

**SICHUAN XINHUA WINSHARE CHAINSTORE COMPANY LTD:
JUST GIVE THIS COMPANY A WIDE MISS**

Had it not been for the fact that this company is controlled by the Government of the People's Republic of China (PRC) and that the equity markets of the PRC and the Hongkong Special Administrative Region (HKSAR) of the PRC are running hot, the probability exists that the flotation of Sichuan Xinhua Winshare Chainstore Company Ltd () (Code: 811, Main Board, The Stock Exchange of Hongkong Ltd) would have been somewhat of a flop.

As it turned out, the flotation of Sichuan Xinhua Winshare, in terms of the money raised, was a success – not quite a roaring success, but a success, nevertheless.

Sichuan Xinhua Winshare is, basically, a retailer and distributor of books in the Sichuan Province of the PRC.

The bookshop is very popular in the Sichuan Province, according to reports.

The Company operates 193 retail outlets in Sichuan, those outlets, selling books and audio-visual products.

On May 16, 2007, the Company issued its **Initial Public Offering (IPO)** of 369.40 million, one-renminbi Shares at \$HK5.80 per Share.

Naturally, all of the shares were taken up and, no doubt, BOCI Asia Ltd (), the Sponsor, the Global Coordinator, the Lead Manager and Bookrunner, as well as being the HKSAR and International Underwriter was, no doubt, well pleased with the efforts of its staff, bringing home a little more than \$HK2 billion in this cash-raising exercise.

However, close examination of the financials of this Company suggests that, on the basis of its financial results, before debiting assessable income tax for the Financial Year, ended December 31, 2006, Sichuan Xinhua Winshare, really, did rather poorly.

In fact, **TARGET** () would go further and state that, for the entire, 36-month, track-record period, this Company has done very poorly.

Before digging into the financials, however, Pages 246 and 247 of the Global Offering Prospectus states that the Company pitched its IPO in order to fund the following:

1. Between \$HK436.90 million and \$HK568.10 million '*to expand our retail network ...*';
2. Between \$HK529.60 million and \$HK688.80 million '*to finance the establishment of our distribution network for textbooks and supplementary materials ...*';
3. Between \$HK66.20 million and \$HK86.10 million '*to finance the establishment of a nationwide wholesale network ...*';
4. Between \$HK132.40 million and \$HK172.20 million '*to finance the enhancement of diversity of our co-operative products ...*';
5. Between \$HK264.80 million and \$HK344.40 million '*to finance the establishment of regional logistics centres ...*'; and,

6. Between \$HK39.70 million and \$HK51.70 million ‘to finance the development of our ERP (Enterprise Resource Planning) information system.’

Sichuan Xinhua Winshare ... [CLICK TO ORDER FULL ARTICLE](#)

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