* For identification purposes only
僅供識別

2009 年報
ANNUAL REPORT

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)
(於中華人民共和國註冊成立之股份有限責任公司)
(Stock Code 股份代號: 00811)

Contents

Corporate Information

LEGAL NAME OF THE COMPANY

四川新華文軒連鎖股份有限公司

COMPANY NAME IN ENGLISH

SICHUAN XINHUA WINSHARE CHAINSTORE CO., LTD.*

LEGAL REPRESENTATIVE

Mr. Gong Cimin

BOARD OF DIRECTORS

Executive Directors

Mr. Gong Cimin *(Chairman)*
Mr. Zhang Bangkai *(Vice Chairman)*

Non-Executive Directors

Ms. Wang Jianping
Mr. Yu Changjiu
Mr. Li Jiawei
Mr. Luo Jun
Mr. Wu Qiang
Mr. Zhang Chengxing
Mr. Zhao Junhuai
Mr. Zhao Miao

Independent Non-Executive Directors

Mr. Han Xiaoming
Mr. Cheng Sanguo
Mr. Chan Yuk Tong

BOARD COMMITTEES

Strategy and Investment Planning Committee

Mr. Cheng Sanguo *(Chairman)*
Mr. Han Xiaoming
Mr. Zhang Bangkai
Mr. Yu Changjiu
Mr. Zhao Junhuai

* *For identification purposes only*

Editorial and Publication Committee

Mr. Zhang Bangkai *(Chairman)*
Ms. Wang Jianping
Mr. Yu Changjiu
Mr. Zhang Chengxing
Mr. Zhao Miao

Audit Committee

Mr. Chan Yuk Tong *(Chairman)*
Mr. Han Xiaoming
Ms. Wang Jianping

Remuneration and Review Committee

Mr. Han Xiaoming *(Chairman)*
Mr. Chan Yuk Tong
Mr. Zhang Bangkai

Nomination Committee

Mr. Han Xiaoming *(Chairman)*
Mr. Cheng Sanguo
Mr. Luo Jun

SUPERVISORY COMMITTEE

Supervisors

Mr. Xiao Changjiu *(Chairman)*
Mr. Xu Yuzheng
Mr. Peng Xianyi
Ms. Dai Wen
Ms. Lan Hong
Ms. Liu Nan
Mr. Li Qiang

Independent Supervisors

Mr. Li Guangwei
Mr. Fu Daiguo

JOINT COMPANY SECRETARIES

Mr. You Zugang
Mr. Ngai Wai Fung

Corporate Information (Continued)

QUALIFIED ACCOUNTANT

Mr. Mak Ming Fai

AUTHORISED REPRESENTATIVES

Mr. Luo Jun
Mr. You Zugang

ALTERNATE AUTHORISED REPRESENTATIVE

Mr. Ngai Wai Fung

INTERNATIONAL AUDITORS

Ernst & Young
18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

PRC AUDITORS

ShineWing Certified Public Accountants
9th Floor, Block A
Fu Hua Mansion
No. 8 Chao Yang Men Bei Da Jie
Dong Cheng District
Beijing
China

HONG KONG LEGAL ADVISER

Mallesons Stephen Jaques
13th Floor, Gloucester Tower
The Landmark
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Central
Hong Kong

REGISTERED OFFICE IN THE PRC

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Chengdu, Sichuan
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

8th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

PRINCIPAL BANKERS

The Industrial and Commercial Bank of China
China Construction Bank

HONG KONG H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

COMPANY WEBSITE

http://www.winshare.com.cn

STOCK CODE

811


分享
Share

Financial Summary

RESULTS

	For the years ended 31 December				
	2005	2006	2007	2008	**2009**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Income	2,262,599	2,217,625	2,309,481	2,736,936	**3,208,988**
Profit before tax	345,108	305,860	388,759	341,214	**366,654**
Income tax	(71,142)	(3,422)	(1,765)	(3,058)	**(2,922)**
Profit for the year	273,966	302,438	386,994	338,156	**363,732**
Minority interests	(217)	363	1,802	(168)	**(5,074)**
Profit attributable to equity holders of the Company	273,749	302,801	388,796	337,988	**358,658**

ASSETS AND LIABILITIES

	As at 31 December				
	2005	2006	2007	2008	**2009**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	2,144,992	2,406,660	4,935,265	5,387,558	**5,798,025**
Total liabilities	(1,114,638)	(1,093,611)	(1,211,269)	(1,652,032)	**(1,901,311)**
	1,030,354	1,313,049	3,723,996	3,735,526	**3,896,714**
Equity attributable to equity holders of the Company	1,023,298	1,265,889	3,678,638	3,673,905	**3,810,079**
Minority interests	7,056	47,160	45,358	61,621	**86,635**
	1,030,354	1,313,049	3,723,996	3,735,526	**3,896,714**

Chairman's Statement

Gong Cimin
Chairman and Executive Director

Dear Shareholders,

On behalf of the board of directors (the "Board") of Sichuan Xinhua Winshare Chainstore Co., Ltd. (the "Company"), I am pleased to present to the shareholders the annual results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2009 (the "Year").

In the past year, the Group stood on the mission of expanding and strengthening our principal operating business and strived to explore its market potential. We responded actively to the aggressive emergence of domestic publishing media groups and the impact of intensified market competition brought by emerging business forms. With our continuous innovative drive, we achieved encouraging results in enriching the setting up of modern corporate system, enhancing the core competitiveness of our enterprise, rationalizing our principal operating business model and expanding the associated businesses relevant to our principal operating business. Sales income and profit of the Group in 2009 had both achieved stable growth over the year 2008. In 2009, the Group recorded a turnover of RMB3,209 million, representing an increase of 17.2% over 2008; with net profit of RMB364 million and basic earnings per share of RMB0.32.

In 2009, by leveraging on the changing market environment and the intensity of cultural system reform on domestic news and press industry, our Group was able to adjust the business strategies of the Company in achieving our goal of becoming a major cultural media group in the PRC. We actively and stably consolidated and developed our principal operating business and had further strengthened the core competitiveness of our traditional principal operating business. With regard to retail business, through the adjustment and rationalization of our operating model, satisfactory sales results were seen. For subscription business, by leveraging on our premier professional market services capabilities, we achieved "in-time pre-semester textbook delivery" in 32 consecutive years and had laid a sound corporate social image in the industry. In coping with the adverse situation like the natural reduction in the number of students, reuse of textbooks, market saturation of textbook subscription, we had actively sought and tried to have an organic integration between education contents product publication and digitalized publishing technology in exploring new business

Chairman's Statement (Continued)

potential. In respect on-line sales of publication business, the influence of "Xinhua On-line", our e-commerce platform, on the society keeps on increasing while the sales increased rapidly during 2009. For Zhongpan business, after a year of adjustment, the effectiveness and market value of Zhongpan sales network had gradually improved. In 2009, through the introduction of advanced marketing concepts and our exploration and innovativeness towards the operating model of our principal operating business, the Group had further paved a new path in improving the core competitiveness of our principal operating business. As the Company had sound operating results and good social creditability, we have been awarded as Advanced Enterprise in the National Cultural System Reform by the Propaganda Department, Ministry of Culture, The General Administration of Radio Film and Television, and the General Administration of Press and Publication, and "Xinhua On-line" was awarded as Top 20 E-commerce of the Top 100 Publishing Industry Website in 2009 by The Publishers Association of China and the Chinese Institute of Publishing Science.

In 2009, with capital as a bonding, the Group continued to move forward and achieved its industry integration with initial results seen in our cross-regional development. We established Hainan Publisher Company Limited together with The People's Government of Hainan Province which had further achieved the cross-regional co-operation of the industry and facilitated the comprehensive business integration of the industry chain of the Company. We acquired partial interests of Sichuan Xinhua Colour Printing Company Limited and succeeded in becoming its controlling shareholder, by which we were able to obtain the front-end resources for our principal operating business chain. We also acquired and subscribed the equity interests of Chengdu Institute of Sichuan International Studies University, bathing our participation in premier cultural education resources. We jointly established Sichuan Periodical Media (Group) Co., Ltd. with Sichuan Periodical Press Group, leaping a big step in our cross-industry business integration. In early 2010, Anhui Xinhua Media Co. Ltd ("Wan Xin Media"), in which we have an interest, was successfully listed on Shanghai Stock Exchange. Through a series of projects participation, the Group achieved its cross-regional and cross-industry chain expansion under the lead of our principal operating business, and thereby enhanced the equity value of the Group.

From the Group's perspective, 2010 will be a year synchronized by opportunities and challenges. On one hand, with intensifying cultural system reform by the state, the implemented industry policies will undergo adjustments. This will further push forward the development of news publishing industry and will help in speeding up the pace of industry cross-regional and cross-industry business assimilation and integration, thereby bringing tremendous opportunities to the Group in further achieving the expansion and rationalization of our principal operating business industry chain, and strengthening our core competitiveness and on-going development capabilities. On the other hand, with the emersion of emerging business environment in publishing industry like digitalized publications and new media and its inter-twined assimilation with traditional publication industry, it will promote the transformation of traditional publication environment towards modernized publication environment; mutual penetration among our industry and its associated industries in its development; and facilitate the gradual formation of a new market structure. In coping with these opportunities and challenges, the Group ought to equip itself with forward-looking vision and judgment regarding the development trend and direction of its principal operating business. In this aspect, the Group will continue to leverage upon its system, mechanism, capital and network advantages with an aim to become a major cultural media group in the PRC, establish a strong foothold in our principal operating business, also further integrate our premier publication industry resources, continue to rationalize the operation model of retail business, enhance market adaptability, strive to promote a nationwide Zhongpan operation and nourish our new core competitiveness. At the same time, the Group will fully leverage on its capital in operating its platform, implement our business development strategies approved in the extraordinary general meeting held on 21 August 2009, continue to push forward the innovative industry environment of the Group through equity investment (either non-controlling or controlling) and strategic co-operation to gradually achieving the diversification, co-operation and development of our business; and to build a strategic development structure of the Group in realizing a step by step cross-regional and cross-industry business development, aiming at further strengthening our market core competitiveness and on-going development capabilities.

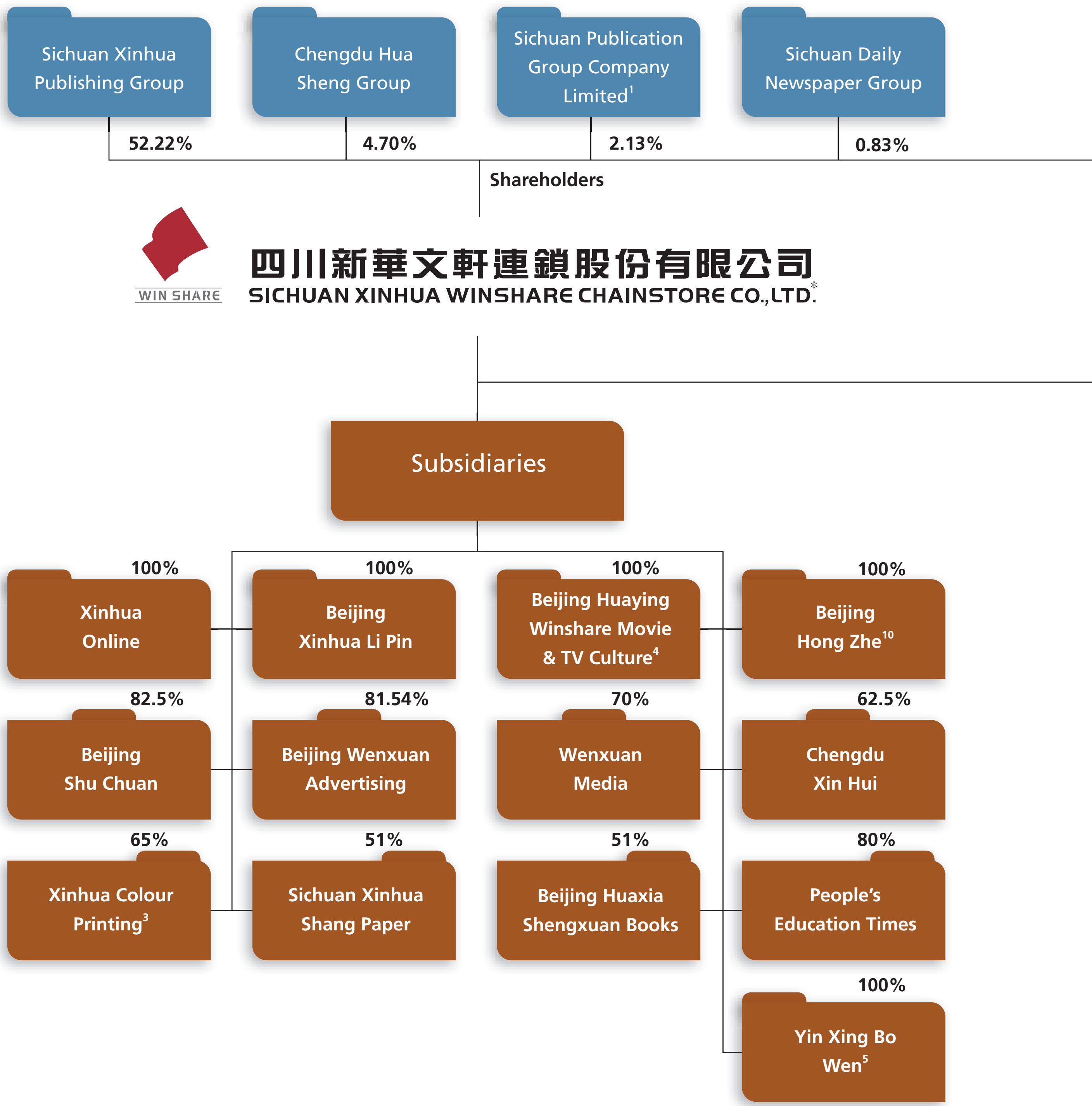
We believe, with the continuous efforts of our management team and staff, we will be able to bring good investment returns to all the shareholders of the Company.

Finally, I would like to take this opportunity to express my sincere gratitude to all the shareholders of the Company and stakeholders for their trust and support.

Gong Cimin
Chairman

1 April 2010

Corporate Structure of the Group



Notes: (The stated percentages of shareholdings represent the position of the Group either owns directly or indirectly the voting rights or the shareholdings controlled by its investments as at 31 December 2009).

1. In November 2009, the name of "Sichuan Publication Group" was changed to "Sichuan Publication Group Company Limited".

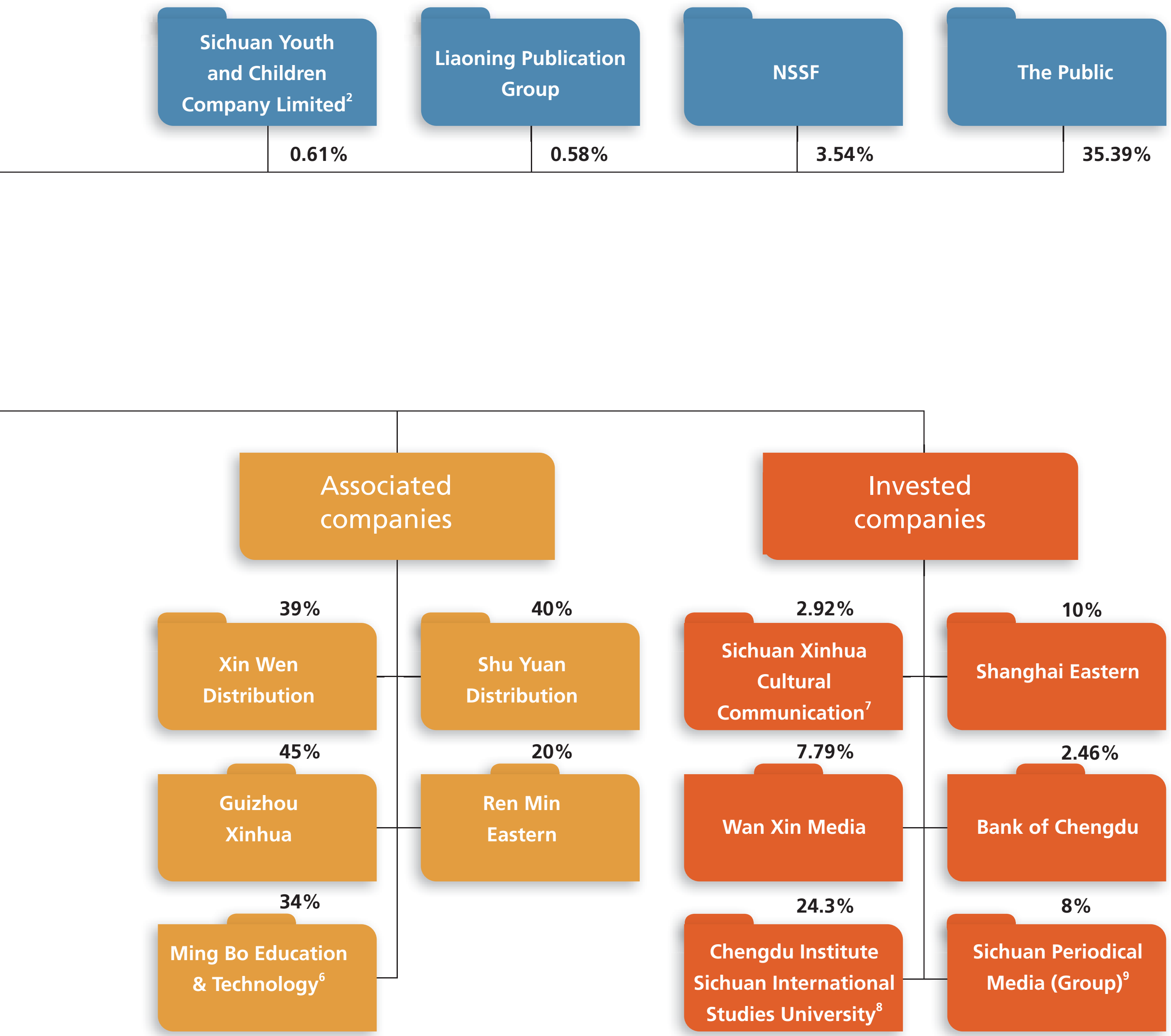
2. In December 2009, the name of "Sichuan Youth and Children" was changed to "Sichuan Youth and Children Company Limited".

3. In April 2009, the Company acquired 20% equity interests in Xinhua Colour Printing. After the acquisition, the Company holds 65% equity interests of that company.

4. In June 2009, the Company acquired 59% equity interests in Beijing Huaying Winshare Movie & TV Culture. After the acquisition, the Company holds 100% equity interests of that company.

5. In June 2009, the Company acquired a total of 59% equity interests in Yin Xing Bo Wen. After the acquisition, the Company holds 100% equity interests of that company.

Corporate Structure of the Group (Continued)



6. In December 2009, the Company jointly established Ming Bo Education & Technology Co., Ltd. together with China Cartographic Publishing House (中國地圖出版社) and Beijing Fangzheng Zhixin Investment Company Limited (北京方正致信投資有限公司) whereby the Company holds 34% equity interests of that company.

7. In June 2009, Sichuan Xinhua Publishing Group increased its capital in Sichuan Xinhua Cultural Communication, resulting in a decrease of the Company's equity interests in that company from 14% to 2.92%.

8. In June 2009, the Company subscribed and acquired 24.3% equity interests in Chengdu Institute of Sichuan International Studies University.

9. In September 2009, the Company and Sichuan Periodical Press Group jointly established Sichuan Periodical Media (Group) Co., Ltd. (四川期刊傳媒(集團)股份有限公司) in which the Company holds 8% equity interests.

10. The Company directly holds 90% equity interests in Beijing Hongzhe Cultural Development Company Limited and also holds 10% equity interests through Sichuan Xinhua Colour Printing Company Limited.

Management Discussion and Analysis

INDUSTRY OVERVIEW

In 2009, under the impact of international financial crisis, the book distribution market in the PRC was still able to sustain a steady growth. Sales of books, total outputs in printing industry and digitalized publishing industry attained relatively higher growth rates. With the on-going positive development of China's macro-economy, it is expected that the demand of cultural consumer market will expand gradually.

At the same time, the overall strength of publishing industry was further enhanced by the publishing system reform entering into a new stage of open diversification and intense vertical dissemination. In 2009, the State Counsel and the General Administration of Press and Publication of the PRC issued the "planning for revitalization of cultural industry" and the "guidelines regarding further promoting the system reform of the press and publishing industry" respectively and together with their respective supporting policies. These had stipulated the specific requirements on revitalizing cultural industry in an accelerated pace, expanding industry size, enhancing the overall strength and competitiveness of cultural industry. Backed up by these policies, cross-region restructuring and financing by listing of various companies in the publishing and distributing industry were making progress, and modern publishing and media groups with adequate market competitiveness and influence are emerging, which in turn had fuelled up industry competition.

In 2009, the industry scale of digitalized publishing industry in the PRC had expanded rapidly. The PRC government has taken measures in encouraging and supporting the distribution and publishing enterprises in exploring the digitalized publishing industry. In January 2010, the General Administration of Press and Publication of the PRC promulgated the "guidelines regarding further promoting development of the press and publishing industry" and put forward to actively develop the strategic business of press and publishing industry like digitalized publishing, network publishing, mobile phone publishing, which was mainly featured by digitalized content, digitalized production and digitalized transmission.

Currently, public reading is no longer confined to traditional paper media reading. The fast-change of reading content carrier indicates that the imminent era of digitalized reading has finally arrived. Numerous international and domestic information technology enterprises, internet enterprises, mobile operators and traditional books publishing enterprises are now getting involved in digitalized publishing industry, and the industry integration brought by digitalized tide has broken the boundary between industries like publishing, media, network, electronic and telecommunication. The digitalized publishing industry demonstrates huge potential and prospects, arousing the interests of the whole publishing industry. However, with the relatively conservative domestic traditional publishing and distribution enterprises, the digitalized publishing market is lead by equipment providers, mobile service providers and for network literature platform providers. The digitalized publishing industry chain is emerging with content providers, digital format producers, content service platform, network service providers and terminal equipment providers as principals, however the matured digitalized publishing business model is yet to be formed. However, with the arrival of digitalized reading era, popularization of terminal equipment, and more diversified reading needs of readers, the cross-industry digitalized publishing industry complex, covering electronic books, digitalized newspapers, digitalized audio-video, electronic magazines, website, mobile newspapers, network game, animation and multimedia, to name a few, will be formed to satisfy the various forms demanded by digitalized reading. To better address the needs of digitalized reading, the digitalized publishing industry is in urgent need of a content operation platform integrating abundant content, possesses with marketing and service functions so as to connect the writers, publishers and terminal readers of the digitalized publishing industry in both upstream and downstream. Accordingly, it is not difficult to see that content production and service in the digitalized publishing era are still fundamental on digitalized publishing. If traditional publishing enterprises can capitalise on its own strengths and content to establish the digitalized content operation platform, coupled with the synergy of traditional publishing, it will certainly have a promising prospect in the digitalized publishing field. Furthermore, the digitalized publishing is becoming the integration of several massive industries like traditional publishing industry combining with information technology manufacturers and network service providers. With the surging development of informatized society, the accelerated unification of the three networks, as well as the popularization of wireless internet and intelligentization of palm networking terminal, the digitalized publishing industry will demonstrate a strong development momentum and becomes the front line of publishing industry reform. This will also offer greater opportunities for traditional publishing and distribution enterprises.

Management Discussion and Analysis (Continued)

The Group believes, augmented by the nation's facilitation of further speeding up of the development and revitalization of cultural industry policies, better environment and opportunities will be available for the development of the Company. At the same time, facing intense industry competition, the emersion of digitalized publishing businesses, while the Company will gradually promote the transformation and upgrade its traditional business, it will continue to seek new development models innovatively at the same time, in order to improve the overall competitiveness and profitability of the Company.

BUSINESS REVIEW

During the Year, the Group's sales revenue amounted to RMB3,209 million, representing an increase of 17.2% as compared with that of 2008. The increase in sales was mainly due to the growth in sales of supplementary material products, sales of papers and retail businesses.

Product

During the Year, the Group actively sought a shift of our production model from product variety oriented to quality and profitability oriented. Through rationalization and optimization of selected subjects, we increased our control efforts over product marketing and costs and risks so as to enhance the quality and market competitiveness of our products. With these efforts, it resulted in a relatively large decrease of our supply of ancillary support and service to book publishers in the category and number of books in this segment as compared with 2008.

At the same time, through its diversification to the upstream sectors of the industry, the Group integrated the related resources like paper supply and printing services. During the Year, paper sales had a significant increase when compared to 2008, and augmented with the new printing services income.

During the Year, sales revenue of this segment amounted to approximately RMB445 million (including intersegment revenue).

Management Discussion and Analysis (Continued)

Zhongpan

During the Year, the Group continued to push forward steadily the nationwide construction of DaZhongpan, and grasped our foothold to set up a publication-oriented nationwide merchandise distribution platform and industry service platform. Through the setting up of a solid development foundation, operating mechanism transformation and operation risks control, the Group had further enhanced the construction of its channel network and set up its distribution network across the country, thereby strengthening our distribution capacity of nationwide publication. However, as affected by the optimization of the structure of co-operative products and adjustments of distribution operating mechanisms and network, the sales revenue slightly dropped.

During the Year, sales revenue of this segment amounted to approximately RMB1,784 million (including intersegment revenue).

Retailing

During the Year, benefiting from the strengths of the channels, the retail sales of books achieved a simultaneous growth in terms of both quantities sold and turnover for the first time. For group purchase business, through enhancing the building up of our professional tender capabilities, the Group had obtained various key tender projects. At the same time, through the active exploration of new business models of cultural malls, sales of affiliated products increased significantly.

During the Year, sales revenue of this segment amounted to approximately RMB504 million.

Subscription

Affected by the reuse of some of the government-subsidized textbooks as well as the slight drop in the number of students enrolled in secondary and primary schools, sales of textbooks decreased during the Year as compared with that of 2008. As for the supplementary material products, under the homogeneous intensifying competitive market environment, by leveraging on its channel advantages actively, optimizing its sales structure, balancing its regional development strategy, the Group realized a significant increase in the sales of supplementary material products, and drove to achieve a steady growth in the overall sales of Subscription segment.

During the Year, sales revenue of this segment was approximately RMB 2,288 million.

Management Discussion and Analysis (Continued)

Investment Overview

With the strategic target of building a strong cultural and media group in PRC, the Group made new progresses in the development of publishing and distribution industry chain and expansion in cultural and relevant industry.

In April 2009, the Company acquired a 20% equity interest in Sichuan Xinhua Colour Printing Company Limited (四川新華彩色印務有限公司) ("Xinhua Colour Printing"), an associated company, from other shareholders, thereby the Company's shareholding in Xinhua Colour Printing was increased to 65%. The acquisition helped to facilitate the coordination and extension of the industry chain of the Company.

In June 2009, the Company acquired a 24.3% equity interests in Chengdu Institute of Sichuan International Studies University (四川外語學院成都學院) at a consideration of RMB260 million. The project presents a stable earnings prospect and cash inflow, which will generate considerable investment return for the Group. Investment in the aforesaid institute is the exploration by the Group into the cultural and education sector. In December 2009, the Group obtained a dividend of RMB 11.76 million.

In June 2009, the Company acquired a 59% equity interests in Chengdu Yin Xing Bo Wen Book and Cultural Development Co., Ltd. (成都銀杏博文圖書文化發展有限公司), a then associated company, from other shareholders. It then became a wholly-owned subsidiary of the Company. In December 2009, the Company injected additional capital of RMB 15 million into that company. In December 2009, the Company jointly established Ming Bo Education & Technology Co., Ltd. (明博教育科技有限公司) together with China Cartographic Publishing House (中國地圖出版社) and Beijing Fangzheng Zhixin Investment Company Limited (北京方正致信投資有限公司). The Company contributed RMB20,400,000 to its capital, holding 34% shareholding interest. Through the above investments, the Group can further leverage on the advantage of traditional business to fully demonstrate our decades of experience in the education service industry and to grasp the development trend of education informatization in entering the secondary and primary school education informatization service area.

Management Discussion and Analysis (Continued)

In December 2009, the Company entered into a cooperation agreement with Hainan Province Finance Bureau (海南省財政廳). The agreement contracted both parties to establish Hainan Publisher Company Limited (海南出版社有限公司) through joint contribution and that the Company contributed RMB98 million to hold 50% equity interests in that company. At the same time, both parties had agreed that Hainan Province Finance Bureau and the Company would enjoy 49% and 51% of total voting rights of that company, respectively. Through this cooperation, the Company further achieved the cross-region cooperation and expansion into the upstream of publishing business chain which would facilitate the development of our business chain of the Company into a vertically integrated operation.

Furthermore, during the Year, the Company and Sichuan Periodical Press Group (四川黨建期刊集團) jointly established Sichuan Periodical Media (Group) Co., Ltd., (四川期刊傳媒(集團)股份有限公司) of which the Company contributed RMB4 million, holding 8% of its equity interests. Moreover, the Company acquired 59% equity interests in an associated company, Beijing Huaying Winshare Movie & TV Culture Company Limited (北京華影文軒影視文化有限公司) to turn it into a whole-owned subsidiary and the Company further injected RMB18.5 million to its capital. In January 2010, the Company, Mr. Zhang Daxing and Mr. Liu Zhengxing (each of them is a natural person) jointly contributed to establish Sichuan Winshare Arts Investment Management Co., Ltd. (四川文軒藝術投資管理有限責任公司), of which the Company contributed RMB12 million, holding 60% of its equity interests. The above investments were the major measures that the Company had participated in the cultural system reform, integrating respective cultural industry resources and cultural industry expansion.

The Company holds a 7.79% equity interests (62,320,000 shares with investment cost of RMB2.98 per share) in Anhui Xinhua Media Co. Ltd. (安徽新華傳媒股份有限公司) ("Wan Xin Media") as at 31 December 2009. During the Year, the Company obtained investment income of RMB3.74 million from Wan Xin Media. Wan Xin Media was listed on Shanghai Stock Exchange on 18 January 2010. Wan Xin Media issued a total of 110,000,000 shares at the issue price of RMB11.80 per share through this listing, and its total share capital was enlarged to 910 million shares, reducing the Company's shareholding to 6.85% upon its listing.

Due to the urban development planning and the logistics industry development planning by the Chengdu municipal government, as well as satisfying the increasing logistics service demand and continuous business growth demand of the Group, the Board of the Company approved the investment in and construction of the Western China Cultural Products Logistics Centre at Chengdu International Container Logistics Park (成都國際集裝箱物流園區) in Qing-Bai-Jiang District, Chengdu City on 1 April 2010. It is expected that the new logistics centre will occupy a site area of approximately 180,000 square metres and have a total gross floor area of approximately 130,000 square metres. The storage capacity could reach a maximum of approximately 600,000 types of products, its circulating capacity could reach approximately RMB16 billion for every year and the estimated total investment budget is approximately RMB420 million. The construction of the new logistics centre will facilitate the expansion of the Group's logistics network, satisfy the increasing logistics service demand of the Group and lay a solid foundation for the Group's new-type logistics business development.

Furthermore, on 1 April 2010, as approved by the Board, the Company entered into three Joint Venture Agreements with Chengdu Hua Sheng (Group) Industry Co. Ltd. including (1) to establish Sichuan Wenxuan International Early Childhood Education Investment Company Limited (四川文軒國際幼兒教育投資有限公司) principally engaging in the business of early childhood education in Sichuan Province, the PRC; (2) to establish Sichuan Wenxuan International Logistics Company Limited (四川文軒國際物流有限責任公司) engaging in the industrial and logistical property development at Chengdu International Container Logistics Park (成都國際集裝箱物流園區) in Qing-Bai-Jiang District, Chengdu City; and also (3) to establish Sichuan Wenxuan Logistics Commerce Company Limited (四川文軒物流商業有限責任公司) engaging in the commercial and residential property development at Chengdu International Container Logistics Park (成都國際集裝箱物流園區) in Qing-Bai-Jiang District, Chengdu City. The respective procedures regarding the capital contribution are in progress.

Management Discussion and Analysis (Continued)

Further details regarding the investment in and construciton of the Western China Cultural Products Logistics Centre as well as the three Joint Venture Agreements entered into between the Company and Chengdu Hua Sheng (Group) Co. Ltd. were set out in the announcements of the Company dated 1 April 2010 published on the website of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") at www.hkexnew.hk and the website of the Company at www.winshare.com.cn.

FUTURE PROSPECTS

Under the current state policy of "planning for revitalization of cultural industry" and "guidelines regarding further promoting development of the press and publishing industry" with an emphasis in speeding up the pace of the revitalization process, expansion in scale of the industry and reinforcement of the overall strength of cultural industry and competitiveness; in order to grasp the development opportunities brought about by the revitalization of cultural industry policy by the PRC government, the Company had, based on its existing resources and capabilities and with the consideration and approval from the Board and in general meeting in 2009, timely adjusted its strategies to exploring its existing principal business of book publishing and distribution; to grasp opportunities brought by the system reform of the PRC news publishing industry; to achieve the vertically integrated operation for the Company's publishing and distribution business; to actively develop (including but not limited to) its media and cultural education related business; and to turn the Company into a major cultural media group in the PRC.

With such strategy in mind, the Company will continue to consolidate and develop its traditional business, striving to achieve its publishing and distribution industry chain integration and expansion into its relevant industries. The Company will actively yet prudently develop new businesses, enhance its corporate profitability and the ability of sustainable development. To achieve these goals, the Company is carrying out all the operation plans step by step focusing on the implementation of the following key strategies:

(1) to actively yet prudently consolidate and develop its traditional business and to speed up the integration and optimization of the publishing and distribution business chain.

(2) to continue to explore the operation model for comprehensive cultural malls, to enhance and optimize the building of retail stores network, to promote stores transformation and upgrading and to increase their overall competitiveness and efficiency.

(3) to converge the existing traditional publishing and distribution business advantages, step into the digitalized publishing industry, explore a business mode and operating method for digitalized publishing content operation platform with content creation, digitalized copyright content operation and e-commerce sales as its core.

(4) to further improve the circulation function and sales capability in Zhongpan and accelerate the establishment of core competitive advantage in target markets, in order to allow Zhongpan to further manage its upstream and downstream channels.

(5) to seek proactively investment opportunities in other cultural media and education industry relevant to the Company's principal business, through relying on the cultural industry funds, equity investment and other forms to strengthen corporate capabilities in both profitability and sustained development.

(6) to grasp the opportunities in the adjustments of logistics industry development plans by government, fulfill our sustainable development business demand and improve the logistics network circulation capabilities in order to lay a foundation for expanding our new logistics business and integrating our industry chain in publishing and distribution industry.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW

Revenue

Sales revenue for the Year recorded a significant growth of 17.2%, which was mainly driven by the increase in sales of Retailing segment , Subscription segment and Product Segment. The Group classifies its segments by nature of business. The Product segment is responsible for the provision of ancillary support and services to book publishers. The Subscription segment and the Retailing segment are responsible for selling products to their customers through different channels. The Zhongpan segment is responsible for centralized products procurement and distribution for different channels or selling products to external customers through the nationwide Zhongpan network of the Group. Under its integrated operation, with the exceptions of Zhongpan segment and Product segment where some of their goods are sold directly to external customers, most of the goods have to go through more than one of the segments before reaching the final customer. Thus, it resulted in a larger amount of intersegment sales and sales elimination.

Gross Profit Margin

The gross profit margin of the Group for the Year was 37.4%, which was lower than the 40.4% for the corresponding period of 2008. The decrease in gross profit margin was mainly due to the lower gross profit level of the subsidiary acquired in late 2008. The gross profit margin was maintained at the same level as compared with last year after excluding such factor.

Management Discussion and Analysis (Continued)

Segment Analysis

Segment revenue of the Group for the year ended 31 December 2009 and the corresponding period of 2008 are as follows:

	2009	2008	Changes	Percentage of segment sales to revenue before intersegment sales elimination **2009**	2008	Percentage of segment external sales to consolidated revenue **2009**	2008
	RMB'000	RMB'000	%	**%**	%	**%**	%
Product segment							
External sales	**285,210**	27,562	934.8	**5.7**	0.6	**8.9**	1.0
Intersegment sales	**160,017**	447,868	(64.3)	**3.2**	9.1		
Total	**445,227**	475,430	(6.4)	**8.9**	9.7		
Zhongpan segment							
External sales	**115,586**	118,220	(2.2)	**2.3**	2.4	**3.6**	4.3
Intersegment sales	**1,668,185**	1,725,546	(3.3)	**33.1**	35.1		
Total	**1,783,771**	1,843,766	(3.3)	**35.4**	37.5		
Subscription segment							
External sales	**2,288,013**	2,180,595	4.9	**45.4**	44.4	**71.3**	79.7
Intersegment sales	**–**	–	–	**–**	–		
Total	**2,288,013**	2,180,595	4.9	**45.4**	44.4		
Retailing segment							
External sales	**503,922**	405,169	24.4	**10.0**	8.3	**15.7**	14.8
Intersegment sales	**–**	–	–	**–**	–		
Total	**503,922**	405,169	24.4	**10.0**	8.3		
Others segment							
External sales	**16,257**	5,390	201.6	**0.3**	0.1	**0.5**	0.2
Intersegment sales	**215**	337	(36.2)	**–**	–		
Total	**16,472**	5,727	187.6	**0.3**	0.1		
Revenue before intersegment sales elimination	**5,037,405**	4,910,687	2.6	**100.0**	100.0		
Intersegment sales elimination	**(1,828,417)**	(2,173,751)	(15.9)				
Consolidated revenue	**3,208,988**	2,736,936	17.2			**100.0**	100.0

Management Discussion and Analysis (Continued)

The gross profit and the gross profit margin of each segment of the Group for the Year and the corresponding period of 2008 are as follows:

	2009		2008	
	Gross profit RMB'000	**Gross profit margin %**	Gross profit RMB'000	Gross profit margin %
Product (including intersegment revenue)	**70,107**	**15.7**	79,110	16.6
Zhongpan (including intersegment revenue)	**201,838**	**11.3**	220,448	12.0
Subscription	**745,147**	**32.6**	718,347	32.9
Retailing	**134,417**	**26.7**	108,694	26.8
Others (including intersegment revenue)	**4,171**	**25.3**	2,887	50.4
Intersegment revenue elimination	**44,479**	**N/A**	(22,985)	N/A
Total	**1,200,159**	**37.4**	1,106,501	40.4

Product

During the Year, the Product segment had a revenue decrease of 6.4%, which was mainly attributable to the Group's optimization in its co-operative products structure during the Year, which resulted in a decrease in both kinds amount and sales amount for co-operative products. However, at the same time, the Group acquired the equity interest in Sichuan Xinhua Shang Paper Co., Ltd. (四川新華商紙業有限公司) in October 2008. During the Year, paper sales business significantly raised the external sales amount of Product segment.

For gross profit margin, although the gross profit margin of co-operative products had improved during the Year after business optimization, however, the paper trading industry had a lower gross profit margin, thus, it caused the gross profit margin of the Product segment to decrease from 16.6% for 2008 to 15.7% for the Year.

Zhongpan

The Zhongpan segment had a revenue decrease of 3.3% during the Year, among which sales to external customers recorded a revenue of RMB116 million, representing a decrease of 2.2% when compared with RMB118 million for the corresponding period of 2008. This was mainly affected by the optimization of co-operative products structure and adjustment of the operating mechanism of distribution.

Gross profit margin of the Zhongpan segment decreased slightly to 11.3%, which was attributable to a slight decrease in the proportion of co-operative products to the segment sales during the Year.

Management Discussion and Analysis (Continued)

Subscription

The revenue of Subscription segment had a growth of 4.9% during the Year. Sales of textbooks for the Year dropped due to adverse factors such as the textbook-reuse policy and the decrease in the number of students for primary and secondary schools, however, the Group maintained the strong growth of sales of supplementary education materials which in turn drove the growth of the Subscription segment.

Gross profit margin of the Subscription segment during the Year approximated to that of 2008.

In December 2009, the Company was granted preferential value-added tax policy for 2009 by the national finance and tax departments. The policy was in line with the preferential policy granted to the Company in 2008, i.e. the distribution network of the Company at county level (including county level cities) and below was exempted from payment of value-added tax for the local sales of publication materials.

Retailing

The revenue of Retailing segment recorded a rapid growth of 24.4% during the Year, which was attributable to continuous optimization of store network and the enhancement of internal operational management capabilities of the Company, as well as that the group purchase business obtained various key tender projects (of which revenue from distribution business to libraries in Sichuan primary and secondary schools amounted to RMB57 million).

The gross profit margin of Retailing segment was basically the same as 2008.

Expenses and Costs

Selling and distribution costs and administrative expenses

During the Year, total selling and distribution costs and administrative expenses were RMB900 million, representing an increase of 15.3% from RMB781 million in the corresponding period of last year. This was mainly due to the higher promotional expenses of supplementary materials as compared to that of textbooks, and the increase of promotional expenses resulting from an increase in sales of supplementary materials. In addition, the increase in labour costs was due to the business development and acquisition of subsidiaries during the Year, which increased the expenses for the Year.

Other expenses

Other expenses for the Year amounted to RMB39 million. After excluding the 2008 earthquake related donations of RMB22 million, a decrease of other expenses of 29.4% was recorded during the Year as compared with 2008. This was due to the optimization of inventory structure, resulting in a decrease in the provision for inventories. At the same time, various measures were adopted to quicken receivables collection during the Year and reversed the provision for bad debts for previous years.

Finance Income, Net

Finance income, net for the Year amounted to RMB32 million, decreased by 19.5% when compared to 2008. This was mainly due to the lower bank deposits rate in 2009 than that of 2008.

Management Discussion and Analysis (Continued)

Tax

Pursuant to the "Notice on the list of cultural system reform enterprises and recognition issues" issued by the Ministry of Finance, the State Administration of Taxation and the Central Department of Propaganda of the Communist Party of the PRC (財政部、國家税務總局、中共中央宣傳部關於轉制文化企業名單及認定問題的通知) (Caishui 2009 No. 105), the Company and two subsidiaries of the Group, as a cultural system reform unit, continues to enjoy exemption from corporate income tax for the period from 1 January 2009 to 31 December 2013.

Profit

The Group's profit for the Year amounted to RMB364 million, representing an increase of 7.6% from RMB338 million in the corresponding period of last year. The profit attributable to shareholders of the Company increased by 6.1% to RMB359 million from last year.

Earnings Per Share

Earnings per share is calculated by dividing profits attributable to equity holders of the Company by the weighted average number of ordinary shares in issue for the period. The Group's earnings per share for the Year was RMB0.32, representing an increase of 6.1% from RMB0.30 in the corresponding period of last year.

Please refer to note 13 to financial statements for the calculation of earnings per share.

Liquidity And Financial Resources

As at 31 December 2009, the Group had cash and short-term deposits of approximately RMB2,347 million, and the bank and other borrowings of the Group represented RMB47 million of fixed-interest financing of the subsidiaries. The Company did not have any bank and other borrowings. The stable and strong cash flow and robust financial conditions laid out a sound foundation for the continuing development of the Group.

As at 31 December 2009, the gearing ratio (calculated by dividing total liabilities by total assets) of the Group was 32.7 % (31 December 2008: 30.7 %). During the Year, there was no significant change in the Group's capital structure during the Year.

Substantially all of the Group's assets, liabilities, revenues, costs and expenses were denominated in RMB. As a result, the management believes that foreign exchange exposure of the Group is minimal and the Group has not entered into any foreign exchange hedging arrangement.

Management Discussion and Analysis (Continued)

Working Capital Management

	31 December 2009	31 December 2008
Current Ratio	**2.04**	2.48
Inventory Turnover Days	**138.4**	157.1
Trade Receivables Turnover Days	**36.1**	40.0
Trade Payables Turnover Days	**217.8**	245.6

As at 31 December 2009, the current ratio of the Group was 2.04 (31 December 2008: 2.48), which indicated that the Group remained financially stable. The decrease in current ratio as compared with 2008 was mainly due to the purchase of offices for regional operations in Beijing and several equity investments by the Company during the Year.

Inventory turnover days decreased from 157.1 days in 2008 to 138.4 days in 2009. This was because the new paper trading business acquired by the Group has a shorter turnover days, thereby decreasing the overall turnover days. Trade receivables turnover days decreased from 40.0 days in 2008 to 36.1 days in 2009, which was attributable to faster collection of receivables arising from adoption of various measures. Trade payables turnover days decreased from 245.6 days in 2008 to 217.8 days in 2009, which was attributable to the shorter turnover days of the new paper trading business. Turnover days remained at a relative longer period after excluding the above factor, this was due to longer credit term generally granted by suppliers.


智慧
Wisdom

Corporate Governance Report

The Company has all along been striving to establish a corporate governance system which is in compliance with the domestic and foreign supervisory regulations and under the actual position of the Company. In 2009, the Company had strictly complied with the relevant laws and regulations such as the Company Law of the People's Republic of China as well as the domestic and foreign supervisory regulations. We continued to enhance the setting up of a corporate governance system, strengthened our risk management and internal control, and reinforced investors' relationship management, improved our transparency of information disclosure continuously and protected the shareholders' legal rights and interests effectively.

During the Year, the Company has complied with the principles and the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

BOARD

Responsibilities and Division of Work

The Board acts on behalf of the interests of the shareholders as a whole and is accountable to shareholders in general meetings. The main duties of the Board are to: implement the resolutions passed in general meetings; make decision on the Company's business plans and investment plans; formulate the Company's annual financial budget and annual report; formulate the Company's profit distribution plan and loss recovery plan; decide on the establishment of the Company's internal management structure; formulate our Company's basic management system; etc.

The Board is responsible for making decisions on specific issues, while the management is delegated the power to execute and manage the Company's day-to-day affairs. The Company does not maintain the position of a Chief Executive Officer but has a general manager who has a role similar to that of a Chief Executive Officer. The positions of Chairman and general manager of the Company are taken up by Mr. Gong Cimin and Mr. Luo Yong respectively, with clear division of work between them and with written terms of reference. The Chairman is in charge of the affairs of the Board and reviews the implementation of the Board's resolutions whereas the general manager, under the leadership of the Board, is mainly responsible for the Company's management operations and business coordination. Apart from the information disclosed in the section "Profile of Directors, Supervisors and Senior Management" of the annual report, there is no financial, business, family and other substantial/related relationship among respective Directors and Chairman and general manager.

Composition of the Board

The current session of the Board is the second session of the Board of the Company and was elected at an extraordinary general meeting held on 30 July 2008. The Board comprises thirteen members, including two Executive Directors, namely Mr. Gong Cimin (Chairman) and Mr. Zhang Bangkai (Vice Chairman); eight Non-executive Directors, namely Ms. Wang Jianping, Mr. Yu Changjin, Mr. Li Jiawei, Mr. Luo Jun, Mr. Wu Qiang, Mr. Zhang Chengxing, Mr. Zhao Junhuai and Mr. Zhao Miao and three Independent Non-executive Directors, namely Mr. Han Xiaoming, Mr. Cheng Sanguo and Mr. Chan Yuk Tong. The number of members and composition of the Board are in compliance with the requirements of the relevant laws and regulations. According to the Articles of Association of the Company, the term of office of the Directors (including Non-executive Directors) is from the date of passing the resolutions at the extraordinary general meeting to the expiry date of the term of office of the Board of that session.

On 10 February 2009, the Company held an extraordinary general meeting to approve the appointment of Mr. Zhao Miao as a Non-executive Director and Mr. Mo Shixing's resignation as a Non-executive Director with effect on the same date.

Corporate Governance Report (Continued)

At the date of this report, the biographical details of the Directors are set out in the section "Profile of Directors, Supervisors and Senior Management" in the annual report.

Board Meetings

During the Year, the Board convened a total of nine Board meetings, of which four of them were attended in person and five meetings were held by way of written resolutions. The Board meetings reviewed and approved the resolutions like the revision of the Articles of Association, adjustment of the use of proceeds raised, adjustment of corporate business strategies, acquisition and subscription of the equity interests in Chengdu Institute Sichuan International Studies University, continuing connected transactions and announcement of annual results. All the above mentioned Board meetings were convened in accordance with the requirements and provisions of the Articles of Association of the Company, terms of reference of Board meeting and the Code on Corporate Governance Practices. The attendance of the Directors is listed below:

Name	Attendance in person/ Number of meetings required attendance	Attendance rate
Executive Directors		
Gong Cimin *(Chairman)*	9/9	100%
Zhang Bangkai *(Vice Chairman)*	8/9	89%
Non-Executive Directors		
Wang Jianping	9/9	100%
Yu Changjiu	8/9	89%
Li Jiawei	8/9	89%
Luo Jun	9/9	100%
Wu Qiang	6/9	67%
Zhang Chengxing	9/9	100%
Zhao Junhuai	9/9	100%
Zhao Miao (elected on 10 February 2009)	8/9	89%
Independent Non-executive Directors		
Han Xiaoming	9/9	100%
Cheng Sanguo	9/9	100%
Chan Yuk Tong	8/9	89%

Note: Most of the Directors who were unable to present in person had entrusted other Directors to attend and vote on their behalf.

BOARD COMMITTEES

The Board has set up five committees, namely Strategy and Investment Planning Committee, Editorial and Publication Committee, Audit Committee, Remuneration and Review Committee and Nomination Committee. Details of each of the committees are as follows:

Strategy and Investment Planning Committee

The main responsibilities of the Strategy and Investment Planning Committee are to carry out research on the Company's long term development strategies and significant investment decisions and to make recommendations to the Board.

The Strategy and Investment Planning Committee comprises five Directors, current members being Mr. Cheng Sanguo, Mr. Han Xiaoming, Mr. Zhang Bangkai, Mr. Yu Changjiu and Mr. Zhao Junhuai. Mr. Cheng Sanguo, an Independent Non-executive Director, is the chairman of the committee.

During the Year, the Strategy and Investment Planning Committee convened a total of three meetings, committee members Mr. Cheng Sanguo, Mr. Han Xiaoming, Mr. Zhang Bangkai, Mr. Yu Changjiu and Mr. Zhao Junhuai had attended all the meetings in person to discuss the Company's development strategies and significant investment decisions. The committee provided its professional recommendations to the Board when the Board considered the resolutions regarding the adjustment of the Company's development strategies and significant investment decisions, playing a positive role in helping the Board's decision making.

Editorial and Publication Committee

The establishement of the Editorial and Publication Committee is for the purpose of supporting the business development of the Company and bring into full play of the Board's responsibilities.

The Editorial and Publication Committee comprises five Directors, current members being Mr. Zhang Bangkai, Mr. Zhao Miao, Mr. Yu Changjiu, Mr. Zhang Chengxing and Ms. Wang Jianping. Mr. Zhang Bangkai is the chairman of the committee.

During the Year, the Editorial and Publication Committee did not convene any meeting.

Audit Committee

The main responsibilities of the Audit Committee are: (1) to recommend the engagement or removal of external auditing organization; (2) to supervise the internal audit system and its implementation; (3) to be responsible for the communications between internal audit and external audit; (4) to review the Company's financial information and its disclosure; and (5) to review the Company's internal control system.

The Audit Committee comprises three Directors, current members being Mr. Chan Yuk Tong, Mr. Han Xiaoming and Ms. Wang Jianping. All members of the Audit Committee are Non-executive Directors, in which Mr. Chan Yuk Tong and Mr. Han Xiaoming are Independent Non-executive Directors. Mr. Chan Yuk Tong is a professional accountant and is the chairman of the committee.

Corporate Governance Report (Continued)

During the Year, the Audit Committee convened a total of six meetings, committee members Mr. Chan Yuk Tong, Mr. Han Xiaoming and Ms. Wang Jianping had attended all the meetings in person to consider the various resolutions like interim and annual results, financial reports, internal control issues, auditors engagement and continuing connected transactions of the Company and to submit its recommendations to the Board. Furthermore, the committee enhanced its communication with the Company's management, external auditors and internal control consultant, followed up the implementation of management recommendations put forth by the auditors and internal control consultant, and provided opinion to the Board on important issues.

The Audit Committee has reviewed and confirmed the audited consolidated financial statements as set out in the annual report.

Remuneration and Review Committee

The main responsibilities of the Remuneration and Review Committee are: (1) to examine the assessment criteria of Directors and senior management, conduct assessment and provide recommendations; (2) to evaluate and examine the remuneration policies and proposals applicable to the Directors and senior management.

The Remuneration and Review Committee comprises three Directors, current members being Mr. Han Xiaoming, Mr. Chan Yuk Tong and Mr. Zhang Bangkai. Mr. Han Xiaoming, an Independent Non-executive Director, is the chairman of the committee.

During the Year, the Remuneration and Review Committee convened one meeting. Committee members Mr. Han Xiaoming, Mr. Chan Yuk Tong and Mr. Zhang Bangkai had attended the meeting in person. The meeting mainly examined the relevant issues such as the Company's remuneration structure and incentives for management, reviewed and approved the "Administrative Measures for the Annual Remuneration and Performance Evaluation of the Company's Senior Management" and submitted its recommendations to the Board.

Nomination Committee

The main responsibilities of the Nomination Committee are: (1) to examine the standards and procedures for selecting Directors and senior management, and make its recommendations to the Board; (2) to seek comprehensively qualified candidates for directorship and senior management positions; (3) to examine and make recommendations regarding the candidates for directorship and senior management who are subject to be engaged by the Board.

The Nomination Committee comprises three Directors, current members being Mr. Han Xiaoming, Mr. Cheng Sanguo and Mr. Luo Jun. Mr. Han Xiaoming, an Independent Non-executive Director, is the chairman of the committee.

During the Year, the Nomination Committee did not convene any meeting.

Corporate Governance Report (Continued)

DIRECTORS

Appointment and Re-election of Directors

The Directors of the Company are elected by shareholders in general meetings, with a term of 3 years. The Directors are eligible for re-election upon the expiry of the term. During the election of new session of the Board, the list of candidates should be proposed by the Board and put forward for shareholders' consideration and approval in general meeting. The Directors of the new session of the Board are appointed by voting for each of the candidates for the directorship in general meeting.

Nomination of Directors

Pursuant to the Articles of Association of the Company, the candidates for the appointment of Directors shall be nominated and proposed by the current Board, and shareholder(s) who is/are jointly or severally holding more than 3% of the shares can also nominate and propose candidates for directorship. The Board examines the qualifications and conditions of the candidates. Upon the passing of a board resolution, the proposal will be submitted in writing to the general meeting for approval.

The Board of the Company has a Nomination Committee, which is mainly responsible for providing opinions and recommendations regarding the candidates, conditions, standards and procedures for the proposed directors, general manager and other senior management.

Independence of Directors

The Company currently has three Independent Non-executive Directors, which is in compliance with the requirements of the number of members and qualifications prescribed by Rule 3.10 of the Listing Rules. Independent Non-executive Directors serve as chairpersons (apart from the chairman in Editorial and Publication Committee) in Board Committees under the Board. Independent Non-executive Directors have no business or financial interests in the Company or its subsidiaries, nor do they assume any managerial position in the Company. Their independence is best guaranteed. Independent Non-executive Directors are experienced professionals from various industries including publishing and distribution, accounting and finance and are familiar with the rights and obligations of directors and independence non-executive directors of listed companies. During the Year, with a responsible attitude and extensive professional knowledge and experience, the Independent Non-executive Directors have provided professional advice for the Board's decision making, as well as motivating senior management to execute the resolutions made by the Board seriously. At the same time, the Independent Non-executive Directors expressed their opinions and communicated by means of on-site workshops and seminars, and actively gave their advice and recommendations in respect of the Company's operation and development, maintaining the Company's operation compliant and stability.

The three Independent Non-executive Directors confirmed in writing to the Company that they had fulfilled the level of independence as required by Rule 3.13 of the Listing Rules for the year 2009. According to their confirmations and to the understanding of the Board, all the existing Independent Non-executive Directors are independent persons in compliance with the requirements under Rule 3.13 of the Listing Rules.

Corporate Governance Report (Continued)

Remuneration of Directors and Supervisors

Details of the remuneration of the Directors and the Supervisors for the year 2009 are set out in note 9 to the financial statements of the annual report.

Securities Transactions by Directors and Supervisors

For the purpose of governing securities transactions by the Directors and the Supervisors, the Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 to the Listing Rules as a code of conduct for securities transactions by the Directors and Supervisors. Having made specific enquiries to each of the Directors and Supervisors, all Directors and Supervisors confirmed that they have complied with all the terms set out in the Model Code during the Year.

SHAREHOLDERS AND GENERAL MEETINGS

The Company endeavors to ensure all the shareholders of the Company (the "Shareholders"), especially minority shareholders, are treated equally and entitled to fully exercise their rights.

Details of Controlling Shareholder and Ultimate Controlling Shareholder

In September 2009, the Company was informed by its controlling shareholder, Sichuan Xinhua Publishing Group Co., Ltd. ("Xinhua Publishing Group" or "Parent Company"), as a result of the implementation of the reorganization plan of certain state-owned enterprises conducted by State-owned Assets Supervision and Administration Commission of the Sichuan Provincial Government of the PRC ("SASAC of Sichuan") as directed by Sichuan Provincial Government, Xinhua Publishing Group has become a wholly-owned subsidiary of Sichuan Development (Holding) Co., Ltd. (四川發展(控股)有限責任公司) ("Sichuan Development"), which is in turn wholly-owned and controlled by SASAC of Sichuan. Based on the above changes, Sichuan Development has become the ultimate controlling shareholder of the Company, as Sichuan Development and Xinhua Publishing Group are wholly-owned, regulated and controlled by Sichuan Provincial Government and are members of a group acting in concert for the purpose of the Takeovers Code. Therefore, there is no significant change in the Company's controlling interests.

The Company is independent from the business operations of the controlling shareholder in terms of personnel, organization, assets and business. The controlling shareholder conformed to the regulations and had never bypassed any general meetings to directly or indirectly interfering with the Company's decisions and operations.

The shareholding details of the substantial shareholders during the Year are set out in the section "Report of the Directors" of the annual report.

General Meetings

The general meeting exercises its power in accordance with the law and is the highest authority of the Company.

In order to safeguard the interests and rights of Shareholders, the Company put forward an independent resolution for each of the important events and presents to the general meeting for review. The details of shareholders rights and the respective voting procedures are set out in the relevant circulars to Shareholders in accordance with the Company's Articles of Association and the Listing Rules. The relevant poll vote results also are set out on the website of The Stock Exchange of Hong Kong Limited ("Stock Exchange") and the Company's self-established website.

Corporate Governance Report (Continued)

During the Year, the Company had convened one annual general meeting and two extraordinary general meetings. The meetings reviewed and passed many important resolutions such as the 2008 annual report, profit distribution proposal of 2008, the general mandate to repurchase shares, the adjustment of corporate business strategies and revision of the Articles of Association. The Directors and certain members of the senior management attended the meetings and answered the questions raised by the Shareholders. Each resolution was voted by poll after full communications among the Shareholders, Directors, Supervisors and management of the Company. The announcements regarding the poll vote result in general meetings are disclosed at the Stock Exchange's website and the Company's self-established website in a timely manner.

SUPERVISORY MECHANISM

Supervisory Committee

The Supervisory Committee is the Company's supervisory organization and is accountable to Shareholders in general meetings. It exercises its independent authority to supervise the Company in accordance with the laws to safeguard the legal interests of Shareholders and the Company.

The Supervisory Committee was elected by both the employee representative meeting held on 30 June 2008 and the extraordinary general meeting held on 30 July 2008 and is the second session of the Supervisory Committee of the Company. It comprises nine members, including four members recommended by Shareholders, two independent supervisors and three members representing employees. The number of members and composition of the committee are in compliance with the requirements of relevant laws and regulations. Mr. Xiao Changjiu was appointed as the chairman of the Supervisory Committee. The term of Supervisor is effective on the day of passing the resolution by Shareholders in general meeting or staff democratic election until the date of the expiry of the term of the session of the Supervisory Committee. The Supervisors who are recommended by Shareholders and independent Supervisors are subject to election and removal passed by the shareholders of the Company in general meetings; the Supervisors representing employees are subject to election and removal by the staff of the Company in the employee representative meeting, staff meeting or otherwise in a democratic manner as confirmed by Shareholders in general meetings. The term of each session of the Supervisory Committee is 3 years, and the Supervisors are eligible for re-election. The biographical details of the Supervisors are set out in the section "Profile of Directors, Supervisors and Senior Management" of this annual report.

During the Year, the Supervisory Committee convened a total of two meetings and had attended those Board meetings and general meetings. Details of work of the Supervisory Committee are set out in the section "Report of the Supervisory Committee" of the annual report.

Internal Control

The Board is responsible for establishing, improving and effectively implementing an internal control system. The Audit Committee of the Board is responsible for supervising whether the internal control is being effectively implemented. The management is delegated with the authority to implement the internal control system, and responsible for organizing and leading the daily operation of the internal control of the Company. The Company's internal control system includes the Company's organizational structure, codes and policies, processes and procedures, relevant operational manual, implementation rules, etc, which cover areas in financial control, investment management, asset management, regulation of business, operation and risk management, compliance control, etc. The Company establishes an audit department, which is responsible for inspecting and following-up on the effectiveness of internal control. A discipline inspection office has also been established, which is mainly responsible for handling the matters on complaints reporting and clarifying the procedures and requirements for handling the reporting and complaints. All employees are well aware of the reporting system.

Corporate Governance Report (Continued)

During the Year, the Company actively adopted specific control measures, strengthened the building up of its internal control system and enhanced risk prevention and internal control capabilities. It included the gradual improvement of the relevant regulations and systems and facilitated the setting up of internal control system based on comprehensive fulfillment of regulations and laws. Top-down internal management supervision was adopted to monitor production and operation activities so that the set up of the corporate internal control was facilitated; and facilitated audit on income and expense, service term economic responsibility audit, audit investigation and special audit were performed, for promoting the Company to improve its operation management.

Horwath Risk Advisory Services Limited was engaged by the Board to examine and review the Company's internal control system on a regular basis. The areas under review included non-capital nature expenditure, information technology system recycling, and follow up the improvements in respect of the problems discovered in internal review during last year as well as the recommendation proposed by the accountant firm in respect of rectifying the management situation.

During the Year, the Board of the Company had reviewed the effectiveness of the internal control system of the Company and was in the opinion that there was no material control set back in the Company.

AUDITORS AND THEIR REMUNERATION

At the annual general meeting held on 16 June 2009, the Company approved the appointment of Ernst & Young as the international auditor for 2009 and ShineWing Certified Public Accountants as the PRC auditor of the Company. Their engagements shall continue until the conclusion of the forthcoming annual general meeting. The Board was authorized to determine their remunerations through individual negotiation in accordance with market practice.

During the Year, the Group paid a total of RMB1.6 million to Ernst & Young for professional audit service fee on annual financial audit and the agreed-upon procedures services on continuing connected transactions, and RMB0.6 million on the agreed-upon procedures services on interim financial information. Save as aforesaid, the Group did not engage Ernst & Young to perform any substantial non-audit service.

During the Year, the Group paid RMB0.8 million to ShineWing Certified Public Accountants for audit fee on its annual financial audit, and RMB0.52 million for non-audit service fee.

DIRECTORS' RESPONSIBILITIES ON FINANCIAL STATEMENTS

The Directors have confirmed their responsibilities for the preparation of the financial statements. The Directors are responsible for monitoring the preparation of the financial statements of each fiscal period so as to ensure that the financial statements give a true, fair and objective view of the status of the Company's business conditions, results as well as cash flow of that period. The Directors are not aware of any issues or circumstances that may cause any material adverse effect to the ongoing operation of the Company.

RIGHTS OF SHAREHOLDERS AND INVESTORS RELATIONSHIP

The Company has fulfilled its obligations and responsibilities of on-going disclosures which is in compliance with the regulatory requirements of its place of listing, and carried out disclosures according to the principles of compliance, transparency, adequacy and sustainability, and safeguarded investors to be informed of the Company's information in a timely and comprehensive manner.

Corporate Governance Report (Continued)

The Company has all along been persistent in maintaining a sound and efficient two-way communication in its investor relationship, and enables both the domestic and foreign investors be informed of the Company's operations and development in a timely and comprehensive manner. During the Year, the Company adjusted its approach in capital-raising and business strategies and received positive feedback from most of its investors as the Company had communicated with its substantial shareholders and investors in a timely and effective manner. At the same time, the Company was highly focused on its daily communication with investors and analysts, and through various means like participating in investor seminars, regular reception with investors and analysts, and conducting road shows, the interactions with investors had been greatly facilitated. During the Year, by holding road shows for the 2008 annual results and 2009 interim results, we visited our major institutional investors in different countries and regions like Hong Kong, Singapore and Malaysia, and communicated actively and effectively with investors regarding the operating results and business development position of the Company.

In the future, the Company will keep on our innovativeness and enhancement regarding the channels and measures investor relationship management and shall strengthen the communications and interactions with investors in order to enhance the investors' understanding on the development strategies and operating management of the Company and at the same time, also welcome more awareness and support from our investors.

Profile of Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Gong Cimin (龔次敏), aged 55, was appointed as Director on 11 June 2005 and was appointed as chairman of our Company in September 2006. Mr. Gong obtained a master's level course completion certificate in economics and business administration from Sichuan University (四川大學) in July 2002. Mr. Gong is the vice president of the China Book Publication Industry Association (中國書刊發行協會) and the China Xinhua Bookstore Association, and he is also an senior economist. Between the period of 1984 and 1994, Mr. Gong held the positions of deputy manager, general manager and Party Secretary with Chengdu City Xinhua Bookstore. Mr. Gong joined the Parent Company in December 2003 and worked as the head of Chengdu City Management Centre (成都市管理中心主任). From June 2005 to September 2006, Mr. Gong served as the executive Director and general manager, vice chairman of our Company. From January 2006 to February 2007, Mr. Gong served as the vice president of the Parent Company, and subsequently served as the chairman and Party Secretary of the Parent Company in February 2007, and still holds those positions. Mr. Gong has over 36 years of extensive experience in administration and business management of relevant distribution industry.

Zhang Bangkai (張邦凱), aged 57, was appointed as executive Director and vice chairman of the Company on 30 July 2008. Mr. Zhang graduated from Sichuan University (四川大學) majoring in Chinese Language, and obtained the certification of completion of master's degree course in investment and management from China Academy of Social Sciences. Between the period of May 1985 and November 2003, Mr. Zhang was the secretary of General Office of Sichuan Province Committee of the Communist Party of China, deputy chief officer of General Office of Standing Committee, deputy chief officer of General Office of Sichuan Province Committee of the Communist Party of China, and deputy chief secretary and chief officer of the Standing Committee of the Chinese People's Political Consultative Conference Sichuan Province (中國人民政治協商會議四川省委員會副秘書長及辦公廳主任). He joined Sichuan Publication Group Company Limited (originally known and current name in short as "Sichuan Publication Group") in 2003 and was general manager, deputy chief officer, chief officer and Party Secretary of management committee of Sichuan Publication Group. He once was a director of Sichuan Shangrui Education Textbooks Co., Ltd. (四川上瑞教育圖書有限責任公司) He is currently the president and Party Secretary of Sichuan Publishing Group Co., Ltd (四川出版集團有限責任公司). Mr. Zhang is also the chairman of Sichuan Lian Xiang Printing Company Limited. Mr. Zhang has more than 25 years of extensive experience in administration management.

Non-Executive Directors

Wang Jianping (王建平), aged 55, was appointed as non-executive Director of our Company with effect from 11 June 2005. Ms. Wang graduated from Sichuan Normal Institute (四川師範學院) majoring in Chinese Literature. Between the period of 1984 and 2004, Ms. Wang worked as deputy head of editorial department, chief officer of chief editorial department, editor of artist editorial room, and vice president of "Hong Ling Jin" magazine (《紅領巾雜誌》) of Sichuan Youth and Children Press. Ms. Wang was appointed as president of Sichuan Youth and Children Press in May 2004. Ms. Wang is current the general manager, executive director and president of Sichuan Youth and Children Publishing Company Limited (originally known and current name in short as "Sichuan Youth and Children Press") Ms. Wang has more than 31 years of experience in book publication and distribution industry.

Yu Changjiu (余長久), aged 53, was appointed as non-executive Director of our Company since 30 July 2008. Mr. Yu graduated from Sichuan University majoring in Economics and also holds the qualification of senior political officer. Mr. Yu was the Secretary of County Party Committee of Jiulong County, Sichuan, deputy head of Spiritual Civilization Office of Sichuan Province (四川省精神文明辦) and deputy director of Propaganda Department of the Sichuan Province Committee of the Communist Party of China (中共四川省委宣傳部) from September 1992 to August 2001. He joined Sichuan Daily Newspapers Group in 2001, and was the deputy secretary of party committee and general manager. Mr.

Profile of Directors, Supervisors and Senior Management (Continued)

Yu was appointed as secretary, chairman and general manager of Sichuan Daily Newspapers Group, president of Sichuan Daily Newspapers since March 2003 and currently still holding those positions apart from general manager. Mr. Yu was also the chairman of Chengdu Jianchuan Real Estate Co., Ltd., Sichuan Anren Town Laogongguan Cultural Development Co., Ltd. (四川安仁鎮老公館文化發展有限公司) and Sichuan Xin Wen Newspapers and Periodical Distribution Company Limited, all of which are controlled by Sichuan Daily Newspaper Group. Mr. Yu has over 14 years of extensive experience in operating management in news publication industry and media industry.

Zhang Chengxing (張成行), aged 53, was appointed as non-executive Director of our Company since 30 July 2008. Mr. Zhang graduated from Sichuan Nanchong Teachers College (四川南充師範學院) majoring in Chinese Language and obtained a master diploma in law from Sichuan Provincial Communist Party School (四川省委黨校). Mr. Zhang was the chief officer, deputy director of the press publication office of the Propaganda Department of the Sichuan Province Committee of the Communist Party of China (中共四川省委宣傳部新聞出版處) from 1989 to 1998, and was the director of the publishing office of the Propaganda Department of the Sichuan Province Committee of the Communist Party of China (中共四川省委宣傳部出版處) in April 1998. Mr. Zhang was appointed vice president of the Parent Company since January 2006 and still holds the position. Mr. Zhang has performed in-depth research on media management and has over 21 years of extensive experiences in publication and distribution management.

Li Jiawei (李家巍), aged 54, was appointed as non-executive Director of our Company with effect from 11 June 2005. Mr. Li completed a master's degree course in economics management at Liaoning Provincial Government Chinese Communist Party School (中共遼寧省委黨校) in July 1997, and with an editor background. Mr. Li is currently the vice president and general manager of Liaoning Publication Group, the director of Northern United Publishing & Media (Group) Company Limited (formerly known as Liaoning Publication Media Company Limited) (listed on the Shanghai Stock Exchange with stock code: 601999).

Luo Jun (羅軍), aged 44, was appointed as non-executive Director of our Company since 30 July 2008. Mr. Luo graduated from Shaanxi Institute of Finance and Economics (陝西財經學院) with a bachelor's degree majoring in Materials, Economics and Management. He completed a master's degree course in economics management at the Central Chinese Communist Party School (中央黨校). He was the secretary of the directly administered entities youth league committee (直屬機關團委書記), deputy head and head of the personnel education department (人事教育處副處長) from 1990 to 2006. He was appointed as chief officer of the training centre of Sichuan Province Press and Publication Bureau (四川省新聞出版局培訓中心主任) in November 2001. Mr. Luo was appointed vice president of Parent Company since January 2006 and still holds the position. Mr. Luo was the Supervisor from April 2006 to July 2008 and the Chairman of the Supervisory Committee in May 2006. Furthermore, Mr. Luo is also the chairman of Sichuan Xinhua Hotel Management Co., Ltd. (四川新華酒店管理有限公司). Mr. Luo has over 23 years of experience in publication industry and government and corporate management.

Zhao Junhuai (趙俊懷), aged 42, was appointed as non-executive Director of our Company with effect from 16 October 2007. Mr. Zhao obtained a bachelor's degree in agricultural economic management at Sichuan Agricultural University (四川農業大學). He also obtained a master's degree in finance and a PhD degree in financial investment at Southwestern University of Finance and Economics (西南財經大學). Mr. Zhao was the vice-director of the committee of Chengdu Economic Development Zone, president of the eighth sub-branch of Sichuan branch of China Construction Bank and deputy general manager of the International Business Department of the Sichuan Branch of China Construction Bank. Mr. Zhao is currently the vice-chairman of Chengdu Hua Sheng (Group) Industry Company Limited ("Chengdu Hua Sheng Group"), and president of Chengdu Lechuang Trade Company Limited (成都市樂創商貿有限公司), president of Shu Du sub-branch of Musical Kindergarten of Chengdu Conservatory of Music (成都音樂學院幼兒園蜀都分園) and president of Chengdu Hezhengyang Investment Company Limited (成都市和正洋投資有限公司).

Profile of Directors, Supervisors and Senior Management (Continued)

Wu Qiang (武強), aged 45, was appointed as non-executive Director of our Company with effect from 11 June 2005. Mr. Wu became a chairman of Chengdu Hua Sheng Group in 1999, and is also a chairman of Chengdu Hua Sheng Industry Shu Du Garden Project Development Company Limited (成都華盛實業蜀都花園項目開發有限公司), a subsidiary of Chengdu Hua Sheng Group. Prior to joining Chengdu Hua Sheng Group, Mr. Wu worked for Chengdu City Construction No. 5 Company (成都市建築第五公司) and the Political Affairs Service Centre of Chengdu City (成都市政務服務中心). Mr. Wu has over 22 years of experience in economic management and business.

Zhao Miao (趙苗), aged 50, was appointed as non-executive Director of our Company with effect from 10 February 2009. Mr. Zhao graduated from the Correspondence College of the Party School of Sichuan Provincial Committee of the Communist Party of China, majoring in economics management and later completed the postgraduate course of economics management launched by the Correspondence College of the Party School of the Central Committee of the Communist Party of China. Mr. Zhao holds the professional qualification of senior political officer and senior economist. Mr. Zhao was a teacher of Hedong Primary School, Qu County of Sichuan (四川省渠縣河東小學) and worked in Sichuan Petroleum Administration from July 1980 to May 2002 as a teacher of the Technical School of the Sichuan Petroleum Administration, an educational officer and employment relationship officer in the Personnel Department, a secretary of the General Office of the Party Committee, a secretary of the Communist Youth League Committee, and a manager of Sichuan Petroleum Travel Agency. From May 2002 to July 2008, Mr. Zhao was the deputy-chief of the Autonomous Prefecture of Aba Zangs and Qiangs of Sichuan Province and a member of the Leading Party Group of the Prefecture Government and was a member of the Standing Committee of the Communist Party of China of the Autonomous Prefecture of Aba Zangs and Qiangs, Sichuan Province and a secretary of the Discipline Inspection Commission of the Prefecture. Mr. Zhao joined Sichuan Publication Group in July 2008 and worked as general manager and deputy head of the management committee, then served as president in Sichuan Publishing Group in November 2009. Mr. Zhao has over 32 years of experience in education and administration management and supervising.

Independent Non-Executive Directors

Han Xiaoming (韓小明), aged 57, was appointed as independent non-executive Director with effect from 11 June 2005. Mr. Han graduated from the People's University of China majoring in Politics and Economics. He was an associate dean of the China Economic Reform and Development Research Institute (中國經濟改革與發展研究院). Mr. Han was involved in several research projects organised by the Department of Propaganda of China, GAPP, the Joint Research and Study Committee for Higher Education Press Reform of the Ministry of Education (教育部高校出版社改革聯合調研組) and GAPP's Publication System Reform Research and Study Group (新聞出版總署發行體制改革調研組) and has published a number of related research reports or papers. He was a panel member of the State Review Committee for Major Publication Projects (國家重大出版工程評審組) and the State Review Committee for Science and Technology Fundamental Platform Projects of the Ministry of Science and Technology (科技部國家科技基礎條件平台項目評審組). He was a consultant involved in the asset reorganization and strategic development projects. He participated in the strategic development plan of Beiren Group Corporation (北人集團公司) and also participated in formulating a research in the development of Zhongguancun Technology Zone in Beijing (北京市中關村科技園區). Mr. Han is currently a professor in the department of Economics in the People's University of China and a member of the Expert Committee on Telecommunication Economic and Management of the Ministry of Information Industry (信息產業部電信經濟和電信管理專家委員會).

Profile of Directors, Supervisors and Senior Management (Continued)

Cheng Sanguo (程三國), aged 47, was appointed as independent non-executive Director of our Company on 20 April 2006. Mr. Cheng graduated from Wuhan University (武漢大學) majoring in Library Science and obtained his master's degree from the same university. Mr. Cheng became the founder of China Book Business Report (中國圖書商報) in 1995 where he served as chief editor and executive deputy president until December 2005. He has been a member of the editorial committee of Publishing Research Quarterly (US) (出版研究季刊), a strategy consultant and expert panelist for several publishing presses and an executive committee member of the China Periodicals Associations (中國期刊協會). Mr. Cheng was the general manager of Beijing Xinliugan Cultural Communications Co., Ltd., currently the general manager of Beijing Bookdao Century Information Technology Limited (北京百道世紀信息技術有限公司) and he is also an expert lecturer at the Cultural Industry Research Institute of Beijing University (北京大學文化產業研究所). Mr. Cheng has over 20 years of experience in publication industry and business administration.

Chan Yuk Tong (陳育棠), aged 47, was appointed as independent non-executive Director of our Company on 20 April 2006. Mr. Chan obtained his bachelor's degree in commerce from the University of Newcastle in Australia and a master's degree in business administration from the Chinese University of Hong Kong. Mr. Chan is a practicing fellow member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. Mr. Chan joined Ernst & Young in November 1988, and was appointed as audit principal in 1994. Mr. Chan joined G2000 (Apparel) Limited in 2000 and worked as a finance director and sales director from August 2000 to October 2003 and from October 2003 to May 2004, respectively. Mr. Chan also holds directorships in the following publicly listed companies:

Name of Company	Stock code	Title
Asia Cassava Resources Holdings Limited	Hong Kong Stock Exchange: 841	Executive director
Vitop Bioengery Holdings Limited	Hong Kong Stock Exchange: 1178	Non-executive director
Jia Sheng Holdings Limited (formerly known as Carico Holdings Limited)	Hong Kong Stock Exchange: 729	Independent non-executive director
Daisho Microline Holdings Limited	Hong Kong Stock Exchange: 567	Independent non-executive director
Kam Hing International Holding Limited	Hong Kong Stock Exchange: 2307	Independent non-executive director
BYD Electronic (International) Company Limited	Hong Kong Stock Exchange: 285	Independent non-executive director
Anhui Conch Cement Company Limited	Hong Kong Stock Exchange: 914 and Shanghai Stock Exchange: 600585	Independent non-executive director
Global Sweeteners Holdings Limited	Hong Kong Stock Exchange: 3889	Independent non-executive director
Ausnutria Dairy Corporation Ltd	Hong Kong Stock Exchange: 1717	Independent non-executive director

Profile of Directors, Supervisors and Senior Management (Continued)

Moreover, Mr. Chan was an executive director of Tak Sing Alliance Holdings Limited (which is listed on the Stock Exchange, stock code: 126), directors of Luks Industrial (Group) Limited (now known as Luks Group (Vietnam Holdings) Company Limited) (which is listed on the Stock Exchange, stock code: 366) and World Trade Bun Kee Limited (now known as China Pipe Group Limited) (which is listed on the Stock Exchange, stock code: 380) and the deputy head of the accounting and finance department of Dongfong Motor Group Company Limited (which is listed on the Stock Exchange, Stock Code: 489). Mr. Chan has over 20 years of experience in audit, accounting, management consulting and financial consulting services.

SUPERVISORS

Xiao Changjiu (肖長久), aged 60, was appointed as Supervisor of our Company and Chairman of the Supervisory Committee since 30 July 2008. Mr. Xiao obtained a diploma of Self-Taught Higher Education for Examination of Sichuan (四川省高等教育自學考試) in 2003 majoring in law. Mr. Xiao joined People's Liberation Army of China in March 1969 and worked in the propaganda team and the Cultural Division of Political Department (政治部文化科) Mr. Xiao joined the Propaganda Department of the Sichuan Province Committee of the Communist Party of China (中共四川省委宣傳部) in September 1981. He joined Sichuan Publication Group in November 2003 and is the secretary of Disciplinary Committee of Sichuan Publication Group and still holds that position. Moreover, Mr. Xiao is also a supervisor of Sichuan Shangrui Education Textbooks Company Limited. Mr. Xiao has over 41 years of extensive experience in supervisory and administration management.

Xu Yuzheng (許玉鄭), aged 53, was appointed as Supervisor of our Company since 30 July 2008. Mr. Xu graduated from Sichuan Radio and Television University majoring in Law, and obtained a diploma in economic management from Sichuan Normal University, and holds the professional qualification as a lawyer. Mr. Xu was an officer of deputy head of Sichuan Provincial Department of Supervision (四川省監察廳), supervisor and deputy chief officer of Disciplinary Investigation Committee of Sichuan Party Committee and deputy chief officer of Disciplinary Investigation and Supervision of Sichuan Provincial Department of Supervision from August 1988 to December 2005. Mr. Xu joined Sichuan Xinhua Publishing Group in January 2006 and is the secretary of disciplinary committee and still holds that position. From April 2007, Mr. Xu was also appointed as the chairman of the supervisory committee of Sichuan Xinhua Hotel Management Co., Ltd. (四川新華酒店管理有限公司) and from March 2008, Mr. Xu was appointed as the chairman of the labour union of Sichuan Xinhua Publishing Group. He is currently a supervisor of Chengdu Xin Hui Industrial Co., Ltd.. Mr. Xu has over 23 years of extensive experience in supervision and laws.

Dai Wen (戴文), aged 43, was appointed as Supervisor of our Company since 30 July 2008. Ms. Dai graduated from the Southwestern University of Finance and Economics with a bachelor's degree, majoring in Accounting. She completed the course of financial controller of Sichuan Provincial Communist Party School (四川省委黨校) and the course of EMBA at the School of Economics of Peking University. Ms. Dai once worked as an assistant to director and deputy director of the planning and finance department of Sichuan Daily. She was deputy chief officer of investment planning department, chief officer of finance department and financial controller of Sichuan Daily Newspaper Group from 2000 to March 2008. She acted as operating controller of Sichuan Daily Newspaper Group since March 2008 and currently still holding the position. Ms. Dai is also the chairman of Sichuan Daily Newspaper Network Media Development Company Limited, a company controlled by Sichuan Daily Newspaper Group. She once was a director of Sichuan Xin Wen Resource Trading Co., Ltd. (四川欣聞物資貿易有限責任公司) and Sichuan Anren Town Laogongguan Cultural Development Co., Ltd. (四川安仁鎮老公館文化發展有限公司), and a director of Sichuan Lian Xiang Printing Company Limited. Ms. Dai has over 24 years of extensive experience in financial and corporate management.

Profile of Directors, Supervisors and Senior Management (Continued)

Peng Xianyi (彭先毅), aged 45, was appointed as Supervisor of our Company with effect from 11 June 2005. Mr. Peng graduated from Southwestern University of Finance and Economics and is a senior accountant. Mr. Peng joined the Sichuan Branch of Shenzhen Zhonghua Bicycle (Group) Shares Company Limited (深圳中華自行車（集團）股份有限公司四川分公司) in January 1992 and was an assistant to general manager of the finance department; thereafter from December 1998 to August 1999, Mr. Peng worked as head of the finance department of China Richu Industrial Group Company (中國日出產業集團公司). Mr. Peng became the manager of the finance department of Chengdu Zhuang Sen Industrial Shu Du Garden Project Company Limited (成都莊森實業蜀都花園項目公司), Chengdu Hua Sheng Industry Shu Du Garden Project Development Company Limited, and Chengdu Hua Sheng Group Company (成都華盛集團公司) since September 1999. Mr. Peng has over 26 years of experience in financial accounting.

Lan Hong (蘭紅), aged 43, was appointed as Supervisor of our Company with effect from 11 June 2005 while also being an elected employee representative Supervisor. Ms. Lan obtained a graduate certificate in accounting conferred jointly by Sichuan Self-study University (四川自修大學) and Southwestern University of Finance and Economics, then she completed the course of accounting in Sichuan Radio and Television University. She is a member of the International Institute of Certified Internal Auditors. Ms. Lan worked at Chengdu City Xinhua Bookstore, then joined our Parent Company in December 2001 as head of the finance and audit department, and subsequently worked as the deputy chief officer of the audit department of the Company. Ms. Lan is currently deputy head of the Board office of our Company. Ms. Lan has over 21 years of experience in financial accounting.

Liu Nan (劉南), aged 45, was appointed as Supervisor of our Company with effect from 11 June 2005 while also being an elected employee representative Supervisor. Ms. Liu graduated from Chengdu University majoring in Book Publication Management. She obtained a master's level course completion certificate in economics and business administration at Sichuan University. Ms. Liu also completed a specialized course in computer application at the University of Chengdu. Ms. Liu was deputy manager of the operations department of Sichuan Province Xinhua Bookstore Group Audio and Visual Product Company (四川省新華書店集團音像公司), and an assistant to general supervisor of the procurement centre of Sichuan Times Xinhua Audio and Visual Product Chainstore Company (四川時代新華音像連鎖公司). Ms. Liu once worked as the chief of the information centre of the Company and is currently the deputy general manager of our Company's procurement centre. Ms. Liu has more than 18 years of experience in audio-visuals sourcing and publication and more than 27 years of experiences in information technology.

Li Qiang (李強), aged 36, was appointed as Supervisor of our Company with effect from 11 June 2005 while also being an elected employee representative Supervisor. Mr. Li graduated from Wuhan University with a bachelor's degree, majoring in Book Publication. He worked as the deputy manager, manager of the sales department and manager of the operations centre of Sichuan Xinhua Publishing Group Textbook Company from March 2003 to May 2005. Mr. Li joined our Company in June 2005 as an assistant to general manager of the textbook distribution department and manager of the operations centre, Mr. Li is currently general manager and director of Chengdu Yin Xing Bo Wen Book and Cultural Development Co., Ltd. (成都銀杏博文圖書文化發展有限公司), chairman of Sichuan Shu Yuan Educational Books Distribution Co., Ltd. (四川書緣教育圖書發行有限公司). Mr. Li has over 13 years of experience in distribution and publication industry.

Profile of Directors, Supervisors and Senior Management (Continued)

INDEPENDENT SUPERVISORS

Fu Daiguo (傅代國), aged 45, was appointed an independent Super visor of our Company on 20 April 2006. Mr. Fu obtained his doctoral degree in accounting from Southwestern University of Finance and Economics and is a member of the China Accounting Association (中國會計學會). Mr. Fu is a deputy dean and an accounting professor at the College of Accounting at Southwestern University of Finance and Economics and has published over 30 papers on corporate accounting issues in a number of well-known periodicals in the field. Mr. Fu used to work as project manager of Sichuan Province Assets Reorganization Centre (四川省資產重組中心) and an independent director of Sichuan Baoguang Pharmaceuticals Company Limited (四川寶光藥業股份有限公司). He is also on the committee of the China Research Institution of Finance and Costs for Adults and Youths (中國中青年財務成本研究會), and a member of the Chengdu City Expert Panel on Computerisation of Accounting (成都市會計電算化專家組成員). Mr. Fu is in charge of the Sichuan Province Accounting Personnel Training Base (四川省會計人才培養基地). Mr. Fu was an independent director of Chengdu City People's Shopping Mall (Group) Company Limited (成都人民商場(集團)股份有限公司, formerly known as Chengdu City People's Shopping Mall Company Limited (成都人民商場股份有限公司) listed on the Shanghai Stock Exchange, stock code: 600828), China Tungsten and Hightech Materials Co., Ltd. (中鎢高新材料股份有限公司, listed on the Shenzhen Stock Exchange, stock code: 000657) and Sichuan Zhonghui Pharmaceuticals (Group) Company Limited (四川中匯醫藥(集團)股份有限公司, formerly known as Sichuan Zhonghui Pharmaceuticals Company Limited (四川中匯醫藥股份有限公司), listed on Shenzhen Stock Exchange, stock code: 000809). Mr. Fu is currently an independent director of Sichuan Chuanrun Co., Ltd. (四川川潤股份有限公司, listed on Shenzhen Stock Exchange, stock code: 002272). Mr. Fu has over 22 years of experience in corporate accounting industry.

Li Guangwei (李光煒), aged 69, was appointed as independent Supervisor of our Company on 20 April 2006. Mr. Li graduated from Kunming Polytechnic University (昆明工學院) in 1962 majoring in Mechanical Science. Mr. Li was given the professional qualification of editor-reviewer. From March 1991 to May 1993, Mr. Li served as president of Sichuan Education Press (四川教育出版社), from May 1993 to May 2001, he served as president of Sichuan Press Of Science & Technology (四川科學技術出版社), National Discovery Magazine Press (《大自然探索》雜誌社) and Audio and Visual Technology Magazine Press (《視聽技術》雜誌社), and is currently the chairman of the supervisory committee of LIFAN Industry (Group) Co., Ltd (力帆實業(集團)股份有限公司). Mr. Li has over 25 years of experience in publication industry and business management.

SENIOR MANAGEMENT

Luo Yong (羅勇), aged 47, was appointed as General Manager of the Company with effect from July 2008. Mr. Luo graduated from the Faculty of Chinese Language of Southwest University for Nationalities majoring in journalism, and completed a journalism course at the College of Arts of Southwest University for Nationalities and an advance programme on business administration at Renmin University of China, respectively, and with the professional qualification of editor–reviewer. Mr. Luo joined Sichuan Nationalities Press in November 1987, and had worked as editor, office head and assistant to director and deputy director of Sichuan Nationalities Press. In November 2003, he was appointed as the deputy head of management committee of Sichuan Publication Group and the president of Sichuan Nationalities Press (四川民族出版社). Mr. Luo is currently the secretary of the Communist Party of China (黨委書記) of Sichuan Publication Group. Mr. Luo was awarded the Top 10 Outstanding Youths of Sichuan Province in 2005. Mr. Luo was granted special government subsidy by the State Council in 2008. Mr. Luo has over 22 years of experience in publication industry and operating management.

Profile of Directors, Supervisors and Senior Management (Continued)

Zhang Jing (張京), aged 55, was appointed as Chief Editor of the Company with effect from July 2008. Mr. Zhang graduated from the Faculty of Chinese Language of Sichuan University, majoring in journalism, and completed a training course on director theory at Sichuan Provincial Committee Party School and in-service training course for publisher director and chief editor held by Administration of Press and Publication, respectively and with the professional qualification of editor-reviewer. Prior to 1980, Mr. Zhang had worked as an editor of Sichuan People's Press. From October 1980 to May 2004, Mr. Zhang was appointed as an editor, deputy head of general editorial office, vice president and president of Sichuan Province Youth and Children Press, and then became the president of Sichuan Province Youth and Children Press, and was appointed as the deputy head of Administration Committee of Sichuan Publication Group since November 2003. He is currently the vice president of Sichuan Publication Group. Mr. Zhang was granted special government subsidy by the State Council in 2004. Currently, he is also a director of Sichuan Periodical Media (Group) Company Limited. Mr. Zhang has over 33 years of experience in publication industry and operating management.

Xiao Liping (肖莉萍), aged 53, was appointed the executive deputy general manager of our Company in August 2005 and the associate dean of the management research institute of Sichuan Xinhua Winshare Chainstore Co., Ltd. since September 2007. Ms. Xiao graduated from Sichuan Radio and Television University with a bachelor's degree majoring in Electronics and completed a Master of Business Administration degree course at the People's University of China in September 2002. Ms. Xiao worked at Sichuan Province Xinhua Bookstore as deputy Party secretary and Deputy General Manager from 1993 to June 2006. Ms. Xiao served as deputy general manager of our Parent Company from 2000 to 2005 and as executive deputy general manager of our Company from June 2005 to July 2008. Ms. Xiao has over 33 years of experience in book publication and distribution industry as well as corporate administration.

Yang Miao (楊杪), aged 39 , was appointed as Deputy General Manager of the Company with effect from July 2008 and is currently the dean of the management research institute of the Company. Mr. Yang graduated from the University of Chengdu with a bachelor's degree, majoring in Public Relationships and Economical Law. He also completed two research courses in business administration at the School of Economics and Management of Tsinghua University and People's University of China, respectively. Mr. Yang started his career as a deputy sales manager and sales manager and deputy manager of Sichuan Province Xinhua Bookstore Textbook Company from 1994 to 1999, respectively. He also worked as the deputy manager of Sichuan Xinhua Book & Trading Company Limited from 1999 to 2000. From 2001 to June 2005, Mr. Yang served as manager at the textbook distribution company of Xinhua Publishing Group. In June 2005, Mr. Yang was appointed as the deputy general manager of the Company and general manager of textbook distribution department of the Company. Mr. Yang was the general manager of the Company from April 2006 to July 2008. He also was an executive director of the Company from September 2006 to July 2008. Currently, he is also a director of Chengdu Yin Xing Bo Wen Book and Cultural Development Co., Ltd., Sichuan Xin Wen Newspapers and Periodicals Distribution Co., Ltd. and Ming Bo Education Technology Co., Ltd. Mr. Yang has over 15 years of experience in book publication and distribution industry.

Zhang Yexin (張業信), aged 53, has been Deputy General Manager of the Company since June 2005. He has been the associate dean of the management research institute of the Company since September 2007 Mr. Zhang obtained a master's degree programme completion certificate in technology, economics and business administration from Sichuan University. Mr. Zhang was promoted to deputy head of the science and teaching materials department, head of the computer department and manager of Sichuan Province Xinhua Bookstore Textbook Company from 1985 to 1990, respectively. He became an assistant to manager of Sichuan Province Xinhua Bookstore in 1995 and was promoted to deputy general manager in 1997. Mr. Zhang joined Xinhua Publishing Group in 2000 and was a deputy general manager until 2005. From June 2005 to July 2008, Mr. Zhang was an executive director and a deputy general manager of the Company and was a director of Sichuan Xin Dun Cultural Company Limited. Currently, currently he is also the Chairman of Beijing Shu Chuan Xinhua Bookstore Book Distribution Co., Ltd., a director of Sichuan Xin Wen Newspapers and

Profile of Directors, Supervisors and Senior Management (Continued)

Periodicals Distribution Co., Ltd., Anhui Xinhua Media Company Limited and Shanghai Eastern Publishing and Trading Centre and part-time professor of the School of Business Administration of Southwestern University of Finance and Economics. Mr. Zhang has more than 32 years and 24 years of experience in publication and distribution industry and administration management respectively.

Chen Dali (陳大利), aged 47, He has been a Deputy General Manager of the Company since June 2005. Mr. Chen obtained his master's degree in the history of Chinese language from Sichuan Normal University and a PhD Degree in ancient Chinese literature from Sichuan University. Mr. Chen worked as vice president at Sichuan Bashu Book Shop in 2000. From May 2001 to May 2005, Mr. Chen worked as deputy general manager of Xinhua Publishing Group and general manager of its publication department. Currently, he is also the Chairman of Beijing Xinhua Li Pin Books Company Limited, Sichuan Xinhua Wenxuan Media Co., Ltd. and Beijing Hongzhe Cultural Development Company Limited, the Vice-chairman of Beijing Huaxia Shengxuan Books Company Limited (北京華夏盛軒圖書有限公司), and a director of Ren Min Eastern (Beijing) Book Industry Co., Ltd., Guizhou Xinhua Winshare Distribution Co., Ltd. and Hainan Publishing Co., Ltd. Mr. Chen has more than 20 years of experience in book publication and distribution industry.

Deng Xinming (鄧新明), aged 53, has been a Deputy General Manager of the Company since June 2005. Mr. Deng completed a Master of Business Administration degree course at the People's University of China in August 2002. Mr. Deng worked as a manager of the audio-visual products department of Sichuan Province Foreign Language Bookstore and subsequently became its deputy general manager. He joined our Parent Company and became a deputy general manager in November 2001. During Mr. Deng's employment with our Parent Company he also worked as general manager of Sichuan Xinhua Bookstore Group Wenxuan Chainstore from March 2004 to May 2005. Mr. Deng also served as general manager of our retail department (零售連鎖事業部) from May 2005 to August 2006. Currently, he is also the chairman of Sichuan People's Education Times Xinhua Audio and Visual Product Company Limited. Mr. Deng has over 27 years of experience in book publication and distribution industry and also corporate administration.

Zheng Chuan (鄭川), aged 50, was appointed as Deputy General Manager of the Company in January 2010. From December 1976 to December 1986, Mr. Zheng served at a military force of the Chinese People's Liberation Army and joined the Propaganda Department of the Chengdu Municipal Committee of the Communist Party of China (中共成都市委宣傳部) in December 1986. He took up a part time job in Yaxiang International Cultural Exchange Center (亞祥國際文化交流中心) during the period from May 1994 to January 2003. Mr. Zheng joined the Parent Company in 2003, and successively assumed positions of Assistant to General Manager, Director and Chief Operating Officer of the Parent Company. He also assumed the positions of Director and General Manager of Hainan Chuangxiang Cultural Investment Company (海南創享文化投資公司) until December 2009. Mr. Zheng has over 15 years of experience in corporate management and project operation.

You Zugang (游祖剛), aged 47, was appointed as Board secretary in June 2005. Mr. You completed a Master of Business Administration degree course at the People's University of China in August 2002. Mr. You is also a member of the Institute of International Internal Auditors. Mr. You was the deputy department head of the finance department of Sichuan Province Xinhua Bookstore, deputy manager of Guangyuan City Xinhua Bookstore, person-in-charge of Sichuan Audio-visual Products Wholesale Market Operations Office (四川圖書音像批發市場辦公室), and head of the audit office and deputy head of the planning and finance department of Sichuan Province Xinhua Bookstore from February 1989 to May 2000. From May 2000 to May 2005, Mr. You was the head of the audit office, deputy head of the financial management department, and head of the manager's office of our Parent Company. He was also the head of Guangyuan City Management Centre from April 2004 to May 2005. He was also the Chief Administrative Officer of our Company from June 2005 to July 2008. Currently, he is also a director of Chengdu Xin Hui Industrial Co., Ltd. and Bank of Chengdu Co., Ltd.. Mr. You has over 27 years of experience in financial accounting.

Profile of Directors, Supervisors and Senior Management (Continued)

Zhu Zaixiang (朱在祥), aged 49, was appointed as our Chief Financial Officer in June 2005. Mr. Zhu completed a Master of Business Administration degree course at the People's University of China in August 2002. He is a senior qualified accountant. Mr. Zhu was the deputy department head of the planning and audit office, department head and chief officer of the planning and finance department of Sichuan Province Xinhua Bookstore from 1982 to 2000. Mr. Zhu worked as head of the financial management department of our Parent Company from 2000 to May 2005, and served as general chief accountant of our Parent Company from 2004 to May 2005. Currently, he is also a director of Beijing Xinhua Li Pin Books Company Limited and Sichuan Xinhua Shang Paper Co., Ltd. (四川新華商紙業有限責任公司). Mr. Zhu has over 26 years of experience in financial accounting.

Liang Min (梁敏), aged 55, was appointed as Chief Human Resources Officer of the Company in April 2010. Mr. Liang graduated from the Correspondence College of the Chinese Communist Party School of Sichuan Provincial Committee in 1997, majoring in economic management. Mr. Liang successively worked with Sichuan Gao County Teachers' College (四川高縣師範學校) and the Sichuan Province committee of the Communist Youth League of China (共青團四川省委). He joined Sichuan People's Press (四川人民出版社) in August 1991 and successively assumed positions of deputy head, head and vice president of Human Resource Department. Later, he was appointed as head of Human Resource Department of Sichuan Publication Group in October 2004. Mr. Liang has over 20 years of experience in human resource management and book publications.

Liu Yuecheng (劉岳成), aged 45, has been the Chief Operating Officer of our Company since July 2008. Mr. Liu graduated from Chengdu University majoring in Book Distribution and Management. Mr. Liu worked as deputy manager, manager of Sichuan Province Xinhua Bookstore Textbook Company and as manager of Sichuan Xinhua Bookstore & Trading Company (四川新華圖貿有限責任公司) from 1990 to December 2000. Mr. Liu was general manager of Sichuan Xinhua Investment Company Limited (四川新華投資有限責任公司) from December 2000 to May 2005. Mr. Liu served as executive deputy general manager, general manger of our textbook distribution department from June 2005 to September 2006. He was Chief Sales Officer of our Company from September 2006 to July 2008. Currently, he is also the Chairman of Sichuan Xinhua Shang Paper Co., Ltd. (四川新華商紙業有限責任公司) and a director of Sichuan Shu Yuan Education Books Distribution Co., Ltd.. Mr. Liu has over 18 years of experience in textbook publication industry and corporate administration.

Yuan Rongjian (袁榮儉), aged 43, was appointed as the Chief Capital Operating Officer of the Company with effect from July 2008. Mr. Yuan completed his post-graduate course majoring in business administration from the University of Electronic Science and Technology of China. From 1996 to 2005, Mr. Yuan served at Chengdu City Education Newspaper and Journal Press Agency and Chengdu City Education Development Consultation Centre and worked as the head of Chengdu Teenagers Science and Technology Park and the president of Chengdu City Educational Technology Equipment Institute. From September 2005 to October 2006, he was appointed as the general manager of Sichuan Xinhua Wenxuan Media Co., Ltd., and then became the deputy general manager of the textbook distribution department of the Company in Sichuan from November 2006 to July 2008. Currently, he is also a director of Sichuan Xinhua Cultural Communication Co., Ltd. and Hainan Publishing Co., Ltd, an executive director of Beijing Huaying Wenxuan Movie & TV Culture Company Limited (北京華影文軒影視文化有限公司) and the Chairman of Sichuan Winshare Art Investing & Managing Co., Ltd (四川文軒藝術投資管理有限責任公司). Mr. Yuan has over 14 years of experiences in teaching and administration and book distribution.

Zhang Jian (張踐), aged 44, was appointed as the Head of Information Technology of our Company in July 2008. Ms. Zhang graduated from Chengdu University majoring in Book Distribution and Management. Ms. Zhang was deputy department head and department head of the computer centre of Sichuan Xinhua Bookstore from October 1998 to May 2000. Ms. Zhang was head of the information centre of the Parent Company and chief operating officer of Sichuan Xinhua Bookstore Group Wenxuan Chainstore, and the head of the industrial development department of our Parent

Profile of Directors, Supervisors and Senior Management (Continued)

Company from May 2000 to May 2005. She served as the Chief Operating Officer of our Company from June 2005 to July 2008. Currently, she is also an executive director of Sichuan Xinhua Online Network Co., Ltd. (四川新華在綫網絡有限責任公司), and a director of Beijing Huaxia Shangxuan Books Co., Ltd. Ms. Zhang has over 20 years of experience in book distribution and publication industry and also information technology.

Shen Xiaoyi (沈曉翊), aged 55, was appointed as the Chief Production Officer of our Company in August 2007. Ms. Shen obtained a certificate of graduate studies in Journalism from Sichuan University (四川大學). She worked as deputy department head of the printing department of Sichuan Province Press and Publication Bureau from 1991 to 1997 and deputy general manager of Sichuan Publication Group from January 1998 to June 2004. Ms. Shen served as department head of the audio electronic network publishing management department (音像電子網路出版管理處處長) of Sichuan Province Press and Publication Bureau from July 2004 to June 2007. Currently, she is also the Chairman of Sichuan Xinhua Colour Printing Company Limited and a director of Sichuan Xinhua Shang Paper Co., Ltd. (四川新華商紙業有限責任公司). Ms. Shen has over 30 years of experience in publication industry and business administration.

Zhao Xuefeng (趙學鋒), aged 46, was appointed as the Chief Procurement Officer of our Company in March 2008. Mr. Zhao completed an advanced studies course of the business administration research centre of Renmin University of China in November 2002. He was deputy general manager of Chengdu City Xinhua Bookstore in 1997 and deputy manager of the Beijing publishing department (北京發行所) of Xinhua Bookstore in 2003. Mr. Zhao served as deputy general manager of the chainstore department (連鎖事業部) of our Company and general manager of the procurement centre of our Company from September 2005 to July 2008. He is still the general manager of the procurement centre of our Company Mr. Zhao has over 28 years of experience in book sourcing and distribution.

Li Jian (黎堅), aged 46, was appointed as the Chief Legal Adviser of the Company with effect from July 2008. Mr. Li obtained a research diploma majoring in business administration from Sichuan Business Administration College. He holds the Certificate of Corporate Counsel of P.R. China. Mr. Li was deputy department general manager of Sichuan Province Xinhua Bookstore Group Audio and Visual Product Company, manager of Xinghua Travel Agency of Sichuan Province Xinhua Bookstore Group Company Limited, deputy general manager of Beijing Shu Chuan Xinhua Bookstore Book Distribution Co., Ltd., and head of legal affairs department of our Parent Company from July 1992 to May 2005, respectively. Mr. Li was also appointed as the head of legal affairs department of the Company since June 2005, and worked as an assistant to general manager and head of legal affairs department of the Company since August 2006. Mr. Li has over 27 years of experience book publication, corporate administration and laws.

JOINT COMPANY SECRETARIES

You Zugang (游祖剛), is one of the joint company secretaries of the Company. His biographical details are set out in the sub-section headed "Senior Management" above.

Ngai Wai Fung (魏偉峰), age 48, is the joint company secretary of the Company. Mr. Ngai is a director and head of listing services of KCS Hong Kong Limited, a corporate secretarial and accounting services provider in Hong Kong. Mr. Ngai is currently the vice president of the Hong Kong Institute of Chartered Secretaries and the chairman of its Membership Committee. Mr. Ngai is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants in the United Kingdom. Mr. Ngai holds a Master of Corporate Finance Degree from the Hong Kong Polytechnic University, a Master of Business Administration Degree from Andrews University of the United States and a Bachelor of Laws (with Honours) Degree from the University of Wolverhampton, the United Kingdom. He is also undertaking a PhD course (thesis stage) in Finance at the Shanghai University of Finance and Economics.

Report of the Directors

The Directors hereby submit their report, together with the audited financial statements of the Group for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Group's principal activities are i) the retailing of books and audio-visual products; ii) distribution of textbooks and supplementary materials; and iii) provision of ancillary support and services to publishers.

FINANCIAL POSITION AND RESULTS

The financial position of the Group as at 31 December 2009 and the results and profit of the Group for the year ended 31 December 2009 are set out on pages 63 to 66 of the annual report.

DIVIDEND

The Board has proposed the distribution of a final and special dividends for the year ended 31 December 2009 totaling RMB0.28 (tax inclusive) per share, (2008: RMB0.20 per share in total) totaling RMB318 million (tax inclusive). Whereas the total dividend comprised the final dividend of RMB0.08 per share (tax inclusive) (2008: final dividend of RMB0.08 per share), and the special dividend of RMB0.20 per share (tax inclusive) (2008: special dividend of RMB0.12 per share). The distribution of the special dividend is not an indication of any future distribution of the same. Dividends payable to holders of the Domestic Shares will be made and paid in RMB, whereas dividends payable to holders of the Company's H Shares will be declared in RMB and payable in Hong Kong dollars.

In accordance with the "Corporate Income Tax Law of the PRC" and its regulations effective on 1 January 2008, non-resident enterprises shall pay corporate income tax based on their income generated within the PRC, and the applicable tax rate is 10%, and the amount is withheld by the listed issuer. In this regard, any H Shares registered in the name of non-individual Shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations will be treated as being held by non-resident enterprise shareholders and the Company will distribute the final and special dividends to such non-resident enterprise shareholders after withholding a corporate income tax of 10% from the final and special dividends.

The proposed final and special dividends are subject to the approval by Shareholders at the annual general meeting (the "AGM") to be held on 9 June 2010. Holders of H Shares and Domestic Shares whose names appear on the register of members of the Company on 9 June 2010 (the "Record Date") will be entitled to the final and special dividends and to attend and vote at the AGM.

The register of members of the Company will be closed from 10 May 2010 to 9 June 2010 (both dates inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed final and special dividends and to attend and vote at the AGM, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's H Shares share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for the holders of H Shares, or the head office of the Company at No. 6 Wenxuan Road, Shang Mao Avenue, Cheng Bei, Chengdu, Sichuan (Postal code: 610081), the PRC, for the holders of Domestic Shares, for registration no later than 4:30 p.m. on 7 May 2010.

Report of the Directors (Continued)

FINANCIAL SUMMARY

A summary of the annual results, assets, liabilities and minority interests of the Group for the last five years is set out in the section headed "Financial Summary" on page 5 of the annual report.

USE OF PROCEEDS RAISED

The Company was listed on the Stock Exchange in May 2007, the net proceeds of its initial public offering amounted to RMB2,110 million. As at 31 December 2008, the remaining proceeds amounted to RMB1,672 million. As the Chinese Government has, in recent years, actively promoted the reform in cultural systems, especially those in press and publishing, by encouraging and implementing a consolidation of the publishing and distribution industry. The Company, in the hope of capitalizing on the development opportunity, strengthened the principal operating business and developed such new businesses as culture, education and other media which are closely related to its principal operating business. On 8 June 2009, the Board of the Company approved an alteration to the use of remaining initial public offering proceeds of RMB1,672 million to be in line with the policy of rejuvenating cultural industry by Chinese Government and to fully utilize the fund effectively. The Company changed the use of the remaining proceeds as follows:

1. approximately 60% to 65% of the remaining proceeds will continue to be used for the development of the Company's principal publishing and distribution business. By grasping the development opportunities in the industry to identify investment opportunities and optimize certain aspects relating to the Company's existing principal operating businesses including those mentioned in the Prospectus;

2. approximately 25% to 30% of the remaining proceeds will be used for seeking other investment opportunities in such other areas as the culture, media and education sectors which are related to the Company's principal operating businesses; and

3. the balance of the remaining proceeds will be used as the Company's general working capital.

The Board is of view that the reallocation of the above-mentioned balance is in the best interests of the Company and the Shareholders as a whole.

For the year ended 31 December 2009, the Company used the proceeds of approximately RMB603 million and the details are as follow:

1. as to approximately RMB272 million for the development of the Company's principal publishing and distribution business;

2. as to approximately RMB311 million for investing in such other areas as the culture, media and education sectors related to the Company's principal operating business; and

3. as to approximately RMB20 million for the Company's general working capital.

As at 31 December 2009, the balance of the proceeds of approximately RMB1,069 million was placed with commercial banks in China as short-term deposits.

Report of the Directors (Continued)

FIXED ASSETS

Details of movements of the Group's fixed assets during the Year are set out in note 14 to the audited financial statements for the Year.

RESERVES

Details of movements of the Group's reserves during the Year are set out in the audited consolidated statement of changes in equity for the Year.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2009, the five largest customers of the Group accounted for approximately 30.78% of the total turnover of the Group. The largest customer accounted for approximately 23.49% of the total turnover of the Group.

For the year ended 31 December 2009, the five largest suppliers of the Group accounted for approximately 40.90% of the total purchases of the Group. The largest supplier accounted for approximately 28.15% of the total purchases of the Group.

During the Year, save for the interests held by Xinhua Publishing Group in the sales arrangement between the Company and Sanzhou Xinhua Bookstores, none of the Directors, Supervisors or their associates or any Shareholder (so far as the Directors are aware) holding more than 5% of the issued share capital of the Company had any interest in any of the Group's five largest customers or five largest suppliers. Sanzhou Xinhua Bookstores is managed and operated by Xinhua Publishing Group.

CONTINGENT LIABILITIES

As at 31 December 2009, the Group did not have any material contingent liability.

PLEDGE OF ASSETS

As at 31 December 2009, other than a pledged fixed deposit of RMB82.31 million and the pledged assets of RMB31.86 million in respect of leasehold lands of the Group, the Group did not have any other asset under pledge or guarantee.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's principal subsidiaries and associates are set out in notes 19 and 20 to the audited financial statements for the Year.

Report of the Directors (Continued)

CONNECTED TRANSACTIONS

Non-Exempted Continuing Connected Transactions

During the Year, the Company entered into continuing connected transactions pursuant to Chapter 14A of the Listing Rules and had either been granted a waiver by the Stock Exchange or had obtained an approval from independent Shareholders (if necessary) and have strictly complied with the requirements specified under Chapter 14A of the Listing Rules. Details of the relevant continuing connected transactions are as follows:

Transactions with Parent Company

The Parent Company is the controlling shareholder (as defined in the Listing Rules) and the promoter of the Company, holding 52.22% of the issued share capital of the Company. Under the Listing Rules, the Parent Company is a connected person of the Company.

1. Leases entered into by the Company and the Parent Company
   a. The Company entered into two leases with the Parent Company on 16 April 2007 and 29 April 2007 respectively. These leases require the Parent Company to lease to the Company the properties comprising of 313 buildings of approximately 93,653.58 square metres in Sichuan Province as its operating premises. The leases were expired on 31 December 2009. On 27 November 2009, the Company and the Parent Company renewed the leases regarding the leasing of premises to the Group by the Parent Company during the period from 1 January 2010 to 31 December 2012. The lease require the Parent Company to lease to the Group certain buildings and units in Sichuan Province with a total leased area of approximately 116,622 square metres primarily as its offices, warehouses and retail outlets.

      For the year ended 31 December 2009, the rental payment made by the Group to the Parent Company amounted to RMB22,823,664.

   b. The Company entered into a lease with the Parent Company on 29 April 2007. The lease requires the Company to lease the premises at 12/F., No. 86 Section One, People's South Road, Qingyang District, Chengdu, Sichuan, the PRC of approximately 1,555.04 square metres were leased to the Parent Company as offices for a leasing term commencing from 1 January 2007 and ending on 31 December 2009. The agreement also requires, upon the expiry of the lease, it will automatically be renewed for a further term of three years (i.e. commencing on 1 January 2010 and expiring on 31 December 2012) if neither party has served a written notice to terminate the agreement within 6 months prior to the expiry of the term.

      For the year ended 31 December 2009, the rental payment received by the Company from the Parent Company amounted to RMB1,343,555.

Report of the Directors (Continued)

2. Sales arrangements between the Parent Company and the Company in respect of Sanzhou Xinhua Bookstores (as defined in the Prospectus)

   On 21 October 2008, the Company and the Parent Company entered into the Sanzhou Supply Agreement (the "Sanzhou Supply Agreement") and the Sanzhou Agency Agreement (the "Sanzhou Agency Agreement") to revise and restate the terms of the Sanzhou Agreement entered into with the Parent Company on 29 April 2007 and to terminate the Sanzhou Agreement. According to the Sanzhou Supply Agreement, the Company will supply (i) non-government-subsidized products to Sanzhou Xinhua Bookstores (excluding the Sanzhou franchise stores); (ii) franchise products to Sanzhou franchise stores; and (iii) government-subsidized textbooks for primary and junior secondary schools in Sanzhou Area to Sanzhou Xinhua Bookstores (excluding the Sanzhou franchise stores). According to Sanzhou Agency Agreement, Sanzhou Xinhua Bookstores shall supply to the Company in connection with the provision of Sanzhou products to the chainstores and textbook distribution divisions of the Company in Sanzhou Area. The Sanzhou Supply Agreement and the Sanzhou Agency Agreement will expire on 31 December 2010.

   For the year ended 31 December 2009, the sales made by the Company to Sanzhou Xinhua Bookstores amounted to RMB98,849,506 and RMB3,485,313 was paid to Sanzhou Xinhua Bookstores in respect of agency services.

3. On 8 May 2007, a property management agreement was entered into between the Company and Chengdu Huang Peng Property Limited Liability Company ("Huang Peng Property"), a wholly-owned subsidiary of the Parent Company. Pursuant to the agreement, Huang Peng Property shall provide property management services to the Group. The agreement was expired on 31 December 2009. On 27 November 2009, the Company and Huang Peng Property renewed the property management agreement for the period commencing from 1 January 2010 to 31 December 2012.

   For the year ended 31 December 2009, the payment made by the Group to Huang Peng Property in respect of the property management services was amounted to RMB3,223,880.

Transaction with Sichuan Xinhua Colour Printing Company Limited ("Xinhua Colour Printing")

In April 2009, the Company acquired 20% equity interests in Xinhua Colour Printing and holds 65% equity interests in the company after the acquisition, which subsequently became a subsidiary of the Company. As Xinhua Colour Printing holds 10% equity interests in Beijing Hongzhe Cultural Development Company Limited ("Beijing Hongzhe"), a subsidiary of which 90% equity interests is owned by the Company, and is hence a substantial shareholder of Beijing Hongzhe, Xinhua Colour Printing is therefore a connected person of the Company under the Listing Rules.

1. On 8 May 2007, a printing service agreement was entered into between the Company and Xinhua Colour Printing. Pursuant to the agreement, Xinhua Colour Printing shall provide printing services to the Group commencing on 1 January 2007 and expiring on 31 December 2009.

   For the year ended 31 December 2009, the payment made by the Group to Xinhua Colour Printing in respect of printing services amounted to RMB4,146,699.

Report of the Directors (Continued)

Transaction with Sichuan Publication Group and its subsidiaries/entities managed by Sichuan Publication Group (Collectively, the "Publication Group")

The Publication Group is a promoter of the Company. Under the Listing Rules, the Publication Group is a connected person of the Company.

1. On 8 May 2007, a purchase agreement was entered into between the Company and the Publication Group. Pursuant to the agreement, the Publication Group agreed to supply textbooks, supplementary materials and books of general interest to the Company and the Company agreed to purchase the respective books. The agreement was expired on 31 December 2009. On 27 November 2009, the Company and the Publication Group renewed the publications supply agreement, pursuant to which the Publication Group shall continue to supply textbooks, supplementary materials and other general publications to the Company during the period from 1 January 2010 to 31 December 2012.

   For the year ended 31 December 2009, the payment made by the Group to the Publication Group in respect of the purchase of textbooks, supplementary materials and other general publications amounted to RMB512,513,943.

2. On 27 November 2009, a printing service agreement was entered into between the Company's subsidiary Xinhua Colour Printing and the Publication Group. Pursuant to the agreement, Xinhua Colour Printing shall provide printing services to the Publication Group for the period from 1 May 2009 to 31 December 2011.

   For the year ended 31 December 2009, the amount received by Xinhua Colour Printing in respect of providing printing services to Publication Group amounted to RMB8,288,761.

3. On 27 November 2009, a paper supply agreement was entered into between the Company's subsidiary Sichuan Xinhua Shang Paper Co., Ltd. ("Xinhua Shang Paper") and the Publication Group. Pursuant to the agreement, Xinhua Shang Paper shall supply printing papers to the Publication Group for the period from 1 January 2009 to 31 December 2011.

   For the year ended 31 December 2009, the amount received by Xinhua Shang Paper in respect of the purchase of printing papers by the Publication Group amounted to RMB3,341,121.

Transaction with Chengdu Hua Sheng (Group) Industry Company Limited ("Chengdu Hua Sheng Group")

Chengdu Hua Sheng Group is a promoter of the Company. Pursuant to the Listing Rules, Chengdu Huasheng Group is a connected person of the Company.

On 8 May 2007, a lease agreement was entered into between the Company and Chengdu Hua Sheng Group. Pursuant to the agreement, the property, located at No. 68–190, Datiankan Road, Jinjiang District, Chengdu, Sichuan of approximately 1,080.92 square metres, was leased by Chengdu Hua Sheng Group to the Company as its operating premises. The agreement was expired on 31 December 2009. On 20 November 2009, the Company and Chengdu Hua Sheng Group renewed the lease agreement for a leasing term commencing on 1 January 2010 and expiring on 31 December 2012.

For the year ended 31 December 2009, the rental payment made by the Company to Chengdu Hua Sheng Group amounted to RMB1,404,667.

Report of the Directors (Continued)

Transaction with Jie Li Press

Jie Li Press holds 10.8% equity interests in Beijing Xinhua Wenxuan Advertising Company Limited, a non-wholly owned subsidiary of the Company. Accordingly, Jie Li Press is a substantial shareholder of Beijing Xinhua Wenxuan Advertising Company Limited and is a connected person of the Company under the Listing Rules.

On 8 May 2007, a purchase agreement was entered into between the Company and Jie Li Press. Pursuant to the agreement, Jie Li Press agreed to supply to the Company supplementary materials and other publications and the Company agreed to purchase the respective merchandise for the period from 1 January 2007 to 31 December 2009.

For the year ended 31 December 2009, the payment made by the Group to Jie Li Press in respect of the purchase of supplementary materials and other publications was amounted to RMB1,714,122.

Transaction with Shantou Guang Shang Packaging Co., Ltd. ("Shantou Guang Shang ")

Shantou Guang Shang holds 49% equity interests in Xinhua Shang Paper and is a substantial shareholder of Xinhua Shang Paper. According to the Listing Rules, Shantou Guang Shang is a connected person of the Company.

On 27 November 2009, a paper supply agreement was entered into between the Company's subsidiary Xinhua Shang Paper and Shantou Guang Shang. Pursuant to the agreement, Xinhua Shang Paper shall supply papers to Shantou Guang Shang for the period from 1 January 2009 to 31 December 2011.

For the year ended 31 December 2009, the amount received by Xinhua Shang Paper in respect of supply of papers to Shantou Guang Shang amounted to RMB8,450,559.

The specific details of the aforementioned continuing connected transactions have already been described in the Prospectus, the relevant circulars issued on 30 October 2008 and 4 December 2009, and the relevant announcement published on 30 November 2009.

Non-Exempted Connected Transactions

Acquisition of Land Use Right of Parent Company

On 7 September 2009, the Company, as purchaser, entered into the Land Use Right Transfer Agreement with the Parent Company, as vendor. Pursuant to the agreement, the Company agreed to purchase the Land Use Right in respect of the Land Parcel situated at Regions 4 and 5, Ma Liu Wan Cun, Jin Jiang Gong Ye Kai Fa Qu, Chengdu, Sichuan Province, the PRC (成都市錦江工業開發區麻柳灣村四組，五組) with a total gross area of 15.21 mu at a total consideration of RMB12,400,000. Detail of such transfer was set out in the relevant announcement dated 8 September 2009. The relevant procedures regarding change in title registration in respect of the land parcel have been completed.

Report of the Directors (Continued)

The Independent Non-executive Directors have reviewed the aforementioned continuing connected transactions and confirmed in the annual report and accounts of the Company that the transactions were entered into:

(1) in the ordinary and usual course of business of the Company;

(2) on normal commercial terms, or in the absence of similar transactions to judge whether the terms are normal commercial terms, on terms no less favorable to those adopted for transactions between the Company and independent third parties; and

(3) on the terms of the respective transaction agreements, for which such transactions terms are fair and reasonable and to the interests of the Company and Shareholders as a whole.

In accordance with Rule 14A.38 of the Listing Rules, the Company has engaged its auditors to perform certain agreed procedures in respect of the continuing connected transactions of the Group. Ernst & Young, the auditors of the Company, have performed agreed-upon procedures on the aforementioned continuing connected transactions and reported the performance result to the Board that the aforementioned continuing connected transactions:

(1) have been approved by the Board;

(2) have been effected in accordance with pricing policies specified under the respective agreements relating to the transactions;

(3) have been entered into on the terms of the respective agreements relating to the transactions; and

(4) do not exceed the annual cap amounts as disclosed in the Prospectus or the relevant announcements made by the Company.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2009, the Group had a total of 6,680 (2008: 6,265) staff, among which the increase of staff mainly came from Xinhua Colour Printing, a subsidiary of the Group and Zhongpan business department.

The remuneration policy of the Company is reviewed regularly. During the Year, the Company established a performance management mechanism suitable for evaluating works of functional nature by setting up a new mechanism which is target-oriented, applying segmented appraisal methods and departmental results linked to personal performance. The implementation of new mechanism had received good incentive results.

The standard remuneration package of the Company includes basic salary, performance-based bonus and benefits. Pensions, medical insurance, unemployment insurance, employment injury insurance, maternity insurance and housing welfare funds are available to employees. Furthermore, in 2009, the Company had amended the implementation method of paid annual leave policy and holiday administration system in accordance with the relevant laws and regulations in the PRC.

The Company continued to provide regular training for staff, like business training, online classroom training sessions to enhance the business qualities and working abilities.

SHARE CAPITAL

As at 31 December 2009, the total issued share capital of the Company was RMB1,135,131,000, divided into 1,135,131,000 shares of RMB1.00 each, including:

Class of shares	Number of shares	Percentage of share capital of the Company
Domestic Shares		
State-owned shares	639,857,900	56.37%
including		
(i) State-owned Shares held by Parent Company (Note 1)	592,809,525	52.22%
(ii) State-owned Shares held by other Promoters (Note 2)	47,048,375	4.15%
Social Legal Person Shares (Note 3)	53,336,000	4.70%
H Shares	**441,937,100**	**38.93%**
Total Share Capital	**1,135,131,000**	**100%**

Notes:

(1) The company is a wholly-owned subsidiary of Sichuan Development (Holding) Co., Ltd.

(2) Other Promoters include Sichuan Publication Group Company Limited, Sichuan Daily Newspaper Group, Sichuan Youth and Children Company Limited and Liaoning Publication Group Co. Ltd., but excluding Chengdu Hua Sheng (Group) Industry Co. Ltd.

(3) Social Legal Person Shares are held by Chengdu Hua Sheng (Group) Industry Co. Ltd., a Promoter.

Details of movement in the share capital of the Company during the Year are set out in note 33 to the audited financial statements for the Year.

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

As at 31 December 2009, so far as is known to the Directors and Supervisors, 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 were required, pursuant to section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), to be entered in the register required to be kept by the Company referred to therein:

Name of shareholder	Number of shares directly or indirectly held	Capacity	Class of shares	Approximate % in the relevant class of shares	Approximate % of total issued share capital	Long position/ Short position/ Lending pool
Sichuan Development (Holding) Co., Ltd.	592,809,525 (Note 1)	Interests in controlled corporation	State-owned Shares	92.65%	52.22%	Long Position
Parent Company	592,809,525 (Note 1)	Beneficial owner	State-owned Shares	92.65%	52.22%	Long Position
Chengdu Hua Sheng (Group) Industry Co. Ltd.	53,336,000 (Note 2)	Beneficial owner	Social Legal Person Shares	100%	4.70%	Long Position
National Council for the Social Security Fund	40,176,100	Beneficial owner	H Shares	9.09%	3.54%	Long Position

Notes:

(1) The aforementioned 592,809,525 Shares refer to the same block of shares.

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

Save as disclosed above, as at 31 December 2009, so far as is known to the Directors and Supervisors, 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 were required, pursuant to section 336 of the SFO, to be entered in the register required to be kept by the Company referred to therein.

Apart from (i) Mr. Gong Cimin (Executive Director and Chairman of the Company) who is the Chairman of the Parent Company, (ii) Mr. Wu Qiang (Non-executive Director) who is the Chairman of Chengdu Hua Sheng (Group) Industry Co. Ltd.; and (iii) Mr. Zhao Junhuai (Non-executive Director) who is the Vice-chairman of Chengdu Hua Sheng (Group) Industry Co. Ltd., as at 31 December 2009, none of the Directors held any positions as directors or employed as employees in any company having interests or short positions which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2009, the Directors, Supervisors and chief executives of the Company who had interests or short positions 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) and 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 the Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange were set out as follows:

Director/Supervisor	Name of company	Nature of interest	Number of shares	Approximate % of registered capital of the Company	Long Position/ Short Position/ Lending pool
Mr. Wu Qiang	Chengdu Hua Sheng (Group) Industry Co. Ltd.	Interests in controlled corporation (Note)	53,336,000	4.70%	Long Position

Note: Mr. Wu Qiang owns 90% equity interests in Chengdu Hua Sheng (Group) Industry Co. Ltd., and is therefore deemed to be interested in the shares held by Chengdu Hua Sheng (Group) Industry Co. Ltd.

Save as disclosed above, as at 31 December 2009, so far as is known to the Directors, none of the Directors, Supervisors and chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange.

MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into during the Year

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and the laws of the PRC which would otherwise require the preferential offer of new shares of the Company to existing Shareholders.

PUBLIC FLOAT

In accordance with publicly-available information and so far as the Directors are aware, as at the date of this report, more than 25% of the issued shares of the Company are held by the public, which is in compliance with the Listing Rules.

NON-COMPETITION UNDERTAKING AND SANZHOU ACQUISITION OPTION

The Parent Company has declared to the Company that, it had complied with the Non-competition Undertaking (as defined in the Prospectus) during the Year.

The Independent Non-executive Directors have conducted an annual review on the businesses of the Sanzhou Xinhua Bookstores (as defined in the Prospectus) and have resolved not to exercise the Sanzhou Acquisition Option (as defined in the Prospectus) or the right of first refusal under the Non-Competition Undertaking.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to sound corporate governance, continue to perfect and optimize the internal control system of the Company. The Company has adopted and complied with all applicable code provisions of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules during the Year. Details of the compliance with the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules are set out in the section "Corporate Governance Report" in the annual report.

DIRECTORS AND SUPERVISORS

During the Year and as at the date of this report, the Directors and Supervisors are as follows:

Executive Directors

Mr. Gong Cimin
Mr. Zhang Bangkai

Non-Executive Directors

Ms. Wang Jianping
Mr. Yu Changjiu
Mr. Li Jiawei
Mr. Luo Jun
Mr. Wu Qiang
Mr. Zhang Chengxing
Mr. Zhao Junhuai
Mr. Zhao Miao (elected on 10 February 2009)

Independent Non-Executive Directors

Mr. Han Xiaoming
Mr. Cheng Sanguo
Mr. Chan Yuk Tong

Supervisors

Mr. Xiao Changjiu
Mr. Xu Yuzheng
Mr. Peng Xianyi
Ms. Dai Wen
Ms. Lan Hong
Ms. Liu Nan
Mr. Li Qiang

Independent Supervisors

Mr. Li Guangwei
Mr. Fu Daiguo

CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As resolved at the extraordinary general meeting of the Company held on 10 February 2009, Mr. Zhao Miao was elected as a non-executive director.

As resolved at the 2010 first meeting of the second session of the Board of the Company held on 19 January 2010, Mr. Zheng Chuan was appointed as deputy general manager who will enhance the investment management capacity of the Company in cultural industry business.

As resolved at the 2010 third meeting of the second session of the Board of the Company held on 1 April 2010, Mr. Liang Min was appointed as Chief Human Resources Officer.

Save as disclosed above, during the Year and up to the date of this report, there are no other changes relating to Directors, Supervisors and senior management.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

As at the date of this report, none of the Directors and Supervisors had entered into any service contracts with the Company or any of its subsidiaries, which were not determinable within one year without payment of compensation in addition to statutory compensation.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

During the Year, none of the Directors and Supervisors had any direct or indirect material interest in any contracts of significance to which the Company, its holding company, subsidiaries or subsidiaries of its holding company was a party and remained valid at the end of the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the date of this report, so far as the Directors are aware, except Sanzhou Xinhua Bookstores which was retained by the Parent Company for policy reasons (as disclosed in the Prospectus), neither the Parent Company nor its subsidiaries (excluding the Company) was engaged in any business activities which are directly or indirectly in competition with the business of the Group. Except for Mr. Li Jiawei, a Non-executive Director, none of the other Directors or Supervisors had any interest in any business which is directly or indirectly or may be in competition with that of the Group. Mr. Li Jiawei is currently the vice president and general manager of Liaoning Publication Group Company Limited and also the director of Northern United Publishing & Media (Group) Company Limited (formerly known as Liaoning Publication Media Company Limited). The business of those companies in which he serves may be in competition with that of the Group.

Save as disclosed above, none of the Directors or their respective associates (as defined in the Listing Rules) had any interest in any business which is or may be in competition with that of the Group.

EMOLUMENTS OF DIRECTORS AND SUPERVISORS AND REMUNERATIONS OF THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and Supervisors and remunerations of the five highest paid individuals for the Year are set out in note 9 to the audited financial statements for the Year.

BOARD OF DIRECTORS AND BOARD COMMITTEES

Details of the Board and board committees are set out in the Corporate Governance Report of the annual report.

SHARE APPRECIATION RIGHT INCENTIVE SCHEME

During the Year, the Share Appreciation Right Incentive Scheme was not yet in effect.

The proposal of the Share Appreciation Right Incentive Scheme had been submitted to the SASAC of Sichuan and no approval has been obtained.

MATERIAL LITIGATION

In relation to a legal proceeding involving South-western Book City under the Group, a settlement agreement was entered into on 13 April 2009 by the Group and the plaintiff (the "Settlement Agreement"). Both parties have discharged their respective obligations under the Settlement Agreement. In accordance with the Settlement Agreement, the Group paid to the plaintiff property rental charges of RMB3,885,000 in respect of the period from 1 September 2002 to 31 December 2007. Provision was made in the Group's accounts in previous years. As such, the implementation of the Settlement Agreement has no effect on the profits of the Group for the Year.

Save as disclosed above, during the year ended 31 December 2009, the Group was not involved in any litigation, arbitration or claims of material importance and there was no litigation or claim of material importance which was known to the Directors to be pending or threatened by or against the Company.

AUDIT COMMITTEE

The Company has established an Audit Committee in compliance with Appendix 14 to the Listing Rules with specific written terms of reference.

The Audit Committee has reviewed the audited consolidated financial statements for the Year and the annual result announcement and has discussed the financial reporting and internal control issues with the management. The Audit Committee considered that the financial report have been prepared in accordance with applicable accounting standards and requirements and appropriate disclosures were made.

AUDITORS

Ernst & Young and ShineWing Certified Public Accountants have been appointed as the international and domestic auditors of the Company respectively for the Year 2009. The consolidated financial statements of the Group, prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, has been audited by Ernst & Young. Ernst & Young and ShineWing Certified Public Accountants will retire and shall be eligible for re-appointment at the forthcoming AGM.

By order of the Board
Gong Cimin
Chairman

1 April 2010

Report of the Supervisory Committee

During the Year, the Supervisory Committee of the Company carried out its supervisory duties in a conscientious and diligent manner to protect the interests of Shareholders and the Company in accordance with the requirements of the Company Law of the People's Republic of China ("Company Law"), the Listing Rules and the Company's Articles of Association and provisions of other relevant laws.

1. MEETINGS HELD BY THE SUPERVISORY COMMITTEE

During the Year, the Company convened two Supervisory Committee meetings, in which the number of Supervisors present at the meetings was in compliance with the relevant provisions of the Company Law and the Company's Articles of Association. Details of the meetings are as follows:

The first meeting of the Supervisory Committee was convened on 9 April 2009, during which the Supervisory Committee communicated and discussed with ShineWing Certified Public Accountants, the PRC auditors, in relation to audit procedures for 2008, confirmation reply, inventory, connected transactions, investment and internal control management and expressed its opinion regarding the risks in inventory control and investment. Also, the resolutions like the Report of the Supervisory Committee for 2008, the Audited Financial Report for 2008, the Profit Distribution Proposal for 2008 and the Annual Report for 2008 were reviewed and unanimously approved.

The second meeting of the Supervisory Committee was convened on 21 August 2009, during which the resolution regarding the unaudited consolidated financial report for the six months ended 30 June 2009 was reviewed and unanimously approved.

2. SUPERVISION AND INSPECTION CONDUCTED BY THE SUPERVISORY COMMITTEE

During the Year, the Company's Supervisory Committee had duly carried out its supervisory duties with a view to protect the interests of the Company and its Shareholders. In order to supervise the critical decision-making process of the Company, internal control management and the performance of duties of Board members and senior management officers, members of the Company's Supervisory Committee were present at each Board meeting of the Company, communicated and discussed with the Company's auditors. The Supervisory Committee was of the view that the decision-making procedures of each Board meeting were legitimate, the Board has duly implemented the resolutions of the general meeting and faithfully carried out their fiduciary duties. We were not aware of any act that is in breach of the Company's Articles of Association and other laws, regulations or detrimental to the interests of the Company and infringement of the interests of the Shareholders by the Directors and senior management officers of the Company during the course of performance of their duties for the Company.

Report of the Supervisory Committee (Continued)

3. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON CERTAIN ISSUES OF THE COMPANY IN 2009

1. Operation of the Company Pursuant to the Relevant Laws

During the year 2009, the Company operated according to relevant laws, regulated its management and its operating results was objectively true, internal control management was further improved. The Directors and senior management officers of the Company acted cautiously, carefully and diligently in its business operation and management process, and are not aware of any act that is in breach of laws and regulations and detrimental to the interests of Shareholders.

2. Financial Position of the Company

The consolidated financial report of the Company for 2009 have been prepared by ShineWing Certified Public Accountants and Ernst & Young respectively according to domestic and international accounting standards, and audited reports with unqualified opinion were prepared. After reviewing the financial report of 2009 issued by Ernst & Young, the Supervisory Committee of the Company was of the view that the financial report has truly, objectively and accurately reflected the financial position and its operating results.

3. Connected Transactions of the Company

The Supervisory Committee has conducted supervision and verification on the Company's connected transactions during the year 2009, and is not aware of any connected transactions that have not been conducted at fair prices and were against the interests of the Company and minority Shareholders.

4. Acquisitions and Disposals of Assets by the Company

During the Year, we are not aware of any material acquisitions made by the Company which involve any insider dealing or any act against the interests of Shareholders, and cause losses to the Company's assets.

In general, for the works performed by the Supervisory Committee in 2009, under the principle of full accountability to all the Shareholders, the Supervisory Committee endeavoured to fulfil its supervisory and verification functions, strived to protect the legal interests of the Company and Shareholders and propounded positive effects to the regulated business operation and development of the Company. In the coming new year, the Supervisory Committee will further broaden its vision, continue to perform its duties faithfully, further enhance the regulated operation of the Company, protect the interests of Shareholders and the Company as a whole, and diligently carry out every task strictly in accordance with the powers conferred by applicable laws and regulations of the PRC and Hong Kong and the Articles of Association.

By order of the Supervisory Committee
Xiao Changjiu
Chairman

1 April 2010

Independent Auditors' Report

ERNST & YOUNG
安 永 會 計 師 事 務 所

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Two International Finance Centre
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To the shareholders of Sichuan Xinhua Winshare Chainstore Co., Ltd.
(A joint stock limited company established in the People's Republic of China)

We have audited the financial statements of Sichuan Xinhua Winshare Chainstore Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group") set out on pages 63 to 144, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report (Continued)

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18th Floor, Two International Finance Centre
8 Finance Street, Central
Hong Kong

1 April 2010

Consolidated Income Statement

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
REVENUE	5	**3,208,988**	2,736,936
Cost of sales		**(2,008,828)**	(1,630,435)
Gross profit		**1,200,160**	1,106,501
Other income and gains	5	**80,581**	62,104
Selling and distribution costs		**(631,287)**	(546,035)
Administrative expenses		**(268,779)**	(234,904)
Other expenses		**(38,649)**	(76,675)
Finance income, net	7	**32,213**	39,995
Share of profits and losses of associates		**(7,585)**	(9,772)
PROFIT BEFORE TAX	6	**366,654**	341,214
Income tax expense	10	**(2,922)**	(3,058)
PROFIT FOR THE YEAR		**363,732**	338,156
Attributable to:			
Owners of the parent		**358,658**	337,988
Minority interests		**5,074**	168
		363,732	338,156
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB)	13	**0.32**	0.30

Details of the dividends payable and proposed for the year are disclosed in note 12 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
PROFIT FOR THE YEAR		**363,732**	338,156
Asset revaluation surplus arising on the acquisition of a subsidiary	35	**11,018**	—
Effect of income tax exemption from years 2009 to 2013	22	**(6,476)**	—
Other comprehensive income for the year, after tax		**4,542**	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, AFTER TAX		**368,274**	338,156
Attributable to:			
Owners of the parent		**363,200**	337,988
Minority interests		**5,074**	168
		368,274	338,156

Consolidated Statement of Financial Position

31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**823,169**	533,473
Lease prepayments for land use rights	15	**109,246**	68,371
Investment properties	16	**5,254**	5,660
Goodwill	17	**3,307**	3,307
Other intangible assets	18	**28,372**	28,766
Investments in associates	20	**32,599**	49,079
Available-for-sale equity investments	21	**692,835**	428,835
Deferred tax assets	22	**33,638**	48,372
Property under development	23	**124,841**	126,203
Long-term prepayment	24	**62,000**	—
Total non-current assets		**1,915,261**	1,292,066
CURRENT ASSETS			
Inventories	25	**696,826**	827,046
Trade receivables	26	**324,335**	309,919
Prepayments, deposits and other receivables	27	**172,079**	153,546
Held-to-maturity investments	28	**260,000**	180,000
Pledged deposits	29	**82,309**	14,280
Cash and short-term deposits	29	**2,347,215**	2,610,701
Total current assets		**3,882,764**	4,095,492
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	30	**46,125**	9,600
Trade and bills payables	31	**1,224,160**	1,172,939
Deposits received, other payables and accruals	32	**626,556**	461,042
Tax payable		**3,345**	4,926
Total current liabilities		**1,900,186**	1,648,507
NET CURRENT ASSETS		**1,982,578**	2,446,985
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,897,839**	3,739,051

Consolidated Statement of Financial Position (Continued)

31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
NON-CURRENT LIABILITIES			
Other borrowings	30	**1,125**	3,525
Total non-current liabilities		**1,125**	3,525
Net assets		**3,896,714**	3,735,526
EQUITY			
Equity attributable to owners of the parent			
Issued capital	33	**1,135,131**	1,135,131
Reserves	34	**2,357,111**	2,311,748
Proposed final dividend	12	**317,837**	227,026
		3,810,079	3,673,905
Minority interests		**86,635**	61,621
Total equity		**3,896,714**	3,735,526

Gong Cimin
Director

Zhang Bangkai
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2009

	Notes	Issued capital RMB'000 (note 33)	Share premium account RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Other reserve RMB'000	Proposed final dividend RMB'000	Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
		Attributable to owners of the parent									
Year ended 31 December 2008 (Restated)											
As at 1 January 2008		1,135,131	1,708,203	33,514	93,285	48,393	340,539	319,573	3,678,638	45,358	3,723,996
Total comprehensive income for the year		–	–	–	–	–	–	337,988	337,988	168	338,156
Final dividend for 2007		–	–	–	–	–	(340,539)	–	(340,539)	–	(340,539)
Appropriation to statutory surplus reserve		–	–	–	33,568	–	–	(33,568)	–	–	–
Proposed final 2008 dividend		–	–	–	–	–	227,026	(227,026)	–	–	–
Investments in subsidiaries		–	–	–	–	–	–	–	–	7,350	7,350
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	8,733	8,733
Equity transactions with minority equity holders		–	–	(2,182)	–	–	–	–	(2,182)	2,782	600
Dividends to minority equity holders		–	–	–	–	–	–	–	–	(2,770)	(2,770)
As at 31 December 2008		1,135,131	1,708,203*	31,332*	126,853*	48,393*	227,026	396,967*	3,673,905	61,621	3,735,526
Year ended 31 December 2009 (Restated)											
As at 1 January 2009		1,135,131	1,708,203*	31,332*	126,853*	48,393*	227,026	396,967*	3,673,905	61,621	3,735,526
Total comprehensive income for the year		–	–	–	–	4,542	–	358,658	363,200	5,074	368,274
Final dividend for 2008		–	–	–	–	–	(227,026)	–	(227,026)	–	(227,026)
Dividends to minority equity holders		–	–	–	–	–	–	–	–	(3,353)	(3,353)
Acquisition of a subsidiary	35(A)	–	–	–	–	–	–	–	–	28,398	28,398
Appropriation to statutory surplus reserve		–	–	–	35,438	–	–	(35,438)	–	–	–
Disposal of subsidiaries	36	–	–	–	–	–	–	–	–	(5,009)	(5,009)
Proposed final 2009 dividend		–	–	–	–	–	317,837	(317,837)	–	–	–
Acquisition of minority interests	35(A)	–	–	–	–	–	–	–	–	(96)	(96)
As at 31 December 2009		1,135,131	1,708,203*	31,332*	162,291*	52,935*	317,837	402,350*	3,810,079	86,635	3,896,714

* These reserve accounts comprise the consolidated reserves of RMB2,357,111,000 (2008: RMB2,311,748,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**366,654**	341,214
Adjustments for:			
Finance income, net	7	**(32,213)**	(39,995)
Gains on held-to-maturity investments	5	**(8,691)**	(27,093)
Loss on an investment designated at fair value through profit or loss		**—**	1,925
Amortisation of intangible assets	6	**4,098**	3,448
Recognition of lease prepayments for land use rights	6	**4,278**	3,766
Share of profits and losses of associates		**7,585**	9,772
Loss on disposal of items of property, plant and equipment	6	**265**	152
Depreciation	6	**56,146**	39,869
Dividends from available-for-sale equity investments	5	**(15,520)**	—
Excess over the cost of business combinations	5	**(3,590)**	—
Gain on disposal of subsidiaries	36	**(31)**	—
Impairment/(reversal of impairment) of trade and other receivables	6	**(4,046)**	2,368
Write-down of inventories to net realisable value	6	**25,356**	35,340
		400,291	370,766
Increase/(decrease) in inventories		**118,972**	(257,749)
Increase/(decrease) in trade receivables		**(45,886)**	9,942
(Increase)/decrease in prepayments, deposits and other receivables		**(17,289)**	23,620
Increase in trade and bills payables		**87,620**	93,050
Increase in deposits received, other payables and accruals		**100,704**	272,992
Increase/(decrease) in a property under development		**1,362**	(178)
Cash generated from operations		**645,774**	512,443
Interest paid		**(3,602)**	(782)
PRC corporate income tax paid		**(1,889)**	(1,576)
Net cash flows from operating activities		**640,283**	510,085

Consolidated Statement of Cash Flows (Continued)

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**36,159**	33,535
Interest income from held-to-maturity investments	5	**8,691**	27,093
Dividends received	5	**15,520**	291
Proceeds from disposal of items of property, plant and equipment		**1,774**	1,063
Purchases of items of property, plant and equipment	14	**(236,410)**	(79,865)
Purchase of a lease prepayment for land use rights	15	**(14,126)**	—
Purchases of intangible assets	18	**(1,782)**	(5,313)
Decrease in non-pledged time deposits with original maturity of more than three months when acquired		**20,040**	124,244
Increase in investments in associates		**(20,400)**	(11,615)
Acquisition of subsidiaries	35	**(4,242)**	2,170
Disposal of subsidiaries	36	**(18,463)**	—
Cash contribution from a minority equity holder		**—**	7,350
Increase in available-for-sale equity investments		**(264,000)**	(80,000)
Increase in a long-term prepayment		**(62,000)**	—
Increase in pledged time deposits		**(68,029)**	(4,280)
(Purchase)/disposal of held-to-maturity investments		**(80,000)**	150,000
Disposal of investments at fair value through profit or loss		**—**	866,255
Equity transaction with minority equity holders		**—**	600
Net cash flows from/(used in) investing activities		**(687,268)**	1,031,528
CASH FLOWS FROM FINANCING ACTIVITIES			
New interest-bearing bank and other borrowings		**34,125**	—
Dividends paid		**(227,026)**	(340,539)
Dividends paid to minority shareholders		**(3,560)**	(2,563)
Net cash used in financing activities		**(196,461)**	(343,102)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(243,446)**	1,198,511
Cash and cash equivalents at beginning of year		**2,534,945**	1,336,434
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,291,499**	2,534,945
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	29	**1,105,544**	1,311,898
Non-pledged time deposits with original maturity of less than three months when acquired	29	**1,185,955**	1,223,047
		2,291,499	2,534,945

Statement of Financial Position

31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**717,999**	530,495
Lease prepayments for land use rights	15	**78,065**	68,371
Investment properties	16	**5,254**	5,660
Other intangible assets	18	**24,777**	27,565
Investments in subsidiaries	19	**200,446**	108,898
Investments in associates	20	**43,460**	64,733
Available-for-sale equity investments	21	**692,835**	428,835
Deferred tax assets	22	**40,614**	47,090
Long-term prepayment	24	**62,000**	—
Due from a subsidiary		**7,750**	5,875
Total non-current assets		**1,873,200**	1,287,522
CURRENT ASSETS			
Inventories	25	**650,772**	802,727
Trade receivables	26	**209,770**	279,830
Prepayments, deposits and other receivables	27	**179,251**	186,753
Held-to-maturity investments	28	**260,000**	180,000
Pledged deposits	29	**30,000**	—
Cash and short-term deposits	29	**2,273,375**	2,525,698
Total current assets		**3,603,168**	3,975,008
CURRENT LIABILITIES			
Trade and bills payables	31	**1,057,445**	1,107,559
Deposits received, other payables and accruals	32	**563,398**	430,926
Tax payable		**—**	854
Total current liabilities		**1,620,843**	1,539,339
NET CURRENT ASSETS		**1,982,325**	2,435,669
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,855,525**	3,723,191

Statement of Financial Position (Continued)

31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
Net assets		**3,855,525**	3,723,191
EQUITY			
Issued capital	33	**1,135,131**	1,135,131
Reserves	34	**2,402,557**	2,361,034
Proposed final dividend	12	**317,837**	227,026
Total equity		**3,855,525**	3,723,191

Gong Cimin
Director

Zhang Bangkai
Director

Notes to Financial Statements

31 December 2009

1. CORPORATE INFORMATION

Sichuan Xinhua Winshare Chainstore Co., Ltd. (the "Company") was established in the People's Republic of China (the "PRC") on 11 June 2005 as a joint stock limited company as part of the reorganisation (the "Reorganisation") of Sichuan Xinhua Publishing Group Co., Ltd. ("Xinhua"). Details of the formation of the joint stock limited company are set out in the Company's prospectus dated 16 May 2007 (the "Prospectus").

On 30 May 2007, the Company's H shares ("H Shares") were listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and 406,340,000 H Shares, consisting of 369,400,000 new shares and 36,940,000 shares converted from the Company's domestic shares (the "Domestic Shares") were issued to the public. On 7 June 2007, an additional 32,361,000 new H Shares and 3,236,100 H Shares converted from the Domestic Shares were issued to the public as a result of the partial exercise of the over-allotment option as detailed in the Prospectus.

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

The Group is principally engaged in the production and trading of publications and related products in the PRC. The details of the principal activities of the subsidiaries are set out in note 19 to the financial statements.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared on a historical cost basis, except for investments at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2009. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Notes to Financial Statements (Continued)

31 December 2009

2.1 BASIS OF PREPARATION *(CONTINUED)*

Basis of consolidation *(Continued)*

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. Acquisition of minority interests is accounted for using the entity concept method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised as an equity transaction.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies, the adoption of these new and revised IFRSs has had no significant effect on these financial statements.

IFRS 1 and IAS 27 Amendments	Amendments to IFRS 1 *First-time Adoption of IFRSs* and IAS 27 *Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payment — Vesting Conditions and Cancellations*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments*
IFRS 8	*Operating Segments*
IAS 1 (Revised)	*Presentation of Financial Statements*
IAS 18 Amendment*	Amendment to Appendix to IAS 18 *Revenue — Determining whether an entity is acting as a principal or as an agent*
IAS 23 (Revised)	*Borrowing Costs*
IAS 32 and IAS 1 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation*
IFRIC 9 and IAS 39 Amendments	Amendments to IFRIC 9 *Reassessment of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition and Measurement — Embedded Derivatives*
IFRIC 13	*Customer Loyalty Programmes*
IFRIC 15	*Agreements for the Construction of Real Estate*
IFRIC 16	*Hedges of a Net Investment in a Foreign Operation*
IFRIC 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to IFRSs (May 2008)	Amendments to a number of IFRSs

* Included in *Improvements to IFRSs 2009* (as issued in April 2009).

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(CONTINUED)*

The principal effects of adopting these new and revised IFRSs are as follows:

(a) Amendments to IFRS 1 *First-time Adoption* of IFRSs and IAS 27 *Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

The IAS 27 Amendment requires all dividends from subsidiaries, associates or jointly-controlled entities to be recognised in the income statement in the parent's separate financial statements. The distinction between pre and post acquisition profits is no longer required. However, the payment of such dividends requires the Company to consider whether there is an indicator of impairment. The amendment is applied prospectively. IAS 27 has also been amended to deal with the measurement of the cost of investments where a parent reorganises the structure of its group by establishing a new entity as its parent. The IFRS 1 Amendment allows a first-time adopter of IFRSs to measure its investment in subsidiaries, associates or jointly-controlled entities using a deemed cost. As the Group is not a first-time adopter of IFRSs, the IFRS 1 Amendment is not applicable to the Group.

(b) Amendments to IFRS 2 *Share-based Payment — Vesting Conditions and Cancellations*

The IFRS 2 Amendments clarify that vesting conditions are service conditions and performance conditions only. Any other conditions are non-vesting conditions. Where an award does not vest as a result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this is accounted for as a cancellation. As the Group has not entered into share-based payment schemes, the amendments have had no impact on the financial position or results of operations of the Group.

(c) Amendments to IFRS 7 *Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments*

The IFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. As the Group has no financial instrument recorded at fair value, the amendments have had no impact on the disclosure to the financial statements.

(d) IFRS 8 *Operating Segments*

IFRS 8, which replaces IAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purpose of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14 and thus the adoption of IFRS 8 has had no impact on the disclosure of operating segments.

Notes to Financial Statements (Continued)

31 December 2009

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(CONTINUED)*

(e) IAS 1 (Revised) *Presentation of Financial Statements*

IAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

(f) Amendment to Appendix to IAS 18 *Revenue — Determining whether an entity is acting as a principal or as an agent*

Guidance has been added to the appendix (which accompanies the standard) to determine whether the Group is acting as a principal or as an agent. The features to consider are whether the Group (i) has the primary responsibility for providing the goods or services, (ii) has inventory risk, (iii) has the discretion to establish prices and (iv) bears credit risk. The Group has assessed its revenue arrangements against these criteria and concluded that it is acting as a principal in all arrangements except for concessionaire sales. The amendment has had no impact on the financial position or results of operations of the Group.

(g) IAS 23 (Revised) *Borrowing Costs*

IAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard has had no impact on the financial position or results of operations of the Group.

(h) Amendments to IAS 32 *Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation*

The IAS 32 Amendments provide a limited scope exception for puttable financial instruments and instruments that impose specified obligations arising on liquidation to be classified as equity if they fulfil a number of specified features. The IAS 1 Amendments require disclosure of certain information relating to these puttable financial instruments and obligations classified as equity. As the Group currently has no such instruments or obligations, the amendments have had no impact on the financial position or results of operations of the Group.

Notes to Financial Statements (Continued)

31 December 2009

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(CONTINUED)*

(i) Amendments to IFRIC 9 *Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement — Embedded Derivatives*

The amendment to IFRIC 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 has been revised to state that if an embedded derivative cannot be separately measured, the entire hybrid instrument must remain classified as fair value through profit or loss in its entirety. As the Group currently has no embedded derivative, the adoption of the amendments has had no impact on the financial position or results of operations of the Group.

(j) IFRIC 13 *Customer Loyalty Programmes*

IFRIC 13 requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. The Group's current accounting policy aligns with the requirement of this interpretation, therefore, the adoption of this interpretation did not have any significant financial impact on the Group.

(k) IFRIC 15 *Agreements for the Construction of Real Estate*

IFRIC 15 clarifies when and how an agreement for the construction of real estate should be accounted for as a construction contract in accordance with IAS 11 *Construction Contracts* or an agreement for the sale of goods or services in accordance with IAS 18 *Revenue*. As the Group currently is not involved in any construction of real estate, the interpretation has had no impact on the financial position or results of operations of the Group.

(l) IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*

IFRIC 16 provides guidance on the accounting for a hedge of a net investment in a foreign operation. This includes clarification that (i) hedge accounting may be applied only to the foreign exchange differences arising between the functional currencies of the foreign operation and the parent entity; (ii) a hedging instrument may be held by any entities within a group; and (iii) on disposal of a foreign operation, the cumulative gain or loss relating to both the net investment and the hedging instrument that was determined to be an effective hedge should be reclassified to the income statement as a reclassification adjustment. As the Group currently has no hedge of a net investment in a foreign operation, the interpretation has had no impact on the financial position or results of operations of the Group.

(m) IFRIC 18 *Transfers of Assets from Customers (adopted from 1 July 2009)*

IFRIC 18 provides guidance on accounting by recipients that receive from customers items of property, plant and equipment or cash for the acquisition or construction of such items, provided that these assets must then be used to connect customers to networks or to provide ongoing access to a supply of goods or services, or both. As the Group currently has no such transactions, the interpretation has had no impact on the financial position or results of operations of the Group.

Notes to Financial Statements (Continued)

31 December 2009

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(CONTINUED)*

(n) Improvements to IFRSs

In May 2008, the IASB issued its first *Improvements to IFRSs* which sets out amendments to a number of IFRSs. Except for the amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations — Plan to sell the controlling interest in a subsidiary* which is effective for annual periods beginning on or after 1 July 2009, the Group adopted all the amendments from 1 January 2009. While the adoption of some of the amendments results in changes to accounting policies, none of these amendments has had a significant financial impact to the Group. Details of the key amendments most applicable to the Group are as follows:

- IFRS 7 *Financial Instruments: Disclosures:* Removes the reference to "total interest income" as a component of finance costs.

- IAS 1 *Presentation of Financial Statements:* Clarifies that assets and liabilities which are classified as held for trading in accordance with IAS 39 are not automatically classified as current in the statement of financial position.

- IAS 16 *Property, Plant and Equipment:* Replaces the term "net selling price" with "fair value less costs to sell" and the recoverable amount of property, plant and equipment is the higher of an asset's fair value less costs to sell and its value in use.

  In addition, items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental are transferred to inventory when rental ceases and they are held for sale.

- IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance:* Requires government loans granted in the future with no or at a below-market rate of interest to be recognised and measured in accordance with IAS 39 and the benefit of the reduced interest to be accounted for as a government grant.

- IAS 27 *Consolidated and Separate Financial Statements:* Requires that when a parent entity accounts for a subsidiary at fair value in accordance with IAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.

- IAS 28 *Investments in Associates:* Clarifies that an investment in an associate is a single asset for the purpose of conducting the impairment test and that no impairment is separately allocated to goodwill included in the investment balance.

- IAS 36 *Impairment of Assets*: When discounted cash flows are used to estimate "fair value less costs to sell", additional disclosures (e.g. discount rate and growth rate used) are required which are consistent with the disclosures required when the discounted cash flows are used to estimate "value in use".

- IAS 38 *Intangible Assets*: Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service.

  The reference to there being rarely, if ever, persuasive evidence to support an amortisation method for intangible assets other than a straight-line method has been removed. The Group has reassessed the useful lives of its intangible assets and concluded that the straight-line method is still appropriate.

Notes to Financial Statements (Continued)

31 December 2009

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(CONTINUED)*

(n) *(Continued)*

- IAS 39 *Financial Instruments: Recognition and Measurement*: (i) sets out a number of changes in circumstances relating to derivatives that are not considered to result in reclassification into or out of the fair value through profit or loss category; (ii) removes the reference to the designation of hedging instrument at the segment level; and (iii) requires that the revised effective interest rate (rather than the original effective interest rate) calculated on cessation of fair value hedge accounting should be used for the remeasurement of the hedged item when paragraph AG8 of IAS 39 is applicable.

- IAS 40 *Investment Property*: Revises the scope such that property being constructed or developed for future as an investment property is classified as an investment property.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, which have been issued but are not yet effective, in these financial statements:

IFRS 1 (Revised)	*First-time Adoption of International Financial Reporting Standards*[1]
IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Additional Exemptions for First-time Adopters*[2]
IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payment — Group Cash-settled Share-based Payment Transactions*[2]
IFRS 3 (Revised)	*Business Combinations*[1]
IFRS 9	*Financial Instruments*[6]
IAS 24 (Revised)	*Related Party Disclosures*[5]
IAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*[3]
IAS 39 Amendment	Amendment to IAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*[1]
IFRIC 14 Amendments	Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*[5]
IFRIC 17	*Distributions of Non-cash Assets to Owners*[1]
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*[4]
Amendments to IFRS 5 included in *Improvements to IFRSs* issued in May 2008	Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations — Plan to sell the controlling interest in a subsidiary*[1]

Apart from the above, the IASB has issued *Improvements to IFRSs* 2009 which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

Notes to Financial Statements (Continued)

31 December 2009

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(CONTINUED)*

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2010
[3] Effective for annual periods beginning on or after 1 February 2010
[4] Effective for annual periods beginning on or after 1 July 2010
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 January 2013

IFRS 1 (Revised) was issued with an aim to improve the structure of the standard. The revised version of the standard does not make any changes to the substance of accounting by first-time adopters. As the Group is not a first-time adopter of IFRSs, the amendments will not have any financial impact on the Group.

The IFRS 1 Amendments provide relief from the full retrospective application of IFRSs for the measurement of oil and gas assets and leases. As a result of extending the options for determining deemed cost to oil and gas assets, the existing exemption relating to decommissioning liabilities has also been revised. As the Group is not a first-time adopter of IFRSs, the amendments will not have any financial impact on the Group.

The IFRS 2 Amendments provide guidance on how to account for cash-settled share-based payment transactions in the separate financial statements of the entity receiving the goods and services when the entity has no obligation to settle the share-based payment transactions. The amendments also incorporate guidance that was previously included in IFRIC 8 *Scope of IFRS 2* and *IFRIC 11 IFRS 2—Group and Treasury Share Transactions*. The Group expects to adopt the IFRS 2 Amendments from 1 January 2010. The amendments are unlikely to have any significant implications on the Group's accounting for share-based payments.

IFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

IAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 *Statement of Cash Flows, IAS 12 Income Taxes*, IAS 21 *The Effects of Changes in Foreign Exchange Rates, IAS 28 Investments* in Associates and IAS 31 *Interests in Joint Ventures*.

The Group expects to adopt IFRS 3 (Revised) and IAS 27 (Revised) from 1 January 2010. The changes introduced by these revised standards must be applied prospectively and will affect the accounting of future acquisitions, loss of control and transactions with minority interests.

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments*: *Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39. IAS 39 is aimed to be replaced by IFRS 9 in its entirety by the end of 2010. The Group expects to adopt IFRS 9 from 1 January 2013.

Notes to Financial Statements (Continued)

31 December 2009

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(CONTINUED)*

IAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt IAS 24 (Revised) from 1 January 2011 and the comparative related party disclosures will be amended accordingly. While the adoption of the revised standard will result in changes in the accounting policy, the revised standard is unlikely to have any impact on the related party disclosures as the Group currently does not have any significant transactions with government related entities.

The IAS 32 Amendment revises the definition of financial liabilities such that rights, options or warrants issued to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments, provided that the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The Group expects to adopt the IAS 32 Amendment from 1 January 2011. As the Group currently has no such rights, options or warrants in issue, the amendment is unlikely to have any financial impact on the Group.

The IAS 39 Amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. The Group expects to adopt the IAS 39 Amendment from 1 January 2010. As the Group has not entered into any such hedges, the amendment is unlikely to have any financial impact on the Group.

The IFRIC 14 Amendments remove an unintended consequence arising from the treatment of prepayments of future contributions in certain circumstances when there is a minimum funding requirement. The amendments require an entity to treat the benefit of an early payment as a pension asset. The economic benefit available as a reduction in future contributions is thus equal to the sum of (i) the prepayment for future services and (ii) the estimated future services costs less the estimated minimum funding requirement contributions that would be required as if there were no prepayments. As the Group has no defined benefit scheme, the amendments will not have any financial impact on the Group.

IFRIC 17 standardises practice in the accounting for non-reciprocal distributions of non-cash assets to owners. The interpretation clarifies that (i) a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; (ii) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and (iii) an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. Other consequential amendments were made to IAS 10 *Events after the Reporting Period* and IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. While the adoption of the interpretation may result in changes in certain accounting policies, the interpretation is unlikely to have any material financial impact on the Group.

IFRIC 19 addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. The Group expects to adopt the interpretation from 1 January 2011. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are consideration paid in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* and the difference between the carrying amount of the financial liability extinguished, and the consideration paid, shall be recognised in profit or loss. The consideration paid should be measured based on the fair value of the equity instrument issued or, if the fair value of the equity instrument cannot be reliably measured, the fair value of the financial liability extinguished. As the Group has not undertaken such transactions, the interpretation is unlikely to have any material financial impact on the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(CONTINUED)*

The amendments to IFRS 5 clarify that all assets and liabilities of a subsidiary shall be classified as held for sale if an entity has a sale plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest. The Group expects to adopt the amendments from 1 January 2010. The changes must be applied prospectively and will affect future sale transactions or plans involving loss of control of a subsidiary.

Improvements to IFRSs 2009 issued in April 2009 sets out amendments to a number of IFRSs. Except for the amendment to IAS 18 and the amendment to IFRS 8, the Group expects to adopt the amendments from 1 January 2010. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group are as follows:

(a) IFRS 2 *Share-based Payment*: Clarifies that a contribution of a business on the formation of a joint venture and combination of entities or businesses under common control is not within the scope of IFRS 2 even though it is outside the scope of IFRS 3.

(b) IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that (i) the disclosures required in respect of non-current assets (or a disposal group) classified as held for sale or a discontinued operation are those set out in IFRS 5; (ii) the general requirements of IAS 1 still apply (e.g., source of estimation uncertainty); and (iii) the disclosures in other IFRSs are not required unless:

    (i) those IFRSs specifically require disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations; or

    (ii) the disclosures relate to the measurement of assets or liabilities within a disposal group that are outside the scope of measurement requirements of IFRS 5 and disclosures are not disclosed elsewhere in the financial statements.

(c) IFRS 8 *Operating Segments*: Clarifies that segment assets and liabilities need only to be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

(d) IAS 1 *Presentation of Financial Statements*: States that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

(e) IAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

(f) AS 17 *Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in IAS 17.

(g) IAS 36 *Impairment of Assets*: Clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment as defined in IFRS 8 Operating Segments before aggregation for financial reporting purposes.

Notes to Financial Statements (Continued)

31 December 2009

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS *(CONTINUED)*

(h) IAS 38 *Intangible Assets*: Clarifies that (i) if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognise the group of assets as a single asset provided that the individual assets have similar useful lives; and (ii) the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used.

(i) IAS 39 *Financial Instruments: Recognition and Measurement*: Clarifies that (i) a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract; (ii) the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date, applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken; and (iii) gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognised financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.

(j) IFRIC 9 *Reassessment of Embedded Derivatives*: Clarifies that it does not apply to possible reassessment, at the date of acquisition, to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture.

(k) IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*: Removes the restriction of where the hedging instrument may be held in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the Group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied.

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments — Group as lessee

The Group has entered into commercial property leases for some of its retailing business. The Group has determined that the lessor retains all the significant risks and rewards of these properties and so accounts for them as operating leases.

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(CONTINUED)*

Judgements *(Continued)*

Operating lease commitments—Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment allowance on inventories

Operational procedures have been in place to monitor the risk of provision against inventories as a majority of working capital is devoted to inventories. Procedure wise, the Group reviews its inventory ageing listing on a periodic basis, which involves a comparison of the carrying value of the aged inventories with the respective net realisable value. The purpose is to ascertain whether an allowance is required to be made in the financial statements for any obsolete or slow-moving inventories. In addition, physical counts are carried out on a periodic basis in order to determine whether an allowance is needed in respect of any obsolete or defective inventories identified.

Impairment allowances on receivables

The Group periodically reviews its receivable balances to assess whether impairment allowances exist. In determining whether impairment allowances should be recorded in the consolidated income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the receivable balances before the decrease can be identified with an individual receivable balance. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets of the Group. The Group uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those of the receivable balances when scheduling their future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Notes to Financial Statements (Continued)

31 December 2009

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(CONTINUED)*

Estimation uncertainty *(Continued)*

Depreciation

The Group has estimated the useful lives of the property, plant and equipment and investment properties from 3 to 40 years, after taking into account of their estimated residual values, as set out in the principal accounting policies below. Depreciation of items of property, plant and equipment and investment properties is calculated on the straight-line basis over their expected useful lives.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates and is not individually tested for impairment.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in associates are treated as non-current assets and are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates and the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operation and any distribution of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

Notes to Financial Statements (Continued)

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Joint ventures *(Continued)*

A joint venture is treated as:

(a) a subsidiary, if the Group, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Group has a right to exercise a dominant influence with respect to the joint venture's financial and operating policies;

(b) a jointly-control entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with IAS39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Business combinations and goodwill

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition, irrespective of the extent of any minority interest.

Goodwill arising on acquisition is recognised in the consolidated statement of financial position as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates and jointly-controlled entities, goodwill is included in the carrying amount thereof, rather than as a separately identified asset in the consolidated statement of financial position.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Notes to Financial Statements (Continued)

31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries, associates and jointly-controlled entities (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

The excess for associates and jointly-controlled entities is included in the Group's share of the associates' and jointly-controlled entities' profits or losses in the period in which the investments are acquired.

Impairment of non-financial assets (other than goodwill)

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the assets belong.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by quantity multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Impairment losses are recognised in the consolidated income statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the consolidated income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the consolidated income statement on the straight-line basis over the lease terms.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the item of property, plant and equipment to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Notes to Financial Statements (Continued)

31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Property, plant and equipment *(Continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment over its estimated useful life, taking into account its estimated residual value of nil to 10%. The estimated useful lives for this purpose are as follows:

Buildings	20 — 40 years
Leasehold improvements	3 — 5 years
Motor vehicles	5 — 8 years
Equipment and fixtures	5 — 10 years

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the item of property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year the item is derecognised.

Construction in progress represents stores and storage facilities under construction, or renovation works in progress and is stated at cost less any impairment losses, and is not depreciated. Cost comprises development and construction expenditure incurred and other direct costs attributable to the development less any accumulated impairment losses. When completed and ready for use, the relevant assets are transferred to property, plant and equipment at cost less accumulated impairment losses.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

The intangible assets of the Group mainly comprise computer software and rights to use trademarks which are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investment properties

Investment properties are interests in buildings held to earn rental income or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes, or for sale in the ordinary course of business.

Investment properties are measured at cost less accumulated depreciation and provision for any impairment losses. Depreciation is calculated on the straight-line basis over the expected useful lives of 20 to 40 years.

An investment property shall be derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

Lease prepayments for land use rights

Lease prepayments for land use rights represent land use rights paid to the PRC government authorities. Land use rights are initially stated at cost and subsequently charged to the consolidated income statement on the straight-line basis over the respective periods of the rights ranging from 40 to 70 years. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of land and building as a finance lease in property, plant and equipment.

Property under development

Property under development is stated at the lower of cost and net realisable value and comprises development expenditure and professional fees. Net realisable value is determined by reference to management estimates based on prevailing market conditions less costs to be included in selling the property. On completion, the property is transferred to completed property held for sale.

Inventories

Inventories comprise merchandise purchased for resale and are stated at the lower of cost and net realisable value.

The cost of merchandise is determined on the weighted average basis. The net realisable value is determined based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

Consumables are stated at cost less any impairment losses.

Notes to Financial Statements (Continued)

31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investments and other financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and other receivables, loans receivable, quoted and unquoted financial instruments, and derivative financial instruments.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. These net fair value changes do not include any interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investments and other financial assets *(Continued)*

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Held-to-maturity investments are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in finance costs.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in other operating expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gains or losses is recognised in the income statement and removed from the available-for sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

Notes to Financial Statements (Continued)

31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investments and other financial assets *(Continued)*

Available-for-sale financial investments *(Continued)*

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost *(Continued)*
If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments
For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement — is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and interest-bearing bank and other borrowings.

Subsequent measurement (loans and borrowings)
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Notes to Financial Statements (Continued)

31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

(a) the rights to receive cash flows from the asset have expired;

(b) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models or other valuation models.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events. The existence of a contingent liability will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required, or that the amount of the obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that an outflow is probable, a contingent liability will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events. The existence of a contingent asset will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When an inflow is virtually certain, an asset is recognised.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Notes to Financial Statements (Continued)

31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Income tax *(Continued)*

Deferred tax

Deferred tax is provided using the liability method on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

(a) where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

(a) where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Notes to Financial Statements (Continued)

31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grants will be received and all attaching conditions will be complied with. When a grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated income statements over the expected useful life of the relevant asset by equal annual instalments. Government grants received where the attaching conditions have not yet been fulfilled are recognised as liabilities.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably, on the following bases:

(a) Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

(b) Commission income is recognised upon the sale of merchandise by the relevant bookstores or services rendered.

(c) Interest income is recognised on an accrual basis using the effective interest method by applying the rate that the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

(d) Rental income is recognised on a time proportion basis over the terms of the respective leases.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Notes to Financial Statements (Continued)

31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Employee benefits

(i) Salaries, bonuses, paid annual leave and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to defined contribution retirement plans are recognised as an expense in the consolidated income statement as incurred.

Pursuant to the relevant PRC laws and regulations, each of the entities of the Group is required to participate in a retirement benefit scheme organised by the local municipal government whereby the Group is required to contribute a certain percentage of the salaries of its employees to the retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to pay the ongoing required contributions. Contributions made to the defined contribution retirement benefit scheme are charged to the consolidated income statement as incurred.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates ruling at the end of the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

- Product: Provision of ancillary support and services to book publishers
- Zhongpan: Bulk purchase of publications from publishers and the Product segment for onward sale to book wholesalers, the Subscription segment and the Retailing segment
- Subscription: Distribution of textbooks and supplementary materials to schools and students
- Retailing: Retailing of books and audio-visual products
- Others: Others

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax from continuing operations. The adjusted profit/(loss) before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income, finance costs, dividend income, gains on held-to-maturity investments, as well as head office and corporate expenses are excluded from such measurement.

4. OPERATING SEGMENT INFORMATION *(CONTINUED)*

Segment assets exclude, tax recoverable, pledged deposits, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, the amount due to the ultimate holding company, tax payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the prevailing market prices.

The Group has not placed reliance on any single external customers, amounting to 10% or more of its revenues.

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

Notes to Financial Statements (Continued)

31 December 2009

4. OPERATING SEGMENT INFORMATION *(CONTINUED)*

Year ended 31 December 2009

	Product RMB'000	Zhongpan RMB'000	Subscription RMB'000	Retailing RMB'000	Others RMB'000	Consolidated RMB'000
Revenue and other income						
Sales to external customers	285,210	115,586	2,288,013	503,922	16,257	3,208,988
Intersegment sales	160,017	1,668,185	–	–	215	1,82 8,417
Other income	9,039	16,769	1,726	26,787	1,457	55,778
	454,266	1,800,540	2,289,739	530,709	17,929	5,093,183
Elimination of intersegment sales						(1,828,417)
						3,264,766
Results						
Segment results	52,978	18,293	304,672	(33,704)	(14,998)	327,241
Elimination of intersegment results						21,067
Unallocated expenses						(38,670)
Unallocated income and gains						592
Finance income, net						32,213
Gains on held-to-maturity investments						8,691
Dividends from available-for-sale equity investments						15,520
Profit before tax						366,654
Assets and liabilities						
Segment assets	656,808	2,368,767	915,545	666,688	195,831	4,803,639
Elimination of intersegment assets						(23,034)
Unallocated assets						1,017,420
Total assets						5,798,025
Segment liabilities	354,555	993,820	113,570	322,565	52,146	1,836,656
Elimination of intersegment liabilities						60,565
Unallocated liabilities						4,090
Total liabilities						1,901,311
Other segment information:						
Share of profits and losses of associates	–	–	–	–	(7,585)	(7,585)
Capital expenditure:						
– Property, plant and equipment	2,440	164,995	45,141	23,734	100	236,410
– Intangible assets	–	–	818	964	–	1,782
Depreciation	10,228	21,787	15,122	8,724	285	56,146
Amortisation of intangible assets	234	2,076	1,109	668	11	4,098
Write-down of inventories to net realisable value	6,984	(2,645)	6,226	14,791	–	25,356
Impairment/(reversal of impairment) of trade and other receivables	(350)	15,197	(4,466)	(14,450)	23	(4,046)
Investments in associates	–	–	–	–	32,599	32,599
Available-for-sale equity investments	–	–	–	–	–	692,835

Notes to Financial Statements (Continued)

31 December 2009

4. OPERATING SEGMENT INFORMATION *(CONTINUED)*

Year ended 31 December 2008

	Product RMB'000	Zhongpan RMB'000	Subscription RMB'000	Retailing RMB'000	Others RMB'000	Consolidated RMB'000
Revenue and other income						
Sales to external customers	27,562	118,220	2,180,595	405,169	5,390	2,736,936
Intersegment sales	447,868	1,725,546	—	—	337	2,173,751
Other income	459	13,380	3,620	16,328	3	33,790
	475,889	1,857,146	2,184,215	421,497	5,730	4,944,477
Elimination of intersegment sales						(2,173,751)
						2,770,726
Results						
Segment results	71,146	18,217	344,596	(48,135)	(13,692)	372,132
Elimination of intersegment results						(42,451)
Unallocated expenses						(54,851)
Unallocated income and gains						1,221
Finance income, net						39,995
Gains on held-to-maturity investments						27,093
Losses on investments designated at fair value through profit or loss						(1,925)
Profit before tax						341,214
Assets and liabilities						
Segment assets	517,573	2,791,436	1,185,150	541,549	188,501	5,224,209
Elimination of intersegment assets						(448,192)
Unallocated assets						611,541
Total assets						5,387,558
Segment liabilities	305,561	1,085,255	408,605	144,541	39,586	1,983,548
Elimination of intersegment liabilities						(347,886)
Unallocated liabilities						16,370
Total liabilities						1,652,032
Other segment information:						
Share of profits and losses of associates	—	—	—	—	(9,772)	(9,772)
Capital expenditure:						
— Property, plant and equipment	686	18,599	45,384	15,163	33	79,865
— Intangible assets	512	1,998	2,350	453	—	5,313
Depreciation	834	20,850	7,152	10,842	191	39,869
Amortisation of intangible assets	331	1,293	1,520	293	11	3,448
Write-down of inventories to net realisable value	(1,504)	8,673	19,017	9,154	—	35,340
Impairment/(reversal of impairment) of trade and other receivables	(2,321)	7,823	(5,704)	2,562	8	2,368
Investments in associates	—	—	—	—	49,079	49,079
Available-for-sale equity investments	—	—	—	—	—	428,835

Notes to Financial Statements (Continued)

31 December 2009

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after deduction of relevant taxes and allowances for returns and trade discounts, and after elimination of all significant intergroup transactions.

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

	Notes	2009 RMB'000	2008 RMB'000
Revenue			
Sale of goods		**3,208,988**	2,736,936
Other income and gains			
Government grants		**822**	3,678
Gross rental income	(i)	**7,479**	4,464
Commission income	(ii)	**26,776**	21,756
Gains on held-to-maturity investments		**8,691**	27,093
Dividends from available-for-sale equity investments		**15,520**	—
Excess over the cost of business combinations		**3,590**	—
Others		**17,703**	5,113
Total other income and gains		**80,581**	62,104

Notes:

(i) Rental income is analysed as follows:

	2009 RMB'000	2008 RMB'000
Gross rental income in respect of:		
Investment properties	**3,760**	3,053
Sub-letting of properties	**3,719**	1,411
	7,479	4,464
Less: Direct operating expenses	**(381)**	(241)
Net rental income	**7,098**	4,223

(ii) The breakdown of commission income is as follows:

	2009 RMB'000	2008 RMB'000
Commission from concessionaire sales	**21,273**	13,893
Commission from agency services for printing	**5,503**	7,863
	26,776	21,756

Notes to Financial Statements (Continued)

31 December 2009

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	**2009 RMB'000**	2008 RMB'000
Cost of inventories sold		**2,008,828**	1,630,435
Depreciation:			
Property, plant and equipment	14	**55,740**	39,463
Investment properties	16	**406**	406
		56,146	39,869
Recognition of lease prepayments for land use rights	15	**4,278**	3,766
Amortisation of intangible assets*	18	**4,098**	3,448
Minimum lease payments under operating leases on properties		**51,204**	51,285
Loss on disposal of items of property, plant and equipment, net		**265**	152
Impairment/(reversal of impairment) of trade and other receivables		**(4,046)**	2,368
Write-down of inventories to net realisable value		**25,356**	35,340
Auditors' remuneration		**3,520**	4,574
Staff costs:			
Directors' and supervisors' emoluments	9	**2,056**	1,912
Other staff costs			
Wages, salaries and other employee benefits		**287,354**	250,297
Post-employment pension scheme contributions		**24,705**	22,106
		312,059	272,403
		314,115	274,315
Foreign exchange differences		**141**	1,193

* The amortisation of intangible assets for the year is included in administrative expenses on the face of the consolidated income statement.

Notes to Financial Statements (Continued)

31 December 2009

7. FINANCE INCOME, NET

	Group 2009 RMB'000	Group 2008 RMB'000
Bank interest income	**35,815**	40,777
Interest expense on bank and other borrowings, wholly repayable within five years	**(3,602)**	(782)
	32,213	39,995

8. RETIREMENT BENEFITS

The Group's employees in the PRC are covered by various defined contribution pension schemes regulated by the relevant municipal and provincial governments in the PRC pursuant to which the municipal and provincial governments undertake to assume the post-employment pension obligations payable to all existing and retired employees.

The aggregate contributions of the Group to post-employment pension schemes for the year ended 31 December 2009 were approximately RMB24,747,000 (2008: RMB22,137,000).

9. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration of directors and supervisors for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Group			
	Directors		Supervisors	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Fees	**1,450**	1,270	**300**	189
Other emoluments:				
Salaries, allowances and benefits in kind	**–**	104	**204**	204
Discretionary bonuses*	**–**	54	**60**	60
Post-employment pension scheme contributions	**–**	7	**42**	24
	–	165	**306**	288
Total	**1,450**	1,435	**606**	477

* Certain executive directors and supervisors of the Company are entitled to bonus payments which are determined based on the Company's net profit for the year.

Notes to Financial Statements (Continued)

31 December 2009

9. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES *(CONTINUED)*

(a) Independent non-executive directors

The fees and bonuses paid to independent non-executive directors during the year were as follows:

	2009 RMB'000	2008 RMB'000
Mr. Chan Yuk Tong	**190**	161
Mr. Han Xiaoming	**140**	108
Mr. Cheng Sanguo	**110**	90
Total	**440**	359

The amount in 2009 represented the fees paid. There were no other emoluments payable to the independent non-executive directors during the year (2008: nil).

(b) Executive directors and non-executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Retirement benefit contributions RMB'000	Total remuneration RMB'000
2009					
Executive directors:					
Mr. Gong Cimin***	310	–	–	–	310
Mr. Zhang Bangkai****	300	–	–	–	300
	610	–	–	–	610
Non-executive directors:					
Ms. Wang Jianping	60	–	–	–	60
Mr. Yu Changjiu	60	–	–	–	60
Mr. Li Jiawei	40	–	–	–	40
Mr. Wu Qiang	40	–	–	–	40
Mr. Luo Jun***	50	–	–	–	50
Mr. Zhao Junhuai	50	–	–	–	50
Mr. Zhang Chengxing***	50	–	–	–	50
Mr. Mo Shixing****	4	–	–	–	4
Mr. Zhao Miao****	46	–	–	–	46
	400	–	–	–	400
Total	1,010	–	–	–	1,010

* Role as director from February 2009.

** Role as director from 1 January 2009 to 31 January 2009.

*** The emoluments of these directors were paid by Xinhua and charged back to the Company.

**** The emoluments of these directors were paid by Sichuan Publication Group and charged back to the Company.

Notes to Financial Statements (Continued)

31 December 2009

9. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES *(CONTINUED)*

(b) Executive directors and non-executive directors *(Continued)*

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Retirement benefit contributions RMB'000	Total remuneration RMB'000
2008					
Executive directors:					
Mr. Gong Cimin*	310	–	–	–	310
Mr. Zhang Bangkai*	125	–	–	–	125
Mr. Dai Chuanping**	175	–	–	–	175
Mr. Yang Miao**	–	54	30	3	87
Mr. Zhang Yexin**	–	50	24	4	78
	610	104	54	7	775
Non-executive directors:					
Ms. Wang Jianping	43	–	–	–	43
Mr. Yu Changjiu	25	–	–	–	25
Mr. Li Jiawei	28	–	–	–	28
Mr. Wu Qiang	28	–	–	–	28
Mr. Luo Jun*	73	–	–	–	73
Mr. Zhao Junhuai	38	–	–	–	38
Mr. Zhang Chengxing*	21	–	–	–	21
Mr. Mo Shixing	33	–	–	–	33
Mr. She Jingping**	12	–	–	–	12
	301	–	–	–	301
Total	911	104	54	7	1,076

* The emoluments of these directors were paid by Xinhua and charged back to the Company.

** Pursuant to the resolution made in the extraordinary general meeting held on 30 July 2008, Mr. Dai Chuanping, Mr. Yang Miao, Mr. Zhang Yexin and Mr. She Jingping, who were members of the Board in the first session, did not stand for re-election as members of the Board in the second session.

Notes to Financial Statements (Continued)

31 December 2009

9. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES *(CONTINUED)*

(c) Supervisors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Retirement benefit contributions RMB'000	Total remuneration RMB'000
2009					
Mr. Xiao Changjiu**	90	–	–	–	90
Mr. Xu Yuzheng*	30	–	–	–	30
Mr. Peng Xianyi	30	–	–	–	30
Ms. Dai Wen	30	–	–	–	30
Ms. Lan Hong	–	66	18	14	98
Ms. Liu Nan	–	66	18	14	98
Mr. Li Qiang	–	72	24	14	110
Mr. Fu Daiguo	60	–	–	–	60
Mr. Li Guangwei	60	–	–	–	60
Total	300	204	60	42	606

* The emoluments of this supervisor were paid by Xinhua and charged back to the Company.

** The emoluments of this supervisor were paid by Sichuan Publication Group and charged back to the Company.

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Retirement benefit contributions RMB'000	Total remuneration RMB'000
2008					
Mr. Xiao Changjiu	38	–	–	–	38
Mr. Xu Yuzheng*	13	–	–	–	13
Mr. Peng Xianyi	18	–	–	–	18
Ms. Dai Wen	12	–	–	–	12
Ms. Lan Hong	–	66	18	12	96
Ms. Liu Nan	–	66	18	6	90
Mr. Li Qiang	–	72	24	6	102
Mr. Fu Daiguo	48	–	–	–	48
Mr. Li Guangwei	48	–	–	–	48
Mr. Li Yunyi**	6	–	–	–	6
Mr. Wang Feng**	6	–	–	–	6
Total	189	204	60	24	477

* The emoluments of this supervisor were paid by Xinhua and charged back to the Company.

** Pursuant to the resolution made in the extraordinary general meeting held on 30 July 2008, Mr. Li Yunyi and Mr. Wang Feng, who were members of the Supervisory Committee in the first session, did not stand for re-election as members of the Supervisory Committee in the second session.

9. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES *(CONTINUED)*

(c) Supervisors *(Continued)*

There was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the year.

The emoluments of each of the directors and supervisors for both years fell within the range of nil to HK$1,000,000 (equivalent to RMB880,480).

(d) Five highest paid employees

The five highest paid employees during the year included nil (2008: nil) directors, details of whose remuneration are set out above.

Details of the remuneration of the five non-director and non-supervisor highest paid employees are as follows:

	Group	
	2009	2008
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**1,138**	1,284
Discretionary bonuses	**1,102**	837
Post-employment pension scheme contributions	**48**	34
	2,288	2,155

The emoluments of each of the above highest paid individuals for both years fell within the range of nil to HK$1,000,000 (equivalent to RMB880,480).

10. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. The Group is not liable for income tax in Hong Kong as it did not have assessable income currently arising in Hong Kong. Under the prevailing PRC income tax law, except for certain preferential treatment available to the Company and certain subsidiaries, the Group and its associates are subject to corporate income tax at a rate of 25% on their respective taxable income.

Notes to Financial Statements (Continued)

31 December 2009

10. INCOME TAX *(CONTINUED)*

The determination of income tax in the consolidated income statement of the Group is as follows:

	2009 RMB'000	2008 RMB'000
Current PRC income tax charge for the year	**2,826**	2,669
Deferred income tax (note 22)	**96**	389
	2,922	3,058

A reconciliation of tax expense applicable to profit before tax at the statutory rate to the tax expense at the Group's effective rate, and a reconciliation of the statutory rate to the effective tax rate, are as follows:

	Group			
	2009		2008	
	RMB'000	%	RMB'000	%
Profit before tax	**366,654**		341,214	
Income tax at the PRC statutory income tax rate of 25%	**91,663**	**25.0**	85,303	25.0
Income not subject to tax	**(3,880)**	**(1.1)**	—	—
Expenses not deductible for tax purposes	**18,600**	**5.1**	4,901	1.4
Tax losses not recognised	**1,430**	**0.4**	3,974	1.2
Tax concessions *	**(104,891)**	**(28.6)**	(91,120)	(26.7)
Tax charge at the Group's effective rate	**2,922**	**0.8**	3,058	0.9

* Pursuant to the approval from the relevant PRC tax authorities, the Company and two subsidiaries of the Group were granted an income tax exemption from years 2009 to 2013.

The share of tax attributable to associates amounting to RMB594,000 (2008: RMB519,000), is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

Notes to Financial Statements (Continued)

31 December 2009

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2009 includes a profit of RMB365,836,000 (2008: RMB355,056,000) which has been dealt with in the financial statements of the Company (note 34(b)).

12. DIVIDENDS

	2009 **RMB'000**	2008 RMB'000
Proposed final and special dividends — RMB0.28 (2008: RMB0.2) per ordinary share	**317,837**	227,026

The proposed final and special dividends for the year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The net profit after tax of the Company for the purpose of profit distribution will be the lesser of (i) the net profit determined in accordance with PRC GAAP and (ii) the net profit determined in accordance with IFRSs.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculations of basic earnings per share amounts are based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the year.

	2009 **RMB'000**	2008 RMB'000
Earnings:		
Profit attributable to ordinary equity holders of the parent	**358,658**	337,988

	Number of shares	
	2009	2008
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,135,131,000**	1,135,131,000

Diluted earnings per share for the years ended 31 December 2008 and 2009 have not been presented because no diluting events existed during these two years.

Notes to Financial Statements (Continued)

31 December 2009

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Equipment and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2009						
At 1 January 2009:						
Cost or valuation	453,993	42,704	69,189	135,902	1,135	702,923
Accumulated depreciation	(44,643)	(19,537)	(39,314)	(65,956)	–	(169,450)
Net carrying amount	409,350	23,167	29,875	69,946	1,135	533,473
At 1 January 2009, net of accumulated depreciation	409,350	23,167	29,875	69,946	1,135	533,473
Additions	164,192	1,912	12,098	51,530	6,678	236,410
Transfers from construction in progress	6,968	–	–	–	(6,968)	–
Acquisition of subsidiaries (note 35)	45,625	–	483	65,465	–	111,573
Disposal of subsidiaries (note 36)	–	–	(333)	(175)	–	(508)
Disposals	(33)	–	(1,274)	(732)	–	(2,039)
Depreciation provided during the year	(13,652)	(5,647)	(7,545)	(28,896)	–	(55,740)
At 31 December 2009, net of accumulated depreciation	612,450	19,432	33,304	157,138	845	823,169
At 31 December 2009:						
Cost or valuation	675,285	44,616	77,028	345,199	845	1,142,973
Accumulated depreciation	(62,835)	(25,184)	(43,724)	(188,061)	–	(319,804)
Net carrying amount	612,450	19,432	33,304	157,138	845	823,169

Notes to Financial Statements (Continued)

31 December 2009

14. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

Group

	Buildings RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Equipment and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2008						
At 1 January 2008:						
Cost or valuation	395,869	30,109	60,789	121,796	17,906	626,469
Accumulated depreciation	(31,345)	(14,701)	(37,068)	(49,236)	—	(132,350)
Net carrying amount	364,524	15,408	23,721	72,560	17,906	494,119
At 1 January 2008, net of accumulated depreciation	364,524	15,408	23,721	72,560	17,906	494,119
Additions	31,920	13,215	13,092	13,657	7,981	79,865
Transfers from construction in progress	23,711	—	—	1,041	(24,752)	—
Acquisition of a subsidiary	—	—	117	50	—	167
Disposals	—	—	(709)	(506)	—	(1,215)
Depreciation provided during the year	(10,805)	(5,456)	(6,346)	(16,856)	—	(39,463)
At 31 December 2008, net of accumulated depreciation	409,350	23,167	29,875	69,946	1,135	533,473
At 31 December 2008:						
Cost or valuation	453,993	42,704	69,189	135,902	1,135	702,923
Accumulated depreciation	(44,643)	(19,537)	(39,314)	(65,956)	—	(169,450)
Net carrying amount	409,350	23,167	29,875	69,946	1,135	533,473

Notes to Financial Statements (Continued)

31 December 2009

14. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

Company

	Buildings RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Equipment and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2009						
At 1 January 2009:						
Cost	453,993	42,328	66,579	132,674	1,135	696,709
Accumulated depreciation	(44,643)	(19,362)	(38,320)	(63,889)	–	(166,214)
Net carrying amount	409,350	22,966	28,259	68,785	1,135	530,495
At 1 January 2009, net of accumulated depreciation	409,350	22,966	28,259	68,785	1,135	530,495
Additions	164,168	1,912	11,496	48,631	6,678	232,885
Transfers from construction in progress	6,968	–	–	–	(6,968)	–
Disposals	(33)	–	(888)	(124)	–	(1,045)
Depreciation provided during the year	(12,086)	(5,535)	(7,068)	(19,647)	–	(44,336)
At 31 December 2009, net of accumulated depreciation	568,367	19,343	31,799	97,645	845	717,999
At 31 December 2009:						
Cost	625,094	44,240	74,034	180,041	845	924,254
Accumulated depreciation	(56,727)	(24,897)	(42,235)	(82,396)	–	(206,255)
Net carrying amount	568,367	19,343	31,799	97,645	845	717,999

Notes to Financial Statements (Continued)

31 December 2009

14. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

Company

	Buildings RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Equipment and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2008						
At 1 January 2008:						
Cost	395,869	29,865	58,281	119,001	17,906	620,922
Accumulated depreciation	(31,345)	(14,526)	(36,294)	(47,687)	—	(129,852)
Net carrying amount	364,524	15,339	21,987	71,314	17,906	491,070
At 1 January 2008, net of accumulated depreciation	364,524	15,339	21,987	71,314	17,906	491,070
Additions	31,920	13,083	12,883	13,293	7,981	79,160
Transfers from construction in progress	23,711	—	—	1,041	(24,752)	—
Disposals	—	—	(487)	(490)	—	(977)
Depreciation provided during the year	(10,805)	(5,456)	(6,124)	(16,373)	—	(38,758)
At 31 December 2008, net of accumulated depreciation	409,350	22,966	28,259	68,785	1,135	530,495
At 31 December 2008:						
Cost	453,993	42,328	66,579	132,674	1,135	696,709
Accumulated depreciation	(44,643)	(19,362)	(38,320)	(63,889)	—	(166,214)
Net carrying amount	409,350	22,966	28,259	68,785	1,135	530,495

All of the Group's buildings are located in the PRC.

As at 31 December 2009, except for eight (2008: four) properties with an aggregate net book value of approximately RMB137,058,000 (2008: RMB70,296,000), the Group has obtained the relevant building ownership certificates.

Notes to Financial Statements (Continued)

31 December 2009

15. LEASE PREPAYMENTS FOR LAND USE RIGHTS

Group

	2009 RMB'000	2008 RMB'000
Carrying amount at 1 January	**72,137**	75,903
Addition	**14,126**	—
Acquisition of a subsidiary (note 35)	**32,005**	—
Recognised during the year	**(4,278)**	(3,766)
Carrying amount at 31 December	**113,990**	72,137
Less: Current portion, included in prepayments, deposits and other receivables	**(4,744)**	(3,766)
Non-current portion	**109,246**	68,371

Company

	2009 RMB'000	2008 RMB'000
Carrying amount at 1 January	**72,137**	75,903
Addition	**13,820**	—
Recognised during the year	**(3,826)**	(3,766)
Carrying amount at 31 December	**82,131**	72,137
Less: Current portion, included in prepayments, deposits and other receivables	**(4,066)**	(3,766)
Non-current portion	**78,065**	68,371

The leasehold lands are held under long-term leases and are situated in the PRC.

At 31 December 2009, the Group's leasehold lands with a carrying amount of RMB31,859,000 were pledged as security for the Group's interest-bearing bank loans in a subsidiary named Sichuan Xinhua Colour Printing Co., Ltd ("Xinhua Colour Printing") amounting to RMB23,000,000, as further detailed in note 30 to the financial statements.

Notes to Financial Statements (Continued)

31 December 2009

16. INVESTMENT PROPERTIES

	Group and Company	
	2009	2008
	RMB'000	RMB'000
Carrying amount at 1 January	**5,660**	6,066
Depreciation provided during the year	**(406)**	(406)
Carrying amount at 31 December	**5,254**	5,660
Fair value	**36,471**	37,623

The Group's investment properties are situated in the PRC.

The investment properties with a net carrying amount of RMB348,000 (2008: RMB374,000) are leased to Xinhua and the remaining to third parties, all of which are under operating leases, further summary details are included in note 39(a) and note 41(a).

The fair values of the investment properties as at 31 December 2009 have been determined by the directors of the Company. The valuation performed by the directors of the Company was on an income capitalisation approach. The fair value represents the amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of valuation.

17. GOODWILL

	RMB'000
At 1 January 2008 and 31 December 2008:	
Cost	3,307
Accumulated impairment	—
Net carrying amount	3,307
At 1 January 2009 and 31 December 2009:	
Cost	**3,307**
Accumulated impairment	**—**
Net carrying amount	**3,307**

Notes to Financial Statements (Continued)

31 December 2009

18. OTHER INTANGIBLE ASSETS

Group

	Computer software RMB'000	Others RMB'000	Total RMB'000
31 December 2009			
Cost at 1 January 2009, net of accumulated amortisation	**27,630**	**1,136**	**28,766**
Additions	**1,722**	**60**	**1,782**
Acquisition of subsidiaries (note 35)	**326**	**1,601**	**1,927**
Disposal of subsidiaries (note 36)	**(5)**	**—**	**(5)**
Amortisation provided during the year	**(3,767)**	**(331)**	**(4,098)**
At 31 December 2009, net of accumulated amortisation	**25,906**	**2,466**	**28,372**
At 31 December 2009:			
Cost	**38,417**	**4,032**	**42,449**
Accumulated amortisation	**(12,511)**	**(1,566)**	**(14,077)**
Net carrying amount	**25,906**	**2,466**	**28,372**
31 December 2008			
Cost at 1 January 2008, net of accumulated amortisation	25,583	1,318	26,901
Additions	5,313	—	5,313
Amortisation provided during the year	(3,266)	(182)	(3,448)
At 31 December 2008, net of accumulated amortisation	27,630	1,136	28,766
At 31 December 2008:			
Cost	37,250	1,764	39,014
Accumulated amortisation	(9,620)	(628)	(10,248)
Net carrying amount	27,630	1,136	28,766

Notes to Financial Statements (Continued)

31 December 2009

18. OTHER INTANGIBLE ASSETS *(CONTINUED)*

Company

	Computer software	
	2009	2008
	RMB'000	RMB'000
Cost at 1 January, net of accumulated amortisation	**27,565**	25,514
Additions	**817**	5,313
Amortisation provided during the year	**(3,605)**	(3,262)
At 31 December, net of accumulated amortisation	**24,777**	27,565
At 31 December:		
Cost	**36,518**	35,700
Accumulated amortisation	**(11,741)**	(8,135)
Net carrying amount	**24,777**	27,565

19. INVESTMENTS IN SUBSIDIARIES

	Company	
	2009	2008
	RMB'000	RMB'000
Unlisted investments, at cost	**200,446**	108,898

Notes to Financial Statements (Continued)

31 December 2009

19. INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

Particulars of the principal subsidiaries held by the Company are as follows:

Name	Place of registration and operations	Paid-up capital	Percentage of equity attributable to the Company Indirect	Direct (%)	Principal activities
Sichuan Xinhua Online Network Co., Ltd.	PRC	RMB10,000,000	–	100	Internet publication and computer service
Chengdu Xin Hui Industrial Co., Ltd. ("Chengdu Xin Hui")	PRC	RMB100,000,000	–	62.5	Development of real properties
Beijing Hong Zhe Cultural Development Co., Ltd.	PRC	RMB4,980,000	10	90	Sale of publications
Beijing Xinhua Wenxuan Advertising Co., Ltd.	PRC	RMB13,000,000	–	81.54	Provision of advertising services and sale of publications and newspapers
Sichuan Xinhua Wenxuan Media Co., Ltd.	PRC	RMB5,700,000	–	70	Sale of publications and provision of conference and exhibition services
Sichuan Xinhua Shang Paper Co., Ltd. ("Sichuan Xinhua Shang")	PRC	RMB15,000,000	–	51	Sale of printing related products
Beijing Huaxia Shengxuan Book Co., Ltd.	PRC	RMB15,000,000	–	51	Sale of publications
Xinhua Colour Printing	PRC	RMB100,000,000	–	65	Provision of publication printing service
Chengdu Yin Xing Bo Wen Book and Cultural Development Co., Ltd. ("Yin Xing Bo Wen")	PRC	RMB20,000,000	–	100	Textbook related digital products
Beijing Huaying Winshare Movie & Culture Co., Ltd	PRC	RMB20,000,000	–	100	Movie and related shooting service

Notes to Financial Statements (Continued)

31 December 2009

19. INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

None of the subsidiaries of the Company is audited by Ernst & Young Hong Kong or any other member firm of the Ernst & Young global network.

All subsidiaries are limited liability companies incorporated under the PRC law.

20. INVESTMENTS IN ASSOCIATES

	Group	
	2009	2008
	RMB'000	RMB'000
Share of net assets	**31,039**	47,519
Goodwill	**1,560**	1,560
	32,599	49,079

	Company	
	2009	2008
	RMB'000	RMB'000
Unlisted equity investments, at cost	**43,460**	64,733

The Group's trade payable balances with the associates are disclosed in notes 32 and 41(b) to the financial statements.

Particulars of the principal associates held by the Group are as follows:

Name	**Place of registration and operations**	**Paid-up capital**	**Percentage of ownership interest attributable to the Group** (%)	**Principal activity**
Ren Min Eastern (Beijing) Book Industry Co., Ltd.	PRC	RMB30,000,000	20	Sale of publications
Sichuan Xin Wen Newspapers and Periodicals Distribution Co., Ltd.	PRC	RMB10,000,000	39	Sale of publications
Guizhou Xinhua Winshare Co., Ltd.	PRC	RMB12,000,000	45	Sale of Publications
Ming Bo Education & Technology Co., Ltd.	PRC	RMB40,200,000	34	Technology Development

Notes to Financial Statements (Continued)

31 December 2009

20. INVESTMENTS IN ASSOCIATES *(CONTINUED)*

None of the Group's associates is audited by Ernst & Young Hong Kong or any other member firm of the Ernst & Young global network.

The Group's shareholdings in the associates all comprise equity shares held by the Company.

The following table illustrates the summarised financial information of the Group's associates extracted from their management accounts:

	2009 **RMB'000**	2008 RMB'000
Current assets	**124,609**	107,853
Non-current assets	**15,193**	136,179
Current liabilities	**(58,604)**	(135,314)
Revenues	**113,590**	140,468
Losses	**(14,996)**	(20,722)

21. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	Group and Company	
	2009 **RMB'000**	2008 RMB'000
Unlisted equity investments, at cost	**692,835**	428,835

The costs of the available-for-sale equity investments held by the Group are as follows:

	Group and Company	
	2009 **RMB'000**	2008 RMB'000
Bank of Chengdu Co., Ltd.	**240,000**	240,000
Anhui Xinhua Media Co., Ltd.	**186,415**	186,415
Chengdu Institute Sichuan International Studies University	**260,000**	—
Others	**6,420**	2,420
	692,835	428,835

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and had no fixed maturing dates or coupon rates.

Notes to Financial Statements (Continued)

31 December 2009

21. AVAILABLE-FOR-SALE EQUITY INVESTMENTS *(CONTINUED)*

As at 31 December 2009 and 2008, the unlisted equity investments were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably. The Group does not intend to dispose of these investments in the near future.

22. DEFERRED TAX ASSETS

Deferred tax assets

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
At beginning of year	**48,372**	47,090	**47,090**	47,090
Acquisition of a subsidiary	**—**	1,671	**—**	—
Charged to the income statement (note 10)	**(655)**	(389)	**—**	—
Charged to other comprehensive income	**(6,476)**	—	**(6,476)**	—
At end of year	**41,241**	48,372	**40,614**	47,090
Provision in respect of:				
Revaluation of items of property, plant and equipment and lease prepayments for land use rights for tax purposes	**40,614**	47,090	**40,614**	47,090
Temporary difference arising from write-down of inventories to net realisable value	**627**	1,282	**—**	—
	41,241	48,372	**40,614**	47,090

Notes to Financial Statements (Continued)

31 December 2009

22. DEFERRED TAX ASSETS *(CONTINUED)*

Deferred tax liabilities

	Group	
	2009	2008
	RMB'000	RMB'000
At beginning of year	**—**	—
Fair value adjustments arising from acquisition of a subsidiary (note 35)	**(8,162)**	—
Deferred tax charged to the income statement during the year (note 10)	**559**	—
Gross deferred tax liabilities at end of year	**(7,603)**	—
Net deferred tax assets recognised in the consolidated statement of financial position at end of year	**33,638**	48,372

23. PROPERTY UNDER DEVELOPMENT

	Group	
	2009	2008
	RMB'000	RMB'000
Development costs	**124,841**	126,203

The balance represented lease prepayments for land use rights and other development costs incurred by Chengdu Xin Hui, a subsidiary of the Company, on the development of a property located in Chengdu. The development of the property has been put on hold since 2008 due to changes of development plan as required by the government. Pursuant to the changes of development plan, Chengdu Xin Hui was required by the government to acquire the land use right of a smaller piece of land nearby and include it in the development of the property. As the housing demolition and relocation on the smaller piece of land nearby is still in process and the negotiation on the acquisition price has not completed. The directors of the Company believe that the development of the property will resume once the aforesaid acquisition is finalised and thus no impairment provision is needed.

24. LONG TERM PREPAYMENT

	Group and Company	
	2009	2008
	RMB'000	RMB'000
Investment deposits	**62,000**	—

The balance represented the Company's investment deposits in Sichuan Winshare Art Investing & Managing Co., Ltd. and Hainan Publishing Co., Ltd., amounting to RMB12,000,000 and RMB50,000,000 respectively as at 31 December 2009. The business licences of the companies above have not been approved at the year end of 2009.

Notes to Financial Statements (Continued)

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25. INVENTORIES

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Merchandise and products for resale	**696,826**	827,046	**650,772**	802,727

At 31 December 2009, there was no inventory pledged as security. (2008: RMB9,222,000).

26. TRADE RECEIVABLES

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables	**387,435**	378,319	**259,801**	337,754
Impairment of trade receivables	**(60,530)**	(65,950)	**(47,461)**	(55,474)
Allowance for sales returns	**(2,570)**	(2,450)	**(2,570)**	(2,450)
	324,335	309,919	**209,770**	279,830

The Group normally allows a credit period of not more than 270 days to its customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group's trade receivables comprised a large number of diversified customers with individual balances ranging from RMB1,000 to RMB10,080,000. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables of the Group and the Company as at the end of the reporting period, based on the invoice date and net of impairment, is as follows:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 3 months	**197,146**	94,907	**84,451**	75,678
3 to 6 months	**60,983**	131,998	**59,727**	130,420
6 months to 1 year	**65,285**	65,161	**64,804**	62,714
1 to 2 years	**921**	17,208	**788**	10,373
Over 2 years	**—**	645	**—**	645
	324,335	309,919	**209,770**	279,830

Notes to Financial Statements (Continued)

31 December 2009

26. TRADE RECEIVABLES *(CONTINUED)*

Included in the balance as at 31 December 2009 are trade receivables from Xinhua and the fellow subsidiaries (collectively the "Xinhua Group") and associates of RMB8,144,000(2008: RMB27,465,000) and RMB43,565,000 (2008: RMB11,492,000), respectively (note 41), which are repayable on similar credit terms to those offered to the major customers of the Group. These balances are unsecured and interest-free.

The movements in impairment for trade receivables are as follows:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**65,950**	66,735	**55,474**	54,692
Charged for the year	**16,926**	10,597	**16,052**	10,524
Acquisition of a subsidiary	**2,161**	2,318	**—**	—
Amount written off	**(3,540)**	(5,347)	**(3,524)**	(4,394)
Amount reversed	**(20,967)**	(8,353)	**(20,541)**	(5,348)
	60,530	65,950	**47,461**	55,474

The provision represented the individually impaired trade receivables related to customers that were long outstanding over for 360 days. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of trade receivables that are not considered to be impaired is as follows:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Neither past due nor impaired	**305,479**	264,028	**191,270**	241,779
Less than three months past due	**17,935**	28,038	**17,712**	27,033
Over three months past due	**921**	17,853	**788**	11,018
	324,335	309,919	**209,770**	279,830

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary at this stage because there has not been a significant change in the credit quality of the individual debtors and the balances are considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

Notes to Financial Statements (Continued)

31 December 2009

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deposits	**4,690**	7,539	**4,191**	7,404
Prepayments to suppliers	**35,204**	17,567	**12,257**	8,212
Prepayments for construction fees	**11,847**	6,973	**11,279**	6,977
Input value-added tax receivables	**37,745**	52,452	**34,999**	52,364
Due from the Xinhua Group (note 41)	**442**	283	**437**	283
Due from subsidiaries	**—**	—	**41,195**	50,178
Due from associates (note 41)	**—**	2,707	**—**	2,707
Prepaid expenses	**9,974**	7,090	**5,267**	6,705
Other receivables	**72,177**	58,935	**69,626**	51,923
	172,079	153,546	**179,251**	186,753

Other receivables

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Other receivables	**73,454**	60,233	**70,876**	53,189
Less: Provision for impairment	**(1,277)**	(1,298)	**(1,250)**	(1,266)
	72,177	58,935	**69,626**	51,923

The movements in the provision for impairment of other receivables are as follows:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**1,298**	1,174	**1,266**	1,110
Charged for the year	**64**	269	**53**	269
Amount written off	**(16)**	—	**—**	—
Amount reversed	**(69)**	(145)	**(69)**	(113)
	1,277	1,298	**1,250**	1,266

Notes to Financial Statements (Continued)

31 December 2009

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(CONTINUED)*

Other receivables *(Continued)*

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Neither past due nor impaired	**72,177**	58,935	**69,626**	51,923

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

The balance with the Xinhua Group is unsecured, interest-free and has no fixed terms of repayment.

Included in the amounts due from subsidiaries as at 31 December 2009 were three entrusted loans of RMB1,875,000, RMB16,000,000 and RMB5,875,000. All these entrusted loans were lent by the Company (the "Lender") to Chengdu Xin Hui (the "Borrower"). The entrusted loans of RMB1,875,000 were granted in 2009 and will mature in December 2012. The entrusted loans of RMB16,000,000 and RMB5,875,000 were included in the amounts due from subsidiaries as at 31 December 2008 and have been extended to March 2010 and December 2011, respectively, in 2009. Therefore, the Company classified the entrusted loans of RMB1,875,000 and RMB 5,875,000 as non-current assets as at 31 December 2009. These entrusted loans were arranged via banks. However, the banks have no liability to either the Lender or the Borrower in case of default. These entrusted loans were unsecured, bearing annual interest rates ranging from 4.78% to 6.72% (2008: from 5.4% to 6.72%)

According to the agreement entered into between the Company and Xinhua on 29 April 2007 concerning the financing arrangement of Chengdu Xin Hui, the Company and Xinhua would provide entrusted loans to Chengdu Xin Hui in proportion to their respective equity interests in Chengdu Xin Hui. The above-mentioned entrusted loans by the Company to Chengdu Xin Hui were arranged according to the agreement. These entrusted loans by Xinhua to Chengdu Xin Hui are disclosed in note 31.

Except for these aforementioned entrusted loans, all the amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these amounts due from subsidiaries approximate to their fair values.

28. HELD-TO-MATURITY INVESTMENTS

As at 31 December 2009, the held-to-maturity investments of the Group were stated at amortised cost. The investments were principal-secured, with an expected annual interest rate of 2.95% and will mature in January and February 2010.

Notes to Financial Statements (Continued)

31 December 2009

29. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and bank balances	**1,105,544**	1,311,898	**1,031,704**	1,226,895
Pledged time deposits with original maturity of less than three months when acquired	**82,309**	14,280	**30,000**	—
Non-pledged time deposits with original maturity of:				
More than three months when acquired	**55,716**	75,756	**55,716**	75,756
Less than three months when acquired	**1,185,955**	1,223,047	**1,185,955**	1,223,047
	2,429,524	2,624,981	**2,303,375**	2,525,698
Less: Pledged time deposits with original maturity of less than three months when acquired	**(82,309)**	(14,280)	**(30,000)**	—
Cash and short-term deposits	**2,347,215**	2,610,701	**2,273,375**	2,525,698

At the end of the reporting period, the Group's cash and bank balances, including pledged bank deposits, were denominated in RMB amounting to RMB2,411,844,000 (2008: RMB2,606,929,000), which are not freely convertible in the international market. The remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

Cash at banks earns interest at floating rates based on daily bank deposits rates. Short-term time deposits are made for varying periods between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and short-term deposits and the pledged deposits approximate to their fair values.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following at 31 December 2009 and 2008:

	Group	
	2009	2008
	RMB'000	RMB'000
Cash and short-term deposits	**2,347,215**	2,610,701
Less: Non-pledged time deposits with original maturity of more than three months when acquired	**(55,716)**	(75,756)
	2,291,499	2,534,945

Notes to Financial Statements (Continued)

31 December 2009

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group	
	2009	2008
	RMB'000	RMB'000
Bank loans—secured	**23,000**	—
Bank loans—unsecured	**10,000**	—
Other borrowings—unsecured	**14,250**	13,125
Total interest-bearing bank and other borrowings	**47,250**	13,125
Analysed into:		
Interest-bearing bank and other borrowings repayable:		
Within one year or on demand	**46,125**	9,600
In the second year	**—**	3,525
In the third to fifth years, inclusive	**1,125**	—
	47,250	13,125
Total interest-bearing bank and other borrowings	**47,250**	13,125
Less: Portion classified as current liabilities	**(46,125)**	(9,600)
Long-term portion	**1,125**	3,525

The balance of the secured bank loans comprises two bank loans amounting to RMB13,000,000 and RMB10,000,000 in Xinhua Colour Printing granted by Bank of Chengdu on 19 June 2009 and 17 July 2009, respectively, bearing an interest rate of 5.31% per annum. These two bank loans are secured by leasehold lands of the Group amounting to RMB31,859,000 (note 15) and will mature on 18 June 2010 and 16 July 2010, respectively.

The balance of the unsecured bank loan as at 31 December 2009 represented a bank loan amounting to RMB10,000,000 in Sichuan Xinhua Shang granted by Shenzhen Development Bank on 29 September 2009 bearing an interest rate of 4.86%. The bank loan is guaranteed by the Company amounting to RMB40,000,000 (note 37) and will mature on 29 March 2010.

The balance of the unsecured other borrowings as at 31 December 2009 represented the entrusted loans granted by Xinhua to Chengdu Xin Hui, a subsidiary of the Company. On 28 April 2007, 2 July 2007 and 30 December 2009, three entrusted loan agreements were entered into among Chengdu Xin Hui, Xinhua and China Construction Bank Company Limited ("CCB"), respectively pursuant to which Xinhua agreed to entrust CCB to grant loans of RMB9,600,000, RMB3,525,000 and RMB1,125,000, respectively, to Chengdu Xin Hui and these entrusted loans bear interest rates of 5.91%, 6.08%, and 5.40% per annum and will mature on 27 April 2009, 1 July 2010 and 29 December 2012, respectively. The entrusted loan of RMB9,600,000 matured in April 2009 has been extended to April 2010. The interest expense incurred was RMB734,000 during the year (2008: RMB782,000) (note 41(a)).

Notes to Financial Statements (Continued)

31 December 2009

30. INTEREST-BEARING BANK AND OTHER BORROWINGS *(CONTINUED)*

These entrusted loans granted by Xinhua to Chengdu Xin Hui were arranged according to the agreement entered into between the Company and Xinhua on 29 April 2007 concerning the financing arrangement of Chengdu Xin Hui as mentioned in note 27.

31. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on invoice date, is as follows:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 3 months	**403,703**	446,861	**324,358**	382,314
3 to 6 months	**353,924**	248,928	**260,809**	260,992
6 months to 1 year	**247,447**	270,747	**248,954**	262,442
1 to 2 years	**85,134**	139,062	**86,012**	134,834
Over 2 years	**133,952**	67,341	**137,312**	66,977
	1,224,160	1,172,939	**1,057,445**	1,107,559

Included in the balance as at 31 December 2009 were trade payables to the Xinhua Group and associates of RMB197,000 (2008: RMB3,995,000) and RMB9,814,000 (2008: RMB13,696,000), respectively (note 41(b)).

The trade and bills payables are interest-free and are normally settled on a one-year term.

As at 31 December 2009, the bills payable of the Group amounting to RMB154,050,000 (2008: RMB34,907,000) were secured by the Group's pledged time deposits amounting to RMB82,309,000 (2008: RMB14,280,000) (note 29) and guaranteed by the Company amounting to RMB64,000,000 (note 37) (2008: nil). There was no inventory pledged as security as at 31 December 2009 (2008: RMB9,222,000) (note 25).

Notes to Financial Statements (Continued)

31 December 2009

32. DEPOSITS RECEIVED, OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Accrued salaries, wages and benefits	**101,051**	70,087	**96,407**	68,000
Deposits from suppliers and lessees	**420,900**	336,506	**418,586**	331,198
Accrued operating expenses	**39,811**	34,917	**3,067**	20,323
Due to the Xinhua Group (note 41)	**39,400**	1,004	**772**	812
Due to associates (note 41)	**3,624**	100	**401**	100
Dividend payables to minority equity holders	**—**	207	**—**	—
Others	**21,770**	18,221	**44,165**	10,493
Total deposits received, other payables and accruals	**626,556**	461,042	**563,398**	430,926

The balance with the Xinhua Group is unsecured, interest-free and has no fixed terms of repayment.

33. ISSUED CAPITAL

	Group and Company	
	2009	2008
	RMB'000	RMB'000
Issued and fully paid:		
693,194,000 (2008: 693,194,000) Domestic Shares of RMB1.00 each	**693,194**	693,194
441,937,000 (2008: 441,937,000) H Shares of RMB1.00 each	**441,937**	441,937
	1,135,131	1,135,131

There is no movement in the Group's and Company's total number of shares and share structure for the year ended 31 December 2009.

34. RESERVES

(a) Group

The amounts of the Group's reserves and the movement therein for the current and prior years are presented in the consolidated statement of changes in equity as set out in these financial statements.

Notes to Financial Statements (Continued)

31 December 2009

34. RESERVES *(CONTINUED)*

(b) Company

	Share premium account RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000 (note i)	Other reserve RMB'000	Retained profits RMB'000	Proposed dividend RMB'000	Total RMB'000
As at 1 January 2008	1,708,203	33,514	91,559	48,393	351,335	340,539	2,573,543
Total comprehensive income or the year	–	–	–	–	355,056	–	355,056
Final dividend for 2007	–	–	–	–	–	(340,539)	(340,539)
Appropriation to statutory surplus reserve	–	–	33,568	–	(33,568)	–	–
Proposed final 2008 dividend	–	–	–	–	(227,026)	227,026	–
As at 31 December 2008 and 1 January 2009	1,708,203*	33,514*	125,127*	48,393*	445,797*	227,026	2,588,060
Total comprehensive income for the year	–	–	–	(6,476)	365,836	–	359,360
Final dividend for 2008	–	–	–	–	–	(227,026)	(227,026)
Appropriation to statutory surplus reserve	–	–	35,438	–	(35,438)	–	–
Proposed final 2009 dividend	–	–	–	–	(317,837)	317,837	–
As at 31 December 2009	1,708,203*	33,514*	160,565*	41,917*	458,358*	317,837	2,720,394

* These reserve accounts comprise the reserves of RMB2,402,557,000 (2008: RMB2,361,034,000) in the Company's statment of financial position.

Notes:

(i) Statutory surplus reserve

In accordance with the PRC Company Law and the respective companies' articles of association, the Company and its subsidiaries are required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses), determined in accordance with PRC GAAP, to the statutory surplus reserve. When the balance of the reserve fund reaches 50% of each entity's registered capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of registered capital after such uses.

(ii) Distributable reserve

As at 31 December 2009, the Company had retained profits of approximately RMB274,567,000 (2008: RMB259,866,000) after the appropriation of the proposed final dividend, as determined in accordance with the lower of either the amount determined under PRC GAAP or the amount determined under IFRSs, available for distribution by way of cash or in kind.

Notes to Financial Statements (Continued)

31 December 2009

35. BUSINESS COMBINATIONS

A Acquisition of Xinhua Colour Printing

In April 2009, the Group acquired a 20% equity interest in an associate, Xinhua Colour Printing, from two independent third parties at a cash consideration of RMB13,647,000. Prior to the acquisition, the Group had held a 45% equity interest in that company and such long term equity investment had been accounted for under the equity method. After the acquisition, Xinhua Colour Printing became a 65% owned subsidiary of the Group. Xinhua Colour Printing is engaged in the provision of publication printing service.

The fair values of the identifiable assets and liabilities of Xinhua Colour Printing as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	**Fair value recognised on acquisition** RMB'000	**Previous carrying amount** RMB'000
Property, plant and equipment	14	111,352	98,267
Lease prepayments for land use rights	15	32,005	12,042
Other intangible assets	18	1,927	1,927
Long-term equity investments		96	498
Cash and short-term deposits		10,222	10,222
Inventories		11,675	11,675
Trade receivables		7,826	7,826
Prepayments and other receivables		713	713
Trade payables		(20,492)	(20,492)
Accruals and other payables		(66,025)	(66,025)
Deferred tax liabilities	22	(8,162)	—
Net assets		81,137	56,653
Minority interests (35%)		(28,398)	
Carrying amount of equity interest held prior to acquisition (45%)		(25,494)	
Valuation surplus of equity interest held prior to acquisition (45%)		(11,018)	
Total net assets acquired		16,227	
Excess over the cost of business combination	5	(2,580)	
Total cash consideration		13,647	

Notes to Financial Statements (Continued)

31 December 2009

35. BUSINESS COMBINATIONS *(CONTINUED)*

A Acquisition of Xinhua Colour Printing *(Continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of Xinhua Colour Printing is as follows:

	RMB'000
Cash and short-term deposits acquired	10,222
Cash consideration	(13,647)
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(3,425)

Since its acquisition, Xinhua Colour Printing contributed RMB56,237,000 to the Group's turnover and RMB3,518,000 operating profit to the consolidated profit for the year ended 31 December 2009.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been RMB3,221,574,000 and RMB356,959,000, respectively.

B Acquisition of Yin Xing Bo Wen

In June 2009, the Group acquired a 59% equity interest in an associate, Yin Xing Bo Wen, from an independent third party at a cash consideration of RMB6,791,000. Prior to the acquisition, the Group had held a 41% equity interest in that company and such long-term equity investment had been accounted for under the equity method. After the acquisition, Yin Xing Bo Wen became a wholly-owned subsidiary of the Group. Yin Xing Bo Wen is engaged in the sale of publications and printing related products.

Notes to Financial Statements (Continued)

31 December 2009

35. BUSINESS COMBINATIONS *(CONTINUED)*

B Acquisition of Yin Xing Bo Wen *(Continued)*

The fair values of the identifiable assets and liabilities of Yin Xing Bo Wen as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	**Fair value recognised on acquisition** RMB'000	**Fair value recognised amount** RMB'000
Property, plant and equipment	14	221	221
Cash and short-term deposits		5,974	5,974
Inventories		2,433	2,433
Trade receivables		10,951	10,951
Prepayments and other receivables		747	747
Trade payables		(7,050)	(7,050)
Accruals and other payables		(54)	(54)
Net assets		13,222	13,222
Equity interest held prior to acquisition (41%)		(5,421)	
Total net assets acquired		7,801	
Excess over the cost of business combination	5	(1,010)	
Total cash consideration		6,791	

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of Yin Xing Bo Wen is as follows:

	RMB'000
Cash and short-term deposits acquired	5,974
Cash consideration	(6,791)
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(817)

Since its acquisition, Yin Xing Bo Wen contributed RMB802,000 to the Group's turnover and RMB7,022,000 operating loss to the consolidated profit for the year ended 31 December 2009.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been RMB3,227,537,000 and RMB365,032,000, respectively.

Notes to Financial Statements (Continued)

31 December 2009

36. DISPOSAL OF SUBSIDIARIES

	Notes	2009 RMB'000	2008 RMB'000
Net assets disposed of:			
Property, plant and equipment	14	**508**	—
Other intangible assets	18	**5**	—
Cash and bank balances		**20,383**	—
Trade receivables		**54,290**	—
Prepayments and other receivables		**855**	—
Trade payables		**(63,941)**	—
Accruals and other payables		**(554)**	—
Tax payable		**(2,518)**	—
Minority interests		**(5,009)**	—
		4,019	—
Gain on disposal of subsidiaries		**31**	—
		4,050	—
Satisfied by:			
Cash		**1,920**	—
Transfer to an associate		**2,130**	—
		4,050	—

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2009 RMB'000	2008 RMB'000
Cash consideration	**1,920**	—
Cash and bank balances disposed of	**(20,383)**	—
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	**(18,463)**	—

Notes to Financial Statements (Continued)

31 December 2009

37. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Guarantees given to banks in connection with facilities granted to a subsidiary	**–**	—	**104,000**	—
	–	—	**104,000**	—

As at 31 December 2009, the banking facilities granted to a subsidiary subject to guarantees given to the banks by the Company were utilised to the extent of approximately RMB74,000,000 (2008: Nil).

38. PLEDGE OF ASSETS

Details of the Group's bank loans and other banking facilities, which are secured by the assets of the Group, are included in notes 15 and 29, respectively, to the financial statements.

39. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group and the Company lease their properties under operating lease arrangements, with leases negotiated for terms ranging from one to ten years. The terms of the leases generally also require the tenants to pay security deposits.

As at 31 December 2009, the Group and the Company had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group and Company	
	2009	2008
	RMB'000	RMB'000
Within one year	**7,674**	1,835
In the second to fifth years, inclusive	**16,127**	1,019
After five years	**15,623**	—
	39,424	2,854

Notes to Financial Statements (Continued)

31 December 2009

39. OPERATING LEASE ARRANGEMENTS *(CONTINUED)*

(b) As lessee

The Group and the Company lease certain of their properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to twelve years.

As at 31 December 2009, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**55,315**	35,154	**54,129**	29,650
In the second to fifth years, inclusive	**89,941**	13,612	**89,102**	8,699
After five years	**7,389**	8,223	**7,389**	8,223
	152,645	56,989	**150,620**	46,572

40. COMMITMENTS

Capital commitments

The Group and the Company had the following capital commitments, principally for the construction and acquisition of items of property, plant and equipment, at the end of the reporting period:

	Group and Company	
	2009	2008
	RMB'000	RMB'000
Property, plant and equipment:		
Contracted, but not provided for	**19,486**	32,412

Investment commitments

The Group and the Company had the following investment commitments, principally for an investment in an associate and an investment to establish a subsidiary at the end of the reporting period:

	Group and Company	
	2009	2008
	RMB'000	RMB'000
Investment in an associate:		
Contracted, but not provided for	**16,000**	16,000
Investment to establish a subsidiary:		
Contracted, but not provided for	**48,000**	—

Notes to Financial Statements (Continued)

31 December 2009

41. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed in the financial statements, the Group had the following material transactions with related parties during the year:

	Notes	Group 2009 RMB'000	Group 2008 RMB'000
The Xinhua Group:			
Sale of merchandise	(i)	**101,667**	93,611
Rental income	(iii)	**1,344**	1,344
Rental expense	(iv)	**22,824**	22,824
Interest expense	(v)	**734**	782
Purchase of services	(ii)	**9,522**	14,504
Purchase of property, plant and equipment	(ii)	**50**	193
Grants of entrusted loans	(v)	**10,725**	—
Acquisition of equity interests from the Xinhua Group		**—**	12,156
Purchase of land use right	(vi)	**12,400**	—
Associates:			
Sale of merchandise *	(i)	**32,973**	7,005
Purchase of merchandise *	(ii)	**—**	22,218
Purchase of printing services	(ii)	**877**	1,675
Purchase of service	(ii)	**—**	341

Notes:

(i) The sales to related parties were made according to the prices and conditions offered to the major customers of the Group.

(ii) The purchase price of merchandise and services was based on mutually agreed terms.

(iii) Pursuant to a property lease agreement signed between the Company and Xinhua dated 29 April 2007, the annual rental is at a fixed amount of RMB1,344,000.

(iv) The rental expenses for bookstores and offices were charged based on mutually agreed terms at a fixed annual amount of RMB22,824,000 during the year.

(v) Please refer to note 30 for details.

(vi) The land use right was purchased from Xinhua, and the price was based on the valuation assessed by the independent assessment agency in Sichuan Province, and mutually agreed upon by the Group and Xinhua.

* Except for the transactions with associates, all of the related party transactions above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

Notes to Financial Statements (Continued)

31 December 2009

41. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) Balances with related parties:

		Group	
		2009	2008
	Notes	**RMB'000**	RMB'000
Trade and other receivables:			
Trade receivables due from the Xinhua Group	26	**8,144**	27,465
Trade receivables due from associates of the Group	26	**43,565**	11,492
Other receivables due from the Xinhua Group	27	**442**	283
Other receivables due from associates of the Group	27	**–**	2,707
Trade and other payables:			
Trade payables due to the Xinhua Group	31	**197**	3,995
Trade payables due to associates of the Group	31	**9,814**	13,696
Other payables due to the Xinhua Group	32	**39,400**	1,004
Other payables due to associates of the Group	32	**3,624**	100
Other borrowings due to Xinhua	30	**14,250**	13,125

Except for other borrowings, the above balances are unsecured, interest-free and have no fixed terms of repayment. For the terms of other borrowings, please refer to note 26 and note 31 for details.

(c) Compensation of key management personnel of the Group:

	2009	2008
	RMB'000	RMB'000
Short-term employee benefits	**1,450**	1,428
Post-employment benefits	**–**	7
Total compensation paid to key management personnel	**1,450**	1,435

Further details of the directors' and supervisors' emoluments are included in note 9 to the financial statements.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and short-term deposits, pledged deposits, trade and other receivables, held-to-maturity investments, available-for-sale equity investments, interest-bearing bank and other borrowings, trade and bills payables and other payables. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets and liabilities such as prepayments, deposits and other receivables, trade receivables, deposits received, other payables and accruals and trade and bills payables which arise directly from its operations.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to financial assets and financial liabilities are set out in note 3 to the financial statements.

Interest rate risk

The Group's income statement is affected by changes in interest rates due to the impact of changes in interest income from bank deposits and interest expenses from other interest-bearing borrowings. The Group's policy is to obtain the most favourable interest rates available. As at 31 December 2009, the Group did not have long-term debt obligations with floating interest rates. Accordingly, the Group has no significant interest rate risk.

Foreign currency risk

The Group's businesses are principally located in the PRC and the Group's sales and purchases were mainly conducted in RMB. As at the end of the reporting period, all the Group's assets and liabilities were denominated in RMB, except for the cash and bank balances of RMB17,680,000 (2008: RMB18,052,000) denominated in Hong Kong dollars and United States dollars. The directors of the Company consider that a reasonably possible change of 5% to 10% in the exchange rate between the Hong Kong dollar United States dollar and the RMB per annum would have no material impact on the Group's profit or loss and there would be no impact on the Group's equity.

Credit risk

Credit risk arises mainly from the risk that counterparties default on the terms of their agreements. The carrying amounts of cash and short-term deposits, pledged deposits, trade receivables, held-to-maturity investments, other receivables and available-for-sale investments represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group monitors the exposure to credit risk on an ongoing basis and credit evaluations are performed on customers requiring credit over a certain amount. In addition, receivable balances are monitored on an ongoing basis, therefore, the Group's exposure to bad debts is not significant. The credit risk on the balances of cash and short-term deposits and pledged deposits is low as these balances are placed with reputable financial institutions.

As at the end of the reporting period, there was no significant concentration of credit risk. Further quantitative data in respect of the Group's exposure to credit risk arising from long term prepayments, trade and other receivables are disclosed in notes 24, 26 and 27 to the financial statements, respectively.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of its financial instruments, financial assets and liabilities and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of the issuance of other interest-bearing borrowings. The Group's financing activities are managed centrally by maintaining an adequate level of cash and short-term deposits to finance the Group's operations. The Group also ensures the availability of bank credit facilities to address any short-term funding requirements.

Notes to Financial Statements (Continued)

31 December 2009

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Liquidity risk *(Continued)*

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Group

	2009					
	On demand	**Less than 3 months**	**3 to less than 12 months**	**1 to 2 years**	**Over 2 years**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Other borrowings	**–**	**10,000**	**36,125**	**–**	**1,125**	**47,250**
Trade and bills payables	**373,136**	**73,853**	**777,171**	**–**	**–**	**1,224,160**
Other payables	**105,382**	**44,460**	**16,003**	**–**	**–**	**165,845**
	478,518	**128,313**	**829,299**	**–**	**1,125**	**1,437,255**

	2008					
	On demand	Less than 3 months	3 to less than 12 months	1 to 2 years	Over 2 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	–	–	9,600	3,525	–	13,125
Trade and bills payables	241,310	270,747	660,882	–	–	1,172,939
Other payables	74,165	1,456	13,998	–	–	89,619
	315,475	272,203	684,480	3,525	–	1,275,683

Notes to Financial Statements (Continued)

31 December 2009

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Liquidity risk *(Continued)*

Company

	2009					
	On demand RMB'000	**Less than 3 months RMB'000**	**3 to less than 12 months RMB'000**	**1 to 2 years RMB'000**	**Over 2 years RMB'000**	**Total RMB'000**
Trade and bills payables	**223,324**	**75,247**	**758,874**	**–**	**–**	**1,057,445**
Other payables	**99,479**	**2,589**	**39,677**	**–**	**–**	**141,745**
Guarantees given to banks in connection with facilities granted to a subsidiary	**64,000**	**10,000**	**–**	**–**	**–**	**74,000**
	386,803	**87,836**	**798,551**	**–**	**–**	**1,273,190**

	2008					
	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 2 years RMB'000	Over 2 years RMB'000	Total RMB'000
Trade and bills payables	201,811	262,442	643,306	–	–	1,107,559
Other payables	71,834	1,152	6,419	–	–	79,405
	273,645	263,594	649,725	–	–	1,186,964

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2009 and 2008.

Notes to Financial Statements (Continued)

31 December 2009

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Capital management *(Continued)*

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes other borrowings, trade and bills payables, deposits received and other payables and accruals, less cash and short-term deposits. Capital includes equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

Group

	2009 RMB'000	2008 RMB'000
Other borrowings	**47,250**	13,125
Trade and bills payables	**1,224,160**	1,172,939
Deposits received, other payables and accruals	**626,556**	461,042
Less: Cash and short-term deposits	**(2,347,215)**	(2,610,701)
Net debt	**(449,249)**	(963,595)
Equity attributable to owners of the parent	**3,812,401**	3,673,905
Adjusted capital	**3,812,401**	3,673,905
Capital and net debt	**3,363,152**	2,710,310
Gearing ratio	**(13.4%)**	(35.6%)

43. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the Group had the following significant events:

Anhui Xinhua Media Co., Ltd., an available-for-sale equity investment of the Company, was listed on Shanghai Stock Exchange on 18 January 2010 with an offering price of RMB11.8 per share. The Company holds 62,320,000 shares in Anhui Xinhua Media Co., Ltd. with a lockup period until 28 February 2012.

The meeting of the board of directors of the Company was held on 1 April 2010, in which a final dividend of approximately RMB90,811,000, equivalent to RMB0.08 per share (tax inclusive) and a special dividend of approximately RMB227,026,000, equivalent to RMB0.20 per share (tax inclusive), was proposed in respect of the year.

Except for the events disclosed above, the Group did not have any significant post balance sheet events.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 1 April 2010.

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