新華文軒出版傳媒股份有限公司
XINHUA WINSHARE PUBLISHING AND MEDIA 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公司)
(Stock Code 股份代號: 00811)

Annual Report 2011 二零一一年年度報告

* For identification purposes only
僅供識別

Contents

CORPORATE INFORMATION

LEGAL NAME OF THE COMPANY

新華文軒出版傳媒股份有限公司

COMPANY NAME IN ENGLISH

XINHUA WINSHARE PUBLISHING AND MEDIA CO., LTD.*

LEGAL REPRESENTATIVE

Mr. Gong Cimin

BOARD OF DIRECTORS

Executive Directors

Mr. Gong Cimin *(Chairman)*
Mr. Zhao Miao *(Vice Chairman)*
Mr. Luo Yong

Non-Executive Directors

Mr. Luo Jun
Mr. Zhang Chengxing
Mr. Zhao Junhuai

Independent Non-Executive Directors

Mr. Han Xiaoming
Mr. Chan Yuk Tong
Mr. Han Liyan

BOARD COMMITTEES

Strategy and Investment Planning Committee

Mr. Han Xiaoming *(Chairman)*
Mr. Han Liyan
Mr. Zhang Chengxing
Mr. Zhao Junhuai
Mr. Zhao Miao

Editorial and Publication Committee

Mr. Zhao Miao *(Chairman)*
Mr. Zhang Chengxing
Mr. Luo Yong

Audit Committee

Mr. Chan Yuk Tong *(Chairman)*
Mr. Han Xiaoming
Mr. Zhao Junhuai

Remuneration and Review Committee

Mr. Han Liyan *(Chairman)*
Mr. Han Xiaoming
Mr. Luo Jun

Nomination Committee

Mr. Han Xiaoming *(Chairman)*
Mr. Chan Yuk Tong
Mr. Luo Jun

SUPERVISORY COMMITTEE

Supervisors

Mr. Xu Ping *(Chairman)*
Mr. Xu Yuzheng
Mr. Li Kun
Ms. Tan Wei
Ms. Wang Jianping
Ms. Lan Hong
Ms. Liu Nan

Independent Supervisors

Mr. Li Guangwei
Mr. Fu Daiguo

* *For identification purposes only*

COMPANY SECRETARY

Mr. You Zugang

AUTHORISED REPRESENTATIVES

Mr. Luo Jun
Mr. You Zugang

ALTERNATE AUTHORISED REPRESENTATIVE

Ms. Ma Sau Kuen Gloria

INTERNATIONAL AUDITOR

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HONG KONG LEGAL ADVISER

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Central
Hong Kong

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Central
Hong Kong

PRINCIPAL BANKERS

The Industrial and Commercial Bank of China
China Construction Bank

HONG KONG H SHARES REGISTRAR

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Hong Kong

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http://www.winshare.com.cn

STOCK CODE

00811

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000	**2011 RMB'000**
Revenue	2,309,481	2,736,936	3,208,988	3,724,239	**4,485,577**
Profit before tax	388,759	341,214	366,654	441,542	**514,636**
Income tax expense	(1,765)	(3,058)	(2,922)	(1,359)	**(1,367)**
Profit for the year	386,994	338,156	363,732	440,183	**513,269**
Non-controlling interests	1,802	(168)	(5,074)	(3,246)	**9,125**
Profit for the year attributable to owners of the Company	388,796	337,988	358,658	436,937	**522,394**
Earnings per share – Basic (RMB)	0.40	0.30	0.32	0.39	**0.46**

ASSETS AND LIABILITIES

	As at 31 December				
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000	**2011 RMB'000**
Total assets	4,935,265	5,387,558	5,798,025	7,263,857	**7,629,342**
Total liabilities	(1,211,269)	(1,652,032)	(1,901,311)	(2,461,796)	**(2,861,416)**
	3,723,996	3,735,526	3,896,714	4,802,061	**4,767,926**
Equity attributable to owners of the Company	3,678,638	3,673,905	3,810,079	4,630,676	**4,579,748**
Non-controlling interests	45,358	61,621	86,635	171,385	**188,178**
	3,723,996	3,735,526	3,896,714	4,802,061	**4,767,926**

Gong Cimin
Chairman

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Xinhua Winshare Publishing and Media Co., Ltd. (the "**Company**"), I am pleased to present to the shareholders ("**Shareholders**") the annual results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2011 (the "**Year**").

Upon acquisition of publishing resources in 2011, the Group, focusing on integration and development of operations, integrated internal business resources subsequent to consolidation of the fifteen publishers (the "**Fifteen Publishers**") and established an operation system and a control system that align with new business structures. Meanwhile, the Group continuously tapped market potential of its principal operating business, consistently improved traditional core business structure, earnestly explored new businesses and aggressively tackled intensifying market competition, thereby attaining steady growth in the Group's operating results. During the year, the Group recorded a turnover of RMB4,486 million, representing an increase of 20.4% over 2010, with net profit of RMB513 million and basic earnings per share of RMB0.46. Profit for the year attributable to owners of the Company was RMB522 million, representing an increase of 19.6% over 2010.

In 2011, the reorganization of the Group's publishing and distribution businesses eliminated conflict of interests between the upstream and downstream and prevented repeated resource input thereof. As compared with the previous year, total sales from the Group's publishing business and the influence of its publications witnessed considerable improvement. The Company was accredited with "The Advanced Publishing Unit of the Chinese Publishing Government Award" this Year.

With regard to our traditional publishing business segments such as education subscription, retail chain, and nationwide Zhongpan, etc., the Group adhered to the market-oriented strategy by optimizing our operating strategies to enhance its control over channels and market competitiveness. Facing the impact from the gradual decrease in the number of students and the policy for the recycling of textbooks, the Group has proactively changed the operation philosophy and mechanism of the education subscription business while further enhanced service ability of its channels, realizing continuous growth in sales of the subscription business. Centered on "refined management, innovative retailing business form and improved profitability", the retailing business strengthened business form innovation, continued to improve "cultural mall" mode for large stores and fully utilized the Group's advantages in product resources and channel services, to expand distribution business to libraries in primary and secondary schools (the "**libraries distribution business**"), further empowering the overall operating capacity and profitability of the Group's retailing business. Being a major carrier for the Group's cross-regions development strategy, the Zhongpan business established the basic structure of the nationwide distribution network and, capitalized on opportunities arising from "bookstores in commercial supermarket", explored a new mode for substantive sales at terminal channels within the nationwide Zhongpan network, further promoting cross-regions exploration of the Group's principal operating business. At the same time, according to requirements under unified operation and business integration of industry chains, the Group strengthened supporting capacity for purchasing, logistics, information, and publication printing and processing platform, endorsing strong support towards the Group's content production and channel distribution.

Furthermore, the Group vigorously probed new business forms and new business lines for our principal operating business, with special focus on breakthroughs in areas such as information technology, digitalized publishing technology and new media, etc. The sales through "Wenxuan Web", a specialized e-commerce platform of the Group, experienced substantial growth in 2011 over the same period of the previous year, and digitalized education solutions for primary and secondary schools (i.e., the "You Ke" digitalized classrooms), whose technology is based on electronic whiteboards, were widely promoted in the whole Sichuan Province. The exploration of these businesses also infused new vitality into the Group's traditional business.

In 2011, centered on development of core business and implementation of key projects while in conformity with strategic planning of our principal operating business, the Group proactively propelled the implementation of key projects including the cooperation project "bookstores in commercial supermarket", "Western China Cultural Products Logistics and Distribution Centre" and "Xinhua Winshare Publishing and Media Creativity Centre" (temporary name), etc., which are closely related to the development of our core business.

In 2012, as the state is pushing forward cultural system reform, emerging the business environment in the publishing industry is assimilating with the traditional publishing industry, and transformation within the industry is taking place, the Group will, persistently capitalized on its overall advantages in systems, mechanisms and the industry, starting from the publishing industry and aiming at building itself into a first-class cultural media group in the PRC, propel in-depth integration of its core publishing and distribution businesses, improve service capacity of channels, produce best-selling books that are popular for long and attain steady improvement in traditional primary business. At the same time, revolving around our business development strategies and objectives set at general meetings and capitalized on resources integration and strategic corporation, the Group will expand financing channels, integrate its capital and resources, promote innovative industry environment and transformation of traditional businesses towards new businesses as well as steadily propel cross-regions and cross-industries development to further enhance the Group's core market competitiveness and sustainable development capacity.

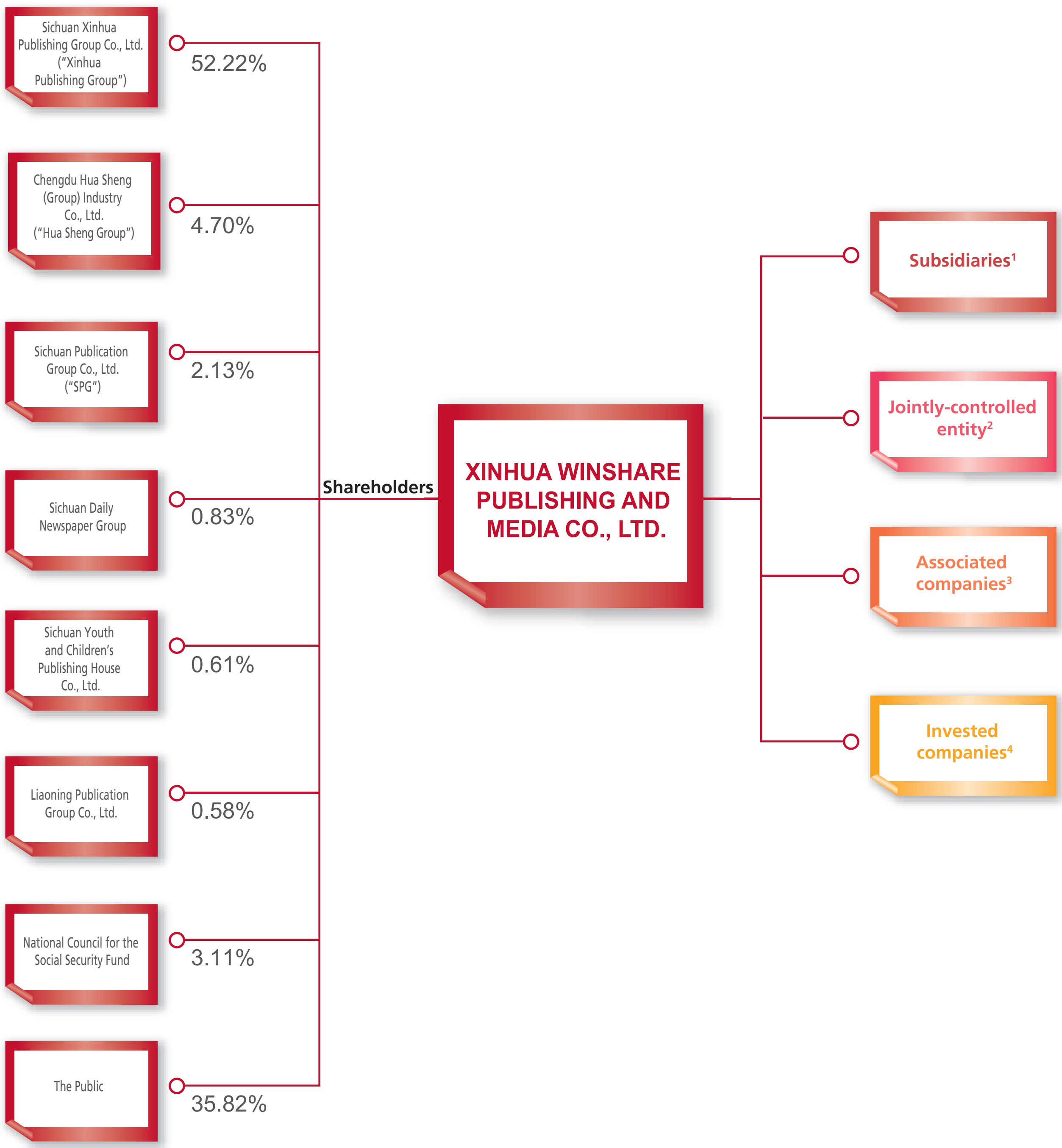
We believe, with the continuous efforts of the Company's management team and staff, we will continue to bring good investment returns to all the Shareholders.

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

Gong Cimin
Chairman

23 March 2012

CORPORATE STRUCTURE OF THE GROUP



CORPORATE STRUCTURE OF THE GROUP *(CONTINUED)*

Note 1: The subsidiaries mainly include the following companies:

No.	Company Name	Interests attributable to the Group (%)	Remarks
1	Sichuan Winshare Education Technology Co., Ltd. (四川文軒教育科技有限公司)	100	
2	Sichuan Xinhua Online Network Co., Ltd. (四川新華在線網絡有限責任公司)	100	
3	Sichuan Publication Printing Co., Ltd. (四川出版印刷有限公司)	100	
4	Sichuan Printing Materials Co., Ltd. (四川省印刷物資有限責任公司)	100	
5	Sichuan Shangrui Education Textbooks Co., Ltd. (四川上瑞教育圖書有限責任公司)	100	
6	Sichuan People's Publishing House Co., Ltd. (四川人民出版社有限公司)	100	
7	Sichuan Education Publishing House Co., Ltd. (四川教育出版社有限公司)	100	
8	Sichuan Youth and Children's Publishing House Co., Ltd. (四川少年兒童出版社有限公司)	100	
9	Sichuan Digital Publishing & Media Co., Ltd. (四川數字出版傳媒有限公司)	100	
10	Sichuan Literature & Art Publishing House Co., Ltd. (四川文藝出版社有限公司)	100	
11	Sichuan Fine Arts Publishing House Co., Ltd. (四川美術出版社有限公司)	100	
12	Sichuan Science & Technology Publishing House Co., Ltd. (四川科學技術出版社有限公司)	100	
13	Sichuan Lexicographical Publishing House Co., Ltd. (四川辭書出版社有限公司)	100	
14	Sichuan Bashu Publishing House Co., Ltd. (四川巴蜀書社有限公司)	100	
15	Sichuan Tiandi Publishing House Co., Ltd. (四川天地出版社有限公司)	100	
16	Sichuan Reader's Journal Press Co., Ltd. (四川讀者報社有限公司)	100	
17	Sichuan Pictorial Co., Ltd. (四川畫報社有限公司)	100	
18	Sichuan Wenchuan Logistics Co., Ltd. (四川文傳物流有限公司)	100	Established in April 2011.
19	Beijing Shu Chuan Xinhua Bookstore Book Distribution Co., Ltd. (北京蜀川新華書店圖書發行有限責任公司)	82.5	
20	Beijing Xinhua Wenxuan Advertising Co., Ltd. (北京新華文軒廣告有限公司)	81.54	
21	Xinhua Winshare Sichuan Information Technology Co., Ltd. (新華文軒四川信息科技有限公司)	80	
22	Sichuan People's Education Times Xinhua Audio and Video Co., Ltd. (四川人教時代新華音像有限責任公司)	80	
23	Sichuan Winshare Online E-commerce Co., Ltd. (四川文軒在線電子商務有限公司) ("**Winshare Online**")	75	

No.	Company Name	Interests attributable to the Group (%)	Remarks
24	Sichuan Xinhua Winshare Media Co., Ltd. (四川新華文軒傳媒有限公司)	70	
25	Sichuan Xinhua Colour Printing Co., Ltd. (四川新華彩色印務有限公司) ("**Xinhua Colour Printing**")	65	
26	Beijing Huaying Winshare Movie & TV Culture Co., Ltd. (北京華影文軒影視文化有限公司)	65	
27	Chengdu Xinhui Industrial Co., Ltd. (成都鑫匯實業有限公司) ("**Chengdu Xinhui**")	62.5	On 23 March 2012, the Company and Hua Sheng Group entered into an agreement, pursuant to which the Company has agreed to sell its 28.5% equity interest in Chengdu Xinhui to Hua Sheng Group. The said agreement is subject to Shareholders' approval at the 2011 annual general meeting to be convened by the Company.
28	Sichuan Winshare Arts Investment and Management Co., Ltd. (四川文軒藝術投資管理有限責任公司)	60	
29	Sichuan Winshare Education and Investment Co., Ltd. (四川文軒教育投資有限公司)	51	
30	Sichuan Winshare Properties Co., Ltd. (四川文軒置業有限公司) ("**Winshare Properties**")	51	On 24 February 2012, the Company and Hua Sheng Group entered into an agreement, pursuant to which the Company has agreed to sell its 51% equity interest in Winshare Properties to Hua Sheng Group.
31	Sichuan Winshare Logistics Co., Ltd. (四川文軒物流有限公司) ("**Winshare Logistics**")	51	On 17 February 2012, the Company and Hua Sheng Group entered into an agreement, pursuant to which the Company has agreed to sell its 51% equity interest in Winshare Logistics to Hua Sheng Group.
32	Sichuan Xinhua Shang Paper Co., Ltd. (四川新華商紙業有限公司) ("**Xinhua Shang Paper**")	51	
33	Beijing Huaxia Shengxuan Book Co., Ltd. (北京華夏盛軒圖書有限公司)	51	
34	Sichuan Winshare Preschool Educational Management Co., Ltd. (四川文軒幼兒教育管理有限公司) ("**Winshare Preschool Education**")	51	On 24 February 2012, the Company and Hua Sheng Group entered into an agreement, pursuant to which the Company has agreed to sell its 17% equity interest in Winshare Preschool Education to Hua Sheng Group.
35	Xinhua Winshare Commercial Chain (Beijing) Co., Ltd. (新華文軒商業連鎖(北京)有限公司)	51	Established in December 2011.

Note 2: The jointly-controlled entity mainly includes the following company:

No	Company Name	Interests attributable to the Group (%)	Remarks
1	Hainan Publishing House Co., Ltd. (海南出版社有限公司)	50	

CORPORATE STRUCTURE OF THE GROUP *(CONTINUED)*

Note 3: The associated companies mainly include the following companies:

No	Company Name	Interests attributable to the Group (%)	Remarks
1	Bazhong Shudong Real Estate Development Co., Ltd. ("**Bazhong Shudong**") (巴中蜀東房地產開發有限公司)	51	The Company owns 51% equity interest in such associated company through Sichuan Winshare Education and Investment Co., Ltd. (四川文軒教育投資有限公司). Established in March 2011.
2	The Commercial Press (Chengdu) Co., Ltd. (商務印書館(成都)有限責任公司)	49	
3	Guizhou Xinhua Winshare Distribution Co., Ltd. ("**Guizhou Xinhua**") (貴州新華文軒發行有限責任公司)	45	
4	Sichuan Xin Wen Newspapers and Periodicals Distribution Co., Ltd. (四川欣聞報刊發行有限責任公司)	39	
5	Ming Bo Education Technology Co., Ltd. (明博教育科技有限公司)	34	
6	Hainan Chuangxiang Cultural Development Co., Ltd. (海南創享文化發展有限公司) ("**Hainan Chuangxiang**")	33.8	
7	Ren Min Eastern (Beijing) Book Industry Co., Ltd. (人民東方(北京)書業有限公司)	20	

Note 4: The invested companies mainly include the following companies:

No	Company Name	Interests attributable to the Group (%)	Remarks
1	Chengdu Institute, Sichuan International Studies University (四川外語學院成都學院)	24.3	
2	Shanghai Eastern Publishing & Trading Centre Co., Ltd. (上海東方出版交易中心有限公司)	10	
3	Sichuan Periodical Media (Group) Co., Ltd. (四川期刊傳媒(集團)股份有限公司)	8	
4	Anhui Xinhua Media Co., Ltd. (安徽新華傳媒股份有限公司) ("**Wan Xin Media**")	6.85	
5	Sichuan Xinhua Cultural Communication Co., Ltd. (四川新華文化傳播有限責任公司)	2.92	
6	Bank of Chengdu Co., Ltd. (成都銀行股份有限公司)	2.46	

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In 2011, the PRC national economic and social development remained stable growth, while the overall demand in the cultural consumption market continued steady expansion. The PRC further propelled cultural reform and continued to issue many favorable policies to support development of the cultural industry. Subsequent to the "Revitalization Plan for the Cultural Industry" and "Twelfth Five-Year Plan for National Economic and Social Development" issued by the PRC government, which set the cultural industry as a pillar industry for the national economy, in October 2010, the 6th Plenary Session of the 17th Central Committee of the Communist Party of China further clarified the implementation of the strategy for powerful nation in culture, exerting great effort on the development of the cultural industry through various means. With regards to this, the General Administration of Press and Publication of the PRC promulgated the guidelines for the reformation and development of the publishing and media groups for encouraging the cross-regions and cross-industries development of the publishing and media groups, which created favorable policy environment for deepened reform and development of the PRC publishing and distribution industries. It is an inevitable trend for the publishing and distribution enterprises in the PRC to cultivate large publishing and media groups with highly centralized assets and resources, break down geographic and sector restrictions, unify fragmentation, and realize rapid market expansion.

In view of the industry development trend, although the growth potential for the traditional publication market is relatively limited, as the new media, such as the internet and digital reading become more and more acceptable to the public, the industry integration is becoming more obvious. The market needs deep involvement of the traditional publishing enterprises that have valuable content resources. The content value of traditional publishing will attract further attention and enhancement, which will bring opportunities for transformation and upgrade of the traditional publishing and distribution enterprises.

OPERATING RESULTS AND FINANCIAL REVIEW

In 2011, the turnover of the Group was RMB4,486 million, representing an increase of 20.4% as compared with the same period last year; the net profit was RMB513 million; the profit for the year attributable to the owners of the Company was RMB522 million, representing an increase of 19.6% as compared with the same period last year; the earnings per share was RMB0.46.

During the Year, the effect of resources integration in the Group's publishing and distribution industries chain became obvious, financial results of our publishing business segment experienced relatively significant increment, and our social influence was further enhanced. Meanwhile, the market competitiveness of the Group's traditional core business segments (education subscription, retail chain, and nationwide Zhongpan, etc.), through improving operating strategies as well as strengthening channels management, has been further enhanced.

Revenue

During the Year, the Group recorded a sales revenue of RMB4,486 million, representing an increase of 20.4% as compared with the same period last year, mainly attributable to the growth of revenue in the retailing segment, subscription segment and product segment from the Fifteen Publishers.

Gross Profit Margin

The gross profit margin of the Group for the Year was 38.8%, which was higher than the 37.7% for the corresponding period last year, primarily attributable to the resources integration in the upstream publishing segments subsequent to the acquisition of the 100% equity interests in the Fifteen Publishers. At the same time, the decline in the sales of our paper trading business, which has a relatively low gross profit margin, also resulted in a higher overall gross profit margin of the Group.

Segment analysis

Segment revenues of the Group for the Year and the corresponding period last year are as follows:

	2011 RMB'000	2010 RMB'000	Change %	Percentage of segment sales to revenue before intersegment sales elimination 2011 %	2010 %	Percentage of segment external sales to consolidated revenue 2011 %	2010 %
Product segment							
External sales	**628,372**	544,641	15.4	**8.1**	8.9	**14.0**	14.6
Intersegment sales	**953,908**	392,015	143.3	**12.2**	6.5		
Total	**1,582,280**	936,656	68.9	**20.3**	15.4		
Zhongpan segment							
External sales	**260,941**	135,303	92.9	**3.3**	2.2	**5.8**	3.6
Intersegment sales	**2,371,636**	1,981,551	19.7	**30.4**	32.5		
Total	**2,632,577**	2,116,854	24.4	**33.7**	34.7		
Subscription segment							
External sales	**2,662,796**	2,450,503	8.7	**34.1**	40.2	**59.4**	65.8
Intersegment sales	**–**	–	–	**–**	–		
Total	**2,662,796**	2,450,503	8.7	**34.1**	40.2		
Retailing segment							
External sales	**800,161**	549,557	45.6	**10.2**	9.0	**17.8**	14.8
Intersegment sales	**10**	–	–	**–**	–		
Total	**800,171**	549,557	45.6	**10.2**	9.0		
Other segment							
External sales	**133,307**	44,235	201.4	**1.7**	0.7	**3.0**	1.2
Intersegment sales	**2,660**	–	–	**–**	–		
Total	**135,967**	44,235	207.4	**1.7**	0.7		
Revenue before intersegment sales elimination	**7,813,791**	6,097,805	28.1	**100**	100		
Intersegment sales elimination	**(3,328,214)**	(2,373,566)	40.2				
Consolidated revenue	**4,485,577**	3,724,239	20.4			**100**	100

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

	2011		2010	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
Product segment (including intersegment revenue)	**371,560**	**23.5**	144,867	15.5
Zhongpan segment (including intersegment revenue)	**295,543**	**11.2**	345,054	16.3
Subscription segment	**855,816**	**32.1**	801,297	32.7
Retailing segment	**235,243**	**29.4**	136,828	24.9
Other segment (including intersegment revenue)	**24,387**	**17.9**	7,913	17.9
Intersegment revenue elimination	**(42,001)**	**N/A**	(31,445)	N/A
Total	**1,740,548**	**38.8**	1,404,514	37.7

Product segment

The Group's Product segment covers businesses including publication, printing and paper trading, etc. During the Year, the Group continued to steadily drive integration of the publishing and distribution businesses and fully utilized the mutual support between publishing products and distribution channels, showing the effects on industrial chains integration. During the Year, in order to strengthen the cost control over publication segment, the Group initially established the originality research and development platform for educational products and the paper purchase and centralized printing platform, realizing integrated operation and management of educational product business and management of mass originality products by product line and specification of initial stage.

During the Year, the Product segment recorded revenue of RMB1,582 million (including intersegment sales), of which the revenue from external sales amounted to RMB628 million, representing an increase of 15.4% as compared with the corresponding period last year, mainly attributable to the growth in the revenue from acquisition of the Fifteen Publishers. However, impacted by the market environment, the sales of papers to external parties by subsidiaries during the Year suffered relatively substantial decline.

During the Year, the gross profit margin of the Product segment was 23.5%, representing an increase of 8.0 percentage points as compared with 15.5% in the same period last year, primarily attributable to the combined effect on the increase in the percentage of sales of its own publication products, especially its originality educational products and the decline in the percentage of sales of our paper trading business, which has a relatively low gross profit margin.

Zhongpan segment

The Group's Zhongpan segment covers the centralized purchasing and delivery of the Group's products through its internal channels. It also includes distribution to external customers through the Group's nationwide distribution network. During the Year, the Group continued to steadily propel establishment of nationwide Zhongpan business, aggressively expanded and improved customer resources, leveraged sales implementation and commodity turnover rate, resulting in a sales growth in the Zhongpan Segment to some extent. Meanwhile, during the Year, the Group aggressively expanded "Courtyard Bookhouse" market outside Sichuan Province and attained preliminary achievement.

During the Year, the Zhongpan segment recorded revenue of RMB2,633 million (including intersegment sales), of which the revenue from external sales amounted to RMB261 million, representing an increase of 92.9% compared to the same period last year.

During the Year, the gross profit margin of the Zhongpan segment decreased from 16.3% in the same period last year to 11.2%, which was mainly due to the adjustment in transaction price.

Subscription segment

The Group's Subscription segment covers sales of textbooks, supplementary materials and promotion of our system "You Ke digitalized classrooms". Facing the impact from the continuous decrease in the number of students in Sichuan Province and the policy on reusing education materials, the Group strengthened regional classification guidance, tapped potential and improved efficiency, actively promoted the "channel upgrade" strategy, etc., and utilized channels advantages to further enhance the operation and sales of supplementary materials. At the same time, the Company continued to propel market expansion of digitalized education services (i.e. "You Ke digitalized classrooms") for primary and secondary schools, casting sound market influence in the aspect of digitalized education across the nation, especially in Sichuan region.

During the Year, the Subscription segment recorded sales revenue of RMB2,663 million, representing an increase of 8.7% as compared with the same period last year, which was mainly due to the growth in the sales of supplementary materials and the considerable growth in the sales of high school textbooks during the Year as a result of the curriculum reform policy against the high schools in Sichuan Province. Meanwhile, the growth in sales of the Subscription segment was also driven by the Group's initial success in the business of digitalized education services for primary and secondary schools.

During the Year, the gross profit margin of the Subscription segment was 32.1%, similar to the corresponding period last year.

Retailing segment

The Group's Retailing segment covers the retail outlet business, the group-buying business and libraries distribution business in Sichuan Province, etc. During the Year, facing the impact of e-bookstores and digital publications on traditional book retail business, the Group, focusing on its business idea of "refined management, innovative retailing business form and improved profitability", improved the book sales under the retail store business through measures including utilizing all-round store functions, enriching joint venture product items and conducting value-added channel operations. As Sichuan Provincial Government increased its capital contribution to the construction of libraries of the primary and secondary schools in Sichuan Province since 2010 and the market demand for the libraries distribution business with respect to the primary and secondary schools in Sichuan Province also raised, the Group, capitalizing on its strong commodity organization, distribution and service capacity as well as sound social image, acquired such businesses through bidding, improving its revenue from the Retailing segment.

During the Year, the Retailing segment recorded sales revenue of RMB800 million, representing an increase of 45.6% compared to the same period last year, mainly attributable to the RMB212 million increase in the sales revenue of the libraries distribution business from RMB76 million in the same period last year.

The gross profit margin of the Retailing segment rose to 29.4% for the Year as compared with 24.9% in the same period last year, of which the gross profit margin from the retail store business, excluding the effect of the libraries distribution business, remained similar as compared with the same period last year.

Expenses and Costs

Selling and distribution expenses and administrative expenses

During the Year, the total of the selling and distribution expenses and administrative expenses was RMB1,400 million, representing an increase of 28.2% from RMB1,090 million in the corresponding period last year. Excluding the figures due to consolidation of the Fifteen Publishers, the selling and distribution expenses and administrative expenses increased by 19.3% over the corresponding period last year, which was mainly due to: (i) further increment in the percentage of sales of supplementary materials resulting in an increase in the related sales promotional expenses; (ii) increase in the related operating expenses arising from the increase in the sales of libraries distribution business; and (iii) increases in labor costs and other operating expenses brought by the rise in commodity price, etc.

Other expenses

Other expenses for the Year amounted to approximately RMB70 million, representing an increase of 34.6% as compared with approximately RMB52 million in the same period last year, which was primarily due to the increase in impairment provision by the Fifteen Publishers during the Year.

Net Finance Income

The net finance income for the Year amounted to approximately RMB13 million, decreased by 44.3% when compared with approximately RMB23 million in the same period last year, which was mainly due to the decrease in the average daily holding of monetary assets as a result of the Company acquisition of the equity interests in the Fifteen Publishers in August 2010 and external investment during the Year, thereby causing a decrease in financial revenue. Meanwhile, the increase in the interest expenses of the Group was due to the rises in loan amounts and loan interest rates incurred by certain subsidiaries of the Company.

Profit

The Group's profit for the Year amounted to RMB513 million, representing an increase of 16.6% from RMB440 million in the corresponding period last year. The profit attributable to owners of the Company increased by 19.6% to RMB522 million from the same period last year.

Earnings Per Share

Earnings per share is calculated by dividing profits for the Year attributable to owners of the Company by the weighted average number of ordinary shares in issue for the Year. The Group's earnings per share for the Year was RMB0.46, representing an increase of 20.0% from RMB0.39 in the corresponding period last year. Please refer to note 15 to the consolidated financial statements in this annual report for the calculation of earnings per share.

Liquidity and Financial Resources

As at 31 December 2011, the Group had cash and short-term deposits of approximately RMB1,794 million, and the interest-bearing bank and other borrowings of the subsidiaries of the Company of approximately RMB102 million of fixed-interest financing and RMB313 million of floating-rate financing. The Company did not have any interest-bearing bank and other borrowings at the end of the Year.

As at 31 December 2011, the gearing ratio (calculated by dividing total liabilities by total assets) of the Group was 37.5% (31 December 2010: 33.9%). The increase in the gearing ratio was mainly due to the increase in financing as a result of operation expansion by subsidiaries of the Company for the Year, but the Group's overall financial structure remained relatively stable.

Foreign Exchange Risk

A substantial portion 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 no foreign exchange hedging arrangement has been made.

Working Capital Management

	31 December 2011	31 December 2010
Current ratio	**1.4**	1.6
Inventory turnover days	**124.9 days**	119.6 days
Trade and bills receivables turnover days	**43.1 days**	39.0 days
Trade and bills payables turnover days	**190.3 days**	198.0 days

As at 31 December 2011, the current ratio of the Group was 1.4 (31 December 2010: 1.6), representing a decrease as compared with the end of last year, which was mainly due to the increase in the Group's investment in properties under development and the increase in financing by subsidiaries.

Inventory turnover days for the Year was 124.9 days, representing a slight increase as compared with 119.6 days in 2010, which was mainly due to earlier opening of school term in the spring of 2012 and the demand from the Company's libraries distribution business, resulting in a relatively large inventory stock by the end of 2011. Trade and bills receivables turnover days increased from 39.0 days in 2010 to 43.1 days this Year. Excluding the trade and bills receivables from the Fifteen Publishers, the trade and bills receivables turnover days would be 37.3 days, which remained similar to the same period last year. Trade and bills payables turnover days decreased from 198.0 days in 2010 to 190.3 days this Year. The credit terms granted by the suppliers did not change.

Overview of Material Investments

During the Year, the Group continued to adjust and cement its traditional publishing and distribution businesses, propelled integrated operation of its publishing and distribution businesses, tapped value-added potential in its channels, innovated business development mode, improved industrial layout, established comprehensive cultural chain services and professional education services brand, as well as strengthened its efforts in relevant aspects such as logistic capacity building, culture, education and channel upgrade, with a view to achieving the strategic objective of establishment of a first-class cultural media group in the PRC.

In order to accommodate to the Group's business development needs and increase its logistics and distribution capacities, in April 2011, Sichuan Wenchuan Logistics Co., Ltd. (四川文傳物流有限公司), a wholly-owned subsidiary of the Company, was established in the PRC with a registered capital of RMB100 million. Currently, the Company intends to kick off the project of establishment of the "Western China Cultural Products Logistics and Distribution Centre" in the international container logistics centre in Qingbaijiang District, Chengdu City (成都市青白江區) mainly through such project company.

For the purpose of implementing digitalized education strategy and exploring markets outside Sichuan Province, in July 2011, the Company made a capital contribution of RMB20 million to its subsidiary, Sichuan Winshare Education Technology Co., Ltd. (四川文軒教育科技有限公司).

In order to explore the book retailing market in PRC commercial supermarkets, fully capitalize on its competitive advantages arising from the resources of nationwide distribution network and integrated operation on production and sales, in December 2011, the Group established Xinhua Winshare Commercial Chain (Beijing) Co., Ltd. (新華文軒商業連鎖（北京）有限公司) with independent third parties including Fujian Dushi Zhiguang Communications and Culture Co., Ltd. (福建省都市之光傳媒文化有限公司), Zhangzhou Xiangcheng Bowen Books and Culture Co., Ltd. (漳州市薌城區博文圖書文化有限公司), and another individual. During the Year, the Company completed the capital contribution of RMB5.1 million in the first stage, with 51% shareholding therein.

During the Year, the Company obtained dividend income for 2010 of RMB6.23 million from its stakeholding company Wan Xin Media (Shanghai Stock Exchange stock code: 601801). Calculated based on the market value as at 31 December 2011, the market value of the Company's 62,320,000 shares in Wan Xin Media reduced by approximately RMB264 million and the lockup period for such shares were lifted on 28 February 2012. Besides, during the Year, the Company also obtained dividend income for 2011 of RMB26 million from Sichuan International Studies University Chengdu Institute and dividend income for 2010 of RMB12 million from Bank of Chengdu Co., Ltd.

With a view to integrating the Group's business resources and focusing on development of principal businesses, the Company conducted various equity disposal plans in accordance with relevant laws and regulations on transfer of state-owned assets. As of the date of this report, resolutions on disposal of 51% equity interest in Winshare Logistics, 51% equity interest in Winshare Properties, 17% equity interest in Winshare Preschool Education, and 28.5% equity interest in Chengdu Xinhui have been approved by the Board and such disposals have been approved by and/or filed with the State-owned Assets Supervision and Administration Commission of Sichuan ("**Sichuan SASAC**") and/or other statutory authorities; such equity interests were/will be sold through public tender auction listing procedures, and their respective reserve prices were determined by reference to (among other things) the appraised net assets values of such companies assessed by PRC qualified independent valuation institutions. Hua Sheng Group has won the options to buy for the above equity interests through public tender auction listing procedures and entered into separate agreements with respect to the sales and purchases of equity interests in the above four companies with the Company. In addition, the Company intended to transfer 33.8% equity interest in Hainan Chuangxiang to Xinhua Publishing Group, the plan of which has been approved by the Board and pending approval by Sichuan SASAC and/or other statutory authorities. Please refer to announcements of the Company dated 13 January 2012, 18 January 2012, 17 February 2012, 24 February 2012, and 23 March 2012 for details of the above equity interest disposals. The circular in relation to the disposal of 28.5% equity interest in Chengdu Xinhui has also been dispatched to Shareholders on 30 March 2012.

Save as disclosed above, the Company did not have any other material acquisitions and disposals during the Year.

FUTURE PROSPECTS

As the state is pushing forward cultural system reform, the emerging business environment in the publishing industry is assimilating with the traditional publishing industry, and transformation within the industry is taking place, the Group will continue to propel in-depth integration of its principal businesses of publication and distribution, perfect and improve the value of publications' contents and service capacity of channels, so as to attain steady improvement in the traditional principal businesses. Meanwhile, capitalizing on resources integration and strategic corporation, the Group will integrate its capital and resources to promote innovative industry environment and transformation of traditional businesses towards businesses of new mode of

the Group, so as to further strengthen the Group's market core competitiveness and sustainable development capacity.

In this regard, the Company will focus on implementation of the following strategies:

1. on the basis of in-depth integration of resources in the publishing and distribution businesses, propel the construction of "Xinhua Winshare Publishing and Media Creativity Centre" (temporary name) to promote enhancement of the innovation and research and development capabilities of the Group's publications, improve the value of publications' contents, produce best-selling books that are popular for long, as well as leverage overall operation capacity and market competitiveness of the Group's publishing business;

2. on the basis of continuous improvement of "cultural mall" mode for large retail stores, explore and propel upgrade of the Company's middle and small size retail stores, further improve operation capacity and profitability of publication retailing channels; meanwhile, explore the sales mode of commercial supermarkets and tackle changes in the publication consumption market;

3. further improve operation capacity of the Group's e-commerce business and propel construction of the digital publishing platform, leverage the Group's service capacity as digitalized classroom solution supplier through perfecting digitalized education application system "You Ke digitalized classrooms", as well as facilitate integration of traditional principal businesses and digitalized publishing business to realize innovation and transformation of the Group's business mode;

4. facilitate construction of the Group's logistics network and information system, emphasize construction of "Western China Cultural Products Logistics and Distribution Centre", as well as the Group's traditional publishing and distribution businesses, e-commerce and digitalized businesses in terms of logistics and information, to further improve the Group's logistics and distribution capacities and information processing capacity; and

5. leveraging the overall advantage of the Group's resources and assets, study and further expand financing channels, realize capital and resources integration, and steadily propel cross-regions development in related cultural and education industries to further enhance the Group's competitiveness and sustainable development capability.

The Company has all along been striving to establish a corporate governance system which is in compliance with the PRC laws and supervisory regulations of the listing place of its shares and under the actual position of the Company. In this regard, the Company has strictly complied with the relevant laws and regulations such as the Company Law of the People's Republic of China (the "**Company Law**"), etc as well as the supervisory regulations of the listing place of its shares. We strengthened our risk management and internal control, established effective communication channel and improved our transparency of information disclosure continuously, to promote the Company's continuous development and to increase the Shareholders' value.

During the Year, the Company has fully adopted and 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 of the Company acts on behalf of the interests of the Shareholders as a whole and is accountable to general meetings. The main duties of the Board are to: implement the resolutions passed at general meetings; make decision on the Company's business plans and investment plans; formulate the Company's annual financial budget and final financial report; formulate the Company's profit distribution plan and loss recovery plan; decide on the establishment of the Company's internal management structure; and formulate the 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 the 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. 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 this annual report, there is no financial, business, family and other substantial related relationship among the respective Directors and the Chairman and general manager.

Composition of the Board

As at 31 December 2011, the Board comprised 9 Directors, including 3 executive Directors, 3 non-executive Directors and 3 independent non-executive Directors. The number of independent non-executive Directors accounts for one third of the total number of Directors. The number of Directors and composition of the Board complied with relevant laws and regulations.

Term of office for members of the second session of the Board of the Company expired in 2011. On 29 September 2011, the Company convened an extraordinary general meeting, at which election of the new session of the Board was considered and approved. In accordance with the resolutions passed at that extraordinary general meeting, the number of Board members adjusted from 13 to 9. Mr. Gong Cimin, Mr. Zhao Miao, Mr. Luo Yong, Mr. Zhang Chengxing, Mr. Luo Jun, Mr. Zhao Junhuai, Mr. Han Xiaoming, Mr. Chan Yuk Tong and Mr. Han Liyan were elected as members of the third session of the Board of the Company with a term of office of 3 years.

According to the Articles of Association of the Company (the "**Articles of Association**"), the term of office of the Directors (including non-executive Directors) is from the date of passing the resolutions at the general meeting to the expiry date of the term of office of the Board of that session (i.e. 28 September 2014).

As 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 this annual report.

Board Meetings

During the Year, the Board for the second session convened a total of 10 Board meetings, of which 6 were attended in person and 4 were held by way of written resolutions. The Board meetings reviewed and approved resolutions including the Working Rules for the Editorial and Publication Committee of the Board, Administrative Rules on Formulation of the Articles of Association, Administrative Measures for the Company's Investment, revision of the Articles of Association, revision of the Terms of Reference of Board Meeting, continuing connected transactions, engagement of auditors, 2010 annual results, 2011 interim results, and several plans on equity transfer of subsidiaries, etc.

During the Year, the Board for the third session convened a total of 5 Board meetings, of which 3 were attended in person and 2 were held by way of written resolutions. The Board meetings considered and approved the composition of the new session of the Board and of the new management team, as well as resolutions including remunerations for members of the Board and of the Supervisory Committee, Annuity Plan of the Company, continuing connected transactions, and several plans on equity transfer of subsidiaries, etc.

All the above-mentioned Board meetings for the two sessions were convened in accordance with the requirements and provisions of the Articles of Association, the Terms of Reference of Board Meeting and the Code on Corporate Governance Practices.

The attendance of the Directors at the Board meetings convened during the Year is listed below:

Attendance of members of the Board for the second session
(For the period from 1 January 2011 to 28 September 2011)

Name	Attendance in person/ Number of meetings required attendance	Attendance rate
Executive Directors		
Gong Cimin *(Chairman)*	10/10	100%
Zhang Bangkai *(Vice Chairman)*	9/10	90%
Non-Executive Directors		
Wang Jianping	10/10	100%
Yu Changjiu	8/10	80%
Li Jiawei	5/10	50%
Luo Jun	10/10	100%
Wu Qiang	6/10	60%
Zhang Chengxing	10/10	100%
Zhao Junhuai	10/10	100%
Zhao Miao	9/10	90%
Independent Non-executive Directors		
Han Xiaoming	10/10	100%
Cheng Sanguo	7/10	70%
Chan Yuk Tong	9/10	90%

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

Attendance of members of the Board for the third session

(For the period from 29 September 2011 to 31 December 2011)

Name	Attendance in person/ Number of meetings required attendance	Attendance rate
Executive Directors		
Gong Cimin *(Chairman)*	5/5	100%
Zhao Miao *(Vice Chairman)*	5/5	100%
Luo Yong	5/5	100%
Non-Executive Directors		
Zhang Chengxing	5/5	100%
Luo Jun	4/5	80%
Zhao Junhuai	3/5	60%
Independent Non-executive Directors		
Han Xiaoming	5/5	100%
Chan Yuk Tong	5/5	100%
Han Liyan	5/5	100%

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

BOARD COMMITTEES

The Board has set up 5 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, etc.

The Strategy and Investment Planning Committee comprises 5 Directors, current members being Mr. Han Xiaoming, Mr. Han Liyan, Mr. Zhao Miao, Mr. Zhang Chengxing and Mr. Zhao Junhuai. Mr. Han Xiaoming, an independent non-executive Director, is the chairman of the committee.

During the Year, the Strategy and Investment Planning Committee of the second session of the Board convened 1 meeting. All committee members had attended the meeting in person, at which the Administrative Measures for the Company's Investment was considered and approved, providing effective professional advice for establishment of the Company's investment management mechanism and system.

Editorial and Publication Committee

The main responsibilities of the Editorial and Publication Committee include: (1) to examine the Company's medium to long-term development plans of the publishing industry and make recommendations; (2) to examine and evaluate the Company's material publication projects and make recommendations for review and approval, etc.

According to the resolutions of the Board meeting of the Company passed on 29 September 2011, the Editorial and Publication Committee shall comprise 3 instead of 5 Directors, current members being Mr. Zhao Miao, Mr. Zhang Chengxing and Mr. Luo Yong. Mr. Zhao Miao, an executive Director, is the chairman of the committee.

During the Year, the Editorial and Publication Committee of the second session of the Board convened 1 meeting. All committee members had attended the meeting in person, at which the Working Rules for the Editorial and Publication Committee of the Board was considered and approved, propelling the Editorial and Publication Committee to involve in the decision-making of the Company's significant editorial and publication business.

Audit Committee

The main responsibilities of the Audit Committee include: (1) to recommend the engagement or removal of external audit institutions; (2) to supervise the Company's 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; (5) to review the Company's internal control system, etc.

The Audit Committee comprises 3 Directors, current members being Mr. Chan Yuk Tong, Mr. Han Xiaoming and Mr. Zhao Junhuai. All members of the Audit Committee are non-executive Directors, among whom 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.

During the Year, the Audit Committee of the second session of the Board convened a total of 5 meetings, of which 3 were attended in person and 2 were held by way of written resolutions. All committee members had attended all the meetings in person and signed all written resolutions to consider the various resolutions including 2010 annual results, 2011 interim results, internal control issues of the Company, auditor's engagement and continuing connected transactions, etc and to submit its recommendations to the Board, playing a positive role in helping the Board's decision-making. Furthermore, the Audit Committee enhanced its communication with the Company's management, internal audit department, external auditors and internal control consultant, followed up the implementation of the management recommendations put forth by the auditors and internal control consultant, and effectively facilitated further enhancement of the internal control standard of the Company.

The Audit Committee has reviewed and confirmed the audited consolidated financial statements as set out in this annual report, and has discussed the financial statements and internal control with the management. The Audit Committee considered that these financial statements have been prepared in accordance with the applicable accounting standards and requirements and appropriate disclosures have been made.

Remuneration and Review Committee

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

The Remuneration and Review Committee comprises 3 Directors, current members being Mr. Han Liyan, Mr. Han Xiaoming and Mr. Luo Jun. Mr. Han Liyan, an independent non-executive Director, is the chairman of the committee. All members of the Remuneration and Review Committee are non-executive Directors, among whom Mr. Han Liyan and Mr. Han Xiaoming are independent non-executive Directors.

During the Year, the Remuneration and Review Committee of the third session of the Board convened 2 meetings. All committee members had attended the meetings in person. The meetings mainly examined the remuneration standard of the Company's Directors and supervisors (the "**Supervisors**") and the Annuity Plan of the Company.

Nomination Committee

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

The Nomination Committee comprises 3 Directors, current members being Mr. Han Xiaoming, Mr. Chan Yuk Tong and Mr. Luo Jun. Mr. Han Xiaoming, an independent non-executive Director, is the chairman of the committee. All members of the Nomination Committee are non-executive Directors, among whom Mr. Han Xiaoming and Mr. Chan Yuk Tong are independent non-executive Directors.

During the Year, the Nomination Committee of the second session of the Board convened 1 meeting. Committee members Mr. Han Xiaoming and Mr. Luo Jun had attended the meeting in person but Mr. Cheng Sanguo did not attend the meeting. The Nomination Committee of the second session of the Board made professional recommendations to the Board upon expiry of the second session of the Board and in the election of members of the third session of the Board, playing an important role in the change of session of the Board, which included, adjustment to the number of members and composition of the Board by reference to the latest revision requirements of the Listing Rules so that the number of independent non-executive Directors accounts for one third of the total number of Directors; search for suitable candidates for Directors inside and outside the Company and review of their qualifications and conditions, etc.

During the Year, the Nomination Committee of the third session of the Board convened 1 meeting. All committee members had attended the meeting in person. The meeting made professional advice on appointment of new session of the management team, playing an important role in the change of session of the Company's management team.

DIRECTORS

Appointment and Re-election of Directors

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

Nomination of Directors

Pursuant to the Articles of Association, 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 Directors. The Board examines the qualifications and conditions of the candidates. Upon passing the board resolutions, the proposal will be submitted in writing to general meetings for consideration.

The Board 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 of the Company.

Independence of Directors

The Company currently has 3 independent non-executive Directors, which is in compliance with the requirements of the number of members and qualifications prescribed by the Listing Rules. Independent non-executive Directors serve as chairmen (apart from the chairman of the Editorial and Publication Committee) of the specific committees under the Board. Independent non-executive Directors have no business and financial interests in the Company or its subsidiaries, nor do they assume any managerial position in the Company. Their independence is 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 independent 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 involved in discussion and decision-making of all matters of significance to the Company and expressed independent opinions and recommendations, so as to effectively protect the overall interest of the Company and Shareholders. In addition, the independent non-executive Directors, during the non-meeting session, communicated with the management of the Company by means of on-site workshops and seminars, etc and actively gave their advice and recommendations in respect of the Company's operation and development, maintaining the Company's operation compliance and stability.

The 3 independent non-executive Directors of the Company confirmed in writing to the Company that they had fulfilled the level of independence as required by Rule 3.13 of the Listing Rules this Year. 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.

Remunerations of Directors and Supervisors

Details of the remunerations of the Directors and the Supervisors this Year are set out in note 13 to the consolidated financial statements in this 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, especially minority Shareholders, are treated equally and entitled to fully exercise their rights.

Details of Controlling Shareholder and Ultimate Controlling Shareholder

The controlling shareholder of the Company is Xinhua Publishing Group, which is a wholly-owned subsidiary of Sichuan Development (Holding) Co., Ltd. (四川發展（控股）有限責任公司) ("**Sichuan Development**"). Accordingly, Sichuan Development is the ultimate controlling shareholder of the Company. Besides, SPG, as another Shareholder of the Company, is also a wholly-owned subsidiary of Sichuan Development.

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 interfere with the Company's decision-making and operations.

The shareholding details of the substantial shareholders at the end of the Year are set out in the section "Report of the Directors" in this 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 has put forward an independent resolution for each of the important events and presented to the general meetings for consideration in accordance with the relevant requirements under laws and regulations, as well as the Listing Rules. The details of Shareholders' rights and the respective voting procedures are set out in the relevant circulars to Shareholders in accordance with the Articles of Association and the Listing Rules. The circulars are dispatched to Shareholders prior to relevant deadline and are published on the website of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Company's self-established website.

During the Year, the Company had convened 1 annual general meeting and 3 extraordinary general meetings. The meetings considered and passed many important resolutions such as the 2010 annual report, profit distribution proposal for 2010, auditor's engagement, revision of the Articles of Association and candidates for the third session of the Board and Supervisory Committee, etc. The Directors and certain members of the senior management of the Company 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 results of general meetings are disclosed on the Stock Exchange's website and the Company's self-established website in a timely manner.

SUPERVISORY MECHANISM

Supervisory Committee

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

Term of office for members of the second session of the Supervisory Committee of the Company ended in 2011. On 29 September 2011, the Company convened a general meeting, at which new session of the Supervisory Committee was elected and appointed. The third session of the Supervisory Committee of the Company comprises 9 members, including 4 Supervisors recommended by Shareholders, 2 independent Supervisors and 3 Supervisors representing employees. The number of members and composition of the committee are in compliance with the requirements of relevant laws and regulations. Mr. Xu Ping was appointed as the Chairman of the third session of the Supervisory Committee. The term of office of Supervisors is effective on the day of passing the resolution by Shareholders at 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 at general meetings; the Supervisors representing employees are subject to election and removal by the staff of the Company at the employee representative meetings, staff meetings or otherwise in a democratic manner. The term of each session of the Supervisory Committee is three years, and the Supervisors are eligible for re-election upon expiry of the term.

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

During the Year, the second session of the Supervisory Committee convened a total of 3 meetings, while the third session of the Supervisory Committee convened 1 meeting, and members of the Supervisory Committee had attended all Board meetings and general meetings. Details of work of the Supervisory Committee are set out in the section "Report of the Supervisory Committee" in this annual report.

Internal Control

The Board is responsible for establishing a comprehensive internal control system and implementing its performance evaluation, and reviewing the internal control functions of the Company on an on-going basis through the Audit Committee. The management is delegated with the authority to organize and lead the daily operation of the corporate internal control. The Company has established an audit department, which is responsible for evaluating, 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 dealing with matters on daily discipline inspection and supervision. All employees are well aware of the complain and reporting system.

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 organized and improved the regulatory system of the Company at various stages on different levels and facilitated the setting up of internal control system. It commenced various internal audit projects and internal control assessment and promoted improvements in the operation and management standards to avoid market risks. As our employees and external parties are involved in handling matters on complaints reporting, a multi-angle and multi-level internal control mechanism within the Company has been formed.

In addition, during the Year, Protiviti Shanghai Co., Ltd. continued to be engaged by the Board to examine and evaluate on the internal control functions for major business organizations, material business matters and high risk areas of the Company. The areas included information system management, publication management and Zhongpan operation management, etc, and following-up of the improvements required in respect of the problems discovered in internal review during last year.

During the Year, the Board 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 REMUNERATIONS

At the extraordinary general meeting held on 13 July 2011, the Company approved the engagement of Deloitte Touche Tohmatsu as the Company's international auditor for 2011 and Deloitte Touche Tohmatsu CPA Ltd. ("**Deloitte Touche Tohmatsu CPA**") as the Company's PRC auditor for 2011. Their engagements shall continue until the conclusion of the forthcoming annual general meeting of the Company. The Board was authorized to determine the auditors' remunerations through individual negotiation in accordance with market practice.

During the Year, the Company's international and PRC auditors provided the following services to the Group: (1) professional audit services in respect of the annual financial report; (2) agreed-upon procedures services on interim financial report; and (3) verification services on continuing connected transactions.

During the Year, the Group paid a total of RMB2.4 million in respect of the above services to the international and PRC auditors. Except for the above expenses, during the Year, the Group had not paid any other non-audit service fees to Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu CPA.

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 Company's financial statements for each fiscal period so as to ensure that the financial statements give a true 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 on the ongoing operation of the Company.

RIGHTS OF SHAREHOLDERS AND INVESTORS RELATIONSHIP

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

The Company has all along been persistent in maintaining a sound and efficient two-way communication with its Shareholders and investors so as to enable both the domestic and foreign investors be informed of the Company's operation and development in a timely and comprehensive manner.

The Company mainly conducts investor relation works in the following ways:

– response to investors' inquiries promptly through investor relation hotline and email;

– reception of routine visits from investors and analysts;

– communication with investors, analysts and financial media through analyst meetings, results presentations and road shows;

– provision of information disclosure and corporate governance information, etc to investors through the websites of the Stock Exchange and the Company.

In future, the Company will, in compliance with regulatory requirements of the listing place of its shares, development trend in the capital market and investors' expectations, continue to review and improve its corporate governance and leverage its corporate governance standard as and when appropriate, to protect the interest of all Shareholders of the Company and to promote a healthy growth of the Company.

PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Gong Cimin (龔次敏), aged 57, was appointed as executive Director of the Company on 11 June 2005 and was appointed as Chairman of the Company in September 2006. Mr. Gong obtained the certificate of completion for a master's degree in economics and business administration from Sichuan University in July 2002, and he is also a senior economist. He is vice chairman of The Publishers Association of China, vice president of China Book Publication Industry Association (中國書刊發行協會) and China Xinhua Bookstore Association. Between the period of 1984 and 2003, Mr. Gong held the positions of deputy manager, general manager and Party Secretary with Chengdu City Xinhua Bookstore. He joined Xinhua Publishing Group 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 executive Director and General Manager, and Vice Chairman of the Company. From January 2006 to February 2007, Mr. Gong served as the vice president of Xinhua Publishing Group. He has been the chairman and Party Secretary of Xinhua Publishing Group since February 2007. Mr. Gong has over 39 years of experience in administration and business management in the publishing and distribution industry.

Zhao Miao (趙苗), aged 52, was appointed as executive Director of the Company on 10 February 2009 and was appointed as executive Director and Vice Chairman of the Company on 29 September 2011. 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 on economics management instructed by the Correspondence College of the Party School of the Central Committee of the Communist Party of China. Mr. Zhao is a senior economist and senior political officer. Mr. Zhao worked at Sichuan Petroleum Administration from July 1980 to May 2002 as a teacher at the Technical School, educational officer and employment relationship officer in the Personnel Department, secretary of the General Office of the Party Committee, secretary of the Communist Youth League Committee, and 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 Prefecture and secretary of the Discipline Inspection Commission of the Prefecture. Mr. Zhao worked as the general manager and deputy head of the management committee of SPG from July 2008 to November 2009. He has been the president of SPG since November 2009. Mr. Zhao has over 34 years of experience in education and administration management and supervising.

Luo Yong (羅勇), aged 49, was appointed as the General Manager of the Company in July 2008 and was appointed as executive Director of the Company on 29 September 2011. 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 program on business administration from Renmin University of China, respectively. He possesses the professional qualification as an editor. Mr. Luo was a journalist in Ganzi News in 1982 and had worked as the office head, assistant to director, deputy director, director, party secretary and editor-in-chief of Sichuan Nationalities Press from November 1987 to November 2003. From November 2003 to July 2008, he was appointed as the deputy head of management committee of SPG and the president of Sichuan Nationalities Press (四川民族出版社). Mr. Luo has been the deputy secretary of the Communist Party of China of SPG since July 2008. Mr. Luo was granted special government subsidy by the State Council. Mr. Luo has over 24 years of experience in the publication industry and operating management.

Non-Executive Directors

Luo Jun (羅軍), aged 46, was appointed as non-executive Director of the Company on 30 July 2008. Mr. Luo graduated from Shaanxi Institute of Finance and Economics (陝西財經學院) with an economics bachelor's degree in materials, economics and management. He obtained a master's degree 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) and deputy head and head of the personnel education department (人事教育處副處長) of Sichuan Province Press and Publication Bureau from 1990 to 2006. He was appointed as the 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 joined Xinhua Publishing Group in January 2006, worked as a director and the vice president of Xinhua Publishing Group and still assumes that position. Mr. Luo was Supervisor from April 2006 to July 2008 and Chairman of the Supervisory Committee from May 2006 to July 2008. Furthermore, Mr. Luo is also the chairman of Sichuan Xinhua Hotel Management Co., Ltd. Mr. Luo has over 26 years of experience in the publication industry and government and corporate management.

Zhang Chengxing (張成行), aged 55, was appointed as non-executive Director of the 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 and 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) from April 1998 to January 2006. Mr. Zhang joined Xinhua Publishing Group in January 2006, worked as a director and the vice president of Xinhua Publishing Group and still assumes that position. Mr. Zhang has performed in-depth research on media management and has over 24 years of extensive experience in publication and distribution management and corporate culture establishment.

Zhao Junhuai (趙俊懷), aged 44, was appointed as non-executive Director of the Company on 16 October 2007. Mr. Zhao obtained a bachelor's degree in agricultural economic management from 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 from 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 Hua Sheng Group, and 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), Chengdu Hezhengyang Investment Co., Ltd. (成都市和正洋投資有限公司) and Chengdu Xinhui. He is currently also the director of Winshare Logistics, Winshare Properties and Winshare Preschool Education.

Independent Non-Executive Directors

Han Xiaoming (韓小明), aged 59, was appointed as independent non-executive Director of the Company on 11 June 2005. Mr. Han graduated from Renmin University of China majoring in Politics and Economics. He was the 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 organized 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 the 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 (doctoral supervisor) in the department of Economics in Renmin University of China, a member of the Expert Committee on Telecommunication Economic and Management of the Ministry of Industry and Information Technology (工業和信息化部電信經濟和電信管理專家委員會), and the standing council member of China Information Economics Society.

Han Liyan (韓立岩), aged 57, was appointed as independent non-executive Director of the Company on 29 September 2011. Mr. Han was graduated from Beijing Normal University (北京師範大學), majoring in science, where he got a PhD of science, and then he committed himself in macroeconomics postdoctoral research at Vienna University of Economics and Business, Austria. Mr. Han taught and served as a director of basic courses and doctoral supervisor in quantitative economy at Capital University of Economics and Business (首都經濟貿易大學) from February 1982 to March 2000. During that period, he was engaged in an economic research project on the global banks at the Chinese Economy Research Centre of Peking University (北 京 大 學) in 1997; and in 1999 and 2004, he conducted senior visiting researches at the Economic Institute of Ruhr University in Bochum, Germany and the Department of Finance of University of New South Wales, Australia respectively. Mr. Han has even presided over ten national and ministerial scientific foundation projects and administration projects of certain large enterprise groups. Mr. Han is currently serving as an finance professor-in-charge, doctoral supervisor and dean of the Finance Department in the Economic and Management Institute of Beihang University (北京航空航天大學) and enjoying a State Council granted special government allowance. Mr. Han also holds a concurrent post as a doctoral supervisor in quantitative economy at Capital University of Economics and Business, a visiting professor of the EMBA program of the Business School of University of North Alabama, USA, EMBA program of Sichuan University and also Shanxi University of Finance and Economics (山西財經大學), a standing council member of China Quantitative Economics Association (中國數量經濟學會), a council member of the Chinese Finance Annual Meeting (中國金融學年會), vice chairman of Beijing Operation Research Society, and an independent non-executive director of Aerospace Capital Holding Co. Ltd. Mr. Han has over 30 years of experience in economic and financial theory research and management and teaching fields.

Chan Yuk Tong (陳育棠), aged 49, was appointed as independent non-executive Director of the 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 the audit principal in 1994. Mr. Chan joined G2000 (Apparel) Limited in 2000 and worked as the 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
Sinopoly Battery Limited (formerly known as Thunder Sky Battery Limited)	Stock Exchange: 00729	independent non-executive Director
Daisho Microline Holdings Limited	Stock Exchange: 00567	independent non-executive Director
Kam Hing International Holding Limited	Stock Exchange: 02307	independent non-executive Director
BYD Electronic (International) Co., Ltd.	Stock Exchange: 00285	independent non-executive Director
Anhui Conch Cement Co., Ltd.	Stock Exchange: 00914 and Shanghai Stock Exchange: 600585	independent non-executive Director
Global Sweeteners Holdings Limited	Stock Exchange: 03889	independent non-executive Director
Ausnutria Dairy Corporation Ltd	Stock Exchange: 01717	independent non-executive Director
Trauson Holdings Co., Ltd.	Stock Exchange: 00325	independent non-executive Director

Moreover, Mr. Chan was an executive Director of Tak Sing Alliance Holdings Limited (Stock Exchange stock code: 00126) and Asia Cassava Resources Holdings Limited (Stock Exchange stock code: 00841), an executive director and a non-executive Director of Vitop Bioenergy Holdings Limited (Stock Exchange stock code: 01178), an independent non-executive Director of Luks Group (Vietnam Holdings) Co., Ltd. (formerly known as Luks Industrial (Group) Limited) (Stock Exchange stock code: 00366), China Pipe Group Limited (formerly known as World Trade Bun Kee Limited) (Stock Exchange stock code: 00380) and Great Wall Motor Co., Ltd. (Stock Exchange stock code: 02333) and deputy general manager of the accounting and finance department of Dongfeng Motor Group Co., Ltd. (Stock Exchange stock code: 00489). Mr. Chan has over 20 years of experience in audit, accounting, management consulting and financial consulting services.

SUPERVISORS

Xu Ping (徐平), aged 54, was appointed as Supervisor of the Company and Chairman of the Supervisory Committee on 29 September 2011. Mr. Xu graduated from Graduate School of the Party School of the CPC Central Committee (中央黨校), majoring in economy management, and is a senior political officer. He was also a standing council member of Publishers Association of Sichuan (四川出版協會). From January 1982 to January 1995, Mr. Xu worked at the organic chemistry office of Chengdu Branch of Chinese Academy of Sciences (中國科學院), serving as a party secretary, deputy secretary of Labor Committee of Society, secretary, deputy director of administration office and senior staff (division level). From January 1995 to September 1997, he served as the deputy county mayor of People's Government of Yanting County of Sichuan Province. From September 1997 to November 2004, he has been the commissioner of the Commission for Discipline Inspection of Sichuan Province, the commissioner (division level) of Administration Office of Sichuan Province, and the Deputy Officer (division level) of the Promotion and Education Department of the Supervision Department of Sichuan Province. Mr. Xu joined SPG as the deputy secretary of the Commission for Discipline Inspection and the officer of the Audit and Supervision Department in November 2004. He has been the secretary of the Commission for Discipline Inspection of SPG since December 2010. He has more than 30 years of experience in administration and supervision, etc.

Xu Yuzheng (許玉鄭), aged 55, was appointed as Supervisor of the Company on 30 July 2008. Mr. Xu graduated from Sichuan Radio and Television University (四川廣播電視大學), majoring in law, and obtained a diploma in economic management from Sichuan Normal University (四川師範大學). Mr. Xu holds the professional qualification as a lawyer. Mr. Xu was an officer of deputy head, officer of head, supervisor (deputy division level) and deputy chief officer (division level) of Sichuan Provincial Department of Supervision (四川省監察廳) of Disciplinary Investigation Committee of Sichuan Party Committee (中共四川省紀律檢查委員會) from August 1988 to December 2005. Mr. Xu joined Xinhua Publishing Group in January 2006, worked as a director and the secretary of disciplinary committee of Xinhua Publishing Group and still holds that position. From April 2007, Mr. Xu was 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責任公司), and from March 2008, Mr. Xu was appointed as the chairman of the labour union of Xinhua Publishing Group. He once was a supervisor of Chengdu Xinhui. Mr. Xu has over 25 years of experience in the regulatory and legal aspects.

Li Kun (李昆), aged 40, was appointed as Supervisor of the Company on 18 January 2011. Mr. Li graduated from South Western University of Finance and Economics (西南財經大學) with a Bachelor degree in Economics. He is also an accountant. During the period from July 1993 to November 2010, Mr. Li was integrated management officer of the finance department and deputy supervisor of group's business development department of Sichuan Daily Newspaper Group (四川日報報業集團) (also the deputy general manager of West China Metropolis Daily (華西都市報)), general manager of Sichuan Xin Wen Material Trading Co., Ltd. (四川欣聞物資貿易有限責任公司) and the supervisor of the finance department, assistant to the general manager (also the deputy supervisor and deputy general manager of West China Metropolis Daily Committee and the chairman of Consumer Quality Press (消費質量報社)), and the director of the group general manager's office of Sichuan Daily Newspaper Group (四川日報報業集團). Since November 2010, Mr. Li has been the assistant to the general manager and the supervisor of the finance department of Sichuan Daily Newspaper Group. Mr. Li is also a director of Sichuan Xin Wen Material Trading Co., Ltd., Sichuan Xing Yuan Real Estate Development Co., Ltd. (四川興源房地產開發有限責任公司), Sichuan Lian Xiang Printing Co., Ltd., Xing Guang Construction and Engineering Co., Ltd. (星光建築工程有限責任公司), and Chengdu Hua Xi Advertising Co., Ltd. (成都華希廣告有限公司) and a supervisor of Sichuan Anren Town Laogongguan Cultural Development Co., Ltd. Mr. Li has more than 19 years' experience in financial accounting.

Tan Wei (譚蔚), aged 29, was appointed as Supervisor of the Company on 29 September 2011. Ms. Tan graduated from Southwestern University of Finance and Economics, majoring in business administration, where she got a bachelor's degree in management, and she's also a Certified Internal Auditor. Ms. Tan has served as a senior audit associate at the audit department of Chongqing Branch of PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd., an auditor at the audit department of Chengdu Branch of KPMG Advisory (China) Co., Ltd., and a senior internal control executive at the Company's audit department. Ms. Tan is currently serving as a director of the Chairman's office of Hua Sheng Group.

Wang Jianping (王建平), aged 57, was appointed as Supervisor of the Company on 29 September 2011 while also being an elected employee representative Supervisor. Ms. Wang graduated from Sichuan Normal Institute (四川師範學院) majoring in Chinese Literature. Between the period of 1984 and 2009, Ms. Wang worked as the deputy head of editorial department, chief officer of chief editorial department, editor of artist editorial room, vice president and president of "Hong Ling Jin" magazine (《紅領巾雜誌》) of Sichuan Youth and Children Press. Ms. Wang has been the executive director, general manager and president of Sichuan Youth and Children's Publishing House Co., Ltd. since December 2009. During the period from June 2005 to September 2011, Ms. Wang served as a non-executive Director of the Company. Ms. Wang has more than 33 years of experience in the publication and distribution industry.

Lan Hong (蘭紅), aged 45, was appointed as Supervisor of the Company on 11 June 2005 while also being an elected employee representative Supervisor. Ms. Lan graduated from Sichuan Self-study University (四川自修大學) and obtained a graduate certificate in accounting conferred jointly by Sichuan Self-study University and Southwestern University of Finance and Economics. She then 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 and then joined Xinhua Publishing Group in December 2001. She was head of the finance and audit department of audit office from February 2003 to June 2005, and the deputy chief officer of the audit department of the Company from June 2005 to June 2007. Ms. Lan has been the deputy head of the Board office of the Company since June 2007. Ms. Lan has over 23 years of experience in financial accounting.

Liu Nan (劉南), aged 47, was appointed as Supervisor of the Company on 11 June 2005 while also being an elected employee representative Supervisor. Ms. Liu graduated from Chengdu University majoring in Book Publication Management. She obtained the certificate of completion for a master's degree in economics and business administration from Sichuan University and the certificate of completion for advanced courses of excellent business administration (卓越企業管理高級研修班課程) from School of Continuing Education of Tsinghua University. Ms. Liu also completed a specialized course in computer application at the University of Chengdu. Ms. Liu was the 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) from 1992 to 2007, and the assistant to general supervisor of the procurement center of Sichuan Times Xinhua Audio and Visual Product Chainstore Company (四川時代新華音像連鎖公司). Ms. Liu worked as the head of the information center of the Company. She has been the deputy general manager of the Company's procurement center since 2007. Ms. Liu has more than 29 years of experience in audio-visuals sourcing and publication and information technology.

Independent Supervisors

Li Guangwei (李光煒), aged 71, was appointed as independent Supervisor of the 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 possesses the professional qualification as an editor. From February 1988 to March 1991, Mr. Li served as the member of social affairs committee and vice president of Sichuan Science & Technology Publishing House (四川科學技術出版社). From March 1991 to May 1993, Mr. Li served as the president of Sichuan Education Press (四川教育出版社). From May 1993 to May 2001, he served as the 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, Shanghai Stock Exchange stock code: 601777). Mr. Li has over 28 years of experience in publication industry and business management.

Fu Daiguo (傅代國), aged 47, was appointed as independent Supervisor of the Company on 20 April 2006. Mr. Fu holds his doctoral degree in accounting from the Southwestern University of Finance and Economics and he 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 a project manager of Sichuan Province Assets Reorganisation Centre (四川省資產重組中心) and an independent director of Sichuan Baoguang Pharmaceuticals Co., Ltd. (四川寶光藥業股份有限公司), Chengdu City People's Shopping Mall (Group) Co., Ltd. (成都人民商場（集團）股份有限公司, 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, Shenzhen Stock Exchange stock code: 000657) and Sichuan Zhonghui Pharmaceuticals (Group) Co., Ltd. (四川中匯醫藥（集團）股份有限公司, Shenzhen Stock Exchange stock code: 000809). Mr. Fu is deputy dean and an accounting professor at the College of Accounting at the Southwestern University of Finance and Economics, a member of the China Accounting Association (中國會計學會), and vice president of the Chengdu Accounting Association. He is currently an independent director of Sichuan Chuanrun Co., Ltd. (四川川潤股份有限公司, Shenzhen Stock Exchange stock code: 002272), Ingenic Semiconductor Co., Ltd (北京君正集成電路股份有限公司) (Shenzhen Stock Exchange stock code: 300223) and Shandong Longlive Bio-Technology Co., Ltd. (山東龍力生物科技股份有限公司). Mr. Fu has more than 24 years of experience in corporate accounting and financial management.

SENIOR MANAGEMENT

Mr. **Luo Yong (羅勇)** is the General Manager of the Company. His biographical details are set out in the sub-section headed "Directors" above.

Yang Miao (楊杪), aged 41, was appointed as Deputy General Manager of the Company in July 2008. Mr. Yang graduated from the University of Chengdu with a bachelor's degree in public relationships and economy 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 had held the positions of 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 Co., Ltd. from 1999 to 2000. From 2001 to June 2005, Mr. Yang served as the manager at the textbook distribution company of Xinhua Publishing Group. From June 2005 to April 2006, Mr. Yang was 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 executive Director of the Company from September 2006 to July 2008. He was the dean of management research institute of the Company. Currently, he is also the chairman of Sichuan Winshare Education Technology Co., Ltd. (四川文軒教育科技有限公司), director of Sichuan Xin Wen Newspapers and Periodicals Distribution Co., Ltd. (四川欣聞報刊發行有限責任公司) and director of Ming Bo Education Technology Co., Ltd. Mr. Yang has over 17 years of experience in the publication and distribution industry.

Chen Dali (陳大利), aged 49, was appointed as Deputy General Manager of the Company in 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 the vice president at Sichuan Bashu Book Shop in September 2000. From May 2001 to May 2005, Mr. Chen worked as the deputy general manager of Xinhua Publishing Group and general manager of Xinhua Publication Company. Currently, he is also a director of Beijing Huaxia Shengxuan Books Co., Ltd. (北京華夏盛軒圖書有限公司), Ren Min Eastern (Beijing) Book Industry Co., Ltd., Guizhou Xinhua Winshare Distribution Co., Ltd. and Hainan Publishing House Co., Ltd. Mr. Chen has more than 22 years of experience in the book publication and distribution industry.

Zheng Chuan (鄭川), aged 51, has been Deputy General Manager of the Company since January 2010. Mr. Zheng worked at the Propaganda Department of the Chengdu Municipal Committee of the Communist Party of China (中共成都市委宣傳部) from December 1986 to January 2003. 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 successively assumed positions of assistant to general manager, director and chief operating officer of Xinhua Publishing Group from February 2003 to January 2010. 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 now. He is currently also the director of Chengdu Xinhui Industrial Co., Ltd. Mr. Zheng has over 16 years of experience in corporate management and project operation.

An Qingguo (安慶國), aged 56, was appointed as Deputy General Manager of the Company in December 2010. Mr. An graduated from Sichuan University majoring in philosophy. He possesses the qualification as an editor. From September 1981 to May 2004, Mr. An served as the editor of politics room and deputy head and head of editorial room of "To the Future" of Sichuan People's Publishing House; deputy secretary of Yanquan County of Sichuan Province; and deputy director of Sichuan People's Publishing House. Mr. An was the director of Sichuan Education Press from May 2004 to December 2010. He is also a director of Xinhua Winshare Chain (Beijing) Co., Ltd. Mr. An has over 30 years of experience in the publishing industry.

You Zugang (游祖剛), aged 49, was appointed as Board Secretary in June 2005. Mr. You completed a master's degree in business administration from Renmin 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 deputy head of the planning and finance department and head of the audit office of Sichuan Province Xinhua Bookstore from February 1989 to May 2000. From May 2000 to May 2005, Mr. You was deputy head of the financial management department, the head of the audit office, and head of the manager's office of Xinhua Publishing Group. He was also the head of Guangyuan City Management Centre from April 2004 to May 2005. He was also the Chief Administrative Officer of the Company from June 2005 to July 2008. Currently, he is also the director of Chengdu Xinhui Industrial Co., Ltd. and Bank of Chengdu Co., Ltd. Mr. You has over 29 years of experience in financial accounting.

Zhu Zaixiang (朱在祥), aged 51, was appointed as Chief Financial Officer in June 2005. Mr. Zhu completed a master's degree in business administration from Renmin University of China in August 2002. He possesses the qualification as 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 the head of the financial management department of Xinhua Publishing Group from 2000 to May 2005 and served as the general chief accountant of Xinhua Publishing Group from 2004 to May 2005. Currently, he is also the director of Sichuan Xinhua Shang Paper Co., Ltd. (四川新華商紙業有限責任公司). Mr. Zhu has over 28 years of experience in financial accounting.

COMPANY SECRETARY

Mr. **You Zugang (游祖剛)** is the company secretary of the Company. His biographical details are set out in the sub-section headed "Senior Management" above.

The Directors hereby submit their report, together with the audited financial statements of the Group for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Group's principal activities are (i) the editorial and publishing of publications; (ii) retailing of books and audio-visual products; and (iii) distribution of textbooks and supplementary materials.

FINANCIAL POSITION AND RESULTS

The financial position of the Group as at 31 December 2011 and the profit of the Group for the year ended 31 December 2011 are set out on pages 54 to 57 of this annual report.

DIVIDEND

The Board has proposed the distribution of final and special dividends for the year ended 31 December 2011 totaling RMB0.30 (tax inclusive) per share (2010: RMB0.30 (tax inclusive) per share in total), totaling RMB341 million (tax inclusive). The total dividend comprised the final dividend of RMB0.10 (tax inclusive) per share (2010: final dividend of RMB0.10 (tax inclusive) per share) and the special dividend of RMB0.20 (tax inclusive) per share (2010: special dividend of RMB0.20 (tax inclusive) per share). Dividends payable to holders of the domestic shares will be made and paid in RMB, whereas dividends payable to holders of the shares will be declared in RMB and payable in Hong Kong dollars, the exchange rate of which would be calculated based on the average exchange rate published by the People's Bank of China during the week preceding the annual general meeting intended to be held on 17 May 2012 (the "**2011 AGM**").

In accordance with the "Corporate Income Tax Law of the People's Republic of China" and its implementation regulations effective on 1 January 2008, where a PRC domestic enterprise distributes dividends for the accounting periods from 1 January 2008 to non-resident enterprise shareholders, the Company is required to withhold 10% corporate income tax for such non-resident enterprise shareholders. Therefore, as a PRC domestic enterprise, the Company will, after withholding 10% of the final and special dividends as corporate income tax, distribute the final and special dividends to non-resident enterprise shareholders, i.e., any Shareholders who hold the Company's shares in the name of non-individual Shareholders, including but not limited to HKSCC Nominees Limited, other nominees, trustees, or other holders of H shares registered in the name of other groups and organizations.

Due to changes in the PRC tax laws and regulations, according to the "Announcement on the List of Fully and Partially Invalid and Repealed Tax Regulatory Documents" issued by the State Administration of Taxation on 4 January 2011, individual Shareholders who hold the Company's H shares and whose names appeared on the register of members of H shares of the Company can no longer be exempted from personal income tax pursuant to the "Circular on the Questions Concerning Tax on the Profits Earned by Enterprises with Foreign Investment, Foreign Enterprises and Individual Foreigners from the Transfer of Stocks (Stock Rights) and on Dividend Income" (Guo Shui Fa [1993] No. 045) issued by the State Administration of Taxation. And pursuant to the letter titled the "Tax arrangements on dividends paid to Hong Kong residents by mainland companies" issued by the Stock Exchange to the issuers on 4 July 2011 and the "State Administration of Taxation Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045" (Guo Shui Han [2011] No. 348), it is confirmed that the overseas resident individual shareholders holding the stocks issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax arrangements between the countries where they reside and China or the tax arrangements between China mainland and Hong Kong (Macau). Therefore, the Company will withhold 10% of the dividend as individual income tax, unless it is otherwise specified by the relevant tax regulations and tax agreements, in which case the Company will withhold individual income tax of such dividends in accordance with the tax rates and according to the relevant procedures as specified by the relevant regulations.

The proposed final and special dividends for 2011 are subject to the approval by Shareholders at the forthcoming 2011 AGM of the Company. In order to ascertain Shareholders who are entitled to attend 2011 AGM and to receive final and special dividends for 2011 (if approved by the Shareholders), the register of holders of H shares will be closed during the following periods:

To ascertain Shareholders who are entitled to attend and vote at the 2011 AGM:

Deadline for lodging transfer documents	4:30 p.m. on 16 April 2012 (Monday)
Closure of register of members of the Company	From 17 April 2012 to 17 May 2012 (both days inclusive)
Record date	17 May 2012
Date of convening of the 2011 AGM	17 May 2012

To ascertain Shareholders who are entitled to the final and special dividends for 2011:

Deadline for lodging transfer documents	4:30 p.m. on 22 May 2012 (Tuesday)
Closure of register of members of the Company	From 23 May 2012 to 27 May 2012 (both days inclusive)
Dividend Entitlement Date	27 May 2012

In order to attend and vote at the 2011 AGM and to qualify for the Company's proposed final and special dividends for 2011, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Shares 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, the PRC (Postal code: 610081), for the holders of domestic shares, for registration before the deadline for lodging the transfer documents.

Holders of H shares and domestic shares whose names appear on the register of members of the Company on 17 May 2012 will be entitled to attend and vote at the 2011 AGM. Holders of H shares and domestic shares whose names appear on the register of members of the Company on 27 May 2012 (the "**Dividend Entitlement Date**") will be entitled to the Company's final and special dividends for 2011, if approved by Shareholders.

Should the holders of H shares have any doubt in relation to the aforesaid arrangements, they are recommended to consult their tax advisors for relevant tax impact in the PRC, Hong Kong and/or other countries (regions) on the possession and disposal of the H shares.

Each Shareholder should read the information in this paragraph carefully. If anyone would like to change the identity of the Shareholder, please enquire about the relevant procedures with the nominees or trustees. The Company is neither obligated nor responsible for ascertaining the identities of the Shareholders. In addition, the Company will strictly comply with the relevant laws or regulations on withholding corporate income tax and individual income tax and strictly follow the Company's H shares register as at the Dividend Entitlement Date and will not entertain any requests or claims or accept any liabilities in relation to any delay or inaccuracy in ascertaining the identity of the Shareholders or any disputes over the mechanism of withholding of corporate income tax and individual income tax.

FINANCIAL SUMMARY

A summary of the annual results, assets, liabilities and interests of the Group, etc. for the last five years is set out in the section headed "Financial Summary" on page 4 of this annual report.

FIXED ASSETS

Details of movements of the Group's fixed assets during the Year are set out in note 16 to the consolidated financial statements in this annual report.

RESERVES

Details of movements of the Group's reserves during the Year are set out in the "Consolidated Statement of Changes in Equity" in this annual report. The Company's reserves available for distribution to Shareholders as at 31 December 2011 comprised the retained profits of approximately RMB721 million.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2011, the sales to five largest customers of the Group accounted for approximately 24.29% of the total turnover of the Group. The sales to the largest customer accounted for approximately 18.95% of the total turnover of the Group.

For the year ended 31 December 2011, the five largest suppliers of the Group accounted for approximately 8.84% of the total purchases of the Group. The largest supplier accounted for approximately 2.33% 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 (refers to Xinhua Bookstores in three autonomous regions, Aba, Ganzi and Liangshan, in Sichuan Province (hereinafter referred to as "**Sanzhou Area**") managed and operated by Xinhua Publishing Group), none of the Directors, Supervisors or their associates or any Shareholder (so far as the Directors are aware) holding more than 5% equity interest in the Company had any interest in any of the Group's five largest customers and five largest suppliers.

CONTINGENT LIABILITIES

As at 31 December 2011, the Group did not have any material contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2011, other than the pledged deposits of RMB82.80 million, and pledged assets of RMB30.50 million in respect of the lease prepayments for land use rights and RMB116.62 million in respect of the leasehold lands for properties under development of the Group, the Group did not have any other assets under pledge or guarantee.

SUBSIDIARIES, JOINTLY-CONTROLLED ENTITIES AND ASSOCIATED COMPANIES

Particulars of the Company's principal subsidiaries, jointly-controlled entities and associated companies are set out in notes 44, 22 and 21 to the financial statements in this annual report, respectively.

CONNECTED TRANSACTIONS

Non-Exempted Continuing Connected Transactions

During the Year, the Company has strictly complied with the requirements specified under Chapter 14A of the Listing Rules in respect of its continuing connected transactions and has obtained the approvals from independent Shareholders (where necessary). Details of the relevant continuing connected transactions are as follows:

1. Transactions with Xinhua Publishing Group and its subsidiaries

Xinhua Publishing Group is the controlling shareholder (as defined in the Listing Rules) and the promoter of the Company, holding 52.22% equity interest in the Company. Under Chapter 14A of the Listing Rules, Xinhua Publishing Group and its subsidiaries are connected persons of the Company.

(i) Leases entered into between the Company and Xinhua Publishing Group

On 27 November 2009, the Company and Xinhua Publishing Group renewed the leasing agreement in connection with the leasing of certain buildings in Sichuan Province of the PRC with a total leased area of approximately 116,622 square meters to the Group by Xinhua Publishing Group during the period from 1 January 2010 to 31 December 2012 as lease offices, warehouses and retail outlets. Please refer to the announcement of the Company dated 30 November 2009 for details of the above lease agreement.

For the year ended 31 December 2011, the rental payment made by the Group to Xinhua Publishing Group pursuant to the above leasing agreement amounted to RMB37,770,000.

(ii) Sales arrangements between the Company and Xinhua Publishing Group in respect of Sanzhou Xinhua Bookstores

On 3 December 2010, the Company and Xinhua Publishing Group entered into the Sanzhou Supply (Renewal) Agreement (the "**Sanzhou Supply (Renewal) Agreement**") and the Sanzhou Agency (Renewal) Agreement (the "**Sanzhou Agency (Renewal) Agreement**"). According to the Sanzhou Supply (Renewal) Agreement, the Company shall, during the period from 1 January 2011 to 31 December 2013, supply (i) non-government-subsidized products to Sanzhou Xinhua Bookstores (excluding certain Xinhua Bookstores in Sanzhou Area operated under the franchise scheme of the Company, collectively, the "**Sanzhou franchise stores**"); (ii) franchise products to Sanzhou franchise stores; and (iii) government-subsidized textbooks for primary and middle schools in Sanzhou Area to Sanzhou Xinhua Bookstores (excluding the Sanzhou franchise stores). According to the Sanzhou Agency (Renewal) Agreement, Sanzhou Xinhua Bookstores shall, during the period from 1 January 2011 to 31 December 2013, supply Sanzhou products to the chainstores and textbook distribution divisions of the Company in Sanzhou Area on behalf of the Company. Please refer to the announcement of the Company dated 3 December 2010 for details of the Sanzhou Supply (Renewal) Agreement and the Sanzhou Agency (Renewal) Agreement.

For the year ended 31 December 2011, the sales made by the Company to Sanzhou Xinhua Bookstores according to the Sanzhou Supply (Renewal) Agreement aggregated to RMB117,913,284, and RMB5,013,685 in total was paid to Sanzhou Xinhua Bookstores in respect of the agency services according to the Sanzhou Agency (Renewal) Agreement.

(iii) Renewal of Property Management Agreement between the Company and Chengdu Huang Peng Property Co., Ltd. (成都皇鵬物業有限責任公司) ("**Huang Peng Property**")

On 27 November 2009, the Company and Huang Peng Property, a wholly-owned subsidiary of Xinhua Publishing Group, renewed the Property Management Agreement in connection with provision of property management services to the Group by Huang Peng Property for the period from 1 January 2010 to 31 December 2012. Please refer to the announcement of the Company dated 30 November 2009 for details of the above Property Management Agreement.

For the year ended 31 December 2011, RMB4,452,027 in total was paid to Huang Peng Property in respect of the property management services provided to the Group according to the above Property Management Agreement.

2. Transaction with Shantou Guang Shang Packaging Co., Ltd. (汕頭市廣商包裝有限公司) ("Shantou Guang Shang")

Xinhua Shang Paper is a subsidiary of the Company and is held as to 49% equity interest by Shantou Guang Shang, which is a substantial shareholder of Xinhua Shang Paper. Under Chapter 14A of 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 in connection with supply of papers to Shantou Guang Shang and its subsidiaries by Xinhua Shang Paper for the period from 1 January 2009 to 31 December 2011. As the agreement expired on 31 December 2011, Xinhua Shang Paper and Shantou Guang Shang renewed the Paper Supply (Renewal) Agreement, whose terms of transactions are similar to those of the Paper Supply Agreement, on 13 January 2012, for the period from 13 January 2012 to 31 December 2014. Please refer to the announcements of the Company dated 30 November 2009 and 13 January 2012 for details of the above Paper Supply Agreement and Paper Supply (Renewal) Agreement.

For the year ended 31 December 2011, the amount received by Xinhua Shang Paper according to the above Paper Supply Agreement from Shantou Guang Shang amounted to RMB12,941,506 in total.

3. Transactions with SPG and its subsidiaries

SPG is a promoter of the Company and holds 2.13% equity interest in the Company. After June 2010 when the Listing Rules were revised, SPG was no longer regarded as a connected person of the Company. However, as SPG became a wholly-owned subsidiary of Sichuan Development, the ultimate shareholder of the Company, in late July 2011, according to Chapter 14A of the Listing Rules, SPG has become a connected person of the Company again when it became a wholly-owned subsidiary of Sichuan Development.

(i) Supply of Publications Agreement between the Company and SPG

On 27 November 2009, the Company and SPG entered into a Supply of Publications Agreement in connection with provision of textbooks, supplementary materials and other general publications by SPG, its subsidiaries and/or entities managed by SPG (hereinafter referred to "**SPG Group**") to the Company for the period from 1 January 2010 to 31 December 2012. Please refer to the announcement and circular of the Company dated 30 November 2009 and 4 December 2009 respectively for details of the above Supply of Publications Agreement, which together with the transactions thereunder were approved by independent Shareholders at the extraordinary general meeting of the Company held on 19 January 2010.

For the year ended 31 December 2011, RMB16,389,892 in total was paid by the Company to SPG Group according to the above Supply of Publications Agreement.

(ii) Printing Services Agreement between Sichuan Xinhua Colour Printing and SPG

On 27 November 2009, Xinhua Colour Printing, a subsidiary of the Company, and SPG entered into the Printing Services Agreement in connection with the provision of printing services by Xinhua Colour Printing to SPG Group for the period from 1 May 2009 to 31 December 2011. Please refer to the announcement of the Company dated 30 November 2009 for details of the above Printing Services Agreement.

For the year ended 31 December 2011, the amount received by Xinhua Colour Printing from SPG Group according to the above Printing Services Agreement amounted to RMB360,917 in total.

(iii) Paper Supply Agreement between Xinhua Shang Paper and SPG

On 27 November 2009, Xinhua Shang Paper, a subsidiary of the Company, and SPG entered into the Paper Supply Agreement in connection with the provision of printing papers by Xinhua Shang Paper to SPG Group for the period from 1 January 2009 to 31 December 2011. Please refer to the announcement of the Company dated 30 November 2009 for details of the above Paper Supply Agreement.

For the year ended 31 December 2011, the amount received by Xinhua Shang Paper from SPG Group according to the above Paper Supply Agreement amounted to RMB0 in total.

(iv) Lease Framework Agreement between the Company and SPG

On 29 December 2011, the Company and SPG entered into the Lease Framework Agreement in connection with the leasing of certain buildings with a total area of approximately 50,000 square meters by SPG to the Group as offices and warehouses as well as provision of ancillary property management services to the Group for the period from 1 April 2011 to 31 December 2013. Please refer to the announcement of the Company dated 29 December 2011 for details of the above Lease Framework Agreement.

For the year ended 31 December 2011, the rental and property management fees paid by the Group to SPG according to the above Lease Framework Agreement amounted to RMB6,901,817 in total.

(v) Printing Services Framework Agreement between the Company and SPG

On 29 December 2011, the Company and SPG entered into the Printing Services Framework Agreement in connection with the provision of publication printing services by two subsidiaries of SPG, Sichuan Xinhua Printing Co., Ltd. and Sichuan Lianxiang Printing Co., Ltd. (四川聯翔印務有限公司), to the Group for the period from 1 July 2011 to 31 December 2013. Please refer to the announcement of the Company dated 29 December 2011 for details of the above Printing Services Framework Agreement.

For the year ended 31 December 2011, the payment made by the Group to the two subsidiaries of SPG, Sichuan Xinhua Printing Co., Ltd. and Sichuan Lianxiang Printing Co., Ltd. (四川聯翔印務有限公司), according to the above Printing Services Framework Agreement amounted to RMB19,219,554 in total.

4. **Transaction with Winshare Online**

Winshare Online is a non-wholly owned subsidiary of the Company whilst Xinhua Publishing Group, the controlling shareholder of the Company, holds 25% equity interest in Winshare Online. As such, Winshare Online is a connected person of the Company under Chapter 14A of the Listing Rules.

On 3 December 2010, the Company and Winshare Online entered into the Publications Purchase Agreement in connection with the purchase of publications by Winshare Online from the Company for the period from 1 October 2010 to 31 December 2012 for wholesale and retail at Winshare Online's e-commerce platform, Winshare Web. Please refer to the announcement of the Company dated 3 December 2010 for details of the above Publications Purchase Agreement.

For the year ended 31 December 2011, the payment made by Winshare Online to the Company according to the above Publications Purchase Agreement amounted to RMB66,472,201 in total.

The independent non-executive Directors of the Company have reviewed the aforementioned continuing connected transactions and confirmed 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 terms of such transactions are fair and reasonable and in 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 international auditor, Deloitte Touche Tohmatsu, to perform annual review in respect of the above continuing connected transactions. Deloitte Touche Tohmatsu has performed limited assurance procedures on the aforementioned continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants, and has reported 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 relevant announcements.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2011, the Group had a total of 7,938 (2010: 7,835) employees.

The Company reviews the remuneration policy regularly and improves its remuneration management system continuously, by which it has established an incentive mechanism that aligns employees' remuneration to the Company's development. During the Year, the Company reviewed and perfected its remuneration management system, set up a dedicated team and engaged external professional advisory bodies to systematically streamline the existing remuneration systems in each organization, in order to establish unified target salaries that are based on the value of position, and to perfect the performance-based allocation method. The Company also adhered to the principle of "unified regulation, hierarchical control and process supervision" to perfect its salary management system, so as to roll out a scientific and standardized income allocation.

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, etc are available to the employees. In order to enhance long-term incentives of the Company's remuneration and benefit system, the Company formulated its corporate annuity plan, which has been approved by and/or filed with the staff representative meeting of the Company, the Board and relevant administrative departments, effective from 2012 onwards.

The Company continues to provide regular trainings according to the human resources training objectives for staff such as business trainings, online classroom training sessions and continues to improve its training system, with a view to enhancing the business qualities and working abilities of its staff, to lay a solid foundation for continuous development of the Company.

SHARE CAPITAL

As at 31 December 2011, 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	Approximate percentage of issued share capital of the Company
Domestic Shares		
State-owned Shares	639,857,900	56.37%
including		
(i) State-owned Shares held by Xinhua Publishing Group *(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. Xinhua Publishing Group, the controlling shareholder of the Company, is a wholly-owned subsidiary of Sichuan Development.

2. Other promoters of the Company include SPG, Sichuan Daily Newspaper Group, Sichuan Youth and Children's Publishing House Co., Ltd. and Liaoning Publication Group Co., Ltd., but excluding Hua Sheng Group.

3. Social Legal Person Shares are held by Hua Sheng Group, a promoter of the Company.

Details of movement in the share capital of the Company during the Year are set out in note 33 to the financial statements in this annual report.

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

As at 31 December 2011, so far as is known to the Directors and Supervisors, the following persons (not being Directors, Supervisors or senior management of the Company) had, or were deemed to have interests or short positions in the shares, underlying shares and 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 percentage in the relevant class of shares	Approximate percentage of total issued share capital of the Company	Long position/ short position
Sichuan Development	616,961,024 *(note 1)*	Interests in controlled corporation	State-owned Shares	96.42%	54.35%	Long position
Xinhua Publishing Group	592,809,525	Beneficial owner	State-owned Shares	92.65%	52.22%	Long position
Hua Sheng Group	53,336,000 *(note 2)*	Beneficial owner	Social Legal Person Shares	100%	4.70%	Long position
National Council for the Social Security Fund	35,336,100	Beneficial owner	H Shares	7.99%	3.11%	Long position
Brandes Investment Partners, L.P.	22,120,500	Investment manager	H Shares	5.01%	1.95%	Long position

Notes:

1. Sichuan Development is the controlling shareholder of Xinhua Publishing Group and SPG. According to the SFO, Sichuan Development is deemed to indirectly hold 592,809,525 shares of the Company through Xinhua Publishing Group and 24,151,499 shares of the Company through SPG, which are 616,961,024 shares in total.

2. On 30 May 2008, Hua Sheng Group pledged all the Company's shares it held.

Save as disclosed above, as at 31 December 2011, so far as is known to the Directors and Supervisors, no other person (not being a Director, Supervisor or senior management of the Company) had any 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, the Chairman and Executive Director of the Company, who is the Chairman of Xinhua Publishing Group, and (ii) Mr. Zhao Junhuai, Non-executive Director, who is the Vice-chairman of Hua Sheng Group, as at 31 December 2011, none of the Directors of the Company 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

So far as is known to the Directors, as at 31 December 2011, 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 required to be kept by the Company, 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 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 of the Company are aware, as at the latest practicable 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

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

According to the decision of the People's Government of Sichuan Province of the PRC, the state-owned assets of Sanzhou Xinhua Bookstores in Ganzi, Aba and Liangshan are proposed to be transferred to the local prefecture and county (city) government for management. Accordingly, after Xinhua Publishing Group transferring the assets of Xinhua Bookstores owned by Sanzhou Xinhua Bookstores in 14 counties to the local county government at nil consideration in 2010, during the Year, Xinhua Publishing Group further transferred assets of Xinhua Bookstores owned by Sanzhou Xinhua Bookstores in a prefecture and a county each to the local prefecture or county government at nil consideration, and the rest of the assets are to be transferred successively.

The independent non-executive Directors have conducted an annual review on the businesses of the Sanzhou Xinhua Bookstores 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 achieving sound corporate governance, continuously perfecting and optimizing 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 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 this annual report.

DIRECTORS AND SUPERVISORS

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

Executive Directors

Mr. Gong Cimin
Mr. Zhang Bangkai (retired on 29 September 2011)
Mr. Zhao Miao (appointed on 29 September 2011)
Mr. Luo Yong (appointed on 29 September 2011)

Non-Executive Directors

Ms. Wang Jianping (retired on 29 September 2011)
Mr. Yu Changjiu (retired on 29 September 2011)
Mr. Li Jiawei (retired on 29 September 2011)
Mr. Zhao Miao (retired on 29 September 2011)
Mr. Luo Jun
Mr. Wu Qiang (retired on 29 September 2011)
Mr. Zhang Chengxing
Mr. Zhao Junhuai

Independent Non-Executive Directors

Mr. Han Xiaoming
Mr. Cheng Sanguo (retired on 29 September 2011)
Mr. Han Liyan (appointed on 29 September 2011)
Mr. Chan Yuk Tong

Supervisors

Mr. Xiao Changjiu (retired on 29 September 2011)
Mr. Xu Ping (appointed on 29 September 2011)
Mr. Xu Yuzheng
Mr. Peng Xianyi (resigned on 18 January 2011)
Mr. Ma Chuan (appointed on 18 January 2011 and retired on 29 September 2011)
Mr. Li Kun (appointed on 18 January 2011)
Ms. Dai Wen (resigned on 18 January 2011)
Ms. Tan Wei (appointed on 29 September 2011)
Ms. Lan Hong
Ms. Liu Nan
Ms. Wang Jianping (appointed on 29 September 2011)
Mr. Li Qiang (retired on 29 September 2011)

Independent Supervisors

Mr. Li Guangwei
Mr. Fu Daiguo

CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

A. Change of Directors

On 3 August 2011, at the 9th meeting of the second session of the Board in 2011, it was resolved that the third session of the Board of the Company shall be adjusted from 13 Directors to 9 Directors, including 3 executive Directors, 3 non-executive Directors and 3 independent non-executive Directors. At the same time, it was resolved that Mr. Gong Cimin, Mr. Zhao Miao, Mr. Zhao Junhuai, Mr. Zhang Chengxing, Mr. Luo Jun, Mr. Chan Yuk Tong and Mr. Han Xiaoming be nominated as candidates for re-election as members of the Board of the third session, and Mr. Luo Yong and Mr. Han Liyan be nominated as candidates for election as new members of the Board of the third session. At the extraordinary general meeting of the Company held on 29 September 2011, the above change of the number of Board members was approved. Mr. Gong Cimin, Mr. Zhao Miao and Mr. Luo Yong were elected as executive Directors for the third session of the Board; Mr. Zhang Chengxing, Mr. Luo Jun and Mr. Zhao Junhuai were elected as non-executive Directors for the third session of the Board; Mr. Chan Yuk Tong, Mr. Han Xiaoming and Mr. Han Liyan were elected as independent non-executive Directors for the third session of the Board. According to the Articles of Association, the term of office for the third session of the Board is from 29 September 2011 to 28 September 2014.

As resolved at the 2011 first meeting of the third session of the Board, Mr. Gong Cimin was elected as the Chairman of the Board for the third session and Mr. Zhao Miao was elected as the Vice-chairman of the Board for the third session, effective from 29 September 2011.

Directors Mr. Zhang Bangkai, Ms. Wang Jianping, Mr. Yu Changjiu, Mr. Li Jiawei, Mr. Wu Qiang and Mr. Cheng Sanguo, retired as Directors due to work re-allocation with effects from the date of appointment of the Board for the third session.

B. Change of Supervisors

At the extraordinary general meeting of the Company held on 18 January 2011, Mr. Peng Xianyi and Ms. Dai Wen resigned as Supervisors of the Company due to work re-allocation, and Mr. Ma Chuan and Mr. Li Kun were appointed as Supervisors of the Supervisory Committee for the second session with a term of office until the expiry of the second session of the Supervisory Committee.

The third session of the Supervisory Committee of the Company shall comprise 9 Supervisors, including 4 Supervisors representing the Shareholders, 2 independent Supervisors and 3 Supervisors representing the staff and workers of the Company. On 3 August 2011, at the second meeting of the second session of the Supervisory Committee in 2011, Mr. Xu Yuzheng, Mr. Li Kun, Mr. Li Guangwei and Mr. Fu Daiguo were nominated as candidates for re-election as members of the Supervisory Committee for the third session; and Mr. Xu Ping and Ms. Tan Wei were nominated as candidates for election as new members of the Supervisory Committee for the third session. At the extraordinary general meeting of the Company held on 29 September 2011, Mr. Xu Ping, Mr. Xu Yuzheng, Mr. Li Kun and Ms. Tan Wei were elected as Supervisors for the third session of the Supervisory Committee; Mr. Li Guangwei and Mr. Fu Daiguo were elected as independent Supervisors for the third session of the Supervisory Committee, who, together with Supervisors representing the staff and workers, Ms. Lan Hong, Ms. Liu Nan and Ms. Wang Jianping, elected at the staff representative meeting, constitute the third session of the Supervisory Committee. According to the Articles of Association, the term of office of the third session of the Supervisory Committee is from 29 September 2011 to 28 September 2014.

As resolved at the first meeting of the third session of the Supervisory Committee in 2011, Mr. Xu Ping was elected as the Chairman of the Supervisory Committee for the third session, effective from 29 September 2011. Supervisors Mr. Xiao Changjiu, Mr. Ma Chuan and Mr. Li Qiang retired as Supervisors of the Company with effects from the date of appointment of Supervisory Committee for the third session.

For details of above changes of session of the Board and Supervisory Committee, please refer to the announcement, circular and announcement in relation to results of extraordinary general meeting of the Company dated 3 August 2011, 11 August 2011 and 29 September 2011 respectively.

C. Change of Senior Management

As resolved at the 2011 second meeting of the third session of the Board held on 29 September 2011, Mr. Luo Yong was appointed as the general manager and Mr. You Zugang was appointed as the secretary to the Board. As nominated by the general manager, Mr. Yang Miao, Mr. Chen Dali, Mr. Zheng Chuan and Mr. An Qingguo were appointed as deputy general managers, and Mr. Zhu Zaixiang was appointed as the Chief Financial 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 in the Company.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the members of the third session of the Board and the Supervisory Committee of the Company entered into a service contract with the Company on 29 September 2011, with the term from 29 September 2011 to 28 September 2014. Terms of the above service contracts, except for salaries, are identical in all material aspects.

Save as disclosed above, as at the date of this report, none of the Directors and Supervisors of the Company 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 (other than statutory compensation).

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

During the Year, to avoid any conflicts of interest, the Directors who are connected to Sichuan Development and/or its subsidiaries, namely Mr. Gong Ciman, Mr. Zhao Miao, Mr. Zhang Chengxing and Mr. Luo Jun have abstained from voting on the Board resolutions for approving the Lease Framework Agreement and the Printing Services Agreement as well as the respective proposed annual cap amounts for each of the three years ending 31 December 2013. For details of the Lease Framework Agreement and the Printing Services Agreement, please refer to the section "Non-Exempted Continuing Connected Transactions" above and the Company's announcement dated 29 December 2011.

Saved as disclosed above, 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, or any of its subsidiaries and subsidiaries of its holding company was a party and remained subsisting at the end of the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the latest practicable date of this report, so far as the Directors are aware, except Sanzhou Xinhua Bookstores which was retained by Xinhua Publishing Group for policy concerns, neither Xinhua Publishing Group nor its subsidiaries (excluding the Company) was engaged in any business activities which may directly or indirectly compete with the business of the Group. Mr. Zhao Miao, an executive Director, was the president of SPG and Mr. Zhang Bangkai, who retired as an executive Director on 29 September 2011, was the chairman of SPG, while the business activities of SPG may be in competition with that of the Group. Mr. Li Jiawei, who retired as a non-executive Director on 29 September 2011, is currently the vice president and general manager of Liaoning Publication Group Co., Ltd. and the chairman of Northern United Publishing & Media (Group) Co., Ltd. The business of those companies in which he serves may be in competition with that of the Group.

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

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

Remunerations of the Directors and Supervisors are determined by the Remuneration Committee by reference to the remuneration standards of similar companies, time commitment of the Directors and Supervisors and terms of references, etc.

Details of the emoluments of the Directors and Supervisors and remunerations of the five highest paid individuals of the Company for the Year are set out in note 13 to the consolidated financial statements in this annual report.

BOARD OF DIRECTORS AND BOARD COMMITTEES

Details of the Board and Board Committees are set out in the section "Corporate Governance Report" in this annual report.

SHARE APPRECIATION RIGHT INCENTIVE SCHEME

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

MATERIAL LITIGATION

For the year ended 31 December 2011, the Company 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 the 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 of the Group as set out in this annual report for the Year and has communicated and discussed the financial reporting with the management and auditors of the Company. The Audit Committee considered that the consolidated financial statements have been prepared in accordance with applicable accounting standards and requirements and appropriate disclosures were made.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events after the reporting period are set out in note 47 to the consolidated financial statements in this annual report.

AUDITORS

Ernst & Young Certified Public Accountants and ShineWing Certified Public Accountants were the international and PRC auditors of the Company respectively for the year 2010. The aforementioned auditors retired on 6 April 2011.

At the extraordinary general meeting of the Company held on 13 July 2011, it approved the Company to appoint Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu CPA as the international and PRC auditors of the Company respectively for the year 2011, and authorized the Board to determine and approve their remunerations.

The consolidated financial statements for 2011 of the Group, prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, have been audited by Deloitte Touche Tohmatsu. The terms of office of Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu CPA will expire on the date of the forthcoming 2011 AGM of the Company, and shall be eligible for re-appointment at the 2011 AGM.

By order of the Board
Gong Cimin
Chairman

23 March 2012

REPORT OF THE SUPERVISORY COMMITTEE

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

1. MEETINGS HELD BY THE SUPERVISORY COMMITTEE

During the Year, the Company convened 4 Supervisory Committee meetings, at which the number of Supervisors present was in compliance with relevant provisions of the Company Law and the Articles of Association. Details of the meetings are as follows:

The first meeting of the Supervisory Committee was convened on 30 March 2011, at which the Supervisory Committee considered the reporting on the operating results and financial condition of the Company for 2010 by the finance department, and it also communicated and discussed with Ernst & Young Certified Public Accountants, the then international auditor of the Company, and ShineWing Certified Public Accountants, the then PRC auditor of the Company, in relation to the audit issues for 2010. The Supervisory Committee expressed its opinions regarding the problems raised during communication and reporting, and regarding the strengthening of the management of new enterprises resulted from merger and acquisition. The resolutions including the Report of the Supervisory Committee for 2010, the Audited Financial Report for 2010, the Profit Distribution Proposal for 2010 and the Annual Report for 2010 were considered and unanimously approved.

The second meeting of the Supervisory Committee was convened on 3 August 2011, at which the resolutions regarding the proposed nomination of candidates for non-employee representative Supervisors for the third session of the Supervisory Committee were considered and approved. Mr. Xu Ping, Mr. Xu Yuzheng, Mr. Li Kun and Ms. Tan Wei were nominated as candidates for Supervisors representing the Shareholders for the third session of the Supervisory Committee, and Mr. Li Guangwei and Mr. Fu Daiguo were nominated as candidates for independent Supervisors for the third session of the Supervisory Committee. The above nominations were approved by the Shareholders at the extraordinary general meeting held by the Company on 29 September 2011 with immediate effect.

The third meeting of the Supervisory Committee was convened on 25 August 2011, at which the resolutions regarding the unaudited consolidated financial report for the six months ended 30 June 2011 were considered and approved.

The fourth meeting of the Supervisory Committee was convened on 29 September 2011, at which the resolutions regarding the proposed election of the Chairman of the Supervisory Committee of Xinhua Winshare Publishing and Media Co., Ltd. were considered and approved. Mr. Xu Ping was elected as the Chairman of the Supervisory Committee for the third session with immediate effect.

In addition, the Supervisory Committee also convened a number of informal meetings, at which matters of significance including connected transactions and investment in external entities were considered and discussed, and constructive advice and recommendations in respect of such matters were made to the Board, by which the supervisory function of the Supervisory Committee was fully exercised with great effect.

2. SUPERVISION AND INSPECTION CONDUCTED BY THE SUPERVISORY COMMITTEE

During the Year, the Supervisory Committee had duly carried out its supervisory duties with a view to protecting the interests of the Company and its Shareholders as a whole. In order to supervise the critical decision-making process of the Company, internal control management, risk management and the performance of duties of Board members and senior management officers, members of the Supervisory Committee were present at each Board meeting and general meeting of the Company, communicated and discussed with the Company's auditors and met the management of the Company by way of seminars, etc. to understand the Company's operating condition, financial position and operations in a timely manner. The Supervisory Committee was of the view that the decision-making procedures of each Board meeting during the Year were legitimate and that the Board has duly implemented the resolutions of the general meetings and faithfully carried out their fiduciary duties. The Supervisory Committee was not aware of any act that was in breach of the 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.

3. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON CERTAIN MATTERS OF THE COMPANY IN 2011

(1) Operation of the Company Pursuant to the Relevant Laws

During the year 2011, the Company operated according to relevant laws, regulated its management and its operating results was fair and true. It also established a relatively complete internal control system. The Directors and senior management officers of the Company acted cautiously, carefully and diligently in its business operation and management process and were not aware of any act that was in breach of laws and regulations and detrimental to the interests of the Company and its Shareholders as a whole.

(2) Financial Position of the Company

The consolidated financial report of the Company for 2011 have been audited by Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu CPA, its auditors for the Year, respectively according to international and PRC accounting standards, and the audited reports with unqualified opinion were issued. After reviewing the financial report of 2011, the Supervisory Committee is of the view that the financial report in this annual report has truly, objectively and accurately reflected the financial position and operating results of the Company for the Year.

(3) Connected Transactions of the Company

The Supervisory Committee has conducted supervision and verification on the Company's connected transactions during the year 2011, and was not aware of any connected transactions that were not conducted at fair prices and were against the interests of the Company and minority Shareholders.

(4) Acquisitions and/or Disposals of Assets by the Company

During the Year, we were not aware of any material investment and/or disposal made by the Company which involved any insider dealing or any act against the overall interests of Shareholders and caused losses to the Company's assets.

In general, for the works performed by the Supervisory Committee in 2011, under the principle of full accountability to all the Shareholders, the Supervisory Committee endeavored to fulfill 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 year, the Supervisory Committee will further broaden its vision, strengthen daily supervision in accordance with the laws and regulations and continue to perform its duties faithfully so as to further enhance the regulated operation of the Company.

By order of the Supervisory Committee
Xu Ping
Chairman

23 March 2012

INDEPENDENT AUDITORS' REPORT

Deloitte.
德勤

To the shareholders of Xinhua Winshare Publishing and Media Co., Ltd.
(A joint stock limited company established in the People's Republic of China)

We have audited the consolidated financial statements of Xinhua Winshare Publishing and Media Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 54 to 136, which comprise the consolidated statements of financial position as at 31 December 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2011, 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

23 March 2012

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	**Year ended 31/12/2011 RMB'000**	Year ended 31/12/2010 RMB'000
Revenue	6 & 7	**4,485,577**	3,724,239
Cost of sales		**(2,745,029)**	(2,319,725)
Gross profit		**1,740,548**	1,404,514
Other income and gains	8	**230,475**	158,411
Selling and distribution expenses		**(927,203)**	(798,168)
Administrative expenses		**(473,476)**	(294,189)
Other expenses		**(69,664)**	(51,742)
Share of losses of associates		**(2,366)**	(4,042)
Share of profit of a jointly controlled entity		**3,253**	3,284
Finance income, net	9	**13,069**	23,474
Profit before tax		**514,636**	441,542
Income tax expense	10	**(1,367)**	(1,359)
Profit for the year	12	**513,269**	440,183
Profit for the year attributable to:			
Owners of the Company		**522,394**	436,937
Non-controlling interests		**(9,125)**	3,246
		513,269	440,183
EARNINGS PER SHARE			
Basic (RMB)	15	**0.46**	0.39

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	**Year ended 31/12/2011 RMB'000**	Year ended 31/12/2010 RMB'000
Profit for the year		**513,269**	440,183
Fair value (loss) gain on available-for-sale equity investment		**(263,518)**	756,486
Other comprehensive (loss) income for the year	11	**(263,518)**	756,486
Total comprehensive income for the year		**249,751**	1,196,669
Total comprehensive income attributable to:			
Owners of the Company		**258,876**	1,193,423
Non-controlling interests		**(9,125)**	3,246
		249,751	1,196,669

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2011

	Notes	31/12/2011 RMB'000	31/12/2010 RMB'000
Non-current Assets			
Property, plant and equipment	16	**963,842**	889,820
Prepaid lease payments for land use rights	17	**99,929**	104,615
Investment properties	18	**23,244**	27,071
Goodwill	19	**504,301**	504,301
Other intangible assets	20	**30,836**	29,398
Interests in associates	21	**93,641**	80,121
Interest in a jointly controlled entity	22	**104,537**	70,549
Available-for-sale equity investments	23	**1,185,956**	1,449,850
Deferred tax assets	36	**34,430**	32,499
Property under development	24	**173,284**	126,783
Long-term prepayments	25	**422,120**	253,934
		3,636,120	3,568,941
Current Assets			
Trade and bills receivables	26	**587,352**	471,355
Prepayments, deposits and other receivables	27	**345,200**	423,471
Inventories	28	**1,055,122**	822,993
Short-term investments	29	**108,000**	–
Pledged bank deposits and restricted cash	30	**103,062**	103,021
Cash and short-term deposits	30	**1,794,486**	1,874,076
		3,993,222	3,694,916
Current Liabilities			
Interest-bearing bank and other borrowings	37	**376,950**	94,250
Trade and bills payables	31	**1,569,545**	1,292,300
Deposits received, other payables and accruals	32	**875,961**	921,119
Tax liabilities		**1,460**	3,002
		2,823,916	2,310,671
Net Current Assets		**1,169,306**	1,384,245
Total Assets less Current Liabilities		**4,805,426**	4,953,186

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

AT 31 DECEMBER 2011

	Notes	**31/12/2011 RMB'000**	31/12/2010 RMB'000
Capital and Reserves			
Issued capital	33	**1,135,131**	1,135,131
Treasury shares	35	**(6,900)**	(6,900)
Reserves	34	**3,110,978**	3,161,906
Proposed dividends	14	**340,539**	340,539
Equity attributable to owners of the Company		**4,579,748**	4,630,676
Non-controlling interests		**188,178**	171,385
Total Equity		**4,767,926**	4,802,061
Non-current Liabilities			
Interest-bearing other borrowings	37	**37,500**	151,125
		37,500	151,125
Total Equity and Non-current Liabilities		**4,805,426**	4,953,186

The consolidated financial statements on pages 54–136 were approved and authorised for issue by the board of directors on 23 March 2012 and are signed on its behalf by the following directors:

Gong Cimin
DIRECTOR

Luo Yong
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

	Attributable to owners of the Company										
	Issued capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Capital reserves RMB'000 (note 34)	Statutory surplus reserve RMB'000 (note 34)	Revaluation reserve RMB'000 (note 34)	Proposed dividends RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2010	1,135,131	1,708,203	–	31,332	162,291	52,935	317,837	402,350	3,810,079	86,635	3,896,714
Profit for the year	–	–	–	–	–	–	–	436,937	436,937	3,246	440,183
Other comprehensive income for the year (note 11)	–	–	–	–	–	756,486	–	–	756,486	–	756,486
Total comprehensive income for the year	–	–	–	–	–	756,486	–	436,937	1,193,423	3,246	1,196,669
Final dividends for 2009	–	–	–	–	–	–	(317,837)	–	(317,837)	–	(317,837)
Dividends to non-controlling equity holders	–	–	–	–	–	–	–	–	–	(3,026)	(3,026)
Acquisition of subsidiaries (note 35 & 46)	–	–	(6,900)	(17,259)	–	–	–	–	(24,159)	361	(23,798)
Establishment of a jointly-controlled entity	–	–	–	(30,735)	–	–	–	–	(30,735)	–	(30,735)
Appropriation to statutory surplus reserve	–	–	–	–	40,568	–	–	(40,568)	–	–	–
Proposed dividends for 2010	–	–	–	–	–	–	340,539	(340,539)	–	–	–
Equity transactions with non-controlling equity holders	–	–	–	(1,275)	–	–	–	–	(1,275)	1,275	–
Liquidation of a subsidiary	–	–	–	–	–	–	–	–	–	4	4
Investment in subsidiaries from non-controlling equity holders	–	–	–	1,180	–	–	–	–	1,180	82,890	84,070
At 31 December 2010	1,135,131	1,708,203	(6,900)	(16,757)	202,859	809,421	340,539	458,180	4,630,676	171,385	4,802,061
At 1 January 2011	1,135,131	1,708,203	(6,900)	(16,757)	202,859	809,421	340,539	458,180	4,630,676	171,385	4,802,061
Profit for the year	–	–	–	–	–	–	–	522,394	522,394	(9,125)	513,269
Other comprehensive loss for the year (note 11)	–	–	–	–	–	(263,518)	–	–	(263,518)	–	(263,518)
Total comprehensive income for the year	–	–	–	–	–	(263,518)	–	522,394	258,876	(9,125)	249,751
Final dividends for 2010	–	–	–	–	–	–	(340,539)	–	(340,539)	–	(340,539)
Dividends to non-controlling equity holders	–	–	–	–	–	–	–	–	–	(357)	(357)
Appropriation to statutory surplus reserve	–	–	–	–	46,880	–	–	(46,880)	–	–	–
Proposed dividends for 2011*	–	–	–	–	–	–	340,539	(340,539)	–	–	–
Investment in subsidiaries from non-controlling equity holders	–	–	–	–	–	–	–	–	–	26,275	26,275
Others (note 22)	–	–	–	30,735	–	–	–	–	30,735	–	30,735
At 31 December 2011	1,135,131	1,708,203	(6,900)	13,978	249,739	545,903	340,539	593,155	4,579,748	188,178	4,767,926

* The proposed dividends include the dividends attributable to the treasury shares of RMB2,070,000 for the year ended 31 December 2011.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	**Year ended 31/12/2011 RMB'000**	Year ended 31/12/2010 RMB'000
OPERATING ACTIVITIES			
Profit before tax		**514,636**	441,542
Adjustments for			
Finance income, net	9	**(13,069)**	(23,474)
Gains on short-term investments	8	**(1,444)**	(571)
Recognition of lease prepayments for land use rights	12 & 17	**4,689**	4,682
Amortisation of intangible assets	12 & 20	**6,144**	4,528
Share of losses of associates		**2,366**	4,042
Share of profit of a jointly-controlled entity		**(3,253)**	(3,284)
Loss/(gain) on disposal of items of property, plant and equipment	12	**473**	(89)
Depreciation		**83,566**	73,400
Dividends from available-for-sale equity investments		**(44,232)**	(37,362)
Excess over the cost of acquisition of an associate or subsidiaries		**–**	(10,932)
Gain on disposal of an associate		**–**	(191)
Impairment of trade and other receivables	12	**10,941**	13,635
Write-down of inventories to net realisable value	12	**21,680**	2,576
Operating cash flows before movements in working capital		**582,497**	468,502
Increase in restricted cash		**(15,515)**	–
Increase in inventories		**(253,809)**	(46,049)
Increase in trade receivables		**(125,279)**	(22,504)
Decrease/(increase) in prepayments, deposits and other receivables		**73,902**	(53,327)
Increase in trade and bills payables		**277,245**	274,688
(Increase)/decrease in deposits received, other payables and accruals		**(44,898)**	76,732
Increase in a property under development		**(46,501)**	(1,942)
Cash generated from operations		**447,642**	696,100
PRC corporate income tax paid		**(4,840)**	(2,859)
Interest paid		**(11,566)**	(6,008)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**431,236**	687,233

CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	Year ended 31/12/2011 RMB'000	Year ended 31/12/2010 RMB'000
INVESTING ACTIVITIES			
Interest received		**25,498**	34,128
Income received from short-term investments	8	**1,444**	571
Dividends received		**44,506**	37,362
Proceeds from disposal of items of property, plant and equipment		**1,243**	3,347
Purchases of items of property, plant and equipment	16	**(155,477)**	(105,849)
Purchases of intangible assets	20	**(7,582)**	(5,337)
Increase in non-pledged bank deposits with original maturity of more than three months when acquired		**(48,952)**	(29,284)
Increase in investments in associates		**(14,200)**	(42,267)
Acquisition of subsidiaries	46	**–**	(999,590)
Disposal of an associate		**–**	1,826
Increase in long-term prepayments		**(168,186)**	(191,934)
Withdrawal of pledged bank deposits		**157,805**	185,400
Placement of pledged bank deposits		**(142,331)**	(201,361)
(Purchase)/disposal of short-term investments		**(108,000)**	260,000
Investment in a jointly-controlled entity		**–**	(98,000)
NET CASH USED IN INVESTING ACTIVITIES		**(414,232)**	(1,150,988)
FINANCING ACTIVITIES			
New interest-bearing bank and other borrowings raised		**264,750**	244,250
Repayments of borrowings		**(95,675)**	(46,125)
Dividends paid	14	**(340,539)**	(317,837)
Dividends paid to non-controlling equity holders		**(357)**	(3,026)
Investment in subsidiaries from non-controlling equity holders		**26,275**	84,070
NET CASH USED IN FINANCING ACTIVITIES		**(145,546)**	(38,668)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(128,542)**	(502,423)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**1,789,076**	2,291,499
CASH AND CASH EQUIVALENTS			
AT 31 DECEMBER, represented by			
Cash and bank balances	30	**1,660,534**	1,789,076

1. GENERAL

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 Xinhua Publishing Group. 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 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.

On 22 June 2010, the Company entered into an equity transfer agreement with SPG to acquire the Fifteen Publishers of SPG (the "Acquisition"). The Acquisition was approved by shareholders at the extraordinary general meeting of the Company on 20 August 2010. For details of the Acquisition, please refer to the Company's announcement dated 22 June 2010 and the circular dated 28 June 2010.

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 publishing and trading of publications and related products in the PRC. The details of the principal activities of the subsidiaries are set out in note 44.

In the opinion of the directors of the Company (the "Directors"), the parent company of the Company is Xinhua Publishing Group, a state-owned enterprise established in the PRC. Xinhua Publishing Group has become a wholly-owned subsidiary of Sichuan Development as a result of a reorganisation conducted by the 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain available-for-sale equity investment that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

These financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise indicated.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has adopted the following new and revised IFRSs for the first time.

Amendments to IFRSs	Improvements to IFRSs issued in 2010
IAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to IAS 32	Classification of Rights Issues
Amendments to IFRIC-Int 14	Prepayments of a Minimum Funding Requirement
IFRIC-Int 19	Extinguishing Financial Liabilities with Equity Instruments

Except as described below, the application of the new and revised IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)

The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. In the current year, for each component of equity, the Group has chosen to present such an analysis in the notes to the consolidated financial statements with a single-line presentation of other comprehensive income in the consolidated statement of changes in equity. Such amendments have been applied retrospectively, and hence the disclosures in these consolidated financial statements have been modified to reflect the change.

IAS 24 Related Party Disclosures (as revised in 2009)

IAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities whilst the previous version of HKAS 24 did not contain specific exemption for government-related entities. The Group is government-related entities as defined in IAS 24 (as revised in 2009). Under IAS 24 (as revised in 2009), the Group has been exempted from making the disclosures required by paragraph 18 of IAS 24 (as revised in 2009) in relation to related party transactions and outstanding balances (including commitments) with (a) the PRC government that ultimately has control over the Group and (b) other entities that are controlled, jointly controlled, or significantly influenced by the PRC government. Rather, in respect of these transactions and balances, IAS 24 (as revised in 2009) requires the Group to disclose (a) the nature and amount of each individually significant transaction, and (b) a qualitative or quantitative indication of the extent of transactions that are collectively, but not individually, significant.

IAS 24 (as revised in 2009) requires retrospective application. The application of IAS 24 (as revised in 2009) has had no impact on the Group's financial performance and positions. The Group's related party disclosures have been set out in note 43.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

New and revised Standards, Amendments and Interpretations issued but not yet effective

The Group has not early applied the following new and revised Standards, Amendments and Interpretations that have been issued but are not yet effective:

Amendments to IFRS 7	*Disclosures – Transfers of Financial Assets*[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
IFRS 9	*Financial Instruments*[3]
IFRS 10	*Consolidated Financial Statements*[2]
IFRS 11	*Joint Arrangements*[2]
IFRS 12	*Disclosure of Interests in Other Entities*[2]
IFRS 13	*Fair Value Measurement*[2]
Amendments to IAS 1	*Presentation of Items of Other Comprehensive Income*[5]
Amendments to IAS 12	*Deferred Tax – Recovery of Underlying Assets*[4]
IAS 19 (as revised in 2011)	*Employee Benefits*[2]
IAS 27 (as revised in 2011)	*Separate Financial Statements*[2]
IAS 28 (as revised in 2011)	*Investments in Associates and Joint Ventures*[2]
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*[6]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 January 2012.
5 Effective for annual periods beginning on or after 1 July 2012.
6 Effective for annual periods beginning on or after 1 January 2014.

Amendments to IFRS 7 Disclosures – Transfers of Financial Assets

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The Directors anticipate that the application of the amendments to IFRS 7 will affect the Group's disclosures regarding transfers of financial assets in the future.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

New and revised Standards, Amendments and Interpretations issued but not yet effective *(Continued)*

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The Directors anticipate that the application of the above-mentioned amendments may affect the Group's presentation and disclosure regarding offsetting financial assets and financial liabilities.

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

New and revised Standards, Amendments and Interpretations issued but not yet effective *(Continued)*

IFRS 9 Financial Instruments (Continued)

The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The Directors anticipate that the adoption of IFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets. For example, the Group's unlisted available-for-sale equity investments are currently measured at costs less any identified impairment losses at the end of the reporting period. After adoption of IFRS 9, these investments will be measured at fair value. The Group may make an irrecoverable election to present subsequent changes in the fair value of these investments in other comprehensive income, with only dividend income generally recognised in profit or loss. Regarding the Group's unlisted available-for-sale equity investments, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed. The Group did not have any financial liabilities designated at fair value through profit or loss as at 31 December 2011.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC)-Int 12 Consolidation – Special Purpose Entities. IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 Interests in Joint Ventures and HK (SIC)-Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

New and revised Standards, Amendments and Interpretations issued but not yet effective *(Continued)*

New and revised Standards on consolidation, joint arrangements, associates and disclosures *(Continued)*

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The Directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. However, the Directors have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that IFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

New and revised Standards, Amendments and Interpretations issued but not yet effective *(Continued)*

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The Directors do not anticipate that the application of other new and revised standards, amendments and interpretations will have a material impact to the Group's consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale (in which case it is accounted for under IFRS 5 Non-current Assets held for Sale and Discontinued Operations). Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Joint ventures

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale (in which case it is accounted for under IFRS 5 Non-current Assets held for Sale and Discontinued Operations). Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of a jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Joint ventures *(Continued)*

Jointly controlled entities *(Continued)*

Upon disposal of a jointly controlled entity that results in the Group losing joint control over that jointly controlled entity, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the jointly controlled entity attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the jointly controlled entity. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that jointly controlled entity on the same basis as would be required if that jointly controlled entity had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that jointly controlled entity would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses joint control over that jointly controlled entity.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group' consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when goods are delivered and all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sales of goods that result in award credits for customers, under the Group's Membership Rewards Scheme, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to the fair value of the awards for which they could be redeemed. Such consideration is not recognised as revenue at the time of the initial sale transaction – but is deferred and recognised as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Commission and other service income are recognised when the underlying services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Property, plant and equipment

Property, plant and equipment (other than construction in progress) including buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment 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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, they are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property under development

Property under development is carried at cost, less any identified impairment losses. Cost comprises development expenditure and professional fees.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Investment property is transferred to property, plant and equipment when, and only when, there is a change in use, evidenced by commencement of owner occupation.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments for land use rights" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as 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 eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

The Group's financial assets are classified into one of the two categories, including loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables (including trade and bills receivables, deposits and other receivables and pledged deposits and restricted cash, cash and short-term deposits) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Short-term investments

The Group's short-term investments represented investments in structured financial products operated by banks. The Group's investments were principal protected with maturity of less than one year and therefore are classified as current assets.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the revaluation reserve is reclassified to profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

The Group's financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of no more than 270 days, and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or an other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in revaluation reserve.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in equity.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including interest-bearing bank and other borrowings, trade and bills payables, deposit received and other payables are subsequently measured at amortised cost, using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis by the management. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors have made in the process of applying the entity's accounting policies and that 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.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Critical judgements in applying the entity's accounting policies *(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 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.

Key sources of estimation uncertainty

The following are 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.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2011, the carrying amount of goodwill is RMB504,301,000 (31 December 2010: RMB504,301,000) and no impairment loss was recognised. Details of the recoverable amount calculation are disclosed in note 19.

Estimated impairment of trade and bills receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment 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) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2011, the carrying amount of trade and bills receivables is RMB587,352,000 (net of allowance for doubtful debts of RMB78,998,000 and allowance for sales returns of RMB7,566,000) (31 December 2010: carrying amount of RMB471,355,000 net of allowance for doubtful debts of RMB75,023,000 and allowance for sales returns of RMB5,484,000).

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Estimated impairment of inventories

Determining whether inventories are impaired requires an estimation of its net realisable value. Net realisable value of inventories is the expected selling price in the ordinary course of business, less estimated costs to completion and selling expenses. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of similar nature. These estimates could change significantly as a result of changes in customer preferences and competitor actions in response to severe competitions. The Group reassess these estimates at the end of each reporting period. As at 31 December 2011, the carrying amount of inventories is RMB1,055,122,000 (31 December 2010: RMB822,993,000).

Depreciation

The Group has estimated the useful lives of the property, plant and equipment and investment properties to be 5 to 40 years, after taking into account of their estimated residual values, as set out in the principal accounting policies above. Depreciation of items of property, plant and equipment and investment properties is calculated on the straight-line basis over their expected useful lives. The Group continues to review the useful lives and residual values and will revise the depreciation charges should there be a change in these estimations.

6. REVENUE

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 discount, and after eliminations of all significant intra-group transactions.

7. SEGMENT INFORMATION

The Group is organised into business units based on business lines. Information reported to the management, being the chief operating decision maker, for the purposes of resources allocation and assessment of segment performance focuses on types of business lines.

The Group's reportable and operating segments under IFRS 8 are as follows:

Product:	Editorial and publishing of publications
Zhongpan:	Bulk purchase of publications from the Product segment and third-party publishers for distribution 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:	Online distribution of publications, sales of artwork and property development which do not separately meet the definition of a reporting segment

7. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments.

For the year ended 31 December 2011

	Product RMB'000	Zhongpan RMB'000	Subscription RMB'000	Retailing RMB'000	Others RMB'000	Total RMB'000
REVENUE AND OTHER INCOME						
External sales	628,372	260,941	2,662,796	800,161	133,307	4,485,577
Inter-segment sales	953,908	2,371,636	–	10	2,660	3,328,214
Other income	96,873	16,709	8,709	67,259	9,585	199,135
Segment revenue and other income	1,679,153	2,649,286	2,671,505	867,430	145,552	8,012,926
Eliminations						(3,328,214)
Group revenue and other income						4,684,712
Segment profit (loss)	237,048	32,314	288,140	38,054	(28,809)	566,747
Elimination of intersegment results						(57,906)
Unallocated expenses						(49,921)
Unallocated income and gains						10,040
Gains on short-term investments						1,444
Dividends from available-for-sale equity investments						44,232
Profit before tax						514,636

7. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31 December 2010

	Product RMB'000	Zhongpan RMB'000	Subscription RMB'000	Retailing RMB'000	Others RMB'000	Total RMB'000
REVENUE AND OTHER INCOME						
External sales	544,641	135,303	2,450,503	549,557	44,235	3,724,239
Inter-segment sales	392,015	1,981,551	–	–	–	2,373,566
Other income	65,049	23,305	151	16,954	12,798	118,257
Segment revenue and other income	1,001,705	2,140,159	2,450,654	566,511	57,033	6,216,062
Eliminations						(2,373,566)
Group revenue and other income						3,842,496
Segment profit (loss)	104,555	107,875	297,832	(24,222)	(7,089)	478,951
Elimination of intersegment results						(53,682)
Unallocated expenses						(47,355)
Unallocated income and gains						25,695
Gains on short-term investments						571
Dividends from available-for-sale equity investments						37,362
Profit before tax						441,542

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment revenue and other income reported above represents revenue generated from external customers, other income and allocated interest income and inter-segment sales, which were eliminated on consolidation. Segment profit represents the profit earned by each segment without unallocated interest income and miscellaneous income, dividend income from available-for-sale equity investments and gains on short-term investments. Head office and corporate expenses are also excluded from such measurement. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

Intersegment sales are charged at prices mutually agreed between entities within different segments.

7. SEGMENT INFORMATION *(Continued)*

31 December 2011

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	Product RMB'000	Zhongpan RMB'000	Subscription RMB'000	Retailing RMB'000	Others RMB'000	Total RMB'000
Assets and liabilities						
Segment assets	**2,690,979**	**2,367,864**	**1,077,240**	**919,408**	**969,179**	**8,024,670**
Elimination of intersegment assets						**(1,917,664)**
Unallocated assets						**1,522,336**
Total assets						**7,629,342**
Segment liabilities	**933,779**	**2,093,043**	**178,865**	**719,421**	**553,560**	**4,478,668**
Elimination of intersegment liabilities						**(1,624,471)**
Unallocated liabilities						**7,219**
Total liabilities						**2,861,416**

31 December 2010

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	Product RMB'000	Zhongpan RMB'000	Subscription RMB'000	Retailing RMB'000	Others RMB'000	Total RMB'000
Assets and liabilities						
Segment assets	2,407,746	1,689,107	904,168	732,173	650,748	6,383,942
Elimination of intersegment assets						(647,444)
Unallocated assets						1,527,359
Total assets						7,263,857
Segment liabilities	886,093	1,282,054	258,035	230,395	310,094	2,966,671
Elimination of intersegment liabilities						(513,898)
Unallocated liabilities						9,023
Total liabilities						2,461,796

7. SEGMENT INFORMATION *(Continued)*

31 December 2010 *(Continued)*

Segment assets and liabilities (Continued)

For the purposes of monitoring segment performances and allocating resources between segments:

Segment assets exclude short-term investments, available-for-sale equity investments, deferred tax assets and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Other segment information

2011

	Product RMB'000	Zhongpan RMB'000	Subscription RMB'000	Retailing RMB'000	Others RMB'000	Total RMB'000
Amounts included in the measure of segment profit of loss or segment assets:						
Additions to non-current assets (note)	25,114	29,797	68,490	27,228	179,576	330,205
Depreciation and amortisation	(19,082)	(32,739)	(11,832)	(23,043)	(3,014)	(89,710)
Impairment losses on trade and other receivables (recognised)/reversed in profit or loss	(17,853)	7,414	(376)	251	(377)	(10,941)
(Loss)/gain on disposal of property, plant and equipment	(854)	(6)	225	177	(15)	(473)
(Write-down)/reversal of write-down of inventories to net realisable value	2,016	(22,377)	(1,109)	(210)	–	(21,680)
Allocated interest income	6,636	210	1,825	743	5,931	15,345
Finance costs	(6,339)	–	–	–	(4,966)	(11,305)
Interests in associates	–	–	4,082	–	89,559	93,641
Interest in a jointly-controlled entity	104,537	–	–	–	–	104,537
Share of losses of associates	–	–	(118)	–	(2,248)	(2,366)
Share of profit of a jointly-controlled entity	3,253	–	–	–	–	3,253

7. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

2010

	Product RMB'000	Zhongpan RMB'000	Subscription RMB'000	Retailing RMB'000	Others RMB'000	Total RMB'000
Amounts included in the measure of segment profit of loss or segment assets:						
Addition to non-current assets (note)	7,363	81,528	20,657	17,109	234,503	361,160
Depreciation and amortisation	(19,295)	(26,461)	(10,677)	(20,870)	(625)	(77,928)
Impairment losses on trade and other receivables (recognised)/reversed in profit or loss	1,025	(20,087)	4,799	665	(37)	(13,635)
Gain on disposal of property, plant and equipment	–	–	–	–	89	89
(Write-down)/reversal of write-down of inventories to net realisable value	(10,895)	2,705	4,890	724	–	(2,576)
Finance costs	(3,675)	–	–	–	(2,333)	(6,008)
Interests in associates	–	–	–	–	80,121	80,121
Interest in a jointly-controlled entity	70,549	–	–	–	–	70,549
Share of losses of associates	–	–	–	–	(4,042)	(4,042)
Share of profit of a jointly-controlled entity	3,284	–	–	–	–	3,284

Note: Non-current assets excluded financial instruments and deferred tax assets.

Geographical information

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

Information about major customers

For the year ended 31 December 2011, the Group's revenue from one (2010: one) customer amounted to RMB855,693,000 (2010: RMB699,444,000), which is derived from Subscription Segment and Retailing Segment. Except the one customer, the Group has not had any single external customers, the sales to whom amounted to 10% or more of the Group's revenues for the year ended 31 December 2010 and 2011.

8. OTHER INCOME AND GAINS

	Notes	**Year ended 31/12/2011 RMB'000**	Year ended 31/12/2010 RMB'000
Government grants	(i)	**68,531**	42,024
Gross rental income	(ii)	**14,219**	9,187
Commission income	(iii)	**33,015**	31,036
Gains on short-term investments		**1,444**	571
Dividends from available-for-sale equity investments			
listed equity investment		**6,232**	4,362
unlisted equity investments		**38,000**	33,000
Gain on bargain purchase recognised in business combination		**–**	10,932
Others		**69,034**	27,299
		230,475	158,411

Notes:

(i) Details of the government grants are set out below:

	Notes	**Year ended 31/12/2011 RMB'000**	Year ended 31/12/2010 RMB'000
Government grants for compilation of publications	(a)	**14,918**	32,574
Value-added tax ("VAT") refund	(b)	**50,884**	3,690
Others		**2,729**	5,760
		68,531	42,024

(a) Various government grants have been received for compilation of publications in certain subjects. The government grants are recorded as other income when compilation costs incur to which they relate. Government grants received for which related compilation has not yet been undertaken are included in deferred income under deposits received, other payables and accruals in the consolidated statement of financial position.

(b) Pursuant to the effective VAT regulations in China, the Group's subsidiaries engaged in publishing business that were acquired by the Company on 31 August 2010 enjoyed VAT refund for sales of certain publications. Income from VAT refund is recognised in the period when it becomes receivable.

There are no unfulfilled conditions or contingencies relating to the government grants.

8. OTHER INCOME AND GAINS *(Continued)*

Notes: *(Continued)*

(ii) The rental income is analysed as follows:

	Year ended 31/12/2011 RMB'000	Year ended 31/12/2010 RMB'000
Gross rental income in respect of:		
Investment properties	**14,219**	9,187
Less: Direct operating expenses	**(2,042)**	(346)
	12,177	8,841

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

	Year ended 31/12/2011 RMB'000	Year ended 31/12/2010 RMB'000
Commission from concessionaire sales	**30,305**	24,458
Commission from agency services for printing	**2,710**	6,578
	33,015	31,036

9. FINANCE INCOME, NET

	Year ended 31/12/2011 RMB'000	Year ended 31/12/2010 RMB'000
Bank interest income	**24,374**	29,482
Interest expense on bank and other borrowings wholly repayable within five years	**(11,305)**	(6,008)
	13,069	23,474

10. INCOME TAX EXPENSE

	Year ended 31/12/2011 RMB'000	Year ended 31/12/2010 RMB'000
Current tax:		
PRC Enterprise Income Tax	**3,298**	2,025
Deferred tax (note 36)	**(1,931)**	(666)
	1,367	1,359

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 any assessable income arising in Hong Kong during the year. Under the prevailing PRC income tax law, except for certain preferential treatment available to the Company and certain subsidiaries, the Group is subject to enterprise income tax at a rate of 25% on their respective taxable income.

The tax charge for the year can be reconciled to the profit presented in the consolidated statement of comprehensive income as follows:

	Year ended 31/12/2011		Year ended 31/12/2010	
	RMB'000	**%**	RMB'000	%
Profit before tax	**514,636**		441,542	
Income tax at the PRC statutory income tax rate of 25%	**128,659**	**25.0**	110,386	25.0
Income not subject to tax	**(11,058)**	**(2.1)**	(9,341)	(2.1)
Expenses not deductible for tax purposes	**31,007**	**6.0**	24,997	5.7
Tax effect of changes in unrecognised deductible temporary difference	**(601)**	**(0.1)**	(277)	(0.1)
Tax losses not recognised	**10,499**	**2.0**	11,126	2.5
Tax concessions*	**(157,139)**	**(30.5)**	(135,532)	(30.7)
Tax charge at the Group's effective rate	**1,367**	**0.3**	1,359	0.3

* In March 2009, the Ministry of Finance and the State Administration of Taxation jointly issued the Circular Cai Shui [2009] No. 34 (the "Circular"), pursuant to which an entity qualified as a cultural enterprise or transformed from a cultural public institution to a culture enterprise is exempted from enterprise income tax from 1 January 2009 to 31 December 2013.

Pursuant to the Circular, the Company and two subsidiaries qualified as cultural enterprises were granted enterprise income tax exemptions from 2009 to 2013. In 2010, the Company acquired Fifteen Publishers and thirteen out of the Fifteen Publishers were qualified as restructuring cultural enterprises and were granted enterprise income tax exemptions from 2010 to 2013.

11. OTHER COMPREHENSIVE (LOSS) INCOME FOR THE YEAR

	Year ended 31/12/2011 RMB'000	Year ended 31/12/2010 RMB'000
Fair value (loss)gain on available-for-sale equity investment	**(263,518)**	756,486
Income tax	**–**	–
Other comprehensive income, net of income tax	**(263,518)**	756,486

12. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	Notes	**Year ended 31/12/2011 RMB'000**	Year ended 31/12/2010 RMB'000
Depreciation for property, plant and equipment	16	**81,872**	72,266
Depreciation for investment properties	18	**1,694**	1,134
Amortisation of intangible assets	20	**6,144**	4,528
Total depreciation and amortisation		**89,710**	77,928
Recognition of lease prepayments for land use rights	17	**4,689**	4,682
Auditors' remuneration		**2,400**	3,865
Minimum lease payments under operating leases on properties		**83,369**	67,771
Loss/(gain) on disposal of property, plant and equipment		**473**	(89)
Impairment of trade and other receivables		**10,941**	13,635
Write-down of inventories to net realisable value		**21,680**	2,576
Staff costs:			
Directors' and supervisors' emoluments	13	**3,053**	2,118
Other staff costs			
Wages, salaries and other employee benefits		**491,382**	381,522
Post-employment pension scheme contributions		**52,890**	24,177
		544,272	405,699
		547,325	407,817
Cost of inventory sold		**2,745,029**	2,319,725
Foreign exchange differences		**(649)**	(296)

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

Details of the remuneration of directors and supervisors for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Group			
	Directors		Supervisors	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Fees	**1,430**	1,450	**358**	293
Other emoluments:				
Salaries, allowances and benefits in kind	**147**	–	**331**	204
Performance related bonuses*	**364**	–	**206**	60
Retirement benefit contributions	**56**	–	**161**	111
	567	–	**698**	375
Total	**1,997**	1,450	**1,056**	668

* 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.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year are as follows:

	2011	2010
	RMB'000	RMB'000
Mr. Chan Yuk Tong	**205**	190
Mr. Han Xiaoming	**160**	140
Mr. Han Liyan*	**43**	–
Mr. Cheng Sanguo**	**83**	110
Total	**491**	440

* The director was appointed from September 2011.

** The director retired from September 2011.

There were no other emoluments payable to the independent non-executive directors during the year (2010: Nil).

13. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

(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
2011					
Executive directors:					
Mr. Gong Cimin*	310	–	–	–	310
Mr. Zhang Bangkai** & ****	225	–	–	–	225
Mr. Zhao Miao**	113	–	–	–	113
Mr. Luo Yong***	–	144	364	56	564
	648	144	364	56	1,212
Non-executive directors:					
Mr. Yu Changjiu****	45	–	–	–	45
Mr. Li Jiawei****	30	–	–	–	30
Mr. Wu Qiang****	30	–	–	–	30
Mr. Luo Jun*	62	–	–	–	62
Mr. Zhao Junhuai	62	3	–	–	65
Mr. Zhang Chengxing*	62	–	–	–	62
	291	3	–	–	294
Total	939	147	364	56	1,506

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

** The emoluments of this directors were paid by SPG and charged back to the Company.

*** The director was appointed from September 2011.

**** The directors retired from September 2011.

13. 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
2010					
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. Zhao Miao**	50	–	–	–	50
	400	–	–	–	400
Total	1,010	–	–	–	1,010

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

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

13. 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
2011					
Mr. Xiao Changjiu* & ****	65	–	–	–	65
Mr. Xu Yuzheng**	33	–	–	–	33
Ms. Lan Hong	–	66	30	43	139
Ms. Liu Nan	–	66	30	43	139
Mr. Li Qiang****	–	54	28	31	113
Mr. Fu Daiguo	63	–	–	–	63
Mr. Li Guangwei	63	3	–	–	66
Mr. Xu Ping***	23	–	–	–	23
Mr. Ma Chuan****	23	–	–	–	23
Ms. Tan Wei***	10	3	–	–	13
Mr. Li Kun	33	–	–	–	33
Ms. Wang Jianping***	45	139	118	44	346
Total	358	331	206	161	1,056

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

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

*** The supervisors were appointed from September 2011.

**** The supervisors retired from September 2011.

13. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

(c) Supervisors *(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
2010					
Mr. Xiao Changjiu*	90	–	–	–	90
Mr. Xu Yuzheng**	30	–	–	–	30
Mr. Peng Xianyi	23	–	–	–	23
Ms. Dai Wen	30	–	–	–	30
Ms. Lan Hong	–	66	18	37	121
Ms. Liu Nan	–	66	18	37	121
Mr. Li Qiang	–	72	24	37	133
Mr. Fu Daiguo	60	–	–	–	60
Mr. Li Guangwei	60	–	–	–	60
Total	293	204	60	111	668

* The emoluments of these Supervisor were paid by SPG and charged back to the Company.

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

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 two years fell within the range of HK$0 to HK$1,000,000 (equivalent to RMB810,700).

13. DIRECTORS' AND SUPERVISORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

(d) Five highest paid employees

For the year ended 31 December 2011, the five highest paid employees comprise one (2010: Nil) director, details of whose remuneration are set out above.

Details of the remuneration of the remaining four (2010: five) non-director and non-supervisor highest paid employees during the year are as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**457**	1,138
Performance related bonuses	**1,286**	1,180
Retirement benefit contributions	**158**	151
	1,901	2,469

The emoluments of each of the above highest paid individuals for both years fell within the range of HK$0 to HK$1,000,000 (equivalent to RMB810,700).

14. DIVIDENDS

	Year ended 31/12/2011 RMB'000	Year ended 31/12/2010 RMB'000
Dividends recognised as distribution during the year:		
2010 Final and special dividends – RMB30 cents (2010: 2009 final and special dividends – RMB28 cents) per share	**340,539**	317,837

The final and special dividends of RMB340,539,000 (tax inclusive) in total, equivalent to RMB30 cents (tax inclusive) per share in respect of the year ended 31 December 2011 (final and special dividends of RMB340,539,000 (tax inclusive) in total, equivalent to RMB30 cents (tax inclusive) per share in respect of the year ended 31 December 2010) has been proposed by the Board and is subject to approval by the shareholders at the annual general meeting.

15. EARNINGS PER SHARE

The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year, which is derived from the 1,135,131,000 ordinary shares in issue during the year deducting the weighted average number of treasury shares of 6,900,428 (2010: 2,306,444) shares. Further details of the treasury shares are set out in note 35.

	2011 **RMB'000**	2010 RMB'000
Earnings:		
Profit for the year attributable to owners of the Company	**522,394**	436,937

	Number of shares **2011**	 2010
Shares:		
Ordinary shares in issue during the year	**1,135,131,000**	1,135,131,000
Less: Weighted average number of treasury shares	**(6,900,428)**	(2,306,444)
	1,128,230,572	1,132,824,556

The Group had no potential ordinary shares in issue during the years presented.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Equipment and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2010	675,285	44,616	77,028	345,199	845	1,142,973
Additions	12,671	15,202	25,154	46,169	6,653	105,849
Transfers from construction in progress	561	–	–	–	(561)	–
Acquisition of subsidiaries (note 46)	23,134	–	8,868	4,324	–	36,326
Disposals	–	–	(13,276)	(9,567)	–	(22,843)
At 31 December 2010	711,651	59,818	97,774	386,125	6,937	1,262,305
Additions	19,938	23,246	15,999	29,646	66,648	155,477
Transfers from investment properties (note 18)	2,224	–	–	–	–	2,224
Transfers from construction in progress	224	–	–	93	(317)	–
Disposals	–	–	(5,711)	(9,744)	–	(15,455)
At 31 December 2011	734,037	83,064	108,062	406,120	73,268	1,404,551
DEPRECIATION						
At 1 January 2010	(62,835)	(25,184)	(43,724)	(188,061)	–	(319,804)
Provided for the year	(25,000)	(9,846)	(10,953)	(26,467)	–	(72,266)
Eliminated on disposals	–	–	11,341	8,244	–	19,585
At 31 December 2010	(87,835)	(35,030)	(43,336)	(206,284)	–	(372,485)
Provided for the year	(34,027)	(4,023)	(12,218)	(31,604)	–	(81,872)
Transfers from investment properties (note 18)	(91)	–	–	–	–	(91)
Eliminated on disposals	–	–	4,928	8,811	–	13,739
At 31 December 2011	(121,953)	(39,053)	(50,626)	(229,077)	–	(440,709)
CARRYING VALUES						
At 31 December 2011	612,084	44,011	57,436	177,043	73,268	963,842
At 31 December 2010	623,816	24,788	54,438	179,841	6,937	889,820

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	2.5-10%
Leasehold improvements	12.5-20%
Motor vehicles	12.1-20%
Equipment and fixtures	9.7-20%

All of the Group's buildings are located in Mainland China on leasehold land under medium-term leases.

As at 31 December 2011, except for six (2010: four) properties with an aggregate net book value of approximately RMB148,968,000 (2010: RMB140,675,000), the Group has obtained the building ownership certificates. The Group is in the process of obtaining the building ownership certificates of the six (2010: four) properties.

17. LEASE PREPAYMENTS FOR LAND USE RIGHTS

	31/12/2011 RMB'000	31/12/2010 RMB'000
Carrying amount at 1 January	**109,308**	113,990
Charged to profit or loss during the year	**(4,689)**	(4,682)
Carrying amount at 31 December	**104,619**	109,308
Less: Current portion, included in prepayments, deposits and other receivables	**(4,690)**	(4,693)
Non-current portion	**99,929**	104,615

The leasehold lands are held under medium-term leases and are situated in Mainland China.

At 31 December 2011, the Group's leasehold lands with a carrying amount of RMB30,503,000 (2010: RMB31,181,000) were pledged as security for the Group's interest-bearing bank loans of RMB23,000,000 (2010: 23,000,000). Further details are set out in note 37.

18. INVESTMENT PROPERTIES

	RMB'000
COST	
At 1 January 2010	8,115
Acquisition of subsidiaries (note 46)	22,951
At 31 December 2010	31,066
Transfers to property, plant and equipment (note 16)	(2,224)
At 31 December 2011	28,842
DEPRECIATION	
At 1 January 2010	(2,861)
Provided for the year	(1,134)
At 31 December 2010	(3,995)
Provided for the year	(1,694)
Transfers to property, plant and equipment (note 16)	91
At 31 December 2011	(5,598)
CARRYING VALUES	
At 31 December 2011	23,244
At 31 December 2010	27,071

The investment properties are located in Mainland China on leasehold land under medium-term leases.

The fair value of the Group's investment properties at 31 December 2011 was RMB59,384,000 (31 December 2010: RMB59,122,000). The fair value has been arrived at based on a valuation performed by the Directors using the income capitalisation method.

The above investment properties are depreciated on a straight-line basis at the following rates per annum:

Buildings	2.5-5%

19. GOODWILL

	2011 **RMB'000**	2010 RMB'000
COST		
At 1 January	**504,301**	3,307
Acquisition of subsidiaries (note 46)	**–**	500,994
At 31 December	**504,301**	504,301
IMPAIRMENT		
At 1 January	**–**	–
Impairment loss recognised in the year	**–**	–
At 31 December	**–**	–
CARRYING VALUES		
At 31 December	**504,301**	504,301

For the purpose of impairment testing, goodwill of RMB500,994,000 as at 31 December 2011 has been allocated to one cash generating unit, comprising a group of the Fifteen Publishers in the Product operating segment. The carrying amount of goodwill as at 31 December 2011 is as follows:

	31/12/2011 **RMB'000**
Goodwill	
– Product (Fifteen Publishers acquired in August 2010, the Product Cash-generating Unit ("CGU"))	**500,994**

The recoverable amount of the Product CGU has been determined based on a value in use calculation. The calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period, and a discount rate of 14% (2010: 14%). The Product CGU's cash flows beyond the five-year period are extrapolated using a 2% (2010: Nil) growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the Product CGU's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the Product CGU to exceed the aggregate recoverable amount of the Product CGU.

20. OTHER INTANGIBLE ASSETS

	Computer software RMB'000	Others RMB'000	Total RMB'000
COST			
At 1 January 2010	38,417	4,032	42,449
Additions	5,337	–	5,337
Acquisition of subsidiaries (note 46)	213	4	217
At 31 December 2010	43,967	4,036	48,003
Additions	6,200	1,382	7,582
At 31 December 2011	50,167	5,418	55,585
AMORTISATION			
At 1 January 2010	(12,511)	(1,566)	(14,077)
Provided for the year	(4,126)	(402)	(4,528)
At 31 December 2010	(16,637)	(1,968)	(18,605)
Provided for the year	(5,748)	(396)	(6,144)
At 31 December 2011	(22,385)	(2,364)	(24,749)
CARRYING VALUES			
At 31 December 2011	27,782	3,054	30,836
At 31 December 2010	27,330	2,068	29,398

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Software	3-10 years
Others (including trademarks and patents)	10 years

21. INTERESTS IN ASSOCIATES

	31/12/2011 RMB'000	31/12/2010 RMB'000
Cost of unlisted investments in associates	**110,660**	94,500
Share of post-acquisition results, net of dividend received	**(18,579)**	(15,939)
Goodwill	**1,560**	1,560
	93,641	80,121

The Group's receivable and payable balances with the associates are disclosed in notes 26, 27, 31, 32 and 43(b) respectively.

As at 31 December 2011, the Group had interests in the following associates:

Name of entity	Form of entity	Place of incorporation/ registration	Principal place of operation	Paid-up capital	Proportion of ownership interest attributable to the Group 2011 %	2010 %	Principal activity
Ren Min Eastern (Beijing) Book Industry Co., Ltd.	Incorporated	PRC	PRC	RMB30,000,000	**20**	20	Sale of publications
Sichuan Xin Wen Newspaper and Periodicals Distribution Co., Ltd.	Incorporated	PRC	PRC	RMB10,000,000	**39**	39	Sale of publications
Guizhou Xinhua Winshare Distribution Co., Ltd.	Incorporated	PRC	PRC	RMB12,000,000	**45**	45	Sale of publications
Ming Bo Education & Technology Co., Ltd.	Incorporated	PRC	PRC	RMB60,000,000	**34**	34	Technology development
Bazhong Shudong Real Estate Development Co., Ltd.	Incorporated	PRC	PRC	RMB8,000,000	**51**	51	Development of real property and property management
Hainan Chuang Xiang Cultural Development Co., Ltd.	Incorporated	PRC	PRC	RMB10,000,000	**33.8**	33.8	Industrial investment and development of real properties
Commercial Press (Chengdu) Co., Ltd.	Incorporated	PRC	PRC	RMB4,000,000	**49**	–	Sales of publications
Beijing Daqijinzhun Investment Management Co., Ltd.	Incorporated	PRC	PRC	RMB20,000,000	**20**	–	Investment management and consulting
Shanghai Jingjie Information Technology Co., Ltd.	Incorporated	PRC	PRC	RMB7,500,000	**42**	–	Computer technology development and service

21. INTERESTS IN ASSOCIATES *(Continued)*

The board of directors of Bazhong Shudong is charged with governance and is composed of five members. The Group has three representatives in the board of directors. In accordance with the articles of association of Bazhong Shudong, all resolutions could only be passed with the consent from directors representing at least two-thirds of votes. Based on the above, in the opinion of the directors, the Group is unable to exercise unilateral control over the financial and operating policies of Bazhong Shudong and, accordingly, it is accounted for as an associate of the Group.

The Group has discontinued recognition of its share of losses in Guizhou Xinhua since June, 2011 when the Group's interests in Guizhou Xinhua were reduced to zero. The Group's unrecognised share of losses in Guizhou Xinhua amounted to RMB580,000 for the year ended 31 December 2011. The Group's cumulative unrecognised share of losses in Guizhou Xinhua amounted to RMB580,000 as at 31 December 2011.

All the above associates have been accounted for using the equity method in the consolidated financial statements.

The summarised financial information in respect of the Group's associates is set out below:

	31/12/2011 RMB'000	31/12/2010 RMB'000
Total assets	**795,612**	564,224
Total liabilities	**(589,889)**	(375,096)
Net assets	**205,723**	189,128
Group's share of net assets of associates	**92,081**	78,561

	Year ended 31/12/2011 RMB'000	Year ended 31/12/2010 RMB'000
Revenues	**152,535**	108,588
Losses	**(8,171)**	(18,118)
Group's share of profits and other comprehensive income of associates for the year	**(2,366)**	(4,042)

22. INTEREST IN A JOINTLY CONTROLLED ENTITY

	31/12/2011 RMB'000	31/12/2010 RMB'000
Cost of unlisted investment in a jointly controlled entity, at cost	**98,000**	67,265
Share of post-acquisition results	**6,537**	3,284
	104,537	70,549

As at 31 December 2011, included in the investment cost in the jointly controlled entity is a goodwill of RMB30,735,000 which was previously recognised in capital reserve as at 31 December 2010.

The Group's trade payable balance due to the jointly-controlled entity is disclosed in note 31 and note 43(b).

As at 31 December 2011 and 2010, the Group had interest in the following jointly controlled entity:

Name of entity	Form of entity	Place of incorporation/ registration	Principal place of operation	Paid-up capital	Proportion of nominal value of issued capital held by the Group 2011 %	2010 %	Principal activity
Hainan Publishing House Co., Ltd.	Incorporated	PRC	PRC	RMB76,000,000	**50**	50	Publishing and wholesaling of publications and related products

The following table illustrates the summarised financial information of the Group's jointly-controlled entity.

	31/12/2011 RMB'000	31/12/2010 RMB'000
Current assets	**212,325**	198,016
Non-current assets	**19,408**	17,665
Current liabilities	**(82,573)**	(75,213)
Non-current liabilities	**(1,556)**	–

22. INTEREST IN A JOINTLY CONTROLLED ENTITY *(Continued)*

	Year ended 31/12/2011 RMB'000	Year ended 31/12/2010 RMB'000
Income recognised in profit or loss	**127,292**	118,623
Expenses recognised in profit or loss	**(120,787)**	(112,484)

23. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	31/12/2011 RMB'000	31/12/2010 RMB'000
Listed equity investment, at fair value*	**679,383**	942,901
Unlisted equity investments, at cost**	**506,573**	506,949
Total	**1,185,956**	1,449,850
Analysed for reporting purposes as:		
Non-current assets	**1,185,956**	1,449,850

* The Group's listed equity investment represents investment in Wan Xin Media which accounts for 6.85% of the shareholding interest of Wan Xin Media. Wan Xin Media's shares were listed on the Shanghai Stock Exchange on 18 January 2010. As at 31 December 2011, the equity investment in Wan Xin Media was stated at fair value, which is also its quoted market value, of RMB679,383,000 (31 December 2010: RMB942,901,000). During the year, the fair value loss in respect of the Group's available-for-sale equity investment in Wan Xin Media recognised in other comprehensive income amounted to RMB263,518,000 (2010: gain of RMB756,486,000).

** As at 31 December 2011, the unlisted equity investments with a carrying amount of RMB506,573,000 (31 December 2010: RMB506,949,000) were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair values are unable to be measured reliably. The Group does not intend to dispose of these investments in the near future.

24. PROPERTY UNDER DEVELOPMENT

	31/12/2011 RMB'000	31/12/2010 RMB'000
Development costs	**173,284**	126,783

The balance represented lease prepayments for land use rights under medium-term lease and other development costs incurred by Chengdu Xinhui, a subsidiary of the Company, for the development of a property located in Chengdu. The development of the property held by Chengdu Xinhui has been put on hold since 2008 due to changes of the development plan as required by the government. Pursuant to the changes of the development plan, Chengdu Xinhui was required to acquire the land use right of a smaller piece of land nearby and include it in the development of the property by the government. 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.

At 31 December 2011, the leasehold land in the property under development above in Chengdu Xinhui with a carrying amount of RMB116,615,000 (31 December 2010: RMB116,615,000) were pledged as security for the interest-bearing bank loan of Chengdu Xinhui amounting to RMB249,700,000 (31 December 2010: RMB150,000,000). Further details are given in note 37.

25. LONG-TERM PREPAYMENTS

	31/12/2011 RMB'000	31/12/2010 RMB'000
Long-term prepayments	**422,120**	253,934

The balance as at 31 December 2010 and 2011 mainly represented the prepayments made for purchasing land use rights and the Group is in the process of obtaining the land use right certificates.

26. TRADE AND BILLS RECEIVABLES

	31/12/2011 RMB'000	31/12/2010 RMB'000
Bills receivables	**6,103**	7,724
Trade receivables	**667,813**	544,138
Less: Allowance for doubtful debts	**(78,998)**	(75,023)
Less: Allowance for sales returns	**(7,566)**	(5,484)
	587,352	471,355

26. TRADE AND BILLS RECEIVABLES *(Continued)*

The Group allows a credit period of not more than 270 days to its trade customers. The following is an aged analysis of trade and bills receivables, net of allowance for doubtful debts and sales returns, presented based on the invoice date at the end of the reporting period.

	31/12/2011 RMB'000	31/12/2010 RMB'000
Within 3 months	**448,513**	346,396
3 to 6 months	**80,966**	67,662
6 months to 1 year	**43,036**	31,277
1 to 2 years	**9,259**	19,327
Over 2 years	**5,578**	6,693
	587,352	471,355

For new customers requesting credit from the Group, the management evaluates the customers' credit quality and determines credit limits and credit terms for each new customer. The Group also seeks to maintain strict control over its outstanding receivables. Over 83% (2010: 79%) of the Group's trade receivables were neither past due nor impaired as at 31 December 2011, which is attributable to the implementation of the above-mentioned policies.

Included in the Group's trade receivable balance are debtors which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collaterals over these balances.

Included in the balance as at 31 December 2011 were trade receivables from Xinhua Publishing Group, SPG and associates of RMB24,789,000 (31 December 2010: RMB13,325,000), RMB7,304,000 (31 December 2010: RMB6,394,000) and RMB23,220,000 (31 December 2010: RMB26,384,000), respectively (note 43(b)).

Ageing of trade receivables which are past due but not impaired

	31/12/2011 RMB'000	31/12/2010 RMB'000
Less than three months past due	**19,541**	13,880
Over three months past due	**14,837**	26,020
Total	**34,378**	39,900

Receivables that were past due but not impaired are related to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors 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 collaterals or other credit enhancements over these balances.

26. TRADE AND BILLS RECEIVABLES *(Continued)*

Movement in the allowance for doubtful debts

	2011 RMB'000	2010 RMB'000
1 January	75,023	60,530
Charged for the year (note 12)	23,679	29,720
Amount written off	(5,217)	(1,331)
Amount reversed (note 12)	(14,487)	(13,896)
31 December	78,998	75,023

The Group does not hold any collaterals over these balances.

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31/12/2011 RMB'000	31/12/2010 RMB'000
Deposits	23,404	6,013
Prepayments to suppliers	79,487	57,264
Input value-added tax recoverables	42,441	81,157
Due from Xinhua Publishing Group (note 43(b))	594	211
Due from SPG (note 43(b))	2,350	3,167
Due from associates (note 43(b))	129,526	97,146
Prepaid expenses	8,814	1,906
Other receivables	58,584	176,607
	345,200	423,471

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

Other Receivables

	31/12/2011 RMB'000	31/12/2010 RMB'000
Other receivables	**60,313**	176,607
Less: Provision for impairment	**(1,729)**	–
	58,584	176,607

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

	2011 RMB'000	2010 RMB'000
At 1 January	**–**	1,277
Charged for the year (note 12)	**1,835**	6,976
Amount written off	**(20)**	(31)
Amount reversed (note 12)	**(86)**	(8,222)
At 31 December	**1,729**	–

Receivables that were neither past due nor impaired amounted to approximately RMB58,584,000 (2010: RMB176,607,000) are related to a large number of diversified debtors for whom there was no recent history of default.

The balances with Xinhua Publishing Group, SPG and the associates are unsecured, interest-free and repayable on demand.

28. INVENTORIES

	31/12/2011 RMB'000	31/12/2010 RMB'000
Merchandise and products for resale	**944,409**	689,180
Working-in-process	**13,443**	23,425
Raw materials	**97,270**	110,388
	1,055,122	822,993

29. SHORT-TERM INVESTMENTS

As at 31 December 2011, the Group's short-term investments represented investments in structured financial products operated by banks. These investments were principal-protected, with expected annual returns at rates ranging from 4% to 8% and with maturity of less than one year. Subsequent to 31 December 2011, short-term investments in the amount of RMB58,000,000 matured and were collected and the remaining balance of short-term investments of RMB50,000,000 will mature in April 2012.

30. CASH AND SHORT-TERM DEPOSITS

	31/12/2011 RMB'000	31/12/2010 RMB'000
Cash and bank balances	**1,660,534**	1,789,076
Restricted cash	**20,266**	4,751
Pledged bank deposits for bills payable	**82,796**	98,270
Non-pledged bank deposits with original maturity of more than three months when acquired	**133,952**	85,000
	1,897,548	1,977,097
Less: Pledged bank deposits for bills payable	**(82,796)**	(98,270)
Restricted cash	**(20,266)**	(4,751)
	(103,062)	(103,021)
Cash and short-term deposits	**1,794,486**	1,874,076

Bank balances/pledged bank deposits and restricted cash

Bank balances, pledged bank deposits and restricted cash carry interest at market rates which range from 0.36% to 0.50% (31 December 2010: 0.36%) per annum.

Pledged bank deposits represent deposits pledged to banks to secure the Group's bills payables with maturity ranging from 3 months to 6 months, and are therefore classified as current assets. The pledged bank deposits will be released upon the settlement of relevant bills payables.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following at 31 December 2011 and 2010.

	31/12/2011 RMB'000	31/12/2010 RMB'000
Cash and short-term deposits	**1,794,486**	1,874,076
Non-pledged bank deposits with original maturity of more than three months when acquired	**(133,952)**	(85,000)
	1,660,534	1,789,076

31. TRADE AND BILLS PAYABLES

	31/12/2011 RMB'000	31/12/2010 RMB'000
Bills payable	**107,600**	239,737
Trade payable	**1,461,945**	1,052,563
	1,569,545	1,292,300

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

	31/12/2011 RMB'000	31/12/2010 RMB'000
Within 3 months	**786,900**	536,098
3 to 6 months	**318,806**	387,617
6 months to 1 year	**263,265**	180,641
1 to 2 years	**93,444**	34,356
Over 2 years	**107,130**	153,588
	1,569,545	1,292,300

The trade and bills payables are interest-free and are normally settled within one year.

Included in the balance as at 31 December 2011 were trade payables to Xinhua Publishing Group, SPG, a jointly-controlled entity and associates of RMB1,284,000 (31 December 2010: RMB435,000), RMB27,399,000 (31 December 2010: RMB1,780,000), RMB1,876,000 (31 December 2010: RMB1,368,000) and RMB24,802,000 (31 December 2010: RMB4,160,000), respectively (note 43(b)).

As at 31 December 2011, the Group's bills payable of RMB107,600,000 (31 December 2010: RMB239,737,000) were secured by the Group's pledged bank deposits amounting to RMB82,796,000 (31 December 2010: RMB98,270,000) (note 30) and guarantees granted by the Company up to an amount of RMB79,000,000 (31 December 2010: RMB149,000,000).

32. DEPOSITS RECEIVED, OTHER PAYABLES AND ACCRUALS

	31/12/2011 RMB'000	31/12/2010 RMB'000
Accrued salaries, wages and benefits	**190,106**	160,074
Deposits	**28,715**	21,130
Advance from customers	**361,551**	471,677
Accrued operating expenses	**129,116**	85,204
Due to Xinhua Publishing Group (note 43(b))	**40,360**	38,758
Due to SPG (note 43(b))	**15,927**	11,189
Due to associates (note 43(b))	**507**	507
Deferred income (note 8(i)(a))	**40,115**	37,689
Others	**69,564**	94,891
	875,961	921,119

The balances with Xinhua Publishing Group, SPG and associates are unsecured, interest-free and have no fixed terms of repayment.

33. ISSUED CAPITAL

	31/12/2011 RMB'000	31/12/2010 RMB'000
Issued and fully paid:		
693,194,000 domestic shares of RMB1.00 each	**693,194**	693,194
441,937,000 H shares of RMB1.00 each	**441,937**	441,937
	1,135,131	1,135,131

34. RESERVES

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.

(a) Capital reserves

The capital reserves of the Group mainly represent the excess of capital contributions over registered capital by non-controlling equity holders of subsidiaries and the excess of quoted market price over the par value of treasury shares held by Sichuan Youth and Children's Publishing House Co., Ltd (note 35).

(b) 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, if any), determined in accordance with PRC Accounting Standard for Business Enterprises, 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 the registered capital after such uses.

(c) Revaluation reserve

Revaluation reserve mainly represents accumulated fair value gain on available-for-sale equity investments and deferred tax arising from the revaluation of certain long-term assets upon the restructuring of the the Group and the establishment of the Company.

35. TREASURY SHARES

	31/12/2011 RMB'000	31/12/2010 RMB'000
At beginning of year	**(6,900)**	–
Acquisition of a subsidiary	**–**	(6,900)
	(6,900)	(6,900)

Sichuan Youth and Children's Publishing House Co., Ltd., was acquired by the Company as a wholly-owned subsidiary in August 2010. On the acquisition date, Sichuan Youth and Children's Publishing House Co., Ltd., being one of the founding shareholders of the Company, held 6,900,428 shares, representing 0.61% of the issued capital of the Company, which were accounted for as treasury shares and recorded at par value by the Company, and the excess of quoted market price over par value of RMB17,259,000 was recorded in the capital reserve.

36. DEFERRED TAX ASSETS

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	31/12/2011 RMB'000	31/12/2010 RMB'000
Deferred tax assets	**34,430**	32,499

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

Deferred tax assets

	2011 RMB'000	2010 RMB'000
At 1 January	**46,914**	41,241
Acquisition of subsidiaries (note 46)	**–**	5,541
Credited to income statement (note 10)	**410**	132
At 31 December	**47,324**	46,914
Provision in respect of:		
Revaluation of items of property, plant and equipment and lease prepayments for land use rights for tax purposes	**40,614**	40,614
Temporary difference arising from impairment of trade and other receivables	**3,642**	3,845
Temporary difference arising from write-down of inventories to net realisable value	**1,922**	1,944
Other	**1,146**	511
	47,324	46,914

36. DEFERRED TAX ASSETS *(Continued)*

Deferred tax liabilities

	2011 RMB'000	2010 RMB'000
At 1 January	**(14,415)**	(7,603)
Fair value adjustments arising from acquisition of subsidiaries (note 46)	**–**	(7,346)
Credited to income statement (note 10)	**1,521**	534
Gross deferred tax liabilities at 31 December	**(12,894)**	(14,415)
Net deferred tax assets recognised in the consolidated statement of financial position at 31 December	**34,430**	32,499

As at 31 December 2011, the Group had unused tax losses of RMB92,668,000 (31 December 2010: RMB50,672,000) and deductible temporary differences of RMB809,000 (31 December 2010: RMB3,213,000). The Group's unused tax losses as at 31 December 2011 will expire in year 2012 to year 2016 if not utilised. No deferred tax asset has been recognised in relation to such tax loss and deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

37. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	31/12/2011 RMB'000	31/12/2010 RMB'000
Bank loans – secured	(a)	**272,700**	173,000
Bank loans – unsecured	(a)	**93,000**	10,000
Other borrowings – unsecured	(b)	**48,750**	62,375
Total interest-bearing bank and other borrowings		**414,450**	245,375
Analysed into:			
Interest-bearing bank and other borrowings repayable:			
Within one year		**376,950**	94,250
In the second year		**–**	151,125
In the third to fifth year, inclusive		**37,500**	–
		414,450	245,375
Total interest-bearing bank and other borrowings		**414,450**	245,375
Less: Portion classified as current liabilities		**(376,950)**	(94,250)
Non-current portion		**37,500**	151,125

37. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Notes:

(a) Bank loans

		2011			2010		
		Effective contractual interest rate %	**Maturity**	**RMB'000**	Effective contractual interest rate %	Maturity	RMB'000
Bank loans-secured	(i)	**6.14-6.72/ and 105% of benchmark rate of People's Bank of China**	**2012**	**272,700**	5.31/and 105% of benchmark rate of People's Bank of China	2011-2012	173,000
Bank loans-unsecured	(ii)	**6.10-7.87**	**2012**	**93,000**	Benchmark rate of People's Bank of China	2011	10,000

Certain of the Group's bank loans are secured by:

(i) leasehold lands and leasehold land in the property under development of the Group amounting to RMB30,503,000 (31 December 2010: RMB31,181,000) (note 17) and RMB116,615,000 (31 December 2010:116,615,000) (note 24), respectively.

(ii) Guarantees granted by the Company and Sichuan Chuangye Financing Guarantee Co., Ltd., an independent third party, up to an amount of RMB110,000,000 and RMB50,000,000 respectively (31 December 2010: guarantee by the Company up to RMB40,000,000).

(b) Other borrowings

The balance of the unsecured other borrowing as at 31 December 2011 represented two loans granted by Hua Sheng Group to Chengdu Xinhui, a subsidiary of the Group.

On 30 March 2011, an loan agreement was entered into between Chengdu Xinhui and Hua Sheng Group, pursuant to which Hua Sheng Group granted a loan amounting to RMB37,500,000 to Chengdu Xinhui, which bear interest at a rate of 6.40% per annum and will mature on 29 March 2014.

On 22 September 2011, an loan agreement was entered into between Chengdu Xinhui and Hua Sheng Group, pursuant to which Hua Sheng Group granted a loan amounting to RMB11,250,000 to Chengdu Xinhui, which bear interest at a rate of 6.56% per annum and will mature on 22 September 2012.

The interest expense incurred for the aforesaid loans was RMB1,785,000 during the year.

As at the end of the reporting period, the Group has the following undrawn borrowing facilities:

	31/12/2011 RMB'000	31/12/2010 RMB'000
Floating rate		
– expiring within one year	**148,300**	90,000
– expiring beyond one year	**10,000**	131,000
	158,300	*221,000*

38. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from previous year.

The capital structure of the Group consists of net debt including bank and other borrowings, net of cash and cash equivalents and equity attributable to owners of the Company comprising issued equity, retained profits and other reserves.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

39. FINANCIAL INSTRUMENTS

39.1 Categories of financial instruments

	31/12/2011 **RMB'000**	31/12/2010 RMB'000
Financial assets		
Short-term investments	**108,000**	–
Loans and receivables (including pledged bank deposits and restricted cash and cash and short-term deposits)	**2,699,358**	2,728,429
Available-for-sale equity investments		
– Fair value	**679,383**	942,901
– Cost	**506,573**	506,949
Financial liabilities	**2,077,027**	1,633,897

39.2 Financial risk management objectives and polices

The Group's principal financial instruments comprise cash and short-term deposits, pledged deposits, trade and bills receivables, deposits and other receivables, short-term investments, available-for-sale equity investments, interest-bearing bank and other borrowings, trade and bills payables, deposits receivables 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 trade and bills receivables, deposits and other receivables, trade and bills payables, deposits receivables and other payables which arise directly from its operations.

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.

39. FINANCIAL INSTRUMENTS *(Continued)*

39.2 Financial risk management objectives and polices *(Continued)*

Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed rate borrowings. Except for a subsidiary engaged in development of real property, the Group's policy is to maintain short-term borrowings at prevailing market rates so as to minimise the fair value interest rate risk. As at 31 December 2011, the Group's long-term borrowing amounted to RMB37.5 million with a fixed interest rate of 6.40% per annum.

The Group's cash flow interest rate risk relates primarily to variable rate borrowings, bank and bank deposits, pledged bank deposits and restricted cash, which carry prevailing market interest rates. As at 31 December 2011, the Group did not have any long-term borrowing at floating interest rate (2010: None). Therefore, the Group is not subject to significant cash flow interest rate risk. Accordingly no sensitivity analysis is provided.

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 RMB244,000 (2010: RMB175,000) denominated in Hong Kong dollars and United States dollars. The Directors consider that a reasonably possible change of 5% to 10% in the exchange rate between the Hong Kong dollar or United States dollar and the RMB 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 and restricted cash, trade and bills receivables, short-term investments, deposits and other receivables 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, and 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 trade and other receivables are disclosed in notes 26 and 27, respectively.

39. FINANCIAL INSTRUMENTS *(Continued)*

39.2 Financial risk management objectives and polices *(Continued)*

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.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	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	31/12/2011 Total RMB'000
2011						
Interest-bearing bank and other borrowings	–	–	394,739	–	42,879	437,618
Trade and bills payables	463,840	1,031,955	73,750	–	–	1,569,545
Other payables	56,794	28,715	7,524	–	–	93,033
	520,634	1,060,670	476,013	–	42,879	2,100,196

	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	31/12/2010 Total RMB'000
2010						
Interest-bearing bank and other borrowings	–	–	105,330	159,271	–	264,601
Trade and bills payables	427,682	8,283	856,335	–	–	1,292,300
Other payables	48,863	7,945	39,414	–	–	96,222
	476,545	16,228	1,001,079	159,271	–	1,653,123

39. FINANCIAL INSTRUMENTS *(Continued)*

39.2 Financial risk management objectives and polices *(Continued)*

Other price risk

The Group is exposed to equity price risk through its listed available-for-sale equity investment in Wan Xin Media (note 23). The Company is the promoter of Wan Xin Media and had committed to a lock-up period of 48 months from the date of incorporation of Wan Xin Media in February 2008. Directors monitor the equity price of Wan Xin Media on a regular basis. As at 31 December 2011, the Group recognised an accumulated gain of RMB493 million from its investment in Wan Xin Media directly in equity.

If the equity price had been 5% higher/lower (2010: 5% higher/lower), other comprehensive loss for the year ended 31 December 2011 would have decreased/increased by RMB33,969,000 (2010: increase/decrease in other comprehensive income by RMB47,145,000).

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

Fair value measurements recognised in the consolidated statement of financial position

The Group's financial instrument that is measured at fair value subsequent to initial recognition at fair value comprises listed available-for-sale equity investment amounting to RMB679,383,000 as at 31 December 2011 (31 December 2010: RMB942,901,000). The fair value of listed available-for-sale equity investment was determined based on Level 1 measurement, which is derived from quoted prices in active market.

40. OPERATING LEASES

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31/12/2011 RMB'000	31/12/2010 RMB'000
Within one year	**63,492**	51,064
In the second to fifth year inclusive	**33,083**	67,998
Over five years	**7,432**	33,773
	104,007	152,835

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for terms from one to fifteen years.

The Group as lessor

Property rental income earned during the year was RMB14,219,000 (2010: RMB9,187,000).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	31/12/2011 RMB'000	31/12/2010 RMB'000
Within one year	**7,650**	6,365
In the second to fifth year inclusive	**13,834**	15,394
After five years	**8,922**	11,814
	30,406	33,573

Property rental income represents rentals receivable by the Group for from its investment properties. Leases are negotiated for terms from one to sixteen years.

41. COMMITMENTS

Capital commitments

The Group 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:

	31/12/2011 RMB'000	31/12/2010 RMB'000
Property, plant and equipment:		
Contracted, but not provided for	**19,130**	287,464
Authorised, but not contracted for	**120,000**	120,000
	139,130	407,464

Investment commitments

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

	31/12/2011 RMB'000	31/12/2010 RMB'000
Investment to establish a subsidiary:		
Contracted, but not provided for	**147,900**	11,475

42. RETIREMENT BENEFITS PLANS

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 2011 were approximately RMB53,107,000 (2010: RMB24,288,000).

43. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties during the year:

	Notes	**Year ended 31/12/2011 RMB'000**	Year ended 31/12/2010 RMB'000
Xinhua Publishing Group:			
Sales of merchandise	(i)	**118,072**	104,071
Rental income	(iii)	**1,344**	1,344
Rental expenses	(iv)	**37,770**	37,770
Interest expense	(v)	**2,298**	1,124
Purchase of services	(ii)	**13,295**	10,911
Grants of entrusted loans	(v)	**–**	61,250
SPG*:			
Sales of merchandise	(i)	**2,868**	N/A
Sales of equipments	(i)	**1,936**	N/A
Render of printing services	(ii)	**361**	N/A
Rental and property management fee	(vi)	**6,902**	N/A
Purchase of publications	(ii)	**16,390**	N/A
Purchase of printing services	(ii)	**19,220**	N/A
Purchase of services	(ii)	**26**	N/A
Associates**:			
Sales of merchandise	(i)	**68,078**	49,824
Purchase of merchandise	(ii)	**46,120**	9,004
Jointly controlled entity**:			
Purchase of merchandise	(ii)	**2,282**	943

43. RELATED PARTY TRANSACTIONS *(Continued)*

(a) The Group had the following material transactions with related parties during the year: *(Continued)*

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 prices of merchandise and services were based on mutually agreed terms.

(iii) Pursuant to a property lease agreement entered into between the Company and Xinhua Publishing Group 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 RMB37,770,000 during the year.

(v) On 30 June 2010, an entrusted loan agreement was entered into Chengdu Xinhui, Xinhua Publishing Group and China Construction Bank Co., Ltd. ("CCB"), pursuant to which Xinhua Publishing Group entrusted CCB to grant a loan amounting to RMB11,250,000 to Chengdu Xinhui, which bear interest at a rate of 5.31% per annum and will mature on 30 June 2011. On 12 November 2010, an entrusted loan agreement was entered into among Sichuan Winshare Educational Investment Co., Ltd, Xinhua Publishing Group and Hua Xia Bank, pursuant to which Xinhua Publishing Group in entrusted Hua Xia Bank to grant a loan of RMB50,000,000 to Winshare Education, which bears interest at a rate of 5.1% per annum and will mature on 12 April 2011. The interest expense incurred for the aforesaid entrusted loans was RMB2,298,000 (2010: RMB1,124,000) in the year ended 31 December 2011.

(vi) The rental and property management fee for leased office buildings were charged based on mutually agreed terms at a fixed annual rate. The rental expense charged by SPG amounted to RMB6,902,000 from 1 August 2011 to 31 December 2011.

* SPG became a subsidiary of Sichuan Development on 1 August 2011, which is the ultimate holding company of the Company. From 1 August 2011, SPG has become a fellow subsidiary of the Group.

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

43. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Balances with related parties:

	Notes	**Year ended 31/12/2011 RMB'000**	Year ended 31/12/2010 RMB'000
Trade and other receivables:			
Trade receivables due from Xinhua Publishing Group	26	**24,789**	13,325
Trade receivables due from SPG	26	**7,304**	N/A
Trade receivables due from associates of the Group	26	**23,220**	26,384
Other receivables due from Xinhua Publishing Group	27	**594**	211
Other receivables due from SPG	27	**2,350**	N/A
Other receivables due from associates of the Group	27	**129,526**	98,421
Trade and other payables:			
Trade payables due to Xinhua Publishing Group	31	**1,284**	435
Trade payables due to SPG	31	**27,399**	N/A
Trade payables due to a jointly-controlled entity	31	**1,876**	1,368
Trade payables due to associates of the Group	31	**24,802**	4,160
Other payables due to Xinhua Publishing Group	32	**40,360**	38,758
Other payables due to SPG	32	**15,655**	N/A
Other payables due to associates of the Group	32	**507**	507
Other borrowings due to Xinhua Publishing Group		**–**	62,375

Except for other borrowings, the above balances are unsecured, interest-free and have no fixed terms of repayment.

Compensation of key management personnel of the Group:

	Year ended 31/12/2011 RMB'000	Year ended 31/12/2010 RMB'000
Short-term employee benefits	**3,386**	1,450
Total compensation paid to key management personnel	**3,386**	1,450

Further details of the directors' and supervisors' emoluments are included in note 13 to the consolidated financial statements.

44. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Place/Country of incorporation or registration/ operations	Paid up issued/ registered ordinary share capital	Proportion of ownership interest held by the Company Directly		Principal activities
			2011	2010	
			%	%	
Sichuan Xinhua Online Network Co., Ltd.	PRC	RMB10,000,000	**100**	100	Internet publication and computer service
Chengdu Xinhui Industrial Co., Ltd.	PRC	RMB100,000,000	**62.5**	62.5	Development of real properties holding
Beijing Xinhua Wenxuan Advertising Co., Ltd.	PRC	RMB13,000,000	**81.5**	81.5	Provision of advertising services and sale of publications and newspapers
Sichuan Xinhua Winshare Media Co., Ltd.	PRC	RMB5,700,000	**70**	70	Sale of publications and provision of conference and exhibition services
Sichuan Xinhua Shang Paper Co., Ltd.	PRC	RMB15,000,000	**51**	51	Sale of printing related products
Beijing Huaxia Shengxuan Book Co., Ltd.	PRC	RMB15,000,000	**51**	51	Sale of publications manufacture
Sichuan Xinhua Colour Printing Co., Ltd.	PRC	RMB100,000,000	**65**	65	Provision of publication printing service
Sichuan Winshare Education Technology Co., Ltd	PRC	RMB40,000,000	**100**	100	Sale of textbook related products
Beijing Huaying Winshare Movie & Culture Co., Ltd.	PRC	RMB30,770,000	**65**	65	Movie and related shooting service
Sichuan Winshare Art Investing & Managing Co., Ltd.	PRC	RMB20,000,000	**60**	60	Art exhibition service and art related products investment Ltd
Sichuan Winshare Online E-commerce Co., Ltd	PRC	RMB30,000,000	**75**	75	Internet publication and computer service

44. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiary	Place/Country of incorporation or registration/ operations	Paid up issued/ registered ordinary share capital	Proportion of ownership interest held by the Company Directly		Principal activities
			2011	2010	
			%	%	
Sichuan Winshare Educational Investment Co., Ltd.	PRC	RMB50,000,000	**51**	51	Commercial service and development of real property management
Sichuan Winshare Pre-school Educational Management Co., Ltd.	PRC	RMB7,500,000	**51**	51	Commercial service and development of real property
Sichuan People's Publishing House Co., Ltd.	PRC	RMB10,000,000	**100**	100	Publishing and wholesaling of publications and related products
Sichuan Publication Printing Co., Ltd.	PRC	RMB50,000,000	**100**	100	Publishing and wholesaling of publications and related products
Sichuan Education Publishing House Co., Ltd.	PRC	RMB10,000,000	**100**	100	Publishing and wholesaling of publications and related products
Sichuan Youth and Children's Publishing House Co., Ltd.	PRC	RMB10,000,000	**100**	100	Publishing and wholesaling of publications and related products
Sichuan Science & Technology Publishing House Co., Ltd.	PRC	RMB4,000,000	**100**	100	Publishing and wholesaling of publications and related products
Sichuan Literature & Art Publishing House Co., Ltd.	PRC	RMB5,000,000	**100**	100	Publishing and wholesaling of publications and related products

44. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiary	Place/Country of incorporation or registration/ operations	Paid up issued/ registered ordinary share capital	Proportion of ownership interest held by the Company Directly		Principal activities
			2011 %	2010 %	
Sichuan Fine Arts Publishing House Co., Ltd.	PRC	RMB4,250,000	**100**	100	Publishing and wholesaling of publications and related products
Sichuan Lexicographical Publishing House Co., Ltd.	PRC	RMB2,000,000	**100**	100	Publishing and wholesaling of publications and related products
Sichuan Bashu Publishing House Co., Ltd.	PRC	RMB2,000,000	**100**	100	Publishing and wholesaling of publications and related products
Sichuan Tiandi Publishing House Co., Ltd.	PRC	RMB2,000,000	**100**	100	Publishing and wholesaling of publications and related products
Sichuan Digital Publishing & Media Co., Ltd.	PRC	RMB10,000,000	**100**	100	Publishing and wholesaling of publications
Sichuan Pictorial Co., Ltd.	PRC	RMB1,500,000	**100**	100	Publishing and wholesaling of publications and related products
Sichuan Readers' Journal Press Co., Ltd.	PRC	RMB1,500,000	**100**	100	Publishing and wholesaling of publications and related products
Sichuan Printing Materials Co., Ltd.	PRC	RMB30,000,000	**100**	100	Provision of printing related materials

44. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

Name of subsidiary	Place/Country of incorporation or registration/ operations	Paid up issued/ registered ordinary share capital	Proportion of ownership interest held by the Company Directly		Principal activities
			2011 %	2010 %	
Sichuan Shangrui Education Textbook Co., Ltd.	PRC	RMB20,000,000	**100**	100	Wholesaling of publications and related products
Sichuan Winshare Logistics Co., Ltd.	PRC	RMB50,000,000	**51**	51	Warehousing and logistics services
Sichuan Winshare Properties Co., Ltd.	PRC	RMB50,000,000	**51**	51	Development of real property and property management
Xinhua Winshare Sichuan Information Technology, Co., Ltd.	PRC	RMB10,000,000	**80**	80	Development of electronic products, computer software and hardware
Sichuan Wenchuan Logistics Co., Ltd.	PRC	RMB100,000,000	**100**	100	Warehousing and logistics services
Beijing Shu Chuan Xinhua Bookstore Book Distribution Co., Ltd.	PRC	RMB2,000,000	**82.5**	82.5	Inactive company
Sichuan People's Education Times Xinhua Audio and Video Co., Ltd.	PRC	RMB2,000,000	**80**	80	Sale of audio and video products
Xinhua Winshare Commercial Chain (Beijing) Co., Ltd. (note)	PRC	RMB10,000,000	**51**	–	Sale of publication and related products

Note: Newly established during the year ended 31 December 2011.

45. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	31/12/2011 RMB'000	31/12/2010 RMB'000
Non-current Assets			
Property, plant and equipment		**794,439**	745,117
Prepaid lease payments for land use rights		**70,410**	74,112
Investment properties		**4,443**	4,848
Other intangible assets		**23,155**	23,047
Investments in subsidiaries		**1,698,889**	1,554,664
Investments in associates		**48,200**	46,240
Investment in a jointly controlled entity		**98,000**	98,000
Available-for-sale equity investments		**1,185,708**	1,449,321
Deferred tax assets		**40,614**	40,614
Long-term prepayments		**27,351**	41,908
Due from a subsidiary		**62,500**	1,875
		4,053,709	4,079,746
Current Assets			
Trade and bill receivables		**332,343**	260,083
Prepayments, deposits and other receivables		**411,726**	279,610
Inventories		**979,520**	709,903
Short-term investments		**105,000**	–
Pledged deposits		**31,592**	30,896
Cash and short-term deposits		**1,327,973**	1,315,096
		3,188,154	2,595,588
Current Liabilities			
Trade and bills payables		**1,950,842**	1,319,912
Deposits received, other payables and accruals		**713,877**	648,764
		2,664,719	1,968,676
Net Current Assets		**523,435**	626,912
Total Assets less Current Liabilities		**4,577,144**	4,706,658
Capital and Reserves			
Issued capital	33	**1,135,131**	1,135,131
Reserves		**3,101,474**	3,230,988
Proposed dividends		**340,539**	340,539
Total Equity		**4,577,144**	4,706,658
Total Equity and Non-current Liabilities		**4,577,144**	4,706,658

46. ACQUISITION OF SUBSIDIARIES

On 22 June 2010, the Company and SPG entered into an equity transfer agreement by which the Company would acquire the entire equity interests of the Fifteen Publishers from SPG at an aggregate consideration of RMB1,255 million. Upon the completion of the acquisition, the Fifteen Publishers have become wholly-owned subsidiaries of the Group. The Fifteen Publishers are principally engaged in the business of publishing and wholesaling of publications and related products. The acquisition was made as part of the Group's strategy to become an integrated operator in the publishing industry. The purchase consideration for the acquisition was in the form of cash, with RMB1,255 million paid by 31 August 2010, the acquisition date.

Fair values of assets acquired and liabilities assumed at the date of acquisition are as follows:

	Notes	RMB'000
Property, plant and equipment	16	36,326
Investment properties	18	22,951
Other intangible assets	20	217
Available-for-sale equity investments		24,688
Deferred tax assets	36	5,541
Cash and short-term deposits		255,410
Inventories		82,694
Trade and bills receivables		697,373
Prepayments and other receivables		205,320
Trade and bills payables		(350,485)
Accruals and other payables		(217,831)
Tax payable		(491)
Deferred tax liabilities	36	(7,346)
Non-controlling interests		(361)
Net assets acquired		754,006
Goodwill arising on acquisition	19	500,994
Consideration transferred		1,255,000

The fair value of the trade receivables and other receivables as at the date of acquisition amounted to RMB697,373,000 and RMB205,320,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB765,336,000 and RMB227,568,000, respectively, of which trade receivables of RMB67,963,000 and other receivables of RMB22,248,000 were expected to be uncollectible.

The Group incurred transaction costs of RMB11,828,000 for this acquisition. These transaction costs had been expensed and were included in other expenses in the consolidated income statement for the year ended 31 December 2010.

46. ACQUISITION OF SUBSIDIARIES *(Continued)*

Net cash outflow on acquisition of Subsidiaries

	RMB'000
Cash consideration paid	1,255,000
Less: cash and short-term deposits acquired	(255,410)
	999,590

47. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2011, the Group had the following significant events:

(a) Proposed final dividend and special dividend

A meeting of the Board of Directors of the Company was held on 23 March 2012, in which a final dividend and special dividend of approximately RMB340,539,000 (tax inclusive) in total, equivalent to RMB30 cents per share (tax inclusive), was proposed in respect of the year.

(b) Proposed disposals of investments in subsidiaries

(i) A resolution of the Board of Directors was passed on 26 October 2011, pursuant to which, the Company proposed to dispose of its 28.5% equity interest in Chengdu Xinhui, a subsidiary of the Company. The proposal was subsequently approved by the SASAC of Sichuan and other statutory authorities on 9 January 2012. In January 2012, the Company commenced the public bidding process in respect of the disposal of its 28.5% equity interest in Chengdu Xinhui as required by relevant PRC laws and regulations. Hua Sheng Group won the bid and entered into an agreement with the Company in March 2012 to acquire the 28.5% equity interest in Chengdu Xinhui at a cash consideration of RMB117,635,300. The proposed disposal is subject to the approval by the independent shareholders of the Company at the annual general meeting of the Company to be held on 17 May 2012. Upon completion of the disposal, the Group will retain 34% equity interest in Chengdu Xinhui.

(ii) A resolution of the Board of Directors was passed on 26 October 2011, pursuant to which, the Company proposed to dispose of its 51% equity interest in Winshare Logistics, a subsidiary of the Company. The proposal was subsequently approved by the SASAC of Sichuan and other statutory authorities on 7 December 2011. In January 2012, the Company commenced the public bidding process in respect of the disposal of its 51% equity interest in Winshare Logistics as required by relevant PRC laws and regulations. Hua Sheng Group won the bid and entered into an agreement with the Company in February 2012 to acquire the 51% equity interest in Winshare Logistics at a cash consideration of RMB24,676,000.

47. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(b) Proposed disposals of investments in subsidiaries *(Continued)*

(iii) A resolution of the Board of Directors was passed on 26 October 2011, pursuant to which, the Company proposed to dispose of its 17% equity interest in Winshare Pre-school, a subsidiary of the Company, and will retain 34% equity interest in Winshare Pre-school. The proposal was subsequently approved by the SASAC of Sichuan and other statutory authorities on 7 December 2011. In January 2012, the Company commenced the public bidding process in respect of the disposal of its 17% equity interest in Winshare Pre-school as required by relevant PRC laws and regulations. Hua Sheng Group won the bid and entered into an agreement with the Company in February 2012 to acquire the 17% equity interest in Winshare Properties at a cash consideration of RMB1,109,000.

(iv) A resolution of the Board of Directors was passed on 26 October 2011, pursuant to which, the Company proposed to dispose of its 51% equity interests in Winshare Properties, a subsidiary of the Company. The proposal was subsequently approved by the SASAC of Sichuan and other statutory authorities on 7 December 2011. In January 2012, the Company commenced the public bidding process in respect of the disposal of its 51% equity interest in Winshare Properties as required by relevant PRC laws and regulations. Hua Sheng Group won the bid and entered into an agreement with the Company in February 2012 to acquire the 51% equity interest in Winshare Properties at a cash consideration of RMB24,220,000.

The summarised financial information of the above-mentioned subsidiaries as at 31 December 2011 and for the year ended 31 December 2011 is set out below:

	Chengdu Xinhui RMB'000	Winshare Logistics RMB'000	Winshare Pre-school RMB'000	Winshare Properties RMB'000
Current assets	461,685	2,315	945	47,028
Non-current assets	1,695	50,866	4,538	914
Current liabilities	(280,183)	(5,093)	(1,221)	(338)
Non-current liabilities	(100,000)	–	–	–
Income recognised in profit or loss	1,172	–	516	–
Expenses recognised in profit or loss	(7,597)	(1,310)	(3,556)	(1,535)

None of the above-mentioned proposed disposals was completed as at the date of this report.

(c) Proposed disposals of investments in an associate

A resolution of the Board of Directors was passed on 13 January 2012, pursuant to which, the Company proposed to dispose of its 33.8% equity interest in Hainan Chuangxiang, an associate of the Company, to Xinhua Publishing Group at a cash consideration of RMB3,380,000. The proposed disposal is subject to the approval of the SASAC of Sichuan and other statutory authorities.

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