, on a sample basis, sales invoices issued by the Company in respect of the distribution of Non-government-subsidised Products to independent third party customers. Based on our review and the discussion with the management of the Company, we note that the Non-government-subsidised Products Distribution Prices are comparable to that of the prices offered to independent third party customers. Accordingly, we consider that the Non-government-subsidised Products Distribution Prices are on normal commercial terms.

(C) ***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 to 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. 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 Fee and Franchise Management Fee shall be charged at a certain percentage up to 1% of the monthly or quarterly revenue of the Sanzhou Franchise Stores generated from the sales of the Franchise Products. Similar to the franchise arrangements entered into 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.

Our analysis

We note that, save for the change in the Franchise Price from a range of approximately 60% to 70% of the Mayang under the Sanzhou Agreement to a range of approximately 60% to 75% of the Mayang under the Sanzhou Supply Agreement, the terms of the distribution of Franchise Products to Sanzhou Franchise Stores, including the Franchise Fees and Franchise Management Fees, and the settlement terms, as stipulated under the Sanzhou Supply Agreement are similar to those of the Sanzhou Agreement.

We have also reviewed, on a sample basis, sales invoices issued by the Company in respect of the distribution of Franchise Products to independent third parties. Based on our review and the discussion with the management of the Company, we note that the Franchise Prices are comparable to that of the prices offered to independent third party franchisees. Accordingly, we consider that the terms in respect of the distribution of Franchise Products to Sanzhou Franchise Stores are on normal commercial terms.

Our view

Having considered the above, we concur with the Directors' view that the terms of the Sanzhou Supply Agreement, including the pricing principles, are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Group and the Shareholders as a whole.

(III) Terms of the Sanzhou Agency Agreement

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.

Our analysis

Based on our discussion with the management of the Company, we were advised that prior to 2005, Sanzhou Xinhua Bookstores had provided similar services to the Group ("**Pre-2005 Agency Arrangement**"). The 5% Agency Fee is determined with reference to the agency fee under the Pre-2005 Agency Arrangement. As advised by the management of the Company the then agency fee, which was calculated at 5.5% to 6% of the total Mayang of all Sanzhou Products handled by Sanzhou Xinhua Bookstores, was determined with reference to an article issued by Sichuan Tax Bureau in 1988.

We have reviewed, on a sample basis, invoices issued by Sanzhou Xinhua Bookstores to the Group regarding the Pre-2005 Agency Arrangement, and a copy of the relevant article, and our findings confirm with the representations of the management.

Our view

Having considered the above, we concur with the Directors' view that the terms of the Sanzhou Agency Agreement, including the pricing principles, are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Group and the Shareholders as a whole.

(IV) Proposed Sanzhou Supply Annual Caps and Sanzhou Agency Annual Caps

As set out in the Letter from the Board, in considering the Sanzhou Supply 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 compulsory 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.

In addition, as stated in the Letter from the Board, in considering the Sanzhou Agency Annual Caps for the Sanzhou Agency Arrangement, the Directors have considered the following factors: (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 Sanzhou Supply Annual Caps and Sanzhou Agency Annual Caps for the Sanzhou Supply Arrangement and the Sanzhou Agency Arrangement for each of the three years ending 31 December 2010 shall be as follows:

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

	Year ending 31 December		
	2008	**2009**	**2010**
	RMB	*RMB*	*RMB*
Sanzhou Agency Annual Caps	8,068,000	8,472,000	8,895,000

Our analysis

Sanzhou Supply Annual Caps

We note from the Letter from the Board that 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. As advised by the management of the Company, the substantial increase in Sanzhou Supply Annual Caps for the year ending 31 December 2008 as compared to that of the actual payment received by the Company in relation to the distribution and franchise arrangements under the Sanzhou Agreement is principally attributable to the increase in transaction amount as a result of the change in the mode of distributing Government-subsidised Textbooks to primary and junior secondary schools in the Sanzhou Area from engaging Sanzhou Xinhua Bookstores as an agent to distributing the Government-subsidised Textbooks for their further distribution to primary and junior secondary schools in the Sanzhou Area. Based on the information provided by the management of the Company, assuming the Group was distributing the Government-subsidised Textbooks for their further distribution instead of acting as an agent to Sanzhou Xinhua Bookstores 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 should be amounted to approximately RMB65.4 million (equivalent to approximately HK$74.3 million) and approximately RMB44.5 million (equivalent to approximately HK$50.5 million), respectively.

To assess the fairness of the Sanzhou Supply Annual Caps as set out above, we have discussed with the management of the Company regarding the relevant underlying principal assumptions and the bases adopted for the determination of the Sanzhou Supply Annual Caps, and understand that the Company has taken into account the following factors:

(a) Historical transaction figures for the year ended 31 December 2007 and the six months ended 30 June 2008

As advised by the management of the Company, assuming the Group was distributing the Government-subsidised Textbooks to Sanzhou Xinhua Bookstores for their further distribution instead of acting as an agent to Sanzhou Xinhua Bookstores 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 for the year ended 31 December 2007 and for the six months ended 30 June 2008 were approximately RMB65.4 million (equivalent to approximately HK$74.3 million) and approximately RMB44.5 million (equivalent to approximately HK$50.5 million), respectively.

(b) Anticipated increase in the number of students in the Sanzhou Area from 2008 as a result of the governmental policy of the PRC

The management of the Company projected that, as a result of the Article No. 337 (2007) (the "**Article**") issued jointly by the Bureau of Finance and the Bureau of Education of the PRC which took effect in the Autumn semester of 2007, the number of students in the Sanzhou Area would increase.

We note from the Article that in order to encourage more students in the rural areas of the PRC to receive compulsory education:

(i) commencing from the Autumn semester of 2007, the PRC government has been providing education related allowances for students in the rural areas, who have financial difficulties, to receive compulsory education;

(ii) commencing from the Autumn semester of 2007, the PRC government has been providing free textbooks (subjects specified by central government) to students in the rural areas attending the compulsory education; and

(iii) commencing from the Spring semester of 2008, the PRC government has been providing free textbooks (subjects specified by central government and local government) to students in the rural areas attending the compulsory education.

Based on the above, we concur with the management of the Company that the number of students in the Sanzhou Area will increase as a result of the various measures under the Article.

(c) Increase in selling price of textbooks from time to time as result of the increase in the cost of paper and inflation

As a result of the increase in the cost of paper and inflation, the management of the Company anticipated that the selling price of textbooks will continue to increase. We note from the public domain that the upward price trend of books will continue in 2008. We have reviewed, on a sample basis, the selling price of textbooks for the Autumn semester of 2007 and the Autumn semester of 2008, and the results concur with the management's view.

Sanzhou Agency Annual Caps

As advised by the management of the Company, the Sanzhou Agency Annual Caps were determined after taking into account (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. Taking into account the above analysis, in particular the anticipated increase in the number of students and selling prices of textbooks, we are of the view that the basis of determining the Sanzhou Agency Annual Caps for the Sanzhou Agency Arrangement is justifiable.

Our view

Having considered the above, we are of the view that the bases adopted by the management of the Company in determining the proposed Sanzhou Supply Annual Caps and Sanzhou Agency Annual Caps relating to the Sanzhou Supply Arrangement and the Sanzhou Agency Arrangement are fair and reasonable so far as the Independent Shareholders are concerned.

However, Shareholders should note that the proposed Sanzhou Supply Annual Caps and Sanzhou Agency Annual Caps relating to the Sanzhou Supply Arrangement and the Sanzhou Agency Arrangement relate to future events and they do not represent a forecast of turnover to be generated from the Sanzhou Supply Arrangement or a forecast of expenses to be incurred pursuant to the Sanzhou Agency Arrangement. Consequently, we express no opinion as to how closely the actual amounts to be generated under the above Sanzhou Supply Arrangement and Sanzhou Agency Arrangement correspond with the proposed Sanzhou Supply Annual Caps and Sanzhou Agency Annual Caps.

RECOMMENDATION

Having considered the principal factors and reasons referred to in the above, we consider that (i) the Sanzhou Supply Agreement and the Sanzhou Agency Agreement is entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and hence is in the interests of the Group and the Shareholders as a whole; and (ii) the terms of the Sanzhou Supply Agreement, the Sanzhou Agency Agreement as well as the respective Sanzhou Supply Annual Caps and Sanzhou Agency Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

Yours faithfully,
For and on behalf of
CIMB-GK Securities (HK) Limited

Alex Lau	**Heidi Cheng**
Director	*Director*
Head of Corporate Finance	

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF DIRECTORS' INTERESTS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors, supervisors or chief executive of the Company, and each of their respective associates, 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 to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange.

Name of Director	Company Name	Nature of interest	Number of Shares/amount of equity interest	Approximate % of the total issued share capital
Wu Qiang	Chengdu Hua Sheng (Group) Industry Co. Ltd.	Corporate *(Note)*	53,336,000	4.70%

Note: Wu Qiang owns 90% equity interest in Chengdu Hua Sheng (Group) Industry Co. Ltd., hence is deemed to be interested in the Shares held by Chengdu Hua Sheng (Group) Industry Co. Ltd.

Save that (i) Gong Cimin, an executive Director and the Chairman of the Company, is the Chairman of the Parent; (ii) Wu Qiang, a non-executive Director, is the Chairman of Chengdu Hua Sheng (Group) Industry Co. Ltd.; (iii) Zhao Junhuai, a non-executive Director, is the vice-Chairman of Chengdu Hua Sheng (Group) Industry Co. Ltd., as at the Latest Practicable Date, no Director was a director or employee of a company which has an interest or short position in the Shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. PERSONS WHO HAVE AN INTEREST OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors, supervisors and chief executive of the Company, the following persons (not being a Director, supervisor or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

Name of shareholder	Number of Shares directly or indirectly held	Capacity	Class of Shares	Approximate % in the relevant class of Shares	Approximate % in total issued share capital
The Parent	592,809,525	Beneficial owner	State-owned Shares	92.65%	52.22%
Chengdu Hua Sheng (Group) Industry Co. Ltd. *(Note)*	53,336,000	Beneficial owner	Social Legal Person Shares	100%	4.70%
Atlantis Investment Management Ltd	23,000,000	Investment manager	H Shares	5.20%	2.03%
National Council for the Social Security Fund	40,176,100	Beneficial owner	H Shares	9.09%	3.54%
Deutsche Bank Aktiengesellschaft	26,791,000	Person having a securities interest in Shares	H Shares	6.06%	2.36%

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

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors, supervisors and chief executive of the Company, no other person (not being a Director, supervisor or chief executive of the Company) had an interest or short position in the Shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital.

4. COMPETING BUSINESS

So far as is known to the Directors, as at the Latest Practicable Date, the Parent Group did not carry on any business activities that compete or are likely to compete, either directly or indirectly, with the activities of the Group other than Sanzhou Xinhua Bookstores which were retained by the Parent Group due to the policy considerations as disclosed in the Prospectus. Save as disclosed above, as at the Latest Practicable Date, none of the Directors and their respective associates (as defined in the Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

5. SERVICE CONTRACTS OF THE DIRECTORS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any member of the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

6. LITIGATION

On 7 July 2008, the legal proceeding involving the Group's South-western Book City (as disclosed in the Prospectus) located in Chengdu, PRC was reviewed by the Intermediate People's Court of Chengdu, Sichuan Province in PRC which gave its first-instance ruling to the effect that the Company shall pay to the plaintiff an outstanding usage fee of RMB3,885,000 in respect of the period from 1 September 2002 to 31 December 2007. As at the Latest Practicable Date, an appeal against the ruling had been submitted to the High People's Court of Sichuan Province by the Company and other defendants of the litigation.

Save as disclosed above, as at the Latest Practicable Date, no member of the Group was engaged in any pending or threatened litigation 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 any member of the Group.

7. INTEREST IN ASSETS AND/OR CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2007, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, save as disclosed, none of the Directors was materially interested in any contract or arrangement which is significant in relation to the business of the Company.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2007 (being the date to which the latest published audited financial statements of the Company were made up).

9. QUALIFICATION OF EXPERT

The following is the qualification of the expert who has given opinion or advice contained in this circular:

Name	Qualification
CIMB	a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO

10. EXPERT'S INTEREST

As at the Latest Practicable Date, CIMB had no shareholding interests in any member of the Group nor the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribed for securities of any member of the Group. As at the Latest Practicable Date, CIMB had no direct or indirect interests in any assets which had since 31 December 2007 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

11. CONSENT OF EXPERT

CIMB has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or reference to its name included in this circular in the form and context in which it appears. The letter from CIMB is given as at the date of this circular for incorporation therein.

12. GENERAL

(a) The registered office of the Company in the PRC is at 12th Floor, No. 86 Section One, People's South Road, Qingyang District, Chengdu, Sichuan, PRC and the head office of the Company in the PRC is at No. 6 Wenxuan Road, Shang Mao Avenue, Cheng Bei, Chengdu, Sichuan 610081, PRC.

(b) The principal place of business of the Company in Hong Kong is at 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong.

(c) The Hong Kong H share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, whose office is at Rooms 1806–1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(d) The joint company secretaries of the Company are Mr. You Zugang and Mr. Ngai Wai Fung. Mr. You is a member of the Institute of Internal Auditors. Mr. Ngai is a fellow of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

(e) The qualified accountant of the Company is Mr. Mak Ming Fai. Mr. Mak is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

(f) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours on any weekday, except public holidays, from the date of this circular up to and including the date of the EGM:

(a) the Sanzhou Supply Agreement;

(b) the Sanzhou Agency Agreement;

(c) the letter from the Independent Board Committee, the text of which is set out on pages 15 to 16 of this circular;

(d) the letter from CIMB, the text of which is set out on pages 17 to 28 of this circular; and

(e) the written consent of CIMB referred to in paragraph 11 headed "Consent of Expert" of this appendix.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Sichuan Xinhua Winshare Chainstore Co., Ltd. (the "**Company**") will be held at Sichuan Xinhua International Hotel, No. 8 Guzhongsi Street, Chengdu, Sichuan, the People's Republic of China (the "**PRC**") on Tuesday, 16 December 2008 at 9:30 a.m. for the purpose of considering and, if thought fit, passing the following resolution as an Ordinary Resolution:

"**THAT**

(i) the agreement (the "**Sanzhou Supply Agreement**") (a copy of which is produced to the EGM and marked "A" and initialled by the Chairman of the EGM for identification purpose) dated 21 October 2008 and entered into between the Company and 四川新華發行集團有限公司 (Sichuan Xinhua Publishing Group Co. Ltd.*) and the non-exempt continuing connected transaction (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**")) contemplated thereunder be and are hereby approved, confirmed and ratified; the Sanzhou Supply Annual Cap (as defined in the circular of the Company dated 30 October 2008 despatched to the shareholders of the Company, of which the notice convening the EGM forms part, a copy of which is produced to the EGM and marked "B" and initialled by the Chairman of the EGM for identification purpose) for each of the three financial years ending 31 December 2010 be and is hereby approved; and any one director of the Company be and is hereby authorised to execute for and on behalf of the Company all such other documents, instruments and agreements and to take all steps necessary or expedient to implement and/or give effect to the Sanzhou Supply Agreement; and

(ii) the agreement (the "**Sanzhou Agency Agreement**") (a copy of which is produced to the EGM and marked "C" and initialled by the Chairman of the EGM for identification purpose) dated 21 October 2008 and entered into between the Company and 四川新華發行集團有限公司 (Sichuan Xinhua Publishing Group Co. Ltd.*) and the continuing connected transaction (as defined in the Listing Rules) contemplated thereunder be and are hereby approved, confirmed and ratified; the Sanzhou Agency Annual Cap (as defined in the circular of the Company dated 30 October 2008 despatched to the shareholders of the Company, of which the notice convening the EGM forms part, a copy of which is produced to the EGM and marked "B" and initialled by the Chairman of the EGM for identification purpose) for each of the three financial years ending 31 December 2010 be and is hereby approved; and any one director of the Company be and is hereby authorised to execute for and on behalf of the

* *For identification purposes only*

Company all such other documents, instruments and agreements and to take all steps necessary or expedient to implement and/or give effect to the Sanzhou Agency Agreement."

By order of the Board
SICHUAN XINHUA WINSHARE CHAINSTORE CO., LTD.*
Gong Cimin
Chairman

Sichuan, the PRC, 30 October 2008

Notes:

1. The register of members of the Company will be closed from 17 November 2008 to 16 December 2008 (both days inclusive), during which period no transfer of shares of the Company can be registered. In order to qualify to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares of the Company) or the head office in the PRC of the Company (for holders of domestic shares of the Company), no later than 4:30 p.m. on 14 November 2008.

2. Shareholders who are entitled to attend and vote at the EGM may appoint one or more proxies to attend and, in the event of a poll, vote on their behalves. A proxy need not be a member of the Company.

3. In order to be valid, the proxy form must be deposited by hand or post, for holders of H shares of the Company, to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at Rooms 1806–1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and, for holders of domestic shares of the Company, to the head office in the PRC of the Company not less than 24 hours before the time for holding the EGM or not less than 24 hours before the time appointed for taking the poll. If the proxy form is signed by a person under a power of attorney or other authority, a notarially certified copy of that power of attorney or authority shall be deposited at the same time as mentioned in the proxy form. Completion and return of the proxy form will not preclude shareholders from attending and voting in person at the EGM or any adjourned meetings should you so wish.

4. Shareholders or their proxies shall produce their identity documents when attending the EGM.

5. Shareholders who intend to attend the EGM should complete the reply slip and return it by hand or by post to the H share registrar of the Company (for holders of H shares of the Company) or to the head office in the PRC of the Company (for holders of the domestic shares of the Company) on or before 26 November 2008.

6. The EGM is expected to take one hour. Shareholders attending the EGM shall be responsible for their own travel and accommodation expenses.

7. The head office in the PRC of the Company is as follows:

   No. 6 Wenxuan Road
   Shang Mao Avenue, Cheng Bei
   Chengdu, Sichuan 610081
   PRC

As at the date of this notice, the board of directors of the Company 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*