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册成立之股份有限公司)
(Stock Code 股份代號: 00811)

Annual Report 2012 二零一二年年度報告

* 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)* (resigned on 16 January 2013)
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 (resigned on 16 January 2013)

Editorial and Publication Committee

Mr. Zhao Miao *(Chairman)* (resigned on 16 January 2013)
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 purpose only*

COMPANY SECRETARY

Mr. You Zugang

AUTHORISED REPRESENTATIVES

Mr. Luo Jun
Mr. You Zugang

ALTERNATE AUTHORISED REPRESENTATIVE

Ms. Ma Sau Kuen Gloria

INTERNATIONAL AUDITOR

Deloitte Touche Tohmatsu
35th Floor, One Pacific Place
88 Queensway, Admiralty
Hong Kong

PRC AUDITOR

Deloitte Touche Tohmatsu Certified Public Accountants LLP
30th Floor, Bund Center
222 Yan An Road East
Shanghai
China

HONG KONG LEGAL ADVISER

Li & Partners
22nd Floor, World-wide House
19 Des Voeux Road Central
Central
Hong Kong

REGISTERED OFFICE IN THE PRC

12th Floor, No. 86 Section One
People's South Road, Qingyang District
Chengdu, Sichuan
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKERS

The Industrial and Commercial Bank of China
China Construction Bank

HONG KONG H SHARES REGISTRAR

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

COMPANY WEBSITE

http://www.winshare.com.cn

STOCK CODE

00811

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 December				
	2008 RMB'000	2009 RMB'000	2010 RMB'000	2011 RMB'000	**2012 RMB'000**
Revenue	2,736,936	3,208,988	3,724,239	4,485,577	**4,592,137**
Profit before tax	341,214	366,654	441,542	514,636	**577,857**
Income tax expense	(3,058)	(2,922)	(1,359)	(1,367)	**(1,377)**
Profit for the year	338,156	363,732	440,183	513,269	**576,480**
Non-controlling interests	(168)	(5,074)	(3,246)	9,125	**52,891**
Profit for the year attributable to owners of the Company	337,988	358,658	436,937	522,394	**629,371**
Earnings per share – Basic (RMB)	0.30	0.32	0.39	0.46	**0.56**

ASSETS AND LIABILITIES

	As at 31 December				
	2008 RMB'000	2009 RMB'000	2010 RMB'000	2011 RMB'000	**2012 RMB'000**
Total assets	5,387,558	5,798,025	7,263,857	7,629,342	**8,663,447**
Total liabilities	(1,652,032)	(1,901,311)	(2,461,796)	(2,861,416)	**(3,409,427)**
	3,735,526	3,896,714	4,802,061	4,767,926	**5,254,020**
Equity attributable to owners of the Company	3,673,905	3,810,079	4,630,676	4,579,748	**4,857,904**
Non-controlling interests	61,621	86,635	171,385	188,178	**396,116**
	3,735,526	3,896,714	4,802,061	4,767,926	**5,254,020**

CHAIRMAN'S STATEMENT

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 2012 (the "**Year**").

In 2012, the Group implemented the operation system and control system for integrated industry chain at large, fully capitalised on the operating advantages from integrated industry chain and effectively coped with the changing industry policies and intensifying market competition. Meanwhile, in tapping the market potential of its principal businesses, the Group was driven by the new business model and promoted the transformation of the traditional business. Accordingly, the Group's core competitiveness and sustainability were further enhanced, with steady growth in its operating results. In 2012, the Group recorded a revenue of RMB4,592 million, representing an increase of 2.4% over 2011, with net profit of RMB576 million, and basic earnings per share of RMB0.56. Profit attributable to owners of the Company was RMB629 million, representing an increase of 20.5% over 2011.

In 2012, in optimising the Company's operating and management structure, the Group established a management system in line with the Company's growth strategies and objectives. Accordingly, there was resource integration and optimised management between the publication and distribution businesses, and repeated resource allocation was prevented. The Group was then mainly engaged in the publication and distribution business, while its related cultural business development featured a multi-faceted extended business growth model, ranking among the top industry peers with its overall strength. In 2012, the Group was successively accredited as the "Advanced Collective Entity of National Press and Publication System (全國新聞出版系統先進集體)" and the "National Advanced Work Unit in the Cultural Reform (全國文化體制改革工作先進單位)".

In 2012, the Group made adjustments to the operating segments of the Company according to the changes in the management structure of the Company, pursuant to which the original five segments comprising the "Product, Zhongpan, Subscription, Retailing and Others" were changed to three segments comprising the "Publication, Distribution and Others", thus illustrating the operating conditions and growth directions of the Group in a clearer and more systematic manner. In 2012, with regard to its traditional and principal business segments, publication and distribution, the Group adhered to the market-oriented strategy by optimising its operating strategies, enhancing its control over channels and market competitiveness as well as enriching its content product mix.

Publication business: Capitalising on the operating advantages from integrated industry chain, the Group made use of the planning and management of product lines and the budget management of product life cycles, and focused on the planning of the publication project as well as the benefits to the economy and the community. The Group optimised its content product mix, accelerated its pace to develop business overseas and endeavoured to publish quality products with a view to enhancing operating efficiency and social influence. The Group was given the "Copyright Promotion and Application Gold Award", the highest honour in the global copyright industry, from the World Intellectual Property Organisation at the 4th China International Copyright Expo in 2012.

Distribution business: Education subscription is evolving towards enhancing its education services. In face of the implementation of the new curriculum standard and the change in the means of distribution for textbooks and supplementary materials, the Group proactively changed the operation philosophy and mechanism while further enhanced the services of its channels and the control over the market, realising continuous growth in sales of the subscription business. Centred on "refined management, innovative retailing business form and improved profitability", the retailing segment strengthened business form upgrade and innovation, continued to improve "cultural mall" operating model for large stores, focused on the project development of "Winshare Club • Style Bookstore (軒客會•格調書店)" and drove the optimisation and upgrade of the operation and management of small to medium retail stores. At the same time, the Group continued to utilise its advantages over product resources and channel services to expand its distribution business to libraries in primary and secondary schools (the "**Libraries Distribution Business**") so that the overall operating capacity and profitability of its retailing business could be further enhanced. As to distribution outside Sichuan Province, the Group adopted the operating strategy of "enhancing industry efficiency" and implemented business flow reengineering. Leverage on the business expansion of commercial supermarket book retailing business (the "**Commercial Supermarket Business**"), the Group actively expanded the cross-regional circulation network, pushed ahead the new operating model, drove the momentum for domestic production and endeavoured to develop a new business growth point. Furthermore, the Group continued to probe into its principal businesses and achieved breakthroughs in areas such as information technology, digital publishing and new media, etc. The sales through "Wenxuan Web", a specialised online sales platform of the Group, continued to achieve substantial growth over the same period in 2011. The Group optimised digital education business organisations and marketed the "You Class Digitalised Classrooms" featuring optimised digital education services system at full scale with increasing market share. Meanwhile, the complementary purchasing, logistics, information and publication printing and processing platform was in compliance with the requirements for integrated industry chain operation and business integration, which not only strengthened the ancillary development, but also provided strong support for the Group's content products and channel distribution.

Other businesses: The Group continued to optimise its growth strategies and adjust its investment portfolio, and centred on the development of core business and related businesses as well as the implementation of key projects to fully capitalise on the capital linked effects. The Group selected investment projects favourable to achieving the Group's strategic plans and objectives with a view to enjoying the synergies between the business segments of the Group.

In 2012, the Group also worked with Sichuan Zhuotai Industrial Co., Ltd.* (四川卓泰實業有限公司, "**Zhuotai Industrial**"), one of the leading entities in the vocational education industry in Southwest China, to jointly tap into the vocational education business.

In 2013, as the state is promoting cultural revitalisation, pushing forward cultural system reform, accelerating cultural industry development, and facilitating the transition in the traditional publishing industry to the emerging business model in the publishing industry, the Group will, starting from the publishing industry and aiming at building itself into a first-class cultural media group in the PRC, persistently propel in-depth integration and reform of its principal businesses by leveraging its own advantages, so as to attain steady improvement in traditional principal businesses.

At the same time, the Group will capitalise on resources integration and strategic corporation, accelerate the Group's Initial Public Offering ("**IPO**") in the A Share market, expand financing channels, endeavour to achieve the milestone of the Group's listing in both Hong Kong and Mainland China, and integrate its capital and resources. The Group will continue to seek quality publishing and media industry projects, promote innovative business model and transformation of traditional businesses, create new profit growth points, and steadily propel cross-region and cross-industry development to further enhance the Group's core market competitiveness and sustainability.

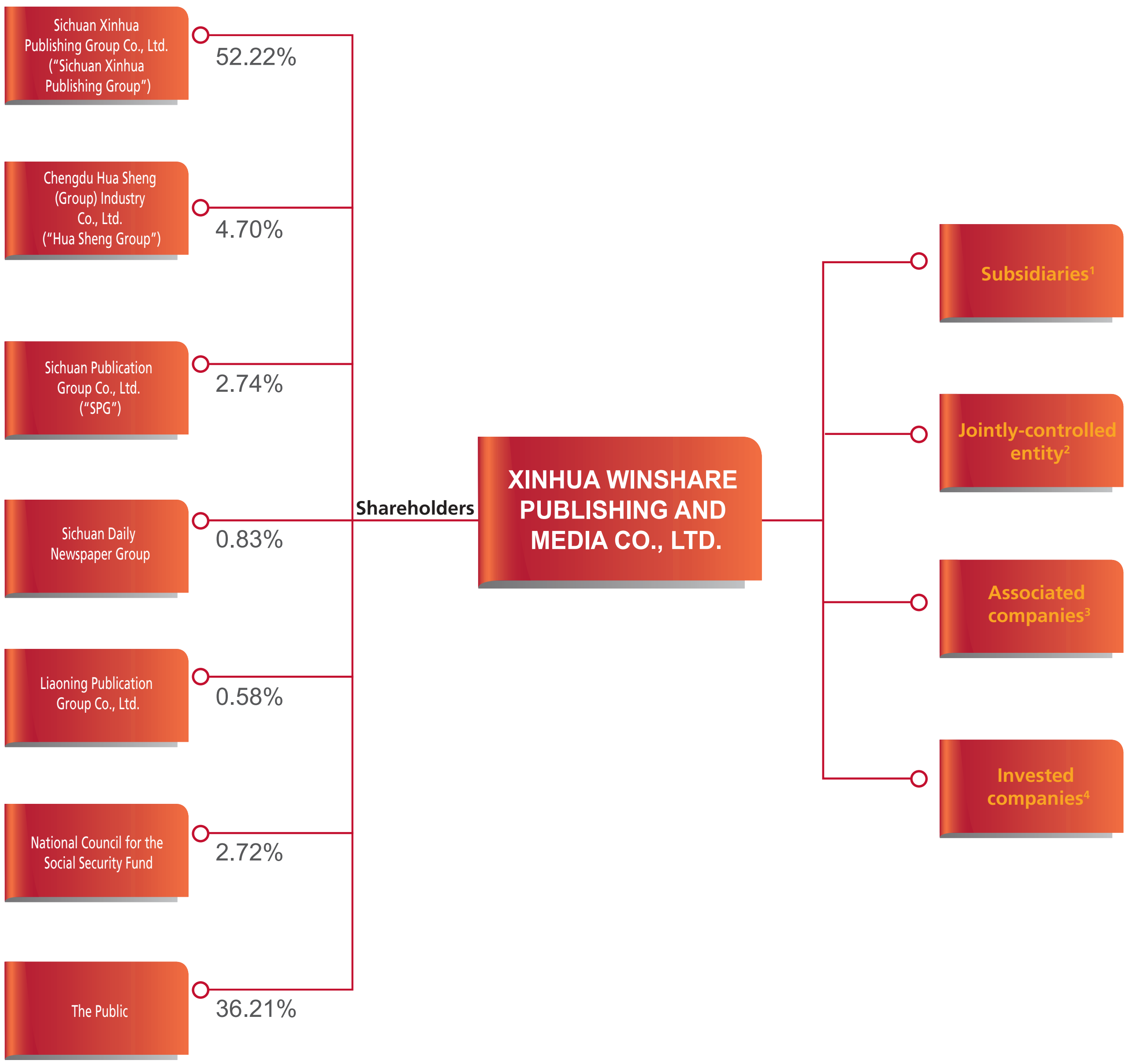
We believe, with the continuous efforts of the Company's management team and staff, we will continue to bring good investment returns to all the Shareholders.

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

8 March 2013

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)	100.00	
2	Sichuan Xinhua Online Network Co., Ltd. (四川新華在線網絡有限責任公司)	100.00	
3	Sichuan Publication Printing Co., Ltd. (四川出版印刷有限公司)	100.00	
4	Sichuan Printing Materials Co., Ltd. (四川省印刷物資有限責任公司)	100.00	
5	Sichuan Shangrui Education Textbooks Co., Ltd. (四川上瑞教育圖書有限責任公司)	100.00	
6	Sichuan People's Publishing House Co., Ltd. (四川人民出版社有限公司)	100.00	
7	Sichuan Education Publishing House Co., Ltd. (四川教育出版社有限公司)	100.00	
8	Sichuan Education and Science Forum Magazine Press (四川省教育科學論壇雜誌社)	100.00	The Company owns 100% equity interest in such subsidiary through Sichuan Education Publishing House Co., Ltd.
9	Primary School Living Magazine (小學生生活雜誌)	100.00	The Company owns 100% equity interest in such subsidiary through Sichuan Education Publishing House Co., Ltd.
10	Sichuan Youth and Children's Publishing House Co., Ltd. (四川少年兒童出版社有限公司) ("**SYCPH**")	100.00	
11	Sichuan Digital Publishing & Media Co., Ltd. (四川數字出版傳媒有限公司)	100.00	
12	Sichuan Literature & Art Publishing House Co., Ltd. (四川文藝出版社有限公司)	100.00	
13	Sichuan Fine Arts Publishing House Co., Ltd. (四川美術出版社有限公司)	100.00	
14	Sichuan Science & Technology Publishing House Co., Ltd. (四川科學技術出版社有限公司)	100.00	
15	Sichuan Discovery of Nature Magazine Press (四川大自然探索雜誌社)	100.00	The Company owns 100% equity interest in such subsidiary through Sichuan Science & Technology Publishing House Co., Ltd.
16	Sichuan Lexicographical Publishing House Co., Ltd. (四川辭書出版社有限公司)	100.00	
17	Sichuan Bashu Publishing House Co., Ltd. (四川巴蜀書社有限公司)	100.00	
18	Sichuan Tiandi Publishing House Co., Ltd. (四川天地出版社有限公司)	100.00	
19	Sichuan Times English Cultural Communication Co., Ltd. (四川時代英語文化傳播有限公司)	51.00	The Company owns 51% equity interest in such subsidiary through Sichuan Tiandi Publishing House Co., Ltd.
20	Sichuan Reader's Journal Press Co., Ltd. (四川讀者報社有限公司)	100.00	
21	Sichuan Pictorial Co., Ltd. (四川畫報社有限公司)	100.00	
22	Sichuan Wenchuan Logistics Co., Ltd. (四川文傳物流有限公司)	100.00	

CORPORATE STRUCTURE OF THE GROUP *(CONTINUED)*

No.	Company Name	Interests attributable to the Group (%)	Remarks
23	Xinhua Winshare Chengdu Distribution Co., Ltd. (新華文軒成都發行有限公司)	100.00	Established in March 2012.
24	Washington Winshare Media, Inc. (華盛頓文軒媒體有限公司)	90.00	Established in April 2012.
25	Beijing Huaying Winshare Movie & TV Culture Co., Ltd. (北京華影文軒影視文化有限公司) ("**Huaying Winshare**")	86.67	In June 2012, the Company injected a capital of RMB50 million into Huaying Winshare, increasing its shareholding from 65% to 86.67%.
26	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)	82.50	
27	Beijing Xinhua Wenxuan Advertising Co., Ltd. (北京新華文軒廣告有限公司)	81.54	
28	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)	80.00	
29	Sichuan Winshare Online E-commerce Co., Ltd. (四川文軒在線電子商務有限公司) ("**Winshare Online**")	75.00	
30	Sichuan Xinhua Winshare Media Co., Ltd. (四川新華文軒傳媒有限公司)	70.00	
31	Sichuan Xinhua Colour Printing Co., Ltd. (四川新華彩色印務有限公司) ("**Xinhua Colour Printing**")	65.00	
32	Sichuan Winshare Arts Investment and Management Co., Ltd. (四川文軒藝術投資管理有限責任公司)	60.00	
33	Chengdu Zhongzhuo Investment Co., Ltd. (成都中卓投資有限公司) ("**Chengdu Zhongzhuo**")	51.00	Established in July 2012.
34	Sichuan Wenxuan Zhuotai Investment Co., Ltd. (四川文軒卓泰投資有限公司) ("**Sichuan Wenzhuo**")	51.00	In November 2012, the Company acquired 51% equity interest in Sichuan Wenzhuo at RMB286,800,000.
35	Sichuan Winshare Education and Investment Co., Ltd. (四川文軒教育投資有限公司)	51.00	
36	Sichuan Xinhua Shang Paper Co., Ltd. (四川新華商紙業有限公司) ("**Xinhua Shang Paper**")	51.00	
37	Beijing Huaxia Shengxuan Book Co., Ltd. (北京華夏盛軒圖書有限公司)	51.00	
38	Sichuan Winshare Preschool Educational Management Co., Ltd. (四川文軒幼兒教育管理有限公司) ("**Winshare Preschool Education**")	51.00	
39	Xinhua Winshare Commercial Chain (Beijing) Co., Ltd. (新華文軒商業連鎖 (北京) 有限公司) ("**Winshare Commercial**")	51.00	
40	Sichuan Joint Economic College (四川聯合經濟專修學院)	51.00	The Company owns 51% equity interest in such subsidiary through Chengdu Zhongzhuo.
41	Sichuan Winshare Vocational College (四川文軒職業學校)	51.00	The Company owns 51% equity interest in such subsidiary through Chengdu Zhongzhuo.
42	Sichuan Zhuotai Tianji Garment Co., Ltd. (四川卓泰天極服裝有限公司)	51.00	The Company owns 51% equity interest in such subsidiary through Chengdu Zhongzhuo.

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)	50.00	

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)	51.00	The Company owns 51% equity interest in such associated company through Sichuan Winshare Education and Investment Co., Ltd.
2	The Commercial Press (Chengdu) Co., Ltd. (商務印書館 (成都) 有限責任公司)	49.00	
3	Guizhou Xinhua Winshare Distribution Co., Ltd. (貴州新華文軒發行有限責任公司) ("**Guizhou Xinhua**")	45.00	
4	Shanghai Jingjie Information Technology Co., Ltd. (上海景界信息科技有限公司)	42.00	The Company owns 42% equity interest in such associated company through Sichuan Winshare Education Technology Co., Ltd.
5	Sichuan Xin Wen Newspapers and Periodicals Distribution Co., Ltd. (四川欣聞報刊發行有限責任公司)	39.00	
6	Chengdu Xinhui Industrial Co., Ltd. (成都鑫匯實業有限公司) ("**Chengdu Xinhui**")	34.00	In November 2012, the Company disposed of its 28.5% equity interest in Chengdu Xinhui to Hua Sheng Group, reducing its shareholding from 62.5% to 34%.
7	Hainan Chuangxiang Cultural Development Co., Ltd. (海南創享文化發展有限公司) ("**Hainan Chuangxiang**")	33.80	
8	Ming Bo Education Technology Co., Ltd. (明博教育科技有限公司)	27.20	In December 2012, such company introduced a new shareholder Beijing Dingan Investment Management Centre (北京鼎安投資管理中心), reducing the Company's shareholding from 34% to 27.2%.
9	Ren Min Eastern (Beijing) Book Industry Co., Ltd. (人民東方(北京) 書業有限公司)	20.00	
10	Beijing Daqijinzhun Investment Management Co., Ltd. (北京大旗金尊投資管理有限公司)	20.00	The Company owns 20% equity interest in such associated company through Huaying Winshare.

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)	24.30	
2	Shanghai Eastern Publishing & Trading Centre Co., Ltd. (上海東方出版交易中心有限公司)	10.00	
3	Sichuan Periodical Media (Group) Co., Ltd. (四川期刊傳媒 (集團) 股份有限公司)	8.00	
4	Anhui Xinhua Media Co., Ltd. (安徽新華傳媒股份有限公司) ("**Wan Xin Media**")	6.85	
5	Bank of Chengdu Co., Ltd. (成都銀行股份有限公司) ("**Bank of Chengdu**")	2.46	
6	Sichuan Xinhua Cultural Communication Co., Ltd. (四川新華文化傳播有限責任公司)	2.05	In March 2012, as a result of Sichuan Xinhua Publishing Group's capital increase of RMB6.12 million, the Company's shareholding decreased from 2.92% to 2.05%.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In 2012, the PRC government promulgated the "Outline of China's Cultural Reform and Development in the 12th Five-Year Plan Period (《國家"十二五"時期文化改革發展規劃綱要》)" regarding the further full deployment on cultural reform and the continuous promotion of the cultural industry as a pillar industry in the national economy. Meanwhile, given the theme of forward leaping development and the positioning of building a pillar industry for the domestic economy, the General Administration of Press and Publication of the PRC (中國新聞出版總署) and the Ministry of Culture (文化部) and other relevant governmental departments also issued a series of policy documents to support the merger and acquisition of the publishing and media groups, drive traditional publishing groups to develop digital publishing business, support media groups to develop business overseas, as well as expand cultural consumption, enhance creativity and core competitiveness of the cultural industry, by offering policy guarantee for the development of the cultural industry.

In view of the industry growth trends, in 2012, the traditional publication market grew steadily and the people's cultural consumption demand remained stable. Digital publishing continued to grow rapidly. Market leaders with abundant copyrights resources and innovative development approaches will take advantages in the reform of the traditional publishing industry.

Furthermore, in order to facilitate the healthy and orderly development of the publishing industry and the educational causes, the state has issued various policy documents to strengthen quality management and market management on educational publications, and to regulate and guide the usage of supplementary materials for primary and secondary schools.

OPERATING RESULTS AND FINANCIAL REVIEW

In 2012, upon integration of the internal resources, the Group implemented integrated operation and management across the industry chains, developed quality products in strengthening its traditional publishing and distribution business, consolidated the channels and market management. Driven by the new business model to improve its existing main businesses, the Group developed the related cultural business by means of capital management to continually enhance its core competitiveness and sustainability.

In 2012, the Group achieved a sales revenue of RMB4,592 million and profit for the Year of RMB576 million, representing an increase of 2.4% and 12.3% respectively as compared with the same period of 2011. The profit attributable to the owners of the Company was RMB629 million, representing an increase of 20.5% as compared to 2011. The basic earnings per share of the Group was RMB0.56.

Revenue

During the Year, the Group recorded a sales revenue of RMB4,592 million, representing an increase of 2.4% from RMB4,486 million as compared with the same period last year, mainly attributable to the growth of revenue in the subscription business under the distribution segment, online sales business and the newly expanded commercial supermarket business of the Group.

Gross Profit Margin

The consolidated gross profit margin of the Group for the Year was 39.4%, which was slightly higher than 38.8% for the corresponding period last year.

Segment Analysis

In 2012, in order to strengthen the integrated operation and management of the publishing and distribution industry chain, the Group made adjustments to the corporate management structure, pursuant to which the operating segments were adjusted from originally five segments comprising Product, Zhongpan, Subscription, Retailing and Others to three segments comprising Publication, Distribution and Others. The new segment structure would help investors understand the operating conditions of the Group in a clearer manner. The following table sets out the adjustments to the segments:

Original segments

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 reportable segment

New segments

Publication	Publishing of publications including books, periodicals, audio-visual products and digital products, etc; provision of printing services and supply of printing materials
Distribution	Distribution of textbooks and supplementary materials to schools and students; retailing, distribution and online sales of publications business, etc.
Others	Other business such as education, investments in film & television and sales of artwork, etc. which do not separately meet the definition of a reportable segment

The Group restated the financial data for 2011 by new segments.

Revenue from operating segments of the Group by new segments for the Year and the corresponding period last year are as follows:

				Percentage of segment sales to revenue before inter-segment sales elimination		Percentage of segment external sales to consolidated revenue	
	2012	2011	Change	**2012**	2011	**2012**	2011
	RMB'000	RMB'000	%	**%**	%	**%**	%
Publication segment							
External sales	**590,713**	628,372	(6.0)	**10.6**	11.3	**12.8**	14.0
Inter-segment sales	**983,907**	1,052,655	(6.5)	**17.6**	19.0		
Total	**1,574,620**	1,681,027	(6.3)	**28.2**	30.3		
Of which: Printing and materials supply	**449,073**	440,427	2.0	**8.1**	7.9		
Distribution segment							
External sales	**3,979,858**	3,800,173	4.7	**71.4**	68.6	**86.7**	84.7
Inter-segment sales	**109**	10	990.0	**0.0**	0.0		
Total	**3,979,967**	3,800,183	4.7	**71.4**	68.6		
Of which: Subscription	**2,828,552**	2,663,079	6.2	**50.7**	48.1		
Retailing	**807,263**	800,170	0.9	**14.5**	14.4		
Commercial supermarket	**107,295**	–	–	**1.9**	–		
Online sales	**145,635**	76,450	90.5	**2.6**	1.4		
Other segment							
External sales	**21,566**	57,032	(62.2)	**0.4**	1.1	**0.5**	1.3
Inter-segment sales	**2,319**	2,660	(12.8)	**0.0**	0.0		
Total	**23,885**	59,692	(60.0)	**0.4**	1.1		
Revenue before inter-segment sales elimination	**5,578,472**	5,540,902	0.7	**100**	100		
Inter-segment sales elimination	**(986,335)**	(1,055,325)	(6.5)				
Consolidated revenue	**4,592,137**	4,485,577	2.4			**100**	100

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

	2012		2011	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
Publication (including inter-segment revenue)	439,076	27.9	400,330	23.8
Of which: Printing and materials supply	30,360	6.8	31,538	7.2
Distribution (including inter-segment revenue)	1,343,319	33.8	1,384,025	36.4
Of which: Subscription	996,343	35.2	1,046,615	39.3
Retailing	304,311	37.7	295,642	36.9
Commercial supermarket	14,777	13.8	–	–
Online sales	17,372	11.9	11,983	15.7
Other segment (including inter-segment revenue)	8,834	37.0	14,642	24.5
Inter-segment revenue elimination	17,212	N/A	(58,449)	N/A
Total	1,808,441	39.4	1,740,548	38.8

Publication segment

The Group's Publication segment covers businesses including editorial and publishing of books, periodicals, audio-visual products and digital products, etc; provision of printing services; and supply of paper materials.

During the Year, while strengthening the integrated management of the educational product business, the Group endeavoured to optimise the product lines of general originality products and the results of specification were well seen. During the Year, a total of 5 projects of the Group were included as subsidy projects of National Publication Foundation for 2012 and 6 projects were selected as the "Key Publication Planning" projects under the 12th Five-Year Plan. Meanwhile, the Group's strategy to expand business overseas saw initial success. The Group was given the Copyright Promotion and Application Gold Award, the highest honour in the global copyright industry, from the World Intellectual Property Organisation at the 4th China International Copyright Expo in 2012.

During the Year, the Publication segment recorded a revenue of RMB1,575 million (including inter-segment sales), of which the revenue from external sales amounted to RMB591 million, representing a decrease of 6.0% from RMB628 million compared with the corresponding period last year, mainly attributable to the Group's launching of specialisation, encouragement of publishing entities to focus on product research and development, optimisation of product structure, enhancement of product quality, and their original external distribution business was gradually transferred to professional channels of the Group.

During the Year, the gross profit margin of the Publication segment was 27.9%, representing an increase of 4.1 percentage points as compared with 23.8% in the same period last year, primarily attributable to the combined effect of the increase in the percentage of sales its own educational products and the adjustment of trading prices.

Distribution segment

The Group's Distribution segment integrates the Zhongpan segment, the Subscription segment, the Retailing segment and part of the online sales business included in Others segment under the original segments, which covers the centralised purchasing, delivery and distribution of textbooks and supplementary materials to schools and students, retailing, distribution business and online sales of publications business, etc.

During the Year, the Distribution segment recorded a revenue of RMB3,980 million, representing an increase of 4.7% from RMB3,800 million compared with the same period last year.

During the Year, the gross profit margin of the Distribution segment was 33.8%, representing a decrease of 2.6 percentage points from 36.4% compared with the corresponding period last year, which was predominantly due to the sales growth of online sales and commercial supermarket business, the gross profit margins of which were lower.

Subscription business

The Subscription business includes the distribution of textbooks and supplementary materials to schools and students, and the provision of primary and secondary school digitalised education services for primary and secondary schools ("**You Class digitalised classrooms**").

Facing the impact from the continuous decrease in the number of students in Sichuan Province, the policy on reusing of textbooks and the administration policy on supplementary materials, the Group further enhanced the quality of service and brand image as an education service provider through strategies such as strengthening regional classification guidance, tapping potential sales and improving efficiency, actively promoting the channel upgrade, etc. At the same time, the Group utilised its channel advantage and continued to expand the market of "You Class digitalised classrooms", casting profound market influence in the aspect of digitalised education across the nation, especially in Sichuan Province.

During the Year, the Subscription business recorded a sales revenue of RMB2,829 million, representing an increase of 6.2% from RMB2,663 million as compared with the same period last year, which was mainly due to the increase in sales of textbooks as a result of the launch of the New Curriculum Standard for Nineteen Subjects and Courses Under Compulsory Education (義務教育階段十九個學科科目新課程標準, "**New Curriculum Standard**"), the curriculum reform in secondary schools and the introduction of penmanship class. At the same time, the Group pushed ahead the promotion of "You Class digitalised classrooms" in addition to its traditional subscription channels. During the Year, the Group recorded a sales revenue of RMB153 million, representing an increase of 170.7% from RMB56.52 million compared with the same period last year. However, as a result of the state's restriction on supplementary materials both in terms of the type and price, sales of supplementary materials for the Year decreased as compared with the same period last year.

During the Year, the gross profit margin of the Subscription business was 35.2%, representing a decrease of 4.1 percentage points from 39.3% in the same period last year, mainly because the sales structure changed, sales of supplementary materials decreased, and the policies and the business of "You Class digitalised classrooms" actively pursued by the Company remained at its preliminary stage with lower gross profit level.

Retailing business

The Retailing business include the retail store business, the group-buying business, and the libraries distribution business. During the Year, facing the impact of e-bookstores and digital publications on traditional book retailing business, the Group, focusing on its business idea of "refined management, innovative retailing business form and improved profitability", improved the sales in the retail store business through measures including improving store functions, enriching joint venture product mix and conducting value-added channel operations. The Group actively promoted the upgrade of small and medium-size stores. As the new model for the small and medium-size stores, "Winshare Club (軒客會)" bookstores have been implemented successively across the Sichuan region and progressed well.

During the Year, the Retailing business recorded a revenue of RMB807 million, representing a slight increase as compared with RMB800 million in the same period last year.

During the Year, the gross profit margin of the Retailing business increased to 37.7% from 36.9% in the same period last year, which was mainly due to the growth in retailing sales from the stores.

Commercial supermarket business

The Group newly expanded the Commercial supermarket business and explored new sources of business growth. During the Year, the Commercial supermarket business recorded a sales revenue of RMB107 million. However, the gross profit level was relatively lower because of its developing stage. Gross profit margin during the Year was 13.8%.

Online sales business

On the background of the fast expanding e-commerce market in China, recently, sales of the Group's Online sales business have grown substantially. During the Year, the Online sales business recorded a sales revenue of RMB146 million, representing an increase of 90.5% from RMB76 million over the same period last year. As a result of the generally higher discount of online sales, the gross profit margin of such business was lower than that of the traditional distribution business.

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 RMB1,552 million, representing an increase of 10.8% from RMB1,401 million in the corresponding period last year, which was mainly due to the increase in operating expenses and labour costs as a result of the expansion into the new business.

Other expenses

Other expenses for the Year amounted to approximately RMB117 million, representing an increase of 67.3% as compared with approximately RMB70 million in the same period last year, which was primarily due to the increase in provision made by the Group during the Year.

Net Finance Income

The net finance income for the Year amounted to approximately RMB15 million, representing a slight increase as compared with approximately RMB13 million in the same period last year.

Profit

The Group's profit for the Year amounted to RMB576 million, representing an increase of 12.3% from RMB513 million in the corresponding period last year, mainly due to the gain arising from the disposal of equity interest in subsidiaries of RMB218 million (including fair value gain arising from re-measurement of the remaining equity interest in Chengdu Xinhui of RMB116 million) and the increase in loss of newly expanded Commercial supermarket business of RMB73 million.

The profit attributable to owners of the Company was RMB629 million, representing an increase of 20.5% from RMB522 million in 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 RMB0.56, representing an increase of 20.0% from RMB0.46 in the corresponding period last year. Please refer to note 15 to the consolidated financial statements for the calculation of earnings per share.

Liquidity and Financial Resources

As at 31 December 2012, the Group had cash and short-term bank deposits of approximately RMB2,177 million, and the interest-bearing bank borrowings of approximately RMB68 million of the Company's subsidiaries. The Company did not have any interest-bearing bank and other borrowings at the end of the Year.

As at 31 December 2012, the gearing ratio (calculated by dividing total liabilities by total assets) of the Group was 39.4%, representing an increase of 1.9 percentage points from 37.5% as at 31 December 2011, which was mainly due to the increase in receipts in advance of the Company and the acquisition of new subsidiaries of the Company. The Group's overall financial structure remained relatively stable.

Foreign Exchange Risk

Almost all of the Group's assets, liabilities, revenues, costs and expenses were denominated in RMB. As a result, the management believes that foreign exchange exposure of the Group is minimal and confirms no foreign exchange hedging arrangement has been made.

Working Capital Management

	31 December 2012	31 December 2011
Current ratio	**1.3**	1.4
Inventory turnover days	**133.6 days**	124.9 days
Trade and bills receivables turnover days	**49.7 days**	43.1 days
Trade and bills payables turnover days	**212.3 days**	190.3 days

As at 31 December 2012, the current ratio of the Group was 1.3, which was slightly lower as compared to 1.4 as at 31 December 2011. It was mainly due to the fact that the majority of assets of the Company's newly acquired subsidiary, Sichuan Wenzhuo, are non-current assets such as property, machinery and equipment, etc. which led to a lower current ratio.

During the Year, inventory turnover days, trade and bills receivables turnover days and trade and bills payables turnover days were 133.6 days, 49.7 days and 212.3 days respectively, all of which were slightly longer than 2011.

Overview of Material Investments

During the Year, the Group continued to cement its traditional publishing and distribution businesses, improved industrial layout, and strengthened its efforts in education and cultural related businesses, with a view to continuously establishing the Group as a first-class cultural media group in the PRC.

To tap into the vocational education industry and quickly expand the Group's education business, the Company and Zhuotai Industrial, one of the leading entities in the vocational education industry in south-west China, cooperated to develop vocational education business during the Year. In this regard, the Company obtained 51% equity interest in each of Chengdu Zhongzhuo and Sichuan Wenzhuo at the consideration of RMB29.58 million and RMB286.80 million, respectively. Please refer to the announcements of the Company dated 6 November 2012 for details.

During the Year, to meet the operation and development needs of the Company's subsidiary Winshare Commercial, the Company completed the capital injection of RMB86.70 million into

Winshare Commercial according to the agreement. However, as Winshare Commercial was still at its developing stage, substantial preliminary expenses were incurred. Loss for the Year amounted to RMB73 million, including provision for impairment loss of intangible assets of RMB12 million.

In May 2012, to develop the Group's film culture business, the Company injected a capital of RMB50 million into its subsidiary Huaying Winshare. After completion of the capital injection, the Company's shareholding in Huaying Winshare increased from 65.0% to 86.7%.

During the Year, the Company obtained dividend incomes of RMB14.40 million and RMB7.48 million for the year 2011 from Bank of Chengdu and Wan Xin Media, respectively.

In addition, in 2012, the Company disposed of 51% equity interest in Sichuan Winshare Logistics Co., Ltd. (四川文軒物流有限公司, "**Winshare Logistics**"), 51% equity interest in Sichuan Winshare Properties Co., Ltd. (四川文軒置業有限公司, "**Winshare Properties**") and 28.5% equity interest in Chengdu Xinhui. All of the relevant procedures were completed. Gain on disposals amounted to RMB218 million (including fair value gain arising from re-measurement of the remaining equity interest in Chengdu Xinhui of RMB116 million). Please refer to note 48 to the consolidated financial statements for details.

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

Leveraging on the Group's extensive experience in serving primary and secondary schools over the years as well as its capability and advantage in digitalised education services, in July 2012, the Company entered into a strategic cooperation agreement with the Education Department of Sichuan Province (四川省教育廳) to jointly establish an information system management and application platform for the libraries of primary and secondary schools (中小學圖書館信息系統管理應用平台) in Sichuan Province, as well as to cooperate on the research, development and application of the content for educational products. This cooperation will greatly promote the Company's transformation from a traditional publisher and distributor into a modern education service provider in the education sector, thus expanding the Group's market share in digitalised education services for primary and secondary schools.

In addition, the Company capitalised on the benefit of integrated operation of industry chains after business integration and explored the abundant resources of cultural publishing in Sichuan Province to develop quality products and find ways to develop business overseas. In 2012, the Company has established strategic cooperation with McGraw-Hill Education Group in the United States and the New World Press under China International Publishing Group (also known as CIPG), agreeing to cooperate in areas including topic selection and development, digital publishing, copyright trading and cultural exchange, etc, which will speed up the pace of the Group's publishing segment to develop business overseas.

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, capitalising on resources integration and strategic cooperation, the Group will integrate its capital and resources to promote innovative industry environment and transformation of traditional businesses towards businesses of new model of the Group, so as to drive the Group toward leaping development.

In this regard, the Board of the Company has resolved on the proposed issue of A shares ("**A Share Issue**") on 16 January 2013. The A Share Issue, upon completion, will provide new financial channels for the business development of the Company and offer resource protection to the Company for enhancing sustainability and core competitiveness. The A Share Issue was approved at the extraordinary general meeting and class general meetings held on 8 March 2013, subject to the approvals from China Securities Regulatory Commission (中國證券監督管理委員會) and other relevant regulatory authorities. Please refer to the Company's announcement dated 16 January 2013 and the circular dated 5 February 2013 for details.

Based on the foregoing, in the future, the Company will focus on implementation of the following strategies:

1. further drive the profound integration of the publishing and distribution businesses, develop new structure and model for the publishing business, capitalise on generating advantages from integration, implement nationwide influential publishing quality products, and enhance the operating ability of the publishing market;

2. continue to facilitate the upgrade of the Company's middle and small size retail stores, propel the upgrade and expansion project of retail stores, and improve operation capacity and profitability of publication retailing channels; meanwhile, steadily push ahead the expansion of commercial supermarket business, and tackle changes in the publication consumption market;

3. perfect the digitalised education application system "You Class digitalised classrooms", implement the service platform of education cloud project, and drive the strategic expansion of the Group from a primary education service provider to an education information product provider and education information service operator;

4. enhance the operating ability of the Group's e-commerce business and drive the development of digital publishing platform; as well as continue to facilitate integration of traditional principal businesses and digitalised publishing business to realise innovation and transformation of the Group's business model;

5. facilitate construction of the Group's logistics network and information system, implement the logistic network construction project in Western China as well as the ERP construction and upgrade project, further improve the Group's logistics and distribution capacities and information processing capacity, and strengthen the logistic and information support for the Group's principal businesses; and

6. actively propel cross-regions development in related cultural and education industries, and further enhance the Group's market competitiveness and sustainability in development.

CORPORATE GOVERNANCE REPORT

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. During the Year, the Company has fully adopted and complied with the principles and the code provisions of the Code on Corporate Governance Practices (which was amended and renamed as the Corporate Governance Code and Corporate Governance Report on 1 April 2012, the "**CG Code**") 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**").

According to the Listing Rules and the latest amendments to the CG Code, the Board has taken actions and measures to gradually improve the corporate governance function of the Company and further strengthen the development of the corporate governance system of the Company to ensure that the Company is in strict compliance with the relevant requirements in all aspects.

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 material related relationship among the respective Directors and the Chairman and general manager.

Composition of the Board

During the Year, the third session of the Board of the Company comprised 9 Directors, including 3 executive Directors, Mr. Gong Cimin (Chairman), Mr. Zhao Miao (Vice Chairman) and Mr. Luo Yong, 3 non-executive Directors, Mr. Luo Jun, Mr. Zhang Chengxing and Mr. Zhao Junhuai and 3 independent non-executive Directors, Mr. Han Xiaoming, Mr. Chan Yuk Tong and Mr. Han Liyan. 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. 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.

On 16 January 2013, Mr. Zhao Miao resigned as executive Director, Vice Chairman, chairman of Editorial and Publication Committee and member of Strategy and Investment Planning Committee with effect on the same date due to adjustment of his personal career commitments.

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

Directors' Time Commitment

In addition to attending official meetings to find out the business of the Company, the Directors of the Company also hear the reports of the management of the Company regularly, review the monthly operating information provided by the management of the Company and visit the major operating venues of new businesses to actively monitor the business affairs of the Company. In that way, they can have a thorough understanding of the business of the Company to better fulfil their duties as directors. After due and careful review, the Board of the Company considers that the Directors of the Company dedicated sufficient time and efforts to fulfil their duties as directors during the Year.

Directors' Training

The Company attaches great importance to the development and improvement of Directors' knowledge and skills and continues to offer suitable training to each Director according to the PRC laws and regulations and the latest amendments to the regulations of the listing place of its shares to assist the Directors' ongoing professional development and to ensure them better fulfil their duties as directors. Each Director is also aware of the importance of development and refreshing knowledge and actively participates in the training of ongoing professional development. In 2012, the Company invited qualified professionals to provide corporate governance training on continuing disclosure responsibilities of listed companies and major regulatory laws and regulations for the Directors and all Directors attended the training. The Directors' record for attending the training programme was maintained by the company secretary. The record for Directors who attended the training during 2012 is as follows:

Name	Training attendance	Training time (hours)
Executive Directors		
Gong Cimin *(Chairman)*	✓	15
Zhao Miao* *(Vice Chairman)*	✓	15
Luo Yong	✓	15
Non-executive Directors		
Zhang Chengxing	✓	15
Luo Jun	✓	15
Zhao Junhuai	✓	15
Independent non-executive Directors		
Han Xiaoming	✓	15
Han Liyan	✓	15
Chan Yuk Tong**	✓	36.5

Notes:

* Mr. Zhao Miao resigned as Director and relevant positions of the Company on 16 January 2013.

** In addition to the corporate governance training organised by the Company, Mr. Chan Yuk Tong also attended the relevant training programmes (covering corporate governance, audit and information disclosure, etc.) organised by Global Sweeteners Holdings Limited, Hong Kong Investor Relations Association, Ernst & Young and Ascenda Cachet CPA Limited.

Directors' Insurance

Since the listing of its H shares, the Company has attached much importance to the risk management about directors' liabilities and has purchased liability insurance for its Directors, supervisors ("**Supervisors**") and senior management of the Company.

Board Meetings

During the Year, the Board for the third session convened a total of 13 Board meetings, of which 10 were attended in person and 3 were held by way of written resolutions. The Board meetings reviewed resolutions including the amendments to the Articles of Association, the Working Rules for the Audit Committee of the Board, the Working Rules for the Remuneration and Review Committee of the Board, the Working Rules for the Nomination Committee of the Board, continuing connected transactions, engagement of auditors, 2011 annual results, 2012 interim results, establishment of Xinhua Winshare Publishing and Media Creativity Centre (新華文軒出版傳媒創意中心) and its preliminary investment cost and several plans on equity transfer of subsidiaries, etc.

All the above-mentioned Board meetings were convened in accordance with the requirements of the Articles of Association, the Terms of Reference of Board Meeting and the Listing Rules.

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

Attendance of members of the Board for the third session at Board meetings
(For the period from 1 January 2012 to 31 December 2012)

Name	Attendance in person/ Number of meetings requiring attendance	Attendance by director proxy	Attendance rate
Executive Directors			
Gong Cimin *(Chairman)*	13/13	0	100%
Zhao Miao* *(Vice Chairman)*	9/13	1	70%
Luo Yong	12/13	1	92%
Non-Executive Directors			
Zhang Chengxing	13/13	0	100%
Luo Jun	13/13	0	100%
Zhao Junhuai	11/12	1	92%
Independent Non-executive Directors			
Han Xiaoming	12/12	0	100%
Chan Yuk Tong	9/12	3	75%
Han Liyan	12/12	0	100%

Attendance of members of the Board for the third session at general meetings

(For the period from 1 January 2012 to 31 December 2012)

Name	Attendance in person/ Number of meetings requiring attendance	Attendance rate
Executive Directors		
Gong Cimin *(Chairman)*	2/2	100%
Zhao Miao* *(Vice Chairman)*	1/2	50%
Luo Yong	2/2	100%
Non-Executive Directors		
Zhang Chengxing	2/2	100%
Luo Jun	2/2	100%
Zhao Junhuai	2/2	100%
Independent Non-executive Directors		
Han Xiaoming	2/2	100%
Chan Yuk Tong	2/2	100%
Han Liyan	2/2	100%

Note:

* Mr. Zhao Miao resigned as Director and relevant positions of the Company on 16 January 2013.

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:

The attendance of the members of Board Committees for the year ended 31 December 2012 is as follows:

	Attendance in person/Number of meetings requiring attendance				
Name	Strategy and Investment Planning Committee	Editorial and Publication Committee	Audit Committee	Remuneration and Review Committee	Nomination Committee
Executive Directors					
Gong Cimin *(Chairman)*	–	–	–	–	–
Zhao Miao* *(Vice Chairman)*	0/1	0/1	–	–	–
Luo Yong	–	1/1	–	–	–
Non-Executive Directors					
Zhang Chengxing	1/1	1/1	–	–	–
Luo Jun	–	–	–	3/3	2/2
Zhao Junhuai	1/1	–	3/3	–	–
Independent Non-executive Directors					
Han Xiaoming	1/1	–	3/3	3/3	2/2
Chan Yuk Tong	–	–	3/3	–	2/2
Han Liyan	1/1	–	–	3/3	–

Note:

* Mr. Zhao Miao resigned as Director and relevant positions of the Company on 16 January 2013.

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. Zhang Chengxing and Mr. Zhao Junhuai. As the former member Mr. Zhao Miao resigned as Director and relevant positions of the Company, there is one member vacancy in the committee pending upon the election of new member. 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 Board convened 1 meeting by way of written resolutions. All committee members (other than Mr. Zhao Miao) signed all written resolutions, pursuant to which amendments to the Working Rules for the Strategy and Investment Planning Committee of the Board were considered and approved, and the Working Rules for the Strategy and Investment Planning Committee of the Board were amended according to the growth conditions of the Company.

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.

The Editorial and Publication Committee comprises 3 Directors, current members being Mr. Zhang Chengxing and Mr. Luo Yong. Mr. Zhao Miao, an executive Director, was formerly the chairman of the committee. However, as Mr. Zhao Miao resigned as Director and relevant positions of the Company on 16 January 2013, chairman of the committee is now vacant, pending upon the election of new chairman of the committee.

During the Year, the Editorial and Publication Committee of the Board convened 1 meeting by way of written resolutions. All committee members (other than Mr. Zhao Miao) signed all written resolutions, pursuant to which amendments to the Working Rules for the Editorial and Publication Committee of the Board was considered and approved, and the Working Rules for the Editorial and Publication Committee of the Board were amended according to the growth conditions of the Company.

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; and (6) to perform the corporate governance responsibilities, 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 Board convened a total of 3 meetings. All committee members attended all the meetings in person and signed all written resolutions to consider the various resolutions including 2011 annual results, 2012 interim results, internal control issues of the Company, auditor's engagement, continuing connected transactions, amendments to the Working Rules for the Audit Committee of the Board and review of the Company's compliance with the CG Code under the Listing Rules, etc, to submit its recommendations to the Board, playing a positive role in helping the Board's decision-making.

Furthermore, pursuant to the latest amendments to the Listing Rules with respect to the CG Code, the Board of the Company has designated the corporate governance function to the Audit Committee to enhance the overall corporate governance level of the Company. Through communicating with the Company's management, internal audit department, external auditors and internal control consultant, the Audit Committee reviewed the relevant documents provided by the Company; followed up the implementation of the management recommendations put forth by the auditors and internal control consultant; evaluated and monitored the formulation and implementation of internal control and corporate governance policies of the Company and the compliance with the CG Code by the Directors, Supervisors and senior management; and reported the evaluation results to the Board, which effectively facilitated further enhancement of the internal control standard and corporate governance level of the Company with their due performance of corporate governance duties.

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 to the Board; (2) to evaluate and examine the remuneration policies and proposals applicable to the Company's Directors and senior management, etc. Currently, the Remuneration and Review Committee is delegated with the authority by the Board to determine the remuneration packages of individual executive Directors and management personnel.

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 Board convened a total of 3 meetings. All committee members attended the meetings in person and signed all written resolutions. The meetings mainly considered the resolutions regarding the amendments to the Working Rules for the Remuneration and Review Committee of the Board, remuneration and performance assessment of operating management team for 2011, share incentive proposal of the Company and establishment of management performance assessment measures drafting and revision work group.

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; and (4) to assess the independence of independent non-executive Directors, 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 Board convened 2 meetings. All committee members attended the meetings in person and signed all written resolutions. The meetings mainly considered the resolutions regarding the amendments to the Working Rules for the Nomination Committee of the Board and the Working Rules for the Nomination Committee of the Board were amended according to the revisions to the Listing Rules.

DIRECTORS

Appointment and Re-election of Directors

The Directors, including non-executive Directors and independent 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 of the Company 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 Independent Non-executive Directors

The Company currently has 3 independent non-executive Directors with a term of not exceeding 9 years for each independent non-executive Director, 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. Each independent non-executive Director has entered into the letter of engagement with the Company for a term of three years commencing from their respective dates of engagement.

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.

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.

Details of Controlling Shareholder and Ultimate Controlling Shareholder

The controlling shareholder of the Company is Sichuan 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**"). Sichuan Development is defacto controlled by the State-owned Assets Supervision and Administration Commission of Sichuan Provincial Government (the "**SASAC of Sichuan**"), thus the Company is beneficially controlled by SASAC of Sichuan.

The Company is independent from the business operations of the controlling shareholder in terms of personnel, organisation, 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 operations and decision-making.

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.

SHAREHOLDERS AND GENERAL MEETINGS

The Company endeavours to ensure that all Shareholders, especially the minority shareholders, of the Company enjoy equal rights and can fully exercise their rights. 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 despatched 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 1 extraordinary general meeting. The meetings considered and passed many important resolutions such as the 2011 annual report, profit distribution proposal for 2011, auditor's engagement, amendments to the Articles of Association, and establishment of Xinhua Winshare Publishing and Media Creativity Centre (新華文軒出版傳媒創意中心) and preliminary investment cost, 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 organisation 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.

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 Supervisory Committee convened a total of 4 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 by the Board to organise and lead the daily operation of the corporate internal control. The Company has established an audit department, a discipline inspection office and a legal and compliance department, responsible for evaluating, inspecting and following-up on the effectiveness of internal control; handling the matters on complaints reporting and dealing with matters on daily discipline inspection and supervision; and checking economic contracts in advance and providing professional assistance afterwards when disputes arise, respectively.

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. The Company set up an regulatory system review team, which had a positive effect on examining the regulatory system of the Company, improving the regulatory system of the Company and facilitating 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. It processed various kinds of complaint reporting to form a multi-angle and multi-level internal control mechanism within the Company. It also implemented legal and effective checking on economic contracts to safeguard the legal interests of the Company.

In addition, during the Year, the Company continued to pay close attention to major business organisations, material business matters and high risk areas. Protiviti Shanghai Co., Ltd. continued to be engaged by the Board to examine and evaluate on the internal control functions for the related organisations, business matters and areas of the Company. The areas included budget management, fund management, procurement and payment, logistics management, production management, fixed asset management, and major business procedures of retail chain business department, etc. The Board also followed-up on the weaknesses discovered in internal review during last year and found out that rectification progress was satisfactory.

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 17 May 2012, the Company approved the engagement of Deloitte Touche Tohmatsu as the Company's international auditor for 2012 and Deloitte Touche Tohmatsu Certified Public Accountants LLP (previously known as Deloitte Touche Tohmatsu CPA Ltd., "**Deloitte Touche Tohmatsu CPA**") as the Company's PRC auditor for 2012. Their engagements shall continue until the conclusion of the forthcoming annual general meeting of the Company. The Board was authorised 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 (2011: RMB2.4 million).

During the Year, the Group paid the audit fee for the initial public offering of A shares amounting to RMB800,000 (2011: nil) to Deloitte Touche Tohmatsu CPA.

Save as disclosed above, during the Year, the Group had not paid any other non-audit service fees to Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu CPA.

In addition, during the Year, the Group paid service fee of RMB260,000 to Deloitte Consulting (Shanghai) Company Limited, a member firm of the international and PRC auditors, in respect of its human capital consulting service provided to the Group.

COMPANY SECRETARY

Mr. You Zugang was appointed as company secretary of the Company in June 2005. The biographical details of Mr. You are set out in the section "Profile of Directors, Supervisors and Senior Management" in this annual report.

Under the newly issued Rule 3.29 of the Listing Rules, Mr. You received more than 15 hours of relevant professional training for the year ended 31 December 2012.

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

Procedures for convening extraordinary general meetings by Shareholders

According to the provisions of the Articles of Association, Shareholders of the Company shall be entitled to the right to propose, convene and preside over, to attend or appoint a proxy to attend Shareholders' general meetings and to exercise the corresponding voting right thereat in accordance with laws.

The Company shall hold an extraordinary general meeting of Shareholders within two months if Shareholders (individually or jointly) holding more than 10% of the Company's issued shares with voting rights request in writing to hold an extraordinary general meeting. Shareholders who request for the convening of an extraordinary general meeting or a class meeting shall comply with the following procedures:

(1) Shareholders individually or jointly holding more than 10% of the Company's shares carrying the right to vote at the general meeting sought to be held shall be entitled to require the Board to convene a Shareholders' extraordinary general meeting or a class meeting thereof in writing. The Board shall provide its feedbacks and opinions in writing as to agreeing or disagreeing the convening of the Shareholders' extraordinary general meeting or class meeting thereof within 10 days upon the receipt of the said written requisition in accordance with the laws, administrative regulations and provisions of the Articles of Association. If the Board agrees to convene a Shareholders' extraordinary general meeting or a class meeting thereof, a notice convening the Shareholders' general meeting or class meeting shall be issued within 5 days from the date of the Board's resolution. Any changes to the original requisitions in the notice shall be subject to the consent from the relevant Shareholders. The amount of shareholdings referred to above shall be calculated as at the date of deposit of the requisition.

(2) If the Board disagrees with the proposal to convene the Shareholders' meeting upon receipt of the said written requisition or does not make any feedbacks within 10 days therefrom, Shareholders individually or jointly in aggregate holding more than 10% shares of the Company shall be entitled to require the Supervisory Committee to convene a meeting in writing. If the Supervisory Committee agrees to convene the meeting, a notice convening the meeting shall be issued within 5 days from the date of receiving the written requisition. Any changes to the original requisitions in the notice shall be subject to the consent from the relevant Shareholders. If no notice of meeting is issued by the Supervisory Committee within the stipulated period, no meeting shall be deemed to be convened and presided over by the Supervisory Committee. Shareholders individually or jointly holding more than 10% shares of the Company for 90 consecutive days may convene preside over the meeting on their own in the same manner as which Shareholders' general meetings are convened by the Board (Shareholders convening the meeting shall hold no less than 10% of shares before the announcement of the resolutions at the general meeting).

Procedures to make an inspection request to the Board

Pursuant to the provisions of the Articles of Association, Shareholders of the Company may inspect information including the Articles of Association, personal particulars of the Directors, Supervisors, general manager and other senior management of the Company, minutes of general meetings, resolutions of board meetings, resolutions of Supervisory Committee meetings and the latest audited financial statements of the Company and report of directors or make a request for inspection to the Board.

Shareholders inspecting relevant information, requesting information or making an inspection request to the Board may make the request to the Board office of the Company (detailed contacts are published on the website of the Company). Shareholders shall provide written documents evidencing the type of shares and number of shares held in Company and the relevant information shall be provided to Shareholders upon request after verification of the shareholder's identity by the Company.

Procedures to make recommendations at general meetings

Shareholders may make recommendations at the general meeting by two means: proposing a provisional resolution at general meetings and requiring the right to speak at the general meeting.

At the general meeting convened by the Company, Shareholders individually or jointly holding more than 3% shares of the Company shall be entitled to propose a provisional resolution in writing 10 days prior to the convening of the general meeting and submit to the convenor. A supplementary notice of general meeting shall be issued by the convenor of the general meeting within 2 days from the receipt of the resolution proposed.

Shareholders attending the general meeting may require the right to speak. The right to speak at general meetings can be conducted in writing and verbally. Shareholders or proxies requiring the right to speak shall register with the secretary to the Board or the chairman of the meeting prior to voting. The order of speaking shall follow the registration order. The number of speakers registered for each resolution shall not exceed 10 persons in general and each shareholder shall not speak more than twice. Save as commercial secrets of the Company which cannot be disclosed to public, Directors, Supervisors and senior management shall give answers or explanations to the queries and recommendations made by the Shareholders.

Amendments to the Articles of Association

Due to business development, the Company amended the Articles of Association of the Company once during the Year, primarily targeting at the expansion of the scope of operations of the Company. The resolution regarding the amendment to the Articles of Association was considered and approved at the extraordinary general meeting held on 20 December 2012. Please refer to the circular of the Company dated 6 November 2012 for details.

Communications with investors and investor relations

The Company has formulated the Investor Relations Management System to strengthen and regulate the information exchange between the Company and investors and to deepen the investors' understanding of the Company. The Company provides multi channels and multi layered communication methods to investors, including but not limited to:

– publication of annual reports, interim reports and provisional announcements of the Company in a timely manner in accordance with the regulatory requirements of the listing place of the Company;

– respect for Shareholders' right to question by providing the opportunity for minority shareholders to attend the general meetings;

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

– reception of routine visits from investors and analysts;

– one-on-one communication with investors, analysts and financial media through analyst meetings, results presentations and road shows to increase the Shareholders' and investors' understanding of the Company;

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

The Company fulfils its continuing disclosure obligations and responsibilities pursuant to the regulatory requirements of the listing place of its shares and makes information disclosure as appropriate in accordance with the principle of compliance, transparency, adequacy and continuity to ensure that Shareholders and investors can obtain information of the Company in a timely and complete manner.

The Company is in adherence to maintaining sound and effective two-way communication with Shareholders and investors, allowing investors locally and abroad to understand the operation and growth conditions of the Company in a timely and sufficient manner. In 2012, the Company maintained routine contact with domestic and overseas investors through annual report road show, telephone, email and investors' company visit, organised exchange between holders of H share and management of the Company at the general meetings, and arranged visits of the principle place of business of the Company. The interaction of investor relations has helped strengthen the communication with investors and allowed timely disclosure of relevant information of the Company, thus increasing the information transparency of the Company and safeguarding the Company's good image on corporate governance in the capital market.

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, strengthen our risk management and internal control, continue to review and improve its corporate governance, leverage its corporate governance standard as and when appropriate and improve our transparency of information disclosure continuously, so as 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 58, currently Chairman and executive Director of the Company; chairman and party secretary of Sichuan Xinhua Publishing Group; and chairman and party secretary of SPG. Meanwhile, he is also 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. Mr. Gong held the positions of deputy manager, general manager and party secretary of Chengdu City Xinhua Bookstore; head of Chengdu City Management Centre (成都市管理中心主任) of Sichuan Xinhua Publishing Group and vice president of Sichuan Xinhua Publishing Group; and executive Director, general manager and vice Chairman of the Company. He has been chairman and party secretary of Sichuan Xinhua Publishing Group since February 2007, executive Director of the Company since June 2005, Chairman of the Company since September 2009, and chairman and party secretary of SPG since November 2012. Mr. Gong obtained the certificate of completion for a master's degree in economics and business administration from Sichuan University, and he is a senior economist.

Luo Yong (羅 勇), aged 50, currently executive Director and general manager of the Company. He worked as journalist for Ganzi News; office head, assistant to president, vice president, president, party secretary and editor-in-chief for Sichuan Nationalities Press (四川民族出版社); deputy head of management committee of SPG; and president of Sichuan Nationalities Press. Mr. Luo has been deputy party secretary of SPG since October 2010, general manager of the Company since July 2008 and executive Director of the Company since September 2011. He graduated from the Faculty of Chinese Language of Southwest University for Nationalities, majoring in journalism, and completed a journalism course at the College of Arts of Southwest University for Nationalities and an advance programme on business administration from Renmin University of China, respectively. He possesses the professional qualification as an editor and enjoys special government subsidy granted by the State Council.

Non-Executive Directors

Luo Jun (羅軍), aged 47, currently non-executive Director of the Company; director and vice president of Sichuan Xinhua Publishing Group; chairman of Sichuan Xinhua Haiyi Hotel Management Co., Ltd. and Shudian Investment Co., Ltd. He held the positions of secretary of the directly administered entities youth league committee (直屬機關團委書記), deputy head and head of the personnel education department (人事教育處副處長) for Sichuan Provincial Bureau of Press and Publication; and chief officer of the training centre of Sichuan Provincial Bureau of Press and Publication (四川省新聞出版局培訓中心主任). Mr. Luo was Supervisor of the Company from April 2006 to July 2008 and was appointed as chairman of the Supervisory Committee in May 2006. He has been director and vice president of Sichuan Xinhua Publishing Group since January 2006 and non-executive Director of the Company since 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 later obtained a master's degree in economics management at the Central Chinese Communist Party School (中央黨校).

Zhang Chengxing (張成行), aged 56, currently non-executive Director of the Company; director and vice president of Sichuan Xinhua Publishing Group. He held the positions of deputy chief of the press publication office and chief officer 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). Mr. Zhang has been director and vice president of Sichuan Xinhua Publishing Group since January 2006 and non-executive Director of the Company since July 2008. Mr. Zhang graduated from Sichuan Nanchong Teachers College (四川南充師範學院), majoring in Chinese Language, and later obtained a master diploma in law from Sichuan Provincial Communist Party School (四川省委黨校).

Zhao Junhuai (趙俊懷), aged 45, currently non-executive Director of the Company; vice chairman of Hua Sheng Group; 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 Industrial Co., Ltd. and Sichuan Winshare Logistics Co., Ltd.; and director of Sichuan Winshare Properties Co., Ltd. and Sichuan Winshare Preschool Educational Management Co., Ltd. He held the positions of deputy general manager of the International Business Department of the Sichuan Branch of China Construction Bank, president of the eighth sub-branch of Sichuan Branch of China Construction Bank and vice director of the management committee of Chengdu Economic Development Zone. He has been non-executive Director of the Company since October 2007. Mr. Zhao obtained a bachelor's degree in agricultural economic management from Sichuan Agricultural University (四川農業大學), 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).

Independent Non-Executive Directors

Han Xiaoming (韓小明), aged 60, currently independent non-executive Director of the Company, professor (PhD tutor) in the department of Economics in Renmin University of China, 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 standing council member of China Information Economics Society. Mr. Han acted as associate dean of the China Economic Reform and Development Research Institute (中國經濟改革與發展研究院). He was involved in several research projects organised by the Department of Propaganda of China, GAPP, the Joint Research and Study Committee for Higher Education Press Reform of the Ministry of Education (教育部高校出版社改革聯合調研組) and GAPP's Publication System Reform Research and Study Group (新聞出版總署發行體制改革調研組) and issued or published a number of related research reports or papers. He was also 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 acted as consultant for many asset reorganisation 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). He has been independent non-executive Director of the Company since June 2005. Mr. Han graduated from Renmin University of China majoring in politics and economics.

Han Liyan (韓立岩), aged 58, currently independent non-executive Director of the Company; professor (PhD tutor) and professor responsibility of economic subject in the Faculty of Economics and Management of Beihang University (北京航空航天大學); independent director of China Aerospace Investment Holdings Co., Ltd. (航天投資控股有限公司); as well as PhD tutor in quantitative economics at Capital University of Economics and Business; visiting professor of the EMBA programme of the Business School of University of North Alabama, USA, EMBA programme of Sichuan University and Shanxi University of Finance and Economics (山西財經大學); council member and deputy secretary general of Western Returned Scholars Association, Germany and Austria Branch; standing council member of China Quantitative Economics Association (中國數量經濟學會); council member of the Chinese Finance Annual Meeting (中國金融學年會); council member of the financial system engineering professional committee of Systems Engineering Society of China (中國系統工程學會); vice chairman of Beijing Operation Research Society; thesis reviewer of the Chinese Economist Society Annual Conference (中國經濟學年會); and member of technology committee of Aviation Industry Corporation of China. Mr. Han was a teacher at Capital University of Economics and Business (首都經濟貿易大學) and served as head of department of fundamental courses and PhD tutor in quantitative economics. He was engaged in an economic research project on global banks at the Chinese Economy Research Centre of Peking University (北京大學). In 1999 and 2004, he conducted senior interview 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 successively spearheaded over 10 national and ministerial scientific foundation projects and administration projects for a number of large-scale conglomerates. He was granted four ministerial Science and Technology Achievement Awards. He has been independent non-executive Director of the Company since September 2011. Mr. Han graduated from Beijing Normal University (北京師範大學) with a PhD degree, majoring in science, and then he was engaged in macroeconomics postdoctoral research at Vienna University of Economics and Business, Austria with a special government subsidy granted by the State Council.

Chan Yuk Tong (陳育棠), aged 50, currently independent non-executive Director of the Company; practising fellow member of the Hong Kong Institute of Certified Public Accountants; and member of CPA Australia. 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: 729	Independent non-executive director
Daisho Microline Holdings Limited	Stock Exchange: 567	Independent non-executive director
Kam Hing International Holding Limited	Stock Exchange: 2307	Independent non-executive director
BYD Electronic (International) Co., Ltd.	Stock Exchange: 285	Independent non-executive director
Global Sweeteners Holdings Limited	Stock Exchange: 3889	Independent non-executive director
Ausnutria Dairy Corporation Ltd	Stock Exchange: 1717	Independent non-executive director
Trauson Holdings Co., Ltd.	Stock Exchange: 325	Independent non-executive director

Mr. Chan joined Ernst & Young in November 1988 and was appointed as audit principal in 1994. He joined G2000 (Apparel) Limited in 2000 and worked as finance director and sales director from August 2000 to October 2003 and from October 2003 to May 2004, respectively. Moreover, Mr. Chan was executive director of Tak Sing Alliance Holdings Limited (Stock Exchange stock code: 126) and Asia Cassava Resources Holdings Limited (Stock Exchange stock code: 841); executive director and non-executive director of Vitop Bioenergy Holdings Limited (Stock Exchange stock code: 1178); independent non-executive director of Luks Group (Vietnam Holdings) Co., Ltd. (formerly known as Luks Industrial (Group) Limited) (Stock Exchange stock code: 366), China Pipe Group Limited (formerly known as World Trade Bun Kee Limited) (Stock Exchange stock code: 380), Great Wall Motor Co., Ltd. (Stock Exchange stock code: 2333), Anhui Conch Cement Co., Ltd. (Stock Exchange stock code: 914 and Shanghai Stock Exchange stock code: 600585); and deputy general manager of the accounting and finance department of Dongfeng Motor Group Co., Ltd. (Stock Exchange stock code: 489). He has been independent non-executive Director of the Company since April 2006. Mr. Chan obtained a 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.

SUPERVISORS

Xu Ping (徐平), aged 55, currently Supervisor of the Company and chairman of the Supervisory Committee; discipline secretary of SPG; and standing council member of Publishers Association of Sichuan (四川出版協會). He held the positions of party secretary of the organic chemistry office of Chengdu Branch of Chinese Academy of Sciences (中國科學院); deputy secretary and secretary of the Labour Committee of Society, deputy chief of the administration office and senior staff (division level) of Chengdu Branch of Chinese Academy of Sciences; deputy county mayor of the People's Government of Yanting County of Sichuan Province; commissioner (division level) of Administration Office of Sichuan Province, and deputy officer (division level) of the Promotion and Education Office of the Supervision Department of Sichuan Province, the Commission for Discipline Inspection of Sichuan Province; and officer of the Audit and Supervision Office and deputy discipline secretary of SPG. He has been discipline secretary of SPG since December 2010; and Supervisor of the Company and chairman of the Supervisory Committee since September 2011. Mr. Xu graduated from the Graduate School of the Party School of the CPC Central Committee (中央黨校), majoring in economics and management. He is a senior political officer.

Xu Yuzheng (許玉鄭), aged 56, currently Supervisor of the Company; director, discipline secretary and chairman of labour union of Sichuan Xinhua Publishing Group; and chairman of the supervisory committee of Sichuan Xinhua Haiyi Hotel Management Co., Ltd. (四川新華酒店管理有限責任公司). He held the positions of deputy chief section member, chief section member, discipline inspection officer (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); and supervisor of Chengdu Xinhui Industrial Co., Ltd. He has been Supervisor of the Company since July 2008. Mr. Xu graduated from Sichuan Radio and Television University (四川廣播電視大學), majoring in law, and later obtained a diploma in economics and management from Sichuan Normal University (四川師範大學). Mr. Xu holds the professional qualification as a lawyer.

Li Kun (李昆), aged 41, currently Supervisor of the Company and deputy general manager of Sichuan Daily Newspaper Group (四川日報報業集團). He held the positions of section chief of integrated management section of the finance department, deputy head of the business development department, assistant to general manager, head of the Group's office and head of the finance department of Sichuan Daily Newspaper Group; 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 president of Consumer Quality Press (消費質量報社). He has been Supervisor of the Company since January 2011 and deputy general manager of Sichuan Daily Newspaper Group since October 2012. 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.

Tan Wei (譚蔚), aged 30, currently Supervisor of the Company; deputy general manager of Sichuan Winshare Preschool Educational Management Co., Ltd.; supervisor of Sichuan Winshare Logistics Co., Ltd.; director of Sichuan Winshare Properties Co., Ltd., Chengdu Xinhui Industrial Co., Ltd. and 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). She held the positions of senior audit associate in the audit department of Chongqing Branch of PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd., auditor in the audit department of Chengdu Branch of KPMG Advisory (China) Co., Ltd., senior internal control executive in the audit department of the Company and head of the board office of Chengdu Hua Sheng Group Industrial Company Limited (成都市華盛（集團）實業有限公司). She has been Supervisor of the Company since September 2011. Ms. Tan graduated from Southwestern University of Finance and Economics with a bachelor's degree, majoring in business administration. She is also a Certified Internal Auditor and holds the professional qualification of Control Self Assessment (CSA).

Wang Jianping (王建平), aged 58, currently Supervisor of the Company. She held the positions of deputy head of the editorial department of "Hong Ling Jin" magazine (《紅領巾雜誌》); head of chief editorial office, editor of the artist editorial office, vice president and president of Sichuan Youth and Children Press; executive director, general manager and president of Sichuan Youth and Children's Publishing House Co., Ltd. From June 2005 to September 2011, she acted as non-executive Director of the Company. She has been Supervisor of the Company since September 2011. Ms. Wang graduated from Sichuan Normal Institute (四川師範學院) majoring in Chinese literature.

Lan Hong (蘭紅), aged 46, currently Supervisor of the Company and deputy head of the board office. She held the positions of deputy section chief of the finance section of Chengdu City Xinhua Bookstore; section chief of the finance and audit section of Sichuan Xinhua Publishing Group; and deputy head of the audit department of the Company. She has been Supervisor of the Company since June 2005 and deputy head of the board office of the Company since June 2007. 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 later completed the course of accounting in Sichuan Radio and Television University. She is a member of the International Institute of Certified Internal Auditors.

Liu Nan (劉南), aged 48, currently Supervisory of the Company and deputy general manager of procurement centre. She held the positions of 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); assistant to general supervisor of the procurement centre of Sichuan Times Xinhua Audio and Visual Product Chainstore Company (四川時代新華音像連鎖公司); and head of the information centre of the Company. She has been Supervisor of the Company since June 2005; and deputy general manager of the procurement centre of the Company since 2007. Ms. Liu graduated from Chengdu University majoring in book publication management. She later obtained a certificate of completion for a master's degree in economics and business administration from Sichuan University and a certificate of completion for advanced courses of excellent business administration (卓越企業管理高級研修班課程) from the School of Continuing Education of Tsinghua University. Ms. Liu completed a specialised course in computer application at the University of Chengdu. She is an economist.

Independent Supervisors

Li Guangwei (李光煒), aged 72, currently independent Supervisor of the Company and 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). He held the positions of member of the social affairs committee and vice president of Sichuan Science & Technology Publishing House (四川科學技術出版社); president of Sichuan Education Press (四川教育出版社); president of Sichuan Press of Science & Technology (四川科學技術出版社); president of 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). He has been independent Supervisor of the Company since 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.

Fu Daiguo (傅代國), aged 48, currently independent Supervisor of the Company; professor and deputy dean of the College of Accounting at the Southwestern University of Finance and Economics; 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). He is also a member of the China Accounting Association (中國會計學會), and vice president of the Chengdu Accounting Association. He has published over 30 papers on corporate accounting issues in a number of well-known periodicals in the field. He held the positions of project manager of Sichuan Province Assets Reorganisation Centre (四川省資產重組中心) and 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. (四川中匯醫藥股份有限公司, formerly known as Sichuan Zhonghui Pharmaceuticals Company Limited (四川中匯醫藥股份有限公司), Shenzhen Stock Exchange stock code: 000809). He has been independent Director of the Company since April 2006. Mr. Fu holds a PhD degree in accounting from the Southwestern University of Finance and Economics.

SENIOR MANAGEMENT

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

Yang Miao (楊杪), aged 42, currently Deputy General Manager of the Company; 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. He held the positions of deputy sales manager and sales manager and deputy manager of Sichuan Province Xinhua Bookstore Textbook Company; deputy manager of Sichuan Xinhua Book & Trading Co., Ltd.; manager of the textbook distribution company of Sichuan Xinhua Publishing Group. From June 2005 to July 2008, Mr. Yang successively served as Deputy General Manager of the Company and general manager of textbook distribution department, dean of management research institute, general manager and executive Director. He has been Deputy General Manager of the Company since July 2008. Mr. Yang graduated from the University of Chengdu with a bachelor's degree in public relations and economic law. He successively completed two research courses in business administration at the School of Economics and Management of Tsinghua University and People's University of China, respectively. He is also an economist.

Chen Dali (陳大利), aged 50, currently Deputy General Manager of the Company; 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. He held the positions of vice president at Sichuan Bashu Book Shop; deputy general manager of Sichuan Xinhua Publishing Group and general manager of Xinhua Publication Company; general manager of the publication department of the Company and chairman of Sichuan Xinhua Winshare Media Co., Ltd. He has been Deputy General Manager of the Company since June 2005. Mr. Chen obtained his master's degree in the history of Chinese language from Sichuan Normal University and a PhD degree in ancient Chinese literature from Sichuan University.

Zheng Chuan (鄭川), aged 52, currently Deputy General Manager of the Company; director and general manager of Hainan Chuangxiang Cultural Investment Company (海南創享文化投資公司); director of Sichuan Wenxuan Zhuotai Investment Co., Ltd. (四川文軒卓泰投資有限公司); and director of Chengdu Zhongzhuo Investment Co., Ltd. (成都中卓投資有限公司). 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) and Yaxiang International Cultural Exchange Center (亞祥國際文化交流中心). He successively assumed the positions of assistant to general manager, chief operating officer and director of Sichuan Xinhua Publishing Group from February 2003 to January 2010. He has been Deputy General Manager of the Company since December 2010.

An Qingguo (安慶國), aged 57, currently Deputy General Manager of the Company; director of Xinhua Winshare Commercial Chain (Beijing) Co., Ltd.; and director of Hainan Publishing House. He held the positions of editor of politics office and deputy head and head of editorial office of "To the Future" of Sichuan People's Publishing House; deputy secretary of Yanquan County of Sichuan Province of the Communist Party of China; vice president of Sichuan People's Publishing House; and president of Sichuan Education Press. He has been Deputy General Manager of the Company since December 2010. Mr. An graduated from Sichuan University majoring in philosophy. He possesses the qualification as an editor.

You Zugang (游祖剛), aged 50, currently Secretary to the Board of the Company; director of Chengdu Xinhui Industrial Co., Ltd. and Bank of Chengdu Co., Ltd.; and member of the Institute of International Internal Auditors. He held the positions of deputy head of the finance department of Sichuan Province Xinhua Bookstore; deputy general 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); deputy head of the planning and finance department and head of the audit office of Sichuan Province Xinhua Bookstore; deputy head of the financial management department, head of the audit office, and head of the manager's office of Xinhua Publishing Group; and head of Guangyuan City Management Centre. He has been Secretary to the Board of the Company since June 2005. From June 2005 to July 2008, he served as Chief Administrative Officer of the Company. Mr. You obtained a master's degree in business administration from Renmin University of China in August 2002. He is an accountant.

Zhu Zaixiang (朱在祥), aged 52, currently Chief Financial Officer of the Company and director of Sichuan Xinhua Shang Paper Co., Ltd. (四川新華商紙業有限責任公司). He held the positions of deputy section chief of the audit section, section chief of the planning and finance section and head of the planning and finance department of Sichuan Province Xinhua Bookstore; head of the financial management department and chief accountant of Sichuan Xinhua Publishing Group. He has been Chief Financial Officer of the Company since June 2005. Mr. Zhu obtained a master's degree in business administration from Renmin University of China in August 2002. He is a senior qualified accountant.

The Directors hereby submit their report, together with the audited financial statements of the Group for the year ended 31 December 2012.

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, etc.

FINANCIAL POSITION AND RESULTS

The financial position of the Group as at 31 December 2012 and the profit of the Group for the year ended 31 December 2012 are set out on pages 58 to 61 of this annual report.

DIVIDEND

The Board has proposed the distribution of final and special dividends for the year ended 31 December 2012 totalling RMB0.30 (tax inclusive) per share (2011: RMB0.30 (tax inclusive) per share in total), totalling RMB341 million (tax inclusive). The total dividend comprised the final dividend of RMB0.09 (tax inclusive) per share (2011: final dividend of RMB0.10 (tax inclusive) per share) and the special dividend of RMB0.21 (tax inclusive) per share (2011: 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 H 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 9 May 2013 (the "**2012 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 individual 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 2012 are subject to the approval by Shareholders at the forthcoming 2012 AGM of the Company. In order to ascertain Shareholders who are entitled to attend 2012 AGM and to receive final and special dividends for 2012 (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 2012 AGM:

Deadline for lodging transfer documents	4:30 p.m. on Monday, 8 April 2013
Closure of register of members of the Company	From 9 April 2013 to 9 May 2013 (both days inclusive)
Record date	9 May 2013
Date of convening of the 2012 AGM	9 May 2013

To ascertain Shareholders who are entitled to the final and special dividends for 2012:

Deadline for lodging transfer documents	4:30 p.m. on Tuesday, 14 May 2013
Closure of register of members of the Company	From 15 May 2013 to 20 May 2013 (both days inclusive)
Dividend Entitlement Date	20 May 2013

In order to attend and vote at the 2012 AGM and to qualify for the Company's proposed final and special dividends for 2012, 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 9 May 2013 will be entitled to attend and vote at the 2012 AGM. Holders of H shares and domestic shares whose names appear on the register of members of the Company on 20 May 2013 (the "**Dividend Entitlement Date**") will be entitled to the Company's final and special dividends for 2012, 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 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 arrangement 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. Details of the Company's reserves available for distribution to Shareholders as at 31 December 2012 are set out in note 46 to the consolidated financial statements in this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2012, the sales to five largest customers of the Group accounted for approximately 24.8% of the total turnover of the Group. The sales to the largest customer accounted for approximately 18.5% of the total turnover of the Group.

For the year ended 31 December 2012, the five largest suppliers of the Group accounted for approximately 13.6% of the total purchases of the Group. The largest supplier accounted for approximately 3.2% of the total purchases of the Group.

During the Year, save for the interests held by Sichuan 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 Sichuan 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 beneficial interest in any of the Group's five largest customers and five largest suppliers.

CONTINGENT LIABILITIES

As at 31 December 2012, the Group did not have any material contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2012, other than the pledged deposits of RMB51.31 million and pledged assets of RMB29.83 million in respect of the prepaid lease payments for land use rights 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 45, 22 and 21 to the consolidated financial statements in this annual report, respectively.

CONNECTED TRANSACTIONS

Non-Exempted 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 connected transactions and has obtained the approvals from independent Shareholders (where necessary). Details of the relevant connected transactions are as follows:

1. Transactions with Hua Sheng Group

(i) Disposal of 51% equity interest in Winshare Properties and 17% equity interest in Winshare Preschool Education to Hua Sheng Group

On 24 February 2012, the Company and Hua Sheng Group entered into an agreement to sell 51% equity interest in Winshare Properties to Hua Sheng Group. Such disposal has been approved by SASAC of Sichuan and/or other statutory authorised authorities and has been made by way of public bidding procedures conducted in accordance with the relevant PRC laws and regulations with respect to transfer of state-owned assets. Hua Sheng Group has won the option to buy such equity interest at the bidding price of RMB24,220,400 through the bidding procedures. The transfer of equity interest has been completed. Please refer to the announcement of the Company dated 24 February 2012 for details of the disposal of equity interest.

On 24 February 2012, the Company and Hua Sheng Group entered into an agreement to sell 17% equity interest in Winshare Preschool to Hua Sheng Group. As such disposal has not been eventually approved by SASAC of Sichuan and/or other statutory authorised authorities, the disposal of such equity interest has been suspended. Please refer to the announcement of the Company dated 24 February 2012 for details of the disposal of equity interest.

(ii) Disposal of 51% equity interest in Winshare Logistics to Hua Sheng Group

On 17 February 2012, the Company and Hua Sheng Group entered into an agreement to sell 51% equity interest in Winshare Logistics to Hua Sheng Group. Such disposal has been approved by SASAC of Sichuan and/or other statutory authorised authorities and has been made by way of public bidding procedures conducted in accordance with the relevant PRC laws and regulations with respect to transfer of state-owned assets. Hua Sheng Group has won the option to buy such equity interest through the bidding procedures at the listing price of RMB24,676,100. The transfer of equity interest has been completed. Please refer to the announcement of the Company dated 17 February 2012 for details of the disposal of equity interest.

(iii) Disposal of 28.5% equity interest in Chengdu Xinhui to Hua Sheng Group

On 23 March 2012, the Company and Hua Sheng Group entered into an agreement to sell 28.5% equity interest in Chengdu Xinhui to Hua Sheng Group. Such disposal of equity interest has been approved by SASAC of Sichuan and/or other statutory authorised authorities and has been made by way of public bidding procedures conducted in accordance with the relevant PRC laws and regulations with respect to transfer of state-owned assets. Hua Sheng Group has won the option to buy such equity interest at the bidding price of RMB117,635,300 through the bidding procedures. The disposal of equity interest has been completed. Please refer to the announcement of the Company dated 23 March 2012 and the circular dated 30 March 2012 for details of the disposal of equity interest.

2. Transactions with Sichuan Xinhua Publishing Group and its subsidiaries

(i) Co-construction of the Co-construction Project with Sichuan Xinhua Publishing Group

On 31 October 2012, the Board conditionally approved the Co-construction Project as contemplated under the Co-construction Memorandum entered into between the Company and Sichuan Xinhua Publishing Group, pursuant to which both parties conditionally agreed to co-construct the Co-construction Project on a unified-planning-separate-accounting basis. Of which, the building situated on the Company's land parcel has been temporarily named as Xinhua Winshare Publishing and Media Creativity Centre. Please refer to the announcement of the Company dated 31 October 2012 for details of the co-construction of the structures.

(ii) Disposal of properties to Chengdu Hongcun Properties Co., Ltd. ("**Hongcun Properties**")

On 20 December 2012, the Company and Hongcun Properties entered into the Properties Transfer Agreement to dispose of a parcel of land and properties located at 731 Cuijiadian Road (崔家店路), Chengdu City, Sichuan Province of the PRC at the consideration of RMB14,516,900. Please refer to the announcement of the Company dated 20 December 2012 for details of the disposal of properties.

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 Sichuan Xinhua Publishing Group and its subsidiaries

Sichuan 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, Sichuan Xinhua Publishing Group and its subsidiaries are connected persons of the Company.

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

On 27 November 2009, the Company and Sichuan Xinhua Publishing Group renewed the leasing agreement in connection with the leasing of certain buildings in Sichuan Province of the PRC to the Group by Sichuan Xinhua Publishing Group during the period from 1 January 2010 to 31 December 2012 as offices, warehouses and retail outlets. Given that such agreement expired on 31 December 2012, on 20 December 2012, Sichuan Xinhua Publishing Group renewed the leasing agreement with the Company in connection with the leasing of certain buildings owned thereby to the Group for the period from 1 January 2013 to 31 December 2015. Please refer to the announcements of the Company dated 30 November 2009 and 20 December 2012 respectively for details of the above lease agreement.

For the year ended 31 December 2012, the rental payment made by the Group to Sichuan Xinhua Publishing Group pursuant to the above leasing agreement amounted to RMB37,832,000.

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

On 3 December 2010, the Company and Sichuan 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-subsidised 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-subsidised 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 2012, the sales made by the Company to Sanzhou Xinhua Bookstores according to the Sanzhou Supply (Renewal) Agreement aggregated to RMB140,125,000, and RMB4,162,000 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 Sichuan 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. Given that such agreement expired on 31 December 2012, on 20 December 2012, Huang Peng Property renewed the agreement with the Company in connection with the provision of property management services to the Group for the period from 1 January 2013 to 31 December 2015. Please refer to the announcements of the Company dated 30 November 2009 and 20 December 2012 respectively for details of the above Property Management Agreement.

For the year ended 31 December 2012, RMB4,779,000 in total was paid to Huang Peng Property by the Company 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 13 January 2012, Xinhua Shang Paper and Shantou Guang Shang renewed the Paper Supply Agreement, pursuant to which Xinhua Shang Paper agreed to supply papers to Shantou Guang Shang and its subsidiaries for the period from 13 January 2012 to 31 December 2014. Please refer to the announcement of the Company dated 13 January 2012 for details of the Paper Supply Agreement.

For the year ended 31 December 2012, the amount received by Xinhua Shang Paper according to the above Paper Supply Agreement from Shantou Guang Shang amounted to RMB6,295,000 in total.

3. Transactions with SPG and its subsidiaries

SPG is a wholly-owned subsidiary of Sichuan Development. According to Chapter 14A of the Listing Rules, SPG is a connected person of the Company.

(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. Upon the acquisition of 100% equity interest in 15 publication entities under SPG by the Company in 2010, only Sichuan Nationalities Press under SPG supplies publications to the Company. Given that the Supply of Publications Agreement entered into between the Company and SPG expired on 31 December 2012, on 20 December 2012, the Company and Sichuan Nationalities Press entered into a Supply of Publications Agreement with respect to the supply of publications for the period from 1 January 2013 to 31 December 2015. Please refer to the announcements of the Company dated 30 November 2009 and 20 December 2012 and the circular of the Company dated 4 December 2009 for details of the above Supply of Publications Agreement.

For the year ended 31 December 2012, RMB32,984,000 in total was paid by the Company to SPG Group according to the above Supply of Publications Agreement.

(ii) Printing Equipment and Materials Supply Agreement between the Company and SPG

On 24 February 2012, the Company and SPG entered into the Printing Equipment and Materials Supply Agreement, pursuant to which the Group shall provide certain printing equipment and materials to SPG Group for the period from 1 January 2012 to 31 December 2014. Please refer to the announcement of the Company dated 24 February 2012 for details of the above Printing Equipment and Materials Supply Agreement.

For the year ended 31 December 2012, the amount received by the Group from SPG Group according to the above Printing Equipment and Materials Supply Agreement amounted to RMB14,629,000 in total.

(iii) Paper Supply Agreement between the Company and SPG

On 24 February 2012, the Company and SPG entered into the Paper Supply Agreement in connection with the provision of printing papers by the Group to SPG Group for the period from 1 January 2012 to 31 December 2014. Please refer to the announcement of the Company dated 24 February 2012 for details of the above Paper Supply Agreement.

For the year ended 31 December 2012, the amount received by the Group from SPG Group according to the above Paper Supply Agreement amounted to RMB19,591,000 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 metres 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 2012, the rental and property management fees paid by the Group to SPG according to the above Lease Framework Agreement amounted to RMB15,786,000 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 2012, 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 RMB23,931,000 in total.

4. Transaction with Winshare Online

Winshare Online is a non-wholly owned subsidiary of the Company whilst Sichuan 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. Given that the agreement expired on 31 December 2012, on 20 December 2012, the Company and Winshare Online renewed the Publications Purchase Agreement for a period from 1 January 2013 to 31 December 2015. Please refer to the announcements of the Company dated 3 December 2010 and 20 December 2012 and the circular dated 9 January 2013 for details of the above Publications Purchase Agreement.

For the year ended 31 December 2012, the payment made by Winshare Online to the Company according to the above Publications Purchase Agreement amounted to RMB134,543,000 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 favourable 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 2012, the Group had a total of 9,320 (31 December 2011: 7,938) employees. The increase in the number of employees is mainly due to the newly established subsidiary of the Group, Winshare Commercial.

The Company reviews the employee 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 streamlined and reviewed its remuneration management system; and established a unified target salary system that is based on the value of position. The Company also adhered to the principle of "unified regulation, hierarchical control and process supervision" to perfect its salary management system, so as to achieve a scientific and standardised income allocation.

The standard remuneration package of the Company includes basic salary, performance-based bonus and benefits. Fringe benefits including pension insurance, medical insurance, unemployment insurance, employment injury insurance, maternity insurance and housing welfare funds calculated at a certain percentage of the employee's salary are available to the employees. In order to enhance long-term incentives of the Company's remuneration and benefit system, the Company has duly implemented the corporate annuity system since 2012 to provide further retirement protection to the employees.

For the year ended 31 December 2012, the Group made post-retirement plan contributions and corporate annuity scheme aggregate contributions of RMB83.68 million (2011: RMB53.11 million) for its employees. Details of such schemes are set out in note 43 to the consolidated financial statements in this annual report.

The Company has introduced a position's qualifications based programme and provided internal training and placement training to the employees featuring quality of management and professional skills. The Company continues to enhance the quality of business and working abilities of its staff through e-learning, experimental training, knowledge base development and leading enterprise learning so as to safeguard the sustainable development of the Company.

SHARE CAPITAL

As at 31 December 2012, 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 Sichuan 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. Sichuan Xinhua Publishing Group, the controlling shareholder of the Company, is a wholly-owned subsidiary of Sichuan Development. The defacto controller of Sichuan Development is SASAC of Sichuan.

2. Other promoters holding state-owned shares of the Company include SPG, Sichuan Daily Newspaper Group 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 34 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 2012, so far as is known to the Directors and Supervisors of the Company, 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	623,861,452 *(note 1)*	Interests in controlled corporation	State-owned Shares	97.50%	54.96%	Long position
Sichuan 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	30,840,100	Beneficial owner	H Shares	6.98%	2.72%	Long position
Brandes Investment Partners, L.P.	27,650,500	Investment manager	H Shares	6.26%	2.44%	Long position

Notes:

1. Sichuan Development is the controlling shareholder of Sichuan Xinhua Publishing Group and SPG. According to the SFO, Sichuan Development is deemed to indirectly hold 592,809,525 shares of the Company through Sichuan Xinhua Publishing Group and 31,051,927 shares of the Company through SPG, which are 623,861,452 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 2012, so far as is known to the Directors and Supervisors of the Company, no other person (not being a Director, Supervisor or senior management of the Company) had any interest and short position in the shares, underlying shares and 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 Sichuan Xinhua Publishing Group, and (ii) Mr. Zhao Junhuai, Non-executive Director, who is the vice-chairman of Hua Sheng Group, as at 31 December 2012, 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 2012, 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 Peoples' Republic of China 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

Sichuan 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. From 2010 and 2012, Sichuan Xinhua Publishing Group transferred the assets of Xinhua Bookstores owned by Sanzhou Xinhua Bookstores in all counties of Aba and in 18 counties of Ganzi to the local prefecture or county government at nil consideration. Currently, only assets of Xinhua Bookstores in all counties under Liangshan prefecture and in 2 counties under Ganzi prefecture are pending upon transfer and the transfer is expected to complete successively in 2013.

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 CG CODE

The Company is committed to achieving sound corporate governance, continuously perfecting and optimising the internal control system of the Company. The Company has adopted and complied with all applicable code provisions of the Corporate Governance Practices which was amended and renamed as CG Code on 1 April 2012 set out in Appendix 14 to the Listing Rules during the Year. Details of compliance with the CG Code 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. Zhao Miao (resigned on 16 January 2013)
Mr. Luo Yong

Non-Executive Directors

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

Independent Non-Executive Directors

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

Supervisors

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

Independent Supervisors

Mr. Li Guangwei
Mr. Fu Daiguo

CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

On 16 January 2013, Mr. Zhao Miao, executive Director and vice chairman of the Company submitted his resignation to the Board and resigned as executive Director (Vice Chairman), chairman of Editorial and Publication Committee and member of Strategy and Investment Planning Committee with effect on the same date due to adjustment of his personal career commitments.

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

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 MATERIAL CONTRACTS

During the Year, none of the Directors and Supervisors had any direct or indirect material interest in any contracts of significance to which the Company, its holding company, 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 Sichuan Xinhua Publishing Group for policy concerns, neither Sichuan 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. As executive Directors Mr. Gong Cimin and Mr. Zhao Miao (resigned on 16 January 2013) were the chairman and president of SPG respectively, the business activities of SPG 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 and Review 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 implemented.

MATERIAL LITIGATION

For the year ended 31 December 2012, 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 50 to the consolidated financial statements in this annual report.

AUDITORS

Ernst & Young Certified Public Accountants and ShineWing Certified Public Accountants both retired on 6 April 2011.

At the extraordinary general meeting of the Company held on 13 July 2011, it was approved that Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu CPA were appointed by the Company as the international and PRC auditors of the Company respectively for the year 2011. At the annual general meeting of the Company held on 17 May 2012, it was approved that Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu CPA were re-appointed as the international and PRC auditors of the Company respectively for the year 2012, and the Board was authorised to determine and approve their remunerations.

The consolidated financial statements for 2012 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 2012 AGM of the Company, and shall be eligible for re-appointment at the 2012 AGM.

By order of the Board
Gong Cimin
Chairman

8 March 2013

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 23 March 2012, at which the Supervisory Committee considered the reporting on the operating results and financial condition of the Company for 2011 by the finance department, and it also communicated and discussed with Deloitte Touche Tohmatsu, the international auditor of the Company, and Deloitte Touche Tohmatsu CPA, the PRC auditor of the Company, in relation to the audit issues for 2011. The Supervisory Committee expressed its opinions regarding the problems raised during communication and reporting, the strengthening of the management of external investment and the enhancing of the operating efficiency of the Company, and paid close attention to the future cash flow conditions of the Company. The resolutions including the Report of the Supervisory Committee for 2011, the Audited Consolidated Financial Report for 2011, the Profit Distribution Proposal for 2011 and the Annual Report for 2011 were considered and unanimously approved.

The second meeting of the Supervisory Committee was convened on 24 August 2012, at which the resolution regarding the unaudited consolidated financial report for the six months ended 30 June 2012 were considered and approved.

In addition, the Supervisory Committee also convened 2 informal meetings, at which matters of significance including connected transactions (including continuing connected transactions), external investment, purchase and sale of assets 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 and effectively exercised.

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 legality and compliance in the financial and critical decision-making process of the Company, internal control management, and the performance of duties of Board members and senior management officers, members of the Supervisory Committee were present at each Board meeting and general meeting of the Company, communicated and discussed with the Company's management and annual auditors, collected operating and management information provided by the Company on a monthly basis, and carried out on-site visits to investment projects that have a material impact on the decision-making of the Board so as to understand the Company's operating condition, financial position and operations in a timely manner. The Supervisory Committee is of the view that the decision-making procedures of each Board meeting during the Year were legitimate and that the Board had duly implemented the resolutions of the general meetings and faithfully carried out their fiduciary duties. The Supervisory Committee is not aware of any act of the Directors and senior management officers of the Company that was in breach of the Articles of Association and other laws, regulations or detrimental to the interests of the Company and an infringement of the interests of the Shareholders in the course of performance of their duties.

3. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON CERTAIN MATTERS OF THE COMPANY IN 2012

(1) Operation of the Company in accordance with the Laws

During the year 2012, the Company operated and regulated its management in accordance with the laws. Its operating results were fair and true. It also established a relatively complete internal control system. The Directors and senior management officers of the Company acted carefully and diligently in its business operation and management process and aggressively progressed. The Supervisory Committee is not aware of any act of the Directors and senior management officers of the Company that was in breach of laws and regulations and detrimental to the interests of the Company and its Shareholders as a whole in the course of performance of their duties.

(2) Financial Position of the Company

The consolidated financial report of the Company for 2012 were 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 Consolidated Financial Report for 2012, the Supervisory Committee is of the view that the preparation of the financial report in this annual report was in compliance with the relevant requirements of the Accounting Standards for Enterprises and truly, objectively and accurately reflected the financial position and operating results of the Group for the Year.

(3) Connected Transactions of the Company

The Supervisory Committee has supervised and verified the Company's connected transactions (including continuing connected transactions) during the year 2012, and is 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) Acquisition and Disposal of Assets by the Company and External Investments

The Supervisory Committee has supervised the acquisition and disposal of assets and external investments conducted by the Company in 2012 and is not aware of any insider dealing or any act that was against the interests of Shareholders as a whole and would result in losses to the Company's assets in the acquisition and disposal of assets and material investment.

In 2013, the Supervisory Committee will continue to fulfil its supervisory and examination functions in compliance with the applicable laws, regulations and provisions of the Articles of Association and under the principle of full accountability to all the Shareholders and strive to safeguard the legal interests of the Company and Shareholders, taking an active role in regulating the operation and development of the Company.

By order of the Supervisory Committee
Xu Ping
Chairman

8 March 2013

INDEPENDENT AUDITOR'S 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 58 to 148, which comprise the consolidated statement of financial position as at 31 December 2012, 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 2012, 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

8 March 2013

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	Year ended 31/12/2012 RMB'000	Year ended 31/12/2011 RMB'000
Revenue	6	**4,592,137**	4,485,577
Cost of sales		**(2,783,696)**	(2,745,029)
Gross profit		**1,808,441**	1,740,548
Other income and gains	8	**428,160**	230,475
Distribution and selling expenses		**(1,025,416)**	(927,203)
Administrative expenses		**(527,079)**	(473,476)
Other expenses		**(116,523)**	(69,664)
Share of losses of associates		**(2,973)**	(2,366)
Share of (loss)/profit of a jointly controlled entity		**(1,698)**	3,253
Finance income, net	9	**14,945**	13,069
Profit before tax		**577,857**	514,636
Income tax expense	10	**(1,377)**	(1,367)
Profit for the year	12	**576,480**	513,269
Profit for the year attributable to:			
Owners of the Company		**629,371**	522,394
Non-controlling interests		**(52,891)**	(9,125)
		576,480	513,269
EARNINGS PER SHARE			
Basic (RMB)	15	**0.56**	0.46

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	**Year ended 31/12/2012 RMB'000**	Year ended 31/12/2011 RMB'000
Profit for the year		**576,480**	513,269
Fair value loss on available-for-sale equity investment		**(32,406)**	(263,518)
Other comprehensive loss for the year	11	**(32,406)**	(263,518)
Total comprehensive income for the year		**544,074**	249,751
Total comprehensive income attributable to:			
Owners of the Company		**596,965**	258,876
Non-controlling interests		**(52,891)**	(9,125)
		544,074	249,751

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2012

	Notes	31/12/2012 RMB'000	31/12/2011 RMB'000
Non-current Assets			
Property, plant and equipment	16	**1,819,099**	963,842
Prepaid lease payments for land use rights	17	**221,575**	99,929
Investment properties	18	**21,554**	23,244
Goodwill	19	**506,368**	504,301
Other intangible assets	20	**63,514**	30,836
Interests in associates	21	**231,881**	93,641
Interests in a jointly controlled entity	22	**102,839**	104,537
Available-for-sale equity investments	23	**1,153,530**	1,185,956
Deferred tax assets	37	**35,878**	34,430
Property under development	24	**–**	173,284
Long-term prepayments	25	**92,793**	422,120
Entrusted loan	26	**34,000**	–
		4,283,031	3,636,120
Current Assets			
Trade and bills receivables	27	**662,394**	587,352
Prepayments, deposits and other receivables	28	**486,605**	345,200
Inventories	29	**982,838**	1,055,122
Short-term investments	30	**–**	108,000
Pledged bank deposits and restricted cash	31	**71,584**	103,062
Cash and short-term deposits	31	**2,176,995**	1,794,486
		4,380,416	3,993,222
Current Liabilities			
Interest-bearing bank and other borrowings	38	**68,000**	376,950
Trade and bills payables	32	**1,668,569**	1,569,545
Deposits received, other payables and accruals	33	**1,564,458**	875,961
Tax liabilities		**2,311**	1,460
		3,303,338	2,823,916
Net Current Assets		**1,077,078**	1,169,306
Total Assets less Current Liabilities		**5,360,109**	4,805,426

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

AT 31 DECEMBER 2012

	Notes	**31/12/2012 RMB'000**	31/12/2011 RMB'000
Capital and Reserves			
Issued capital	34	**1,135,131**	1,135,131
Treasury shares	36	**–**	(6,900)
Reserves	35	**3,382,234**	3,110,978
Proposed dividends	14	**340,539**	340,539
Equity attributable to owners of the Company		**4,857,904**	4,579,748
Non-controlling interests		**396,116**	188,178
Total Equity		**5,254,020**	4,767,926
Non-current Liabilities			
Interest-bearing other borrowings	38	**–**	37,500
Other payable	33	**100,152**	–
Deferred tax liabilities	37	**5,937**	–
		106,089	37,500
Total Equity and Non-current Liabilities		**5,360,109**	4,805,426

The consolidated financial statements on pages 58 to 148 were approved and authorised for issue by the board of directors on 8 March 2013 and are signed on its behalf by:

Gong Cimin
DIRECTOR

Luo Yong
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

	Attributable to owners of the Company										
	Issued capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Capital reserves RMB'000 (note 35)	Statutory surplus reserve RMB'000 (note 35)	Revaluation reserve RMB'000 (note 35)	Proposed dividends RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
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	–	–	–	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
At 1 January 2012	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
Profit for the year	–	–	–	–	–	–	–	629,371	629,371	(52,891)	576,480
Other comprehensive loss for the year (note 11)	–	–	–	–	–	(32,406)	–	–	(32,406)	–	(32,406)
Total comprehensive income for the year	–	–	–	–	–	(32,406)	–	629,371	596,965	(52,891)	544,074
Final dividends for 2011	–	–	–	–	–	–	(340,539)	–	(340,539)	–	(340,539)
Dividends to non-controlling equity holders	–	–	–	–	–	–	–	–	–	(323)	(323)
Transfer of treasury shares (note 36)	–	–	6,900	16,261	–	–	–	–	23,161	–	23,161
Deemed acquisition of additional interest in a subsidiary	–	–	–	(1,362)	–	–	–	–	(1,362)	1,362	–
Appropriation to statutory surplus reserve	–	–	–	–	46,409	–	–	(46,409)	–	–	–
Proposed dividends for 2012	–	–	–	–	–	–	340,539	(340,539)	–	–	–
Investment in subsidiaries from non-controlling equity holders	–	–	–	–	–	–	–	–	–	35,716	35,716
Business combination (note 47)	–	–	–	–	–	–	–	–	–	301,987	301,987
Disposal of subsidiaries (note 48)	–	–	–	–	–	–	–	–	–	(75,886)	(75,886)
Liquidation of a subsidiaries	–	–	–	–	–	(69)	–	–	(69)	(2,027)	(2,096)
At 31 December 2012	1,135,131	1,708,203	–	28,877	296,148	513,428	340,539	835,578	4,857,904	396,116	5,254,020

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	**Year ended 31/12/2012 RMB'000**	Year ended 31/12/2011 RMB'000
OPERATING ACTIVITIES			
Profit before tax		**577,857**	514,636
Adjustments for			
Finance income, net	9	**(14,945)**	(13,069)
Gains on short-term investments	8	**(6,771)**	(1,444)
Amortisation of lease prepayments for land use rights	12 & 17	**5,181**	4,689
Amortisation of intangible assets	12 & 20	**12,285**	6,144
Share of losses of associates		**2,973**	2,366
Share of loss/(profit) of a jointly-controlled entity		**1,698**	(3,253)
(Gain)/loss on disposal of items of property, plant and equipment	12	**(2,037)**	473
Depreciation	12	**94,464**	83,566
Dividends from available-for-sale equity investments	8	**(21,878)**	(44,232)
Gain on disposal of subsidiaries	48	**(217,696)**	–
Gain on liquidation of subsidiaries		**(70)**	–
Impairment loss of trade and other receivables	12	**34,069**	10,941
Write-down of inventories to net realisable value	12	**24,289**	21,680
Impairment loss of intangible assets	12 & 20	**12,000**	–
Operating cash flows before movements in working capital		**501,419**	582,497
Increase in restricted cash		**(6)**	(15,515)
Decrease/(increase) in inventories		**104,605**	(253,809)
Increase in trade and bills receivables		**(106,460)**	(125,279)
(Increase)/decrease in prepayments, deposits and other receivables		**(125,750)**	73,902
Increase in trade and bills payables		**99,024**	277,245
Increase/(decrease) in deposits received, other payables and accruals		**416,162**	(44,898)
Increase in a property under development		**(31,603)**	(46,501)
Cash generated from operations		**857,391**	447,642
PRC enterprise income tax paid		**(1,974)**	(4,840)
Interest paid		**(9,724)**	(11,566)
NET CASH FROM OPERATING ACTIVITIES		**845,693**	431,236

CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	**Year ended 31/12/2012 RMB'000**	Year ended 31/12/2011 RMB'000
INVESTING ACTIVITIES			
Interest received		**24,457**	25,498
Income received from short-term investments	8	**6,771**	1,444
Dividends received	8	**21,878**	44,506
Proceeds from disposal of items of property, plant and equipment		**437**	1,243
Purchases of items of property, plant and equipment		**(152,562)**	(115,229)
Purchases of other intangible assets	20	**(12,037)**	(7,582)
Increase in non-pledged bank deposits with original maturity of more than three months		**(63,233)**	(48,952)
Increase in an investment in associates		**(1,020)**	(14,200)
Net cash paid for business combinations	47	**(288,329)**	–
Disposal of subsidiaries	48	**124,548**	–
Increase in long-term prepayments		**(74,376)**	(208,434)
Withdrawal of pledged bank deposits		**155,567**	157,805
Placement of pledged bank deposits		**(124,083)**	(142,331)
Disposal/(purchase) of short-term investments		**108,000**	(108,000)
NET CASH USED IN INVESTING ACTIVITIES		**(273,982)**	(414,232)
FINANCING ACTIVITIES			
New interest-bearing bank and other borrowings raised		**415,330**	264,750
Repayments of borrowings		**(385,780)**	(95,675)
Dividends paid	14	**(340,539)**	(340,539)
Dividends paid to non-controlling shareholders		**(323)**	(357)
Investment in subsidiaries from non-controlling equity holders		**35,716**	26,275
Transfer of treasury shares		**23,161**	–
NET CASH USED IN FINANCING ACTIVITIES		**(252,435)**	(145,546)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**319,276**	(128,542)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**1,660,534**	1,789,076
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by Cash and bank balances	31	**1,979,810**	1,660,534

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 Sichuan 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.

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 45.

In the opinion of the directors of the Company, the parent company of the Company is Sichuan Xinhua Publishing Group, a state-owned enterprise established in the PRC. Sichuan 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. Since Sichuan Development is wholly owned by SASAC of Sichuan, the Company is beneficially controlled by SASAC of Sichuan.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"). In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules on The Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments 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

In the current year, the Group has adopted the following amendments to standards issued by the International Accounting Standards Board for the first time.

Amendments to IAS 12	Deferred Taxes: Recovery of Underlying Asset; and
Amendments to IFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets

Except as described below, the application of the amendments 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.

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

Amendments to IFRS 7 Disclosures – Transfer of Financial Assets

The Group has applied for the first time the amendments to IFRS 7 Disclosures – Transfer of Financial Assets in the current year. The amendments increase the disclosures requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

The Group has transferred certain bills receivables to its suppliers to settle its payables through endorsing the bills to its suppliers. The Group has derecognised these bills receivables and the payables to suppliers in their entirety, as in the opinion of the Directors, the Group has transferred substantially all the risks and rewards of ownership of these bills to the suppliers. Relevant disclosure has been made in note 27a.

In accordance with the transitional provisions set out in the amendments to IFRS 7, the Group has not provided comparative information for the disclosures required by the amendments.

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

The Group has not early applied the following new and revised standards, amendments and interpretation that have been issued but are not yet effective:

Amendments to IFRSs	*Annual Improvements to IFRSs 2009–2011 Cycle*[1]
Amendments to IFRS 1	*Government Loans*[1]
Amendments to IFRS 7	*Disclosures – Offsetting Financial Assets and Financial Liabilities*[1]
Amendments to IFRS 9 and IFRS 7	*Mandatory Effective Date of IFRS 9 and Transition Disclosures*[2]
Amendments to IFRS 10, IFRS 11 and IFRS 12	*Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities Transition Guidance*[1]
Amendments to IFRS 10, IFRS 12 and IAS 27	*Investment Entities*[4]
IFRS 9	*Financial Instruments*[2]
IFRS 10	*Consolidated Financial Statements*[1]
IFRS 11	*Joint Arrangements*[1]
IFRS 12	*Disclosure of Interests in Other Entities*[1]
IFRS 13	*Fair Value Measurement*[1]
Amendments to IAS 1	*Presentation of Items of Other Comprehensive Income*[3]
IAS 19 (Revised 2011)	*Employee Benefits*[1]
IAS 27 (Revised 2011)	*Separate Financial Statements*[1]
IAS 28 (Revised 2011)	*Investments in Associates and Joint Ventures*[1]
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*[4]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*[1]

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

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

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

Annual Improvements to IFRSs 2009 – 2011 Cycle issued in June 2012

The Annual Improvements to IFRSs 2009 – 2011 Cycle include a number of amendments to various IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to IFRSs include the amendments to IAS 16 Property, Plant and Equipment and the amendments to IAS 32 Financial Instruments: Presentation.

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise.

The amendments to IAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with IAS 12 Income Taxes.

The Directors anticipate that the amendments to IAS 32 will have no effect on the Group's consolidated financial statements as the Group has already adopted this treatment.

The Directors do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

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 offset of financial assets and financial liabilities 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 amendments to IFRS 7 are effective 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 these amendments to IAS 32 and IFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

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

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

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:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are 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.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that 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 of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

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 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 at 31 December 2012 ("**End of the Reporting Period**").

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS *(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

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 (Revised 2011) and IAS 28 (Revised 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. SIC 12 Consolidation – Special Purpose Entities will be withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, 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. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC 13 Jointly Controlled Entities – Non-monetary Contributions by Venturers will be withdrawn upon the effective date of IFRS 11. 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. 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 consolidation.

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.

In July 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these five IFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied 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 on 1 January 2013 and do not expect the overall effect on the consolidated financial statements to be material.

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

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

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The amendments to IFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to IFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to IFRS 12 and IAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to IFRS 10, IFRS 12 and IAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The Directors anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

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 the application of the new standard may affect certain 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 *(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 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. 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 items of other comprehensive income to be 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 do not change the option to present items of other comprehensive income either before tax or net of tax.

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 future accounting periods.

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.

Income and expense 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)*

Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

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; 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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 are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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 (Cash-generating Unit, "**CGU**") (or groups of CGUs) that is expected to benefit from the synergies of the combination.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

A CGU 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 CGU to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU 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). The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

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.

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.

The financial statements of jointly controlled entities used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Joint ventures *(Continued)*

Jointly controlled entities *(Continued)*

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.

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 (classified as construction in progress) 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.

Property under development

When buildings are in the course of development, they are carried at cost, less any identified impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate). For the year ended 31 December 2012, no exchange difference from translating foreign operations was recognised.

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.

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.

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 before tax' 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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.

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.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately 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.

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.

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.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 entrusted loan, trade and bills receivables, deposits and other receivables and pledged bank 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).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Available-for-sale financial assets

Available-for-sale ("**AFS**") 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.

Equity securities held by the Group that are classified as AFS and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available- for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

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).

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Debt 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 re-purchased by the Company (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the re-purchase or cancellation of the Group's own equity instruments.

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)*

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.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives 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, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

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 (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately 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 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. 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 consolidated 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.

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. If the Group provides ancillary services to the occupants of a property, the property is treated as investment property if the services are insignificant to the arrangement as a whole. Judgement has been made on an individual property basis.

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

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 CGUs 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 CGU 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 2012, the carrying amount of goodwill is RMB506,368,000 (31 December 2011: RMB504,301,000) and no impairment loss was recognised. Details of the recoverable amount calculation are disclosed in note 19.

Estimated impairment of other intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its intangible assets with finite useful lives 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. As at 31 December 2012, the carrying amount of other intangible assets is RMB63,514,000 (net of impairment of RMB12,000,000) (31 December 2011: RMB30,836,000).

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 2012, the carrying amount of trade and bills receivables is RMB662,394,000 (net of allowance for doubtful debts of RMB107,866,000 and allowance for sales returns of RMB7,860,000) (31 December 2011: carrying amount of RMB587,352,000 net of allowance for doubtful debts of RMB78,998,000 and allowance for sales returns of RMB7,566,000).

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 2012, the carrying amount of inventories is RMB982,838,000 (net of accumulated write-down of inventories to net realisable value of RMB107,267,000) (31 December 2011: carrying amount of RMB1,055,122,000 after netting of accumulated write-down of inventories to net realisable value of RMB99,778,000).

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 sale 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 was reported to the management (including directors and senior executives), being the chief operating decision makers, for the purposes of resources allocation and assessment of segment performance focuses on types of business lines.

Before 2012, the Group presented its operating segments based on its internal organisations as follows:

Product:	Editorial and publishing of publications
Zhongpan:	Bulk purchase of publications from third-party publishers and the Product segment 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 reportable segment

In 2012, the Company restructured its internal organisations by establishing a management committee (representing the segment manager) overseeing the distribution business. The Company has a similar management department (representing the segment manager) overseeing the publication business. Each of the publication and distribution units represents an operating segment after the internal organisation restructuring. The reportable segments are changed as follows:

Publication:	Publishing of publications including books, periodicals, audio-visual products and digital products, etc.; provision of printing services and supply of printing materials
Distribution:	Distribution of textbooks and supplementary materials to schools and students; retailing, distribution and online sales of publications
Others:	Other business such as education, investments for film & television and sales of artwork, etc. which do not separately meet the definition of a reportable segment

In preparation of the consolidated financial statements, the segment information for the year ended 31 December 2011 has been restated to conform with the current year presentation.

7. SEGMENT INFORMATION *(Continued)*

Segment revenues 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 2012

	Publication RMB'000	Distribution RMB'000	Others RMB'000	Total RMB'000
REVENUE AND OTHER INCOME				
External sales	590,713	3,979,858	21,566	4,592,137
Inter-segment sales	983,907	109	2,319	986,335
Other income	87,141	90,934	17,801	195,876
Segment revenue	1,661,761	4,070,901	41,686	5,774,348
Eliminations				(986,335)
Group revenue and other income				4,788,013
Segment profit (loss)	243,428	145,583	(22,271)	366,740
Elimination of inter-segment results				19,564
Unallocated expenses				(65,387)
Unallocated income and gains				217,937
Unallocated interest income				10,354
Gains on short-term investments				6,771
Dividends from available-for-sale equity investments				21,878
Profit before tax				577,857

7. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

For the year ended 31 December 2011 (restated)

	Publication RMB'000	Distribution RMB'000	Others RMB'000	Total RMB'000
REVENUE AND OTHER INCOME				
External sales	628,372	3,800,173	57,032	4,485,577
Inter-segment sales	1,052,655	10	2,660	1,055,325
Other income	95,856	94,756	8,523	199,135
Segment revenue	1,776,883	3,894,939	68,215	5,740,037
Eliminations				(1,055,325)
Group revenue and other income				4,684,712
Segment profit (loss)	212,031	364,393	(14,554)	561,870
Elimination of inter-segment results				(56,250)
Unallocated expenses				(46,698)
Unallocated income and gains				1,012
Unallocated interest income				9,026
Gains on short-term investments				1,444
Dividends from available-for-sale equity investments				44,232
Profit before tax				514,636

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, allocated 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 of the corporate function, dividend income from available-for-sale equity investments, gains on short-term investments and gains on disposal of subsidiaries. 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 2012

Segment assets and liabilities

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

	Publication RMB'000	Distribution RMB'000	Others RMB'000	Total RMB'000
Assets and liabilities				
Segment assets	**3,075,614**	**4,319,307**	**1,557,309**	**8,952,230**
Elimination of intersegment assets				**(1,819,923)**
Unallocated assets				**1,531,140**
Total assets				**8,663,447**
Segment liabilities	**1,307,897**	**3,327,483**	**499,254**	**5,134,634**
Elimination of intersegment liabilities				**(1,735,524)**
Unallocated liabilities				**10,317**
Total liabilities				**3,409,427**

31 December 2011 (restated)

Segment assets and liabilities

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

	Publication RMB'000	Distribution RMB'000	Others RMB'000	Total RMB'000
Assets and liabilities				
Segment assets	2,658,175	3,977,094	901,242	7,536,511
Elimination of intersegment assets				(1,429,505)
Unallocated assets				1,522,336
Total assets				7,629,342
Segment liabilities	1,023,659	2,648,339	490,295	4,162,293
Elimination of intersegment liabilities				(1,308,096)
Unallocated liabilities				7,219
Total liabilities				2,861,416

7. SEGMENT INFORMATION *(Continued)*

31 December 2011 (restated) *(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, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Other segment information

2012

	Publication RMB'000	Distribution 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)	19,676	135,202	162,551	317,429
Depreciation and amortisation	24,085	77,337	10,508	111,930
Impairment losses of trade and other receivables recognised/(reversed) in income statement	2,398	31,965	(294)	34,069
Loss/(gain) on disposal of property, plant and equipment	214	(2,328)	77	(2,037)
Write-down of inventories to net realisable value	6,631	17,658	–	24,289
Impairment of other intangible assets	–	12,000	–	12,000
Allocated interest income	(5,468)	(4,328)	(4,506)	(14,302)
Allocated interest expense	7,033	–	2,678	9,711
Interest in associates	–	3,390	228,491	231,881
Interest in a jointly-controlled entity	–	102,839	–	102,839
Share of losses of associates	–	692	2,281	2,973
Share of loss of a jointly-controlled entity	–	1,698	–	1,698

7. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

2011 (restated)

	Publication RMB'000	Distribution 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)	25,208	159,008	187,277	371,493
Depreciation and amortisation	19,082	72,346	2,971	94,399
Impairment losses of trade and other receivables recognised/(reversed) in income statement	17,854	(7,206)	293	10,941
Loss/(gain) on disposal of property, plant and equipment	854	(395)	14	473
(Reversal of write-down)/write-down of inventories to net realisable value	(2,016)	23,696	–	21,680
Allocated interest income	(5,613)	(3,899)	(5,836)	(15,348)
Allocated finance expense	7,570	–	3,735	11,305
Interest 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)

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

Geographical information

No geographical information is presented as more than 99% of the Group's revenue is derived from customers based in the PRC, and more than 99% of its assets are located in the PRC.

Information about major customers

For the year ended 31 December 2012, the Group's revenue from one (2011: one) customer amounted to RMB850,339,000 (2011: RMB855,693,000), which is derived from the distribution segment. Except this one customer, the Group has not had any single external customer, the sales to whom amounted to 10% or more of the Group's revenues for the year ended 31 December 2011 and 2012.

8. OTHER INCOME AND GAINS

	Notes	Year ended 31/12/2012 RMB'000	Year ended 31/12/2011 RMB'000
Government grants	(i)	**59,550**	68,531
Gross rental income	(ii)	**19,029**	14,219
Commission income	(iii)	**37,547**	33,015
Gains on short-term investments		**6,771**	1,444
Dividends from available-for-sale equity investments			
listed equity investment		**7,478**	6,232
unlisted equity investments		**14,400**	38,000
		21,878	44,232
Gain on disposal of subsidiaries (note 48)		**217,696**	–
Others		**65,689**	69,034
		428,160	230,475

Notes:

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

	Notes	Year ended 31/12/2012 RMB'000	Year ended 31/12/2011 RMB'000
Government grants for compilation of publications	(a)	**23,990**	14,918
Value-added tax refund	(b)	**26,340**	50,884
Others		**9,220**	2,729
		59,550	68,531

(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, certain of the Group's subsidiaries engaged in publishing business 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 31/12/2012 RMB'000	Year ended 31/12/2011 RMB'000
Gross rental income in respect of:		
Investment properties	**19,029**	14,219
Less: Direct operating expenses	**(2,042)**	(2,042)
	16,987	12,177

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

	Year ended 31/12/2012 RMB'000	Year ended 31/12/2011 RMB'000
Commission from concessionaire sales	**35,634**	30,305
Commission from agency services for printing	**1,913**	2,710
	37,547	33,015

9. FINANCE INCOME, NET

	Year ended 31/12/2012 RMB'000	Year ended 31/12/2011 RMB'000
Bank interest income	**24,656**	24,374
Interest expense on bank and other borrowings wholly repayable within five years	**(31,588)**	(31,027)
Less: amounts capitalised	**21,877**	19,722
	(9,711)	(11,305)
	14,945	13,069

Interests capitalised arose from borrowings made specifically for the purpose of constructing the Group's property under development, which bore annual interest at rates from 5.88% to 6.72%.

10. INCOME TAX EXPENSE

	Year ended 31/12/2012 RMB'000	Year ended 31/12/2011 RMB'000
Current tax:		
PRC Enterprise Income Tax	**2,825**	3,298
Deferred tax (note 37)	**(1,448)**	(1,931)
	1,377	1,367

The Group is subject to enterprise 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 enterprise 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 income statement as follows:

	Year ended 31/12/2012		Year ended 31/12/2011	
	RMB'000	**%**	RMB'000	%
Profit before tax	**577,857**		514,636	
Income tax at the PRC statutory enterprise income tax rate of 25%	**144,464**	**25.0**	128,659	25.0
Income not subject to tax	**(5,470)**	**(1.0)**	(11,058)	(2.1)
Expenses not deductible for tax purposes	**28,185**	**4.9**	31,007	6.0
Tax effect of changes in unrecognised deductible temporary difference	**4,849**	**0.8**	(601)	(0.1)
Tax losses not recognised	**20,876**	**3.6**	10,499	2.0
Tax concessions*	**(191,527)**	**(33.2)**	(157,139)	(30.5)
Tax charge at the Group's effective rate	**1,377**	**0.2**	1,367	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 income tax exemptions from 2009 to 2013. In 2010, the Company acquired the entire equity interests in 15 wholly-owned subsidiaries of SPG, which became a subsidiary of Sichuan Development in August 2011 (hereinafter referred to the "**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

	Year ended 31/12/2012 RMB'000	Year ended 31/12/2011 RMB'000
Fair value loss on available-for-sale equity investment	**(32,406)**	(263,518)
Income tax	**–**	–
Other comprehensive loss, net of income tax	**(32,406)**	(263,518)

12. PROFIT FOR THE YEAR

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

	Year ended 31/12/2012 RMB'000	Year ended 31/12/2011 RMB'000
Depreciation for property, plant and equipment	**92,774**	81,872
Depreciation for investment properties	**1,690**	1,694
Amortisation of intangible assets	**12,285**	6,144
Amortisation of prepaid lease prepayment for land use rights	**5,181**	4,689
Total depreciation and amortisation	**111,930**	94,399
Auditors' remuneration	**2,660**	2,400
Minimum lease payments under operating leases on properties	**100,235**	83,369
(Gain)/loss on disposal of property, plant and equipment	**(2,037)**	473
Impairment of trade and other receivables	**34,069**	10,941
Write-down of inventories to net realisable value	**24,289**	21,680
Impairment of intangible assets	**12,000**	–
Staff costs:		
Directors' and supervisors' emoluments	**3,327**	3,053
Other staff costs		
Wages, salaries and other employee benefits	**551,316**	491,382
Post-employment pension scheme contributions	**83,452**	52,890
	634,768	544,272
	638,095	547,325
Cost of inventories sold	**2,783,696**	2,745,029
Foreign exchange differences	**1,372**	(649)

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

Details of the remuneration of directors and 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	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Fees	**1,550**	1,430	**350**	358
Other emoluments:				
Salaries and allowances	**138**	147	**290**	331
Performance related bonuses*	**401**	364	**371**	206
Retirement benefit contributions	**71**	56	**156**	161
	610	567	**817**	698
Total	**2,160**	1,997	**1,167**	1,056

* 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:

	2012	2011
	RMB'000	RMB'000
Mr. Chan Yuk Tong	**250**	205
Mr. Han Xiaoming	**220**	160
Mr. Han Liyan*	**170**	43
Mr. Cheng Sanguo**	**–**	83
Total	**640**	491

* Role as director commenced from September 2011.

** Role as director ceased from September 2011.

There were no other emoluments payable to the independent non-executive directors during the year (2011: Nil).

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

(b) Executive directors and non-executive directors

	Fees RMB'000	Salary and allowances in kind RMB'000	Performance related bonuses RMB'000	Retirement benefit contributions RMB'000	Total remuneration RMB'000
2012					
Executive directors:					
Mr. Gong Cimin*	310	–	–	–	310
Mr. Zhao Miao**	300	–	–	–	300
Mr. Luo Yong	–	138	401	71	610
	610	138	401	71	1,220
Non-executive directors:					
Mr. Luo Jun*	100	–	–	–	100
Mr. Zhao Junhuai	100	–	–	–	100
Mr. Zhang Chengxing*	100	–	–	–	100
	300	–	–	–	300
Total	910	138	401	71	1,520

* Except fees, other emoluments of these directors were paid by Sichuan Xinhua Publishing Group. Mr. Gong Cimin is also the chief executive of the Company.

** Except fees, other emoluments of this director were paid by SPG.

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

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

	Fees RMB'000	Salary and allowances 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

* Except fees, other emoluments of these directors were paid by Sichuan Xinhua Publishing Group.

** Except fees, other emoluments of this director were paid by SPG.

*** Role as director commenced from September 2011.

**** Role as director ceased from September 2011.

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

(c) Supervisors

	Fees RMB'000	Salary and allowances in kind RMB'000	Performance related bonuses RMB'000	Retirement benefit contributions RMB'000	Total remuneration RMB'000
2012					
Mr. Xu Yuzheng*	40	–	–	–	40
Ms. Lan Hong	–	63	113	54	230
Ms. Liu Nan	–	75	134	54	263
Mr. Fu Daiguo	70	–	–	–	70
Mr. Li Guangwei	70	–	–	–	70
Mr. Xu Ping**	90	–	–	–	90
Ms. Tan Wei	40	–	–	–	40
Mr. Li Kun	40	–	–	–	40
Ms. Wang Jianping	–	152	124	48	324
Total	350	290	371	156	1,167

* Except fees, other emoluments of the supervisor were paid by Sichuan Xinhua Publishing Group.

** Except fees, other emoluments of the supervisor were paid by SPG.

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

(c) Supervisors *(Continued)*

	Fees RMB'000	Salary and allowances 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

* Except fees, other emoluments of the supervisor were paid by Sichuan Xinhua Publishing Group.

** Except fees, other emoluments of the supervisor were paid by SPG.

*** Role as supervisor commenced from September 2011.

**** Role as supervisor ceased from September 2011.

There was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the year (2011: nil).

The emoluments of each of the directors and supervisors for both years fell within the range of nil to HK$1,000,000 (equivalent to RMB810,850).

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

(d) Five highest paid employees

For the year ended 31 December 2012, the five highest paid employees comprise one (2011: one) director, details of whose remuneration are set out above.

Details of the remuneration of the remaining four (2011: four) non-director and non-supervisor highest paid employees during the year are as follows:

	Group	
	2012	2011
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**485**	457
Performance related bonuses	**1,303**	1,286
Retirement benefit contributions	**215**	158
	2,003	1,901

The emoluments of each of the above highest paid individuals for both years fell within the range of nil to HK$1,000,000 (equivalent to RMB810,850).

14. DIVIDENDS

	Year ended 31/12/2012 RMB'000	Year ended 31/12/2011 RMB'000
Dividends recognised as distribution during the year:		
2011 Final and special dividends – RMB30 cents per share (2011: 2010 final and special dividends – RMB30 cents per share)	**340,539**	340,539

The final and special dividends of RMB340,539,000 (tax inclusive), equivalent to RMB30 cents (tax inclusive) per share in respect of the year ended 31 December 2012 (2011: final and special dividends of RMB340,539,000 (tax inclusive), equivalent to RMB30 cents (tax inclusive) per share in respect of the year ended 31 December 2011) has been proposed by the Directors 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 2,608,929 shares (2011: 6,900,428 shares) held by SYCPH, a subsidiary of the Company acquired in 2010. Further details of the treasury shares are set out in note 36.

	2012	2011
	RMB'000	RMB'000
Earnings:		
Profit for the year attributable to owners of the Company	**629,371**	522,394

	Number of shares	
	2012	2011
Shares:		
Ordinary shares in issue during the year	**1,135,131,000**	1,135,131,000
Less: Weighted average number of treasury shares	**(2,608,929)**	(6,900,428)
	1,132,522,071	1,128,230,572

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 2011	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
Additions	8,736	16,777	16,427	31,742	141,061	214,743
Transfers from construction in progress	23,170	–	–	1,083	(24,253)	–
Acquired in business combinations (note 47)	699,736	–	5,565	43,898	–	749,199
Disposals	(14,523)	(833)	(10,933)	(3,227)	–	(29,516)
Disposals of subsidiaries (note 48)	–	(1,094)	(1,361)	(493)	(1,406)	(4,354)
At 31 December 2012	1,451,156	97,914	117,760	479,123	188,670	2,334,623
DEPRECIATION						
At 1 January 2011	(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)
Provided for the year	(32,884)	(5,456)	(13,406)	(41,028)	–	(92,774)
Eliminated on disposals	2,948	223	10,376	3,052	–	16,599
Disposals subsidiaries (note 48)	–	547	455	358	–	1,360
At 31 December 2012	(151,889)	(43,739)	(53,201)	(266,695)	–	(515,524)
CARRYING VALUES						
At 31 December 2012	1,299,267	54,175	64,559	212,428	188,670	1,819,099
At 31 December 2011	612,084	44,011	57,436	177,043	73,268	963,842

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 2012, except for five (2011: six) properties with an aggregate net book value of approximately RMB141,570,000 (2011: RMB148,968,000), the Group has obtained the building ownership certificates. The Group is in the process of obtaining the building ownership certificates of the five (2011: six) properties.

17. PREPAID LEASE PAYMENTS FOR LAND USE RIGHTS

	31/12/2012 RMB'000	31/12/2011 RMB'000
Carrying amount at 1 January	**104,619**	109,308
Addition	**16,273**	–
Acquired in business combinations (note 47)	**113,315**	–
Charge to profit or loss during the year	**(5,181)**	(4,689)
Carrying amount at 31 December	**229,026**	104,619
Less: Current portion, included in prepayments, deposits and other receivables (note 28)	**(7,451)**	(4,690)
Non-current portion	**221,575**	99,929

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

As at 31 December 2012, the Group's leasehold lands with a carrying amount of RMB29,825,000 (2011: RMB30,503,000) were pledged as security for the Group's interest-bearing bank loans of RMB23,000,000 (2011: RMB23,000,000). Further details are set out in note 38.

18. INVESTMENT PROPERTIES

	RMB'000
COST	
At 1 January 2011	31,066
Transfers to property, plant and equipment (note 16)	(2,224)
At 31 December 2011 and 2012	28,842
DEPRECIATION	
At 1 January 2011	(3,995)
Provided for the year	(1,694)
Transfers to property, plant and equipment (note 16)	91
At 31 December 2011	(5,598)
Provided for the year	(1,690)
At 31 December 2012	(7,288)
CARRYING VALUES	
At 31 December 2012	21,554
At 31 December 2011	23,244

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

The fair value of the Group's investment properties as at 31 December 2012 was RMB50,475,000 (31 December 2011: RMB59,384,000). 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

	2012 RMB'000	2011 RMB'000
COST		
At 1 January	**504,301**	504,301
Business combination (note 47)	**2,067**	–
At 31 December	**506,368**	504,301
IMPAIRMENT		
At 1 January	**–**	–
At 31 December	**–**	–
CARRYING VALUES		
At 31 December	**506,368**	504,301

For the purpose of impairment testing, goodwill of RMB500,994,000 as at 31 December 2012 has been allocated to cash generating unit, comprising three companies of the Fifteen Publishers in the publication segment. The carrying amount of goodwill as at 31 December 2012 is as follow:

	31/12/2012 RMB'000
Goodwill – Publication (Fifteen Publishers engaged in publication business acquired in August 2010, the Publication CGU)	**500,994**

The recoverable amount of the Publication 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 15% (2011: 14%). the Publication CGU's cash flows beyond the five-year period are extrapolated using a 2% (2011: 2%) 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 Publication 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 Publication CGU to exceed the aggregate recoverable amount of the Publication CGU.

20. OTHER INTANGIBLE ASSETS

	Computer software RMB'000	Distribution channel RMB'000	Others RMB'000	Total RMB'000
COST				
At 1 January 2011	43,967	–	4,036	48,003
Additions	6,200	–	1,382	7,582
At 31 December 2011	50,167	–	5,418	55,585
Additions	11,999	–	38	12,037
Acquired in a business combination (note 47)	–	44,944	–	44,944
Disposal of subsidiaries (note 48)	(24)	–	–	(24)
Write off upon liquidation of subsidiaries	(33)	–	(2)	(35)
At 31 December 2012	62,109	44,944	5,454	112,507
AMORTISATION AND IMPAIRMENT				
At 1 January 2011	(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)
Provided for the year	(7,317)	(4,494)	(474)	(12,285)
Disposal of subsidiaries (note 48)	12	–	–	12
Write off upon liquidation of subsidiaries	27	–	2	29
Impairment loss recognised in the year	–	(12,000)	–	(12,000)
At 31 December 2012	(29,663)	(16,494)	(2,836)	(48,993)
CARRYING VALUES				
At 31 December 2012	32,446	28,450	2,618	63,514
At 31 December 2011	27,782	–	3,054	30,836

20. OTHER INTANGIBLE ASSETS *(Continued)*

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
Distribution Channels	10 years
Others (including trademarks and patents)	10 years

For the year ended 31 December 2012, the CGU associated to the distribution channels was loss-making management assessed the recoverable amount of the distribution channels as at 31 December 2012.

The recoverable amount of the distribution channels has been determined based on a value in use calculation. The calculation uses cash flow projections from the CGUs associated to the distribution channels based on financial budgets approved by the management covering a ten-year period, and a discount rate of 16%. 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 distribution channels' past performance and management's expectations for the market development.

An impairment loss of RMB12,000,000 being the excess of the carrying amount of the distribution channels over its recoverable amount, was recognised for the year ended 31 December 2012.

21. INTERESTS IN ASSOCIATES

	31/12/2012 RMB'000	31/12/2011 RMB'000
Cost of unlisted investment in associates	**251,873**	110,660
Share of post-acquisition results, net of dividend received	**(21,552)**	(18,579)
Goodwill	**1,560**	1,560
	231,881	93,641

The Group's receivable and payable balances with the associates are disclosed in notes 26, 27, 28, 32, 33 and 44(b), respectively.

As at 31 December 2012, the Group had interests in the following associates:

21. INTERESTS IN ASSOCIATES *(Continued)*

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 2012 %	2011 %	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 Co., Ltd.	Incorporated	PRC	PRC	RMB12,000,000	**45**	45	Sale of publications
Ming Bo Education & Technology Co., Ltd.*	Incorporated	PRC	PRC	RMB70,000,000	**27.2**	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 Culture Development Co., Ltd.	Incorporated	PRC	PRC	RMB10,000,000	**33.8**	33.8	Industrial investment and development of real properties
The Commercial Press (Chengdu) Co., Ltd.	Incorporated	PRC	PRC	RMB4,000,000	**49**	49	Sale of publications
Beijing Daqijinzhun Investment Management Co., Ltd.	Incorporated	PRC	PRC	RMB20,000,000	**20**	20	Investment management and consulting
Shanghai Jingjie Information Technology Co., Ltd.	Incorporated	PRC	PRC	RMB7,500,000	**42**	42	Computer technology development and service
Chengdu Xin Hui Industrial Co., Ltd	Incorporated	PRC	PRC	RMB100,000,000	**34**	62.5	Development of real properties

* In December 2012, such company introduced a new shareholder, reducing the Company's shareholding from 34% to 27.2%.

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. The shareholder meeting of Bazhong Shudong also requires at least two-thirds of votes to pass any resolution. 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 discontinued recognition of its share of losses in Guizhou Xinhua and Hainan Chuangxiang since June 2011 and Jan 2012, respectively, when the Group's interests in Guizhou Xinhua and Hainan Chuangxiang were reduced to zero. The Group's aggregate unrecognised share of losses in Guizhou Xinhua and Hainan Chuangxiang amounted to RMB5,688,000 for the year ended 31 December 2012 (31 December 2011: RMB580,000). The Group's aggregate cumulative unrecognised share of losses in Guizhou Xinhua and Hainan Chuangxiang amounted to RMB6,268,000 as at 31 December 2012 (31 December 2011: RMB580,000).

In November 2012, the Company disposed of its 28.5% equity interest and retained 34% equity in Chengdu Xinhui. Chengdu Xinhui was then accounted for as an associate. Further details are set out in note 48.

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:

	31/12/2012 RMB'000	31/12/2011 RMB'000
Total assets	**2,044,225**	795,612
Total liabilities	**(1,185,485)**	(589,889)
Net assets	**858,740**	205,723
Group's share of net assets of associates	**230,321**	92,081

	Year ended 31/12/2012 RMB'000	Year ended 31/12/2011 RMB'000
Total revenue	**167,317**	152,535
Total loss for the year	**(20,482)**	(8,171)
Group's share of losses of associates for the year	**(2,973)**	(2,366)

22. INTERESTS IN A JOINTLY CONTROLLED ENTITY

	31/12/2012 RMB'000	31/12/2011 RMB'000
Cost of unlisted investment in a jointly controlled entity (including goodwill of RMB30,735,000)	**98,000**	98,000
Share of post-acquisition results	**4,839**	6,537
	102,839	104,537

As at 31 December 2012 and 2011, the Group had interests 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 2012 %	2011 %	Principal activity
Hainan Publishing House Co., Ltd.	Incorporated	PRC	PRC	RMB76,000,000	**50**	50	Publishing and wholesaling of publications and related Publications

The summarised financial information in respect of the Group's interests in a jointly controlled entity which are accounted for using the equity method is set out below:

	31/12/2012 RMB'000	31/12/2011 RMB'000
Current assets	**124,526**	106,162
Non-current assets	**9,183**	9,704
Current liabilities	**(57,872)**	(41,286)
Non-current liabilities	**(3,733)**	(778)

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

	Year ended 31/12/2012 RMB'000	Year ended 31/12/2011 RMB'000
Income recognised in profit or loss	**61,034**	63,646
Expenses recognised in profit or loss	**(62,732)**	(60,393)

23. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	31/12/2012 RMB'000	31/12/2011 RMB'000
Listed equity investment, at fair value*	**646,977**	679,383
Unlisted equity investments, at cost**	**506,553**	506,573
Total	**1,153,530**	1,185,956
Analysed for reporting purposes as:		
Non-current assets	**1,153,530**	1,185,956

* 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 2012, the equity investment in Wan Xin Media was stated at fair value, which is also its quoted market value of RMB646,977,000 (31 December 2011: RMB679,383,000). During the current year, the fair value loss in respect of the Group's available-for-sale equity investment in Wan Xin Media recognised in other comprehensive loss amounted to RMB32,406,000 (2011: loss of RMB263,518,000).

** As at 31 December 2012, the unlisted equity investments with a carrying amount of RMB506,553,000 (31 December 2011: RMB506,573,000) 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 can not be measured reliably. The Group does not intend to dispose of these investments in the near future.

24. PROPERTY UNDER DEVELOPMENT

	31/12/2012 RMB'000	31/12/2011 RMB'000
Development costs	**–**	173,284

The balance represented lease prepayments for land use rights under medium-term lease and other development costs incurred by Chengdu Xinhui, for the development of a property located in Chengdu.

In November 2012, the Company disposed of its 28.5% equity interest and retained 34% equity in Chengdu Xinhui. Chengdu Xinhui was then accounted for as an associate. Further details are set out in note 48.

25. LONG-TERM PREPAYMENTS

	31/12/2012 RMB'000	31/12/2011 RMB'000
Long-term prepayments	**92,793**	422,120

The balance as at 31 December 2011 and 2012 mainly represented the prepayments made for construction projects and purchasing land use rights. The Group is in the process of obtaining relevant land use right certificates.

26. ENTRUSTED LOAN

The balance represented an entrusted loan made by the Company to Chengdu Xinhui through the Bank of Chengdu. The entrusted loan is unsecured, bears interest at an annual rate of 6.4% and will mature in April 2014. The carrying amount of the loan receivable approximated to its fair value as at 31 December 2012.

27. TRADE AND BILLS RECEIVABLES

	31/12/2012 RMB'000	31/12/2011 RMB'000
Bills receivables	**40,892**	6,103
Trade receivables	**737,228**	667,813
Less: Allowance for doubtful debts	**(107,866)**	(78,998)
Less: Allowance for sales returns	**(7,860)**	(7,566)
	662,394	587,352

27. TRADE AND BILLS RECEIVABLES *(Continued)*

The Group allows a credit period of no 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 date of delivery of goods and date of rendering of services which approximated the respective dates on which revenue was recognised.

	31/12/2012 **RMB'000**	31/12/2011 RMB'000
Within 3 months	**481,466**	448,513
3 to 6 months	**96,167**	80,966
6 months to 1 year	**63,643**	43,036
1 to 2 years	**15,522**	9,259
Over 2 years	**5,596**	5,578
	662,394	587,352

For new customers requesting credit from the Group, management evaluates the customers' credit quality and defines credit limits and credit terms for each new customer. The Group also seeks to maintain strict control over its outstanding receivables. Over 82% (2011: 83%) of the Group's trade receivables were neither past due nor impaired as at 31 December 2012, which is attributable to the implementation of 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 collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	31/12/2012 **RMB'000**	31/12/2011 RMB'000
9 months to 1 year	**10,049**	19,541
Over 1 year	**21,118**	14,837
Total	**31,167**	34,378

Receivables that were past due but not impaired relate 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 collateral or other credit enhancements over these balances.

Included in the balance as at 31 December 2012 were trade receivables from Sichuan Xinhua Publishing Group, SPG and associates of RMB36,323,000 (31 December 2011: RMB24,789,000), RMB6,159,000 (31 December 2011: RMB7,304,000) and RMB50,056,000 (31 December 2011: RMB23,220,000), respectively (note 44(b)).

27. TRADE AND BILLS RECEIVABLES *(Continued)*

Movement in the allowance for doubtful debts

	2012 RMB'000	2011 RMB'000
1 January	**78,998**	75,023
Charged for the year	**39,893**	23,679
Amount written off	**(2,550)**	(5,217)
Amount reversed	**(8,475)**	(14,487)
31 December	**107,866**	78,998

The Group performs impairment assessment individually for receivable balance over RMB5,000,000. For receivable less than RMB5,000,000, the Group categorises them into different groups according to their respective risk characteristics. Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB29,046,000 (31 December 2011: RMB14,719,000), where the debtors have been in severe financial difficulties.

The Group does not hold any collateral over these balances.

27a. TRANSFERS OF FINANCIAL ASSETS

The Group has transferred bills receivables amounted to RMB15,920,000 to its suppliers to settle its payables through endorsing the bills to its suppliers. The Group has derecognised these bills receivables and the payables to suppliers in their entirety, as in the opinion of the Directors, the Group has transferred substantially all the risks and rewards of ownership of these bills to the suppliers. The Group has limited exposure in respect of the settlement obligation of these bills receivable under relevant PRC rules and regulations should the issuing bank failed to settle the bills on maturity date. The Group considered the issuing banks of the bills are of good credit quality and the risk of non-settlement by the issuing banks on maturity is insignificant.

The maximum exposure to loss, which is same as the amount payable by the Group to the supplier in respect of the endorsed bills, should the issuing bank fail to settle the bills on maturity date amounted to RMB15,920,000.

All the bills receivables endorsed to suppliers of the Group have a maturity date of less than six months from the end of the reporting period.

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	**31/12/2012 RMB'000**	31/12/2011 RMB'000
Deposits		**24,612**	23,404
Prepayments to suppliers		**66,453**	79,487
Input value-added tax recoverables		**109,675**	42,441
Due from Sichuan Xinhua Publishing Group (note 44(b))		**14,600**	594
Due from SPG (note 44(b))		**1,320**	2,350
Due from associates (note 44(b))		**179,860**	129,526
Prepaid expenses		**11,454**	8,814
Loan receivables	(i)	**22,020**	–
Entrusted loan (note 44(b))	(ii)	**10,200**	–
Prepaid lease payments for land use rights		**7,451**	4,690
Other receivables	(iii)	**38,960**	53,894
		486,605	345,200

Note:

(i) The loan receivables are due from independent third parties, unsecured and bear interests at annual rates ranging from 8.0% to 15.0%.

(ii) The balance represented an entrusted loan made by the Company to Chengdu Xinhui through the Bank of Chengdu. The entrusted loan is unsecured, bears interest at an annual rate of 6.0% and will mature in November 2013. The carrying amount of the loan receivable approximated to its fair value as at 31 December 2012.

(iii) Other receivables

	31/12/2012 RMB'000	31/12/2011 RMB'000
Other receivables	**43,338**	55,623
Less: Provision for impairment	**(4,378)**	(1,729)
	38,960	53,894

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

Note: *(Continued)*

(iii) Other receivables *(Continued)*

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

	2012 RMB'000	2011 RMB'000
At 1 January	**1,729**	–
Charged for the year	**3,365**	1,835
Amount written off	**(2)**	(20)
Amount reversed	**(714)**	(86)
At 31 December	**4,378**	1,729

Other receivables that were neither past due nor impaired amounted to approximately RMB38,960,000 (31 December 2011: RMB53,894,000) relate to a large number of diversified debtors for whom there was no recent history of default.

29. INVENTORIES

	31/12/2012 RMB'000	31/12/2011 RMB'000
Raw materials	**132,932**	97,270
Working-in-process	**44,452**	13,443
Merchandise and Publications for resale	**805,454**	944,409
	982,838	1,055,122

30. SHORT-TERM INVESTMENT

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 from 4% to 8% with maturity of less than one year. The short-term investment was fully settled during the year ended 31 December 2012.

31. CASH AND SHORT-TERM DEPOSITS

	31/12/2012 RMB'000	31/12/2011 RMB'000
Cash and bank balances	**1,979,810**	1,660,534
Restricted cash	**20,272**	20,266
Pledged bank deposits for bills payable	**51,312**	82,796
Non-pledged bank deposits with original maturity of more than three months	**197,185**	133,952
	2,248,579	1,897,548
Less: Pledged bank deposits for bills payable	**(51,312)**	(82,796)
Restricted cash	**(20,272)**	(20,266)
	(71,584)	(103,062)
Cash and short-term deposits	**2,176,995**	1,794,486

Bank balances, bank deposits, pledged bank deposits and restricted cash

Bank balances, bank deposits, pledged bank deposits and restricted cash carry interest at market rates which range from 0.35% to 0.50% (31 December 2011: 0.36% to 0.50%) per annum.

Pledged bank deposits represents 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 2012 and 2011.

	31/12/2012 RMB'000	31/12/2011 RMB'000
Cash and short-term deposits	**2,176,995**	1,794,486
Non-pledged bank deposits with original maturity of more than three months	**(197,185)**	(133,952)
	1,979,810	1,660,534

32. TRADE AND BILLS PAYABLES

	31/12/2012 RMB'000	31/12/2011 RMB'000
Bills payable	**165,290**	107,600
Trade payable	**1,503,279**	1,461,945
	1,668,569	1,569,545

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

	31/12/2012 RMB'000	31/12/2011 RMB'000
Within 3 months	**786,714**	786,900
3 to 6 months	**374,760**	318,806
6 months to 1 year	**242,470**	263,265
1 to 2 years	**138,768**	93,444
Over 2 years	**125,857**	107,130
	1,668,569	1,569,545

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

Included in the balance as at 31 December 2012 were trade payables to Sichuan Xinhua Publishing Group, SPG, a jointly-controlled entity and associates of nil (31 December 2011: RMB1,284,000), RMB19,987,000 (31 December 2011: RMB27,399,000), RMB1,336,000 (31 December 2011: RMB1,876,000) and RMB3,604,000 (31 December 2011: RMB24,802,000), respectively (note 44(b)).

As at 31 December 2012, the Group's bills payable of RMB165,290,000 (31 December 2011: RMB107,600,000) were secured by the Group's pledged bank deposits amounting to RMB51,312,000 (31 December 2011: RMB82,796,000) (note 31) and guarantees provided by the Company up to an amount of RMB114,000,000 (31 December 2011: RMB79,000,000).

33. DEPOSITS RECEIVED, OTHER PAYABLES AND ACCRUALS

	Note	31/12/2012 RMB'000	31/12/2011 RMB'000
Accrued salaries, wages and benefits		**180,470**	190,106
Deposits		**30,134**	28,715
Advance from customers		**724,359**	361,551
Accrued operating expenses		**167,213**	129,116
Due to Sichuan Xinhua Publishing Group (note 44(b))		**41,751**	40,360
Due to SPG (note 44(b))		**1,395**	15,927
Due to the associates (note 44(b))		**–**	507
Deferred government grants		**54,092**	40,115
Due to a non-controlling equity holder	(i)	**156,101**	–
Consideration payable for a business combination (note 47)		**106,096**	–
Others		**102,847**	69,564
		1,564,458	875,961

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

Note:

(i) The balances represented the current portion of a borrowing with principal amount of RMB280,000,000 due to a subsidiary of Zhuo Tai Industrial which is interest free. The principal amount comprise an initial payment of RMB120,000,000 due in March 2013, four installments of RMB40,000,000 each due in December 2013, 2014, 2015 and 2016, respectively. The borrowing was discounted using prevailing market interest rates ranging from 5.60% to 6.40% upon a business combination (note 47). The discounted value of non-current portion of the borrowing was RMB100,152,000 as at 31 December 2012.

34. ISSUED CAPITAL

	31/12/2012 RMB'000	31/12/2011 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

35. 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: i) the excess of capital contributions over registered capital by non-controlling equity holders of subsidiaries; ii) the excess of consideration over the par value of treasury shares issued during the year (note 36); iii) difference between the amount of adjustment of non-controlling interests and the fair value of consideration paid in an acquisition of non-controlling interest.

(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.

(d) Retained profits

As at 31 December 2012, the retained profits included statutory surplus reserves appropriated by the subsidiaries of the Company amounted to RMB27,801,000 (31 December 2011: RMB27,234,000).

36. TREASURY SHARES

	2012 **RMB'000**	2011 RMB'000
At 1 January	**(6,900)**	(6,900)
Transfer of treasure shares	**6,900**	–
At 31 December	**–**	(6,900)

SYCPH was acquired by the Company as a wholly-owned subsidiary from SPG in August 2010. On the acquisition date, SYCPH 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.

36. TREASURY SHARES *(Continued)*

In accordance with the document of State-owned Asset Supervision and Administration Commission of the State Council, the Company, SPG and SYCPH entered into an arrangement, pursuant to which SYCPH shall transfer the 6,900,428 shares of the Company to SPG, and SPG shall refund RMB23,161,400 (approximately equivalent to RMB3.36 per share) to the Company (the "**Transfer**"). The Transfer was completed in May 2012 and the excess of the payment made by SPG over the par value of the treasury shares was recorded in the capital reserve.

37. DEFERRED TAXATION

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:

	31/12/2012 RMB'000	31/12/2011 RMB'000
Deferred tax assets	**35,878**	34,430
Deferred tax liabilities	**(5,937)**	–

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

Deferred tax assets

	2012 RMB'000	2011 RMB'000
At 1 January	**47,324**	46,914
Credit to income statement	**496**	410
At 31 December	**47,820**	47,324
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	**3,816**	3,642
Temporary difference arising from write-down of inventories to net realisable value	**1,800**	1,922
Others	**1,590**	1,146
	47,820	47,324

37. DEFERRED TAXATION *(Continued)*

Deferred tax liabilities

	2012 **RMB'000**	2011 RMB'000
At 1 January	**(12,894)**	(14,415)
Acquired in a business combination (note 47)	**(5,937)**	–
Credit to income statement	**952**	1,521
At 31 December	**(17,879)**	(12,894)
Provision in respect of:		
Revaluation of items of property, plant and equipment and lease prepayments for land use rights for tax purposes	**(11,942)**	(12,984)
Fair value adjustment of other payables	**(5,937)**	–
	(17,879)	(12,984)

As at 31 December 2012, the Group had unused tax losses of RMB155,571,000 (31 December 2011: RMB92,668,000) and deductible temporary differences of RMB20,205,000 (31 December 2011: RMB809,000). The Group's unused tax losses as at 31 December 2012 will expire in year 2013 to year 2017 if not utilised. No deferred tax asset has been recognised in relation to such tax losses and deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

38. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	31/12/2012 RMB'000	31/12/2011 RMB'000
Bank loans – secured	(a)	**23,000**	272,700
Bank loans – unsecured	(b)	**45,000**	93,000
Other borrowings – unsecured		**–**	48,750
Total interest-bearing bank and other borrowings		**68,000**	414,450
Analysed into:			
Interest-bearing bank and other borrowings repayable:			
Within one year		**68,000**	376,950
In the second year		**–**	–
In the third to fifth year, inclusive		**–**	37,500
		68,000	414,450
Total interest-bearing bank and other borrowings		**68,000**	414,450
Less: Portion classified as current liabilities		**(68,000)**	(376,950)
Non-current portion		**–**	37,500

Note:

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

(a) leasehold lands and leasehold land in the property under development of the Group amounting to RMB29,825,000 (31 December 2011: RMB30,503,000) (note 17) and RMB nil (31 December 2011:116,615,000), respectively.

(b) Guarantees granted by the Company and Sichuan Chuangye Financing Guarantee Co., Ltd., an independent third party, up to an amount of RMB20,000,000 and RMB50,000,000 respectively (31 December 2011: RMB110,000,000 and RMB50,000,000 respectively).

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

The exposure of the Group's fixed-rate borrowings and the contractual maturity dates are as follows:

	31/12/2012 RMB'000	31/12/2011 RMB'000
Fixed-rate borrowings		
Within one year	**68,000**	227,250
In more than one year but not more than two years	**–**	–
In more than two years but not more than five years	**–**	37,500
In more than five years	**–**	–
	68,000	264,750

In addition, as at 31 December 2011, the Group had variable-rate borrowings which carry interest at 105% of the benchmark rate quoted by the People's Bank of China.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	31/12/2012 RMB'000	31/12/2011 RMB'000
Effective interest rate:		
Fixed-rate borrowings	**6.00% to 7.87%**	6.14% to 7.87%
Variable-rate borrowings	**–**	6.14% to 6.72%

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

	31/12/2012 RMB'000	31/12/2011 RMB'000
Floating rate		
– expiring within one year	**185,000**	148,300
– expiring beyond one year	**–**	10,000
	185,000	158,300

39. 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.

40. FINANCIAL INSTRUMENTS

40.1 Categories of financial instruments

	31/12/2012 RMB'000	31/12/2011 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)	**3,236,545**	2,694,668
Available-for-sale equity investments		
– Fair value	**646,977**	679,383
– Cost	**506,553**	506,573
Financial liabilities	**2,181,427**	2,077,028

40.2 Financial risk management objectives and polices

The Group's principal financial instruments comprise cash and short-term deposits, restricted cash, pledged bank deposits, trade and bills receivables, deposits and other receivables, short-term investments, available-for-sale equity investments, entrusted loan, 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 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 4.

40. FINANCIAL INSTRUMENTS *(Continued)*

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

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 RMB1,938,000 (2011: RMB244,000) denominated in Hong Kong dollar and United States dollar. 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 against 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.

Interest rate risk

The Group is exposed to fair value interest rate risk relates primarily to fixed rate borrowings. The Group's policy is to maintain short-term borrowings at prevailing market rates so as to minimise the fair value interest risk. As at 31 December 2012, the Group has no non-current borrowing.

The Group is also exposed to cash flow interest rate risk in relation to primarily to variable rate borrowings, bank deposits, pledged bank deposits and restricted cash, which carry prevailing market interest rates. As at 31 December 2012, the Group did not have any non-current borrowing at floating interest rate (2011: None). Therefore, the Group is not subject to significant cash flow interest rate risk and the Directors considered the cash flow interest rate risk of the short-term borrowings is not material. Accordingly no sensitivity analysis is provided.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

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 (including bills receivables endorsed to suppliers set out in note 27a), short-term investments, deposits, entrusted loans 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, restricted cash 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 27 and 28, respectively.

40. FINANCIAL INSTRUMENTS *(Continued)*

40.2 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 utilisation of 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:

	Interest rate %	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31/12/2012 RMB'000
2012								
Interest-bearing bank and other borrowings								
– fixed rates	6.00 to 7.87	–	–	70,397	–	–	70,397	68,000
Trade and bills payables	–	507,096	1,104,643	56,830	–	–	1,668,569	1,668,569
Other payables	nil to 6.4	43,145	142,852	162,608	120,000	–	468,605	444,858
		550,241	1,247,495	289,835	120,000	–	2,207,571	2,181,427

	Interest rate %	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31/12/2011 RMB'000
2011								
Interest-bearing bank and other borrowings								
– fixed rates	6.41 to 7.87	–	–	237,007	42,879	–	279,886	264,750
– floating rates	6.14 to 6.72	–	–	157,732	–	–	157,732	149,700
Trade and bills payables	–	463,840	1,031,955	73,750	–	–	1,569,545	1,569,545
Other payables	–	56,794	28,715	7,524	–	–	93,033	93,033
		520,634	1,060,670	476,013	42,879	–	2,100,196	2,077,028

40. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

The table above includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

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). Directors monitor the equity price of Wan Xin Media on a regular basis. As at 31 December 2012, the Group recognised an accumulated gain of RMB460,561,000 (31 December 2011: RMB492,967,000) from its investment in Wan Xin Media directly in equity.

If the equity price had been 5% higher/lower (2011: 5% higher/lower), other comprehensive loss for the year ended 31 December 2012 would have decreased/increased by RMB32,349,000 (2011: decrease/increase by RMB33,969,000).

Fair value

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

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

- the fair value of other financial assets and financial liabilities 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 comprises listed available-for-sale equity investment amounting to RMB646,977,000 as at 31 December 2012 (31 December 2011: RMB679,383,000). 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.

41. 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:

	31/12/2012 RMB'000	31/12/2011 RMB'000
Within one year	**73,842**	63,492
In the second to fifth year, inclusive	**137,650**	33,083
Over five years	**31,958**	7,432
	243,450	104,007

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

The Group as lessor

Property rental income earned during the year was RMB19,029,000 (2011: RMB14,219,000).

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

	31/12/2012 RMB'000	31/12/2011 RMB'000
Within one year	**6,678**	7,650
In the second to fifth year, inclusive	**16,090**	13,834
After five years	**7,055**	8,922
	29,823	30,406

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

42. 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:

	31/12/2012 RMB'000	31/12/2011 RMB'000
Property, plant and equipment:		
Contracted, but not provided for	**28,545**	19,130
Authorised, but not contracted for	**120,000**	120,000
	148,545	139,130

Investment commitments

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

	31/12/2012 RMB'000	31/12/2011 RMB'000
Investment to establish a subsidiary:		
Contracted, but not provided for	**–**	147,900

43. 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 2012 were approximately RMB83,679,000 (2011: RMB53,107,000).

44. RELATED PARTY TRANSACTIONS

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

	Notes	**Year ended 31/12/2012 RMB'000**	Year ended 31/12/2011 RMB'000
Sichuan Xinhua Publishing Group:			
Sales of merchandise	(i)	**140,176**	118,072
Rental income	(iii)	**1,344**	1,344
Rental expenses	(iv)	**37,832**	37,770
Interest expense		**1,741**	2,298
Purchase of services	(ii)	**16,207**	13,295
Disposal of properties	(vi)	**14,517**	–
SPG:			
Sales of merchandise	(i)	**19,591**	2,868
Sales of equipments	(i)	**14,629**	1,936
Render of printing services	(ii)	**71**	361
Rental and property management fee	(v)	**15,786**	6,902
Purchase of publications	(ii)	**32,984**	16,390
Purchase of printing services	(ii)	**23,931**	19,220
Purchase of other services	(ii)	**283**	26
Associates*:			
Sales of merchandise	(i)	**32,783**	68,078
Purchase of merchandise	(ii)	**21,038**	46,120
Interest income on entrusted loans	26 & 28	**229**	–
Jointly controlled entity*:			
Purchase of merchandise	(ii)	**4,312**	2,282

44. 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 Sichuan 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 fixed annual rates. The rental expense charged by Sichuan Xinhua Publishing Group amounted to RMB37,832,000 during the year.

(v) 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 RMB15,786,000 per annum.

(vi) The Company and Chengdu Hongcun Properties Co., Ltd., a wholly owned subsidiary of Sichuan Xinhua Publishing Group, entered into a property transfer agreement pursuant to which the Company agreed to sell a property to Hongcun at a consideration of RMB14,517,000. As at 31 December 2012, Hongcun had occupied the property but the legal title of the property was still in the process of transferring to Hongcun.

* 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.

44. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Balances with related parties:

	Notes	**31/12/2012 RMB'000**	31/12/2011 RMB'000
Trade and other receivables:			
Trade receivables due from Sichuan Xinhua Publishing Group	27	**36,323**	24,789
Trade receivables due from SPG	27	**6,159**	7,304
Trade receivables due from associates of the Group	27	**50,056**	23,220
Other receivables due from Sichuan Xinhua Publishing Group	28	**14,600**	594
Other receivables due from SPG	28	**1,320**	2,350
Other receivables due from associates of the Group	28	**179,860**	129,526
Entrusted loan due from associate of the Group	26 & 28	**44,200**	–
Trade and other payables:			
Trade payables due to Sichuan Xinhua Publishing Group	32	**–**	1,284
Trade payables due to SPG	32	**19,987**	27,399
Trade payables due to a jointly-controlled entity	32	**1,336**	1,876
Trade payables due to associates of the Group	32	**3,604**	24,802
Other payables due to Sichuan Xinhua Publishing Group	33	**41,751**	40,360
Other payables due to SPG	33	**1,395**	15,655
Other payables due to associates of the Group	33	**–**	507

Except for the non-current entrusted loan of RMB34,000,000 (note 26) and an entrusted loan of RMB10,200,000 including in prepayments, deposits and other receivables (note 28), the above balances are unsecured, interest-free and have no fixed terms of repayment.

(c) Compensations to key management personnel of the Group are as follows:

	Year ended 31/12/2012 RMB'000	Year ended 31/12/2011 RMB'000
Short-term employee benefits	**6,301**	5,874
Total compensations	**6,301**	5,874

45. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Place/Country of incorporation or registration/ operations	Paid up issued/ registered ordinary share capital	Proportion ownership interest held by the Company 2012 %	2011 %	Principal activities
Sichuan Xinhua Online Network Co., Ltd.	PRC	RMB10,000,000	**100**	100	Internet publication and computer service
Beijing Xinhua Wenxuan Advertising Co., Ltd.	PRC	RMB13,000,000	**81.54**	81.54	Provision of advertising services and sale of publications and newspapers
Sichuan Xinhua Wenxuan 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 Publications
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 elated Publications
Sichuan People's Education Times Xinhua Audio and Video Co., Ltd	PRC	RMB2,000,000	**80**	80	Sale of audio and video Publication
Beijing Huaying Winshare Movie & Culture Co., Ltd.	PRC	RMB80,770,000	**86.67**	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 Publications investment

45. 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 ownership interest held by the Company 2012 %	2011 %	Principal activities
Sichuan Winshare Media Co., Ltd	PRC	RMB30,000,000	**75**	75	Internet publication and computer service
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	RMB30,000,000	**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 Publications
Sichuan Publication Printing Co., Ltd.	PRC	RMB50,000,000	**100**	100	Publishing and wholesaling of publications and related Publications
Sichuan Education Publishing House Co., Ltd.	PRC	RMB10,000,000	**100**	100	Publishing and wholesaling of publications and related Publications
Sichuan Youth and Children's Publishing House Co., Ltd.	PRC	RMB10,000,000	**100**	100	Publishing and wholesaling of publications and related Publications
Sichuan Science & Technology Publishing House Co., Ltd.	PRC	RMB4,000,000	**100**	100	Publishing and wholesaling of publications and related Publications

45. 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 ownership interest held by the Company 2012 %	2011 %	Principal activities
Sichuan Literature & Art Publishing House Co., Ltd.	PRC	RMB5,000,000	**100**	100	Publishing and wholesaling of publications and related Publications
Sichuan Fine Arts Publishing House Co., Ltd.	PRC	RMB4,250,000	**100**	100	Publishing and wholesaling of publications and related Publications
Sichuan Lexicographical Publishing House Co., Ltd.	PRC	RMB2,000,000	**100**	100	Publishing and wholesaling of publications and related Publications
Sichuan Bashu Publishing House Co., Ltd.	PRC	RMB2,000,000	**100**	100	Publishing and wholesaling of publications and related Publications
Sichuan Tiandi Publishing House Co., Ltd.	PRC	RMB2,000,000	**100**	100	Publishing and wholesaling of publications and related Publications
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 Publications
Sichuan Readers' Journal Press Co., Ltd.	PRC	RMB1,500,000	**100**	100	Publishing and wholesaling of publications and related Publications

45. 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 ownership interest held by the Company 2012 %	2011 %	Principal activities
Sichuan Printing Material Co., Ltd.	PRC	RMB30,000,000	**100**	100	Provision of printing related materials
Sichuan Shangrui Education Textbook Co., Ltd.	PRC	RMB20,000,000	**100**	100	Wholesaling of publications and related Publications
Sichuan Wenchuan Logistics Co., Ltd.	PRC	RMB100,000,000	**100**	100	Warehousing and logistics services
Xinhua Winshare Commercial Chain (Beijing) Co., Ltd.	PRC	RMB116,300,000	**51**	51	Sale of publication and related Publications
Winshare Chengdu Publication Co., Ltd.*	PRC	RMB5,000,000	**100**	–	Sale of publications manufacture
Chengdu Zhongzhuo Investment Co., Ltd.*	PRC	RMB58,000,000	**51**	–	Investment holding
Sichuan Wenxuan Zhuotai Investment Co., Ltd.*	PRC	RMB100,000,000	**51**	–	Investment holding
Sichuan Joint Economic College*	PRC	RMB5,000,000	**51**	–	Provision of education service
Sichuan Winshare Vocational College*	PRC	RMB8,635,000	**51**	–	Provision of education service
Sichuan Zhuotai Tianji Garment Co., Ltd.*	PRC	RMB5,000,000	**51**	–	Provision of education service
Washington Winshare Media, Inc.*	USA	US$300,000	**90**	–	Provision of advertising service

* Newly established or acquired during the year ended 31 December 2012.

None of the subsidiaries have issued any debt securities at 31 December 2012.

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

	Notes	31/12/2012 RMB'000	31/12/2011 RMB'000
Non-current Assets			
Property, plant and equipment		**834,087**	794,439
Prepaid lease payments for land use rights		**82,044**	70,410
Investment properties		**4,037**	4,443
Other intangible assets		**22,178**	23,155
Investments in subsidiaries		**2,046,808**	1,698,889
Investments in associates		**188,393**	48,200
Investment in a jointly controlled entity		**98,000**	98,000
Available-for-sale equity investments		**1,153,302**	1,185,708
Deferred tax assets		**40,614**	40,614
Long-term prepayments		**8,280**	27,351
Entrusted loan		**34,000**	62,500
		4,511,743	4,053,709
Current Assets			
Trade and bill receivables		**205,759**	251,481
Prepayments, deposits and other receivables		**309,546**	170,394
Due from subsidiaries		**730,236**	322,194
Inventories		**734,993**	979,520
Short-term investments		**–**	105,000
Pledged deposits		**–**	31,592
Cash and short-term deposits		**1,551,360**	1,327,973
		3,531,894	3,188,154
Current Liabilities			
Trade and bills payables		**1,014,527**	1,056,222
Deposits received, other payables and accruals		**1,011,913**	560,157
Due to subsidiaries		**1,228,026**	1,048,340
		3,254,466	2,664,719
Net Current Assets		**277,428**	523,435
Total Assets less Current Liabilities		**4,789,171**	4,577,144
Capital and Reserves			
Issued capital	34	**1,135,131**	1,135,131
Reserves		**3,313,501**	3,101,474
Proposed dividends	14	**340,539**	340,539
Total Equity		**4,789,171**	4,577,144
Total Equity and Non-current Liabilities		**4,789,171**	4,577,144

46. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Movement in reserves

	Share premium RMB'000	Capital reserves RMB'000	Statutory surplus reserve RMB'000	Revaluation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2011	1,708,203	33,514	201,133	798,403	489,735	3,230,988
Profit for the year	–	–	–	–	474,543	474,543
Other comprehensive loss for the year	–	–	–	(263,518)	–	(263,518)
Total comprehensive income for the year	–	–	–	(263,518)	474,543	211,025
Appropriation to statutory surplus reserve	–	–	46,880	–	(46,880)	–
Proposed dividends for 2011	–	–	–	–	(340,539)	(340,539)
At 31 December 2011	1,708,203	33,514	248,013	534,885	576,859	3,101,474
At 1 January 2012	**1,708,203**	**33,514**	**248,013**	**534,885**	**576,859**	**3,101,474**
Profit for the year	**–**	**–**	**–**	**–**	**584,972**	**584,972**
Other comprehensive loss for the year	**–**	**–**	**–**	**(32,406)**	**–**	**(32,406)**
Total comprehensive income for the year	**–**	**–**	**–**	**(32,406)**	**584,972**	**552,566**
Transfer of treasury shares	**–**	**–**	**–**	**–**	**–**	**–**
Proposed dividends for 2012	**–**	**–**	**–**	**–**	**(340,539)**	**(340,539)**
Appropriation to statutory surplus reserve	**–**	**–**	**46,409**	**–**	**(46,409)**	**–**
At 31 December 2012	**1,708,203**	**33,514**	**294,422**	**502,479**	**774,883**	**3,313,501**

Capital reserve of the Company represents the excess of cash consideration received from promoters other than Sichuan Xinhua Publishing Group over the par value of ordinary shares issued upon the establishment of the Company.

47. BUSINESS COMBINATIONS

a. Acquisition of education business

In June 2012, the Company and Zhuotai Industrial, who used to provide secondary vocational and technical education business in Sichuan Province (the "**Education Business**"), jointly established Chengdu Zhongzhuo, which is owned as to 51% and 49% by the Company and Zhuotai Industrial, respectively. Chengdu Zhongzhuo's registered capital is RMB58,000,000. The Company made capital contribution by way of cash of RMB29,580,000 and Zhuotai Industrial made capital contribution by way of equipment of RMB28,420,000. After establishment, Chengdu Zhongzhuo acquired equipment of RMB19,296,000 in relation to the Education Business and the carrying value of aggregate equipment acquired by Chengdu Zhongzhuo amounted to RMB47,716,000. In November 2012, the Company further acquired 51% equity interests of Sichuan Wenzhuo from Zhuotai Industrial, which was newly established in 2012 by Zhuotai Industrial. Chengdu Zhongzhuo and Sichuan Wenzhuo have succeeded all relevant operating assets and personnel in relation to the Education Business upon the completion of the acquisition. This acquisition has been accounted for using the acquisition method.

Consideration transferred

	RMB'000
Cash	200,000
Consideration payable (note 33)	106,096
Total	306,096

As at 31 December 2012, the consideration comprised cash paid of RMB200,000,000 and consideration payable of RMB106,096,000.

Subsequently, Zhuotai Industrial agreed to refund the Company purchase consideration of RMB21,000,000 if Chengdu Zhongzhuo and Sichuan Wenzhuo cannot meet certain operating and financial targets in 2013. Up to the date of issuance of these consolidated financial statements, Zhuotai Industrial and the Company had not reached an agreement in respect of the benchmark operating and financial targets.

47. BUSINESS COMBINATIONS *(Continued)*

a. Acquisition of education business *(Continued)*

Consideration transferred *(Continued)*

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

	Note	RMB'000
Property, plant and equipment		748,367
Prepaid lease payments for land use rights		113,315
Cash and short-term deposits		21,416
Prepayments		103
Accruals and other payables	(i)	(271,248)
Deferred tax liabilities		(5,937)
		606,016

(i) Included in the balances is a payable of RMB256,253,000 due to a subsidiary of Zhuotai Industrial which are interest free. The principal amount of the payable of RMB280,000,000 comprise an initial payment of RMB120,000,000 due in March 2013, four installments of RMB40,000,000 each due in December 2013, 2014, 2015 and 2016, respectively. Upon the acquisition, the payable was discounted using prevailing market interest rates.

Goodwill arising on acquisition:

	RMB'000
Consideration	306,096
Plus: non-controlling interest	301,987
Less: net assets acquired	606,016
Goodwill arising on acquisition	2,067

The non-controlling interest is measured at their proportionate share of net assets acquired in Sichuan Wenzhuo.

47. BUSINESS COMBINATIONS *(Continued)*

a. Acquisition of education business *(Continued)*

Goodwill arose in the acquisition of Education Business because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergy to the Group's publication business in the vocational education area. The benefit is not recognised separately from goodwill because it does not meet the recognition criteria for an identifiable intangible asset.

Net cash outflow on acquisition of Subsidiaries

	RMB'000
Cash consideration paid	200,000
Less: cash and short-term deposits acquired	(21,416)
	178,584

Chengdu Zhongzhuo and Sichuan Wenzhuo did not generate any revenue or profit from the education business in 2012. Chengdu Zhongzhuo and Sichuan Wenzhuo commenced the education business in January 2013. Therefore, it is not practicable to provide a pro forma analysis for year 2012.

b. Acquisition of publication retailing business

In January 2012, a subsidiary of the Group, acquired a publication retailing business within supermarkets including 357 outlets (the "**Publication Retailing Business**"), by way of purchasing the operating assets and succeeding of the relevant personnel and distribution channels from a non-controlling equity holder at cash consideration of RMB109,745,000.

Assets acquired at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	832
Other intangible asset*	44,944
Inventories	56,610
Prepayments	7,359
	109,745

* The other intangible asset represented the fair value of distribution channels acquired, which is determined by reference to the estimates of discounted cash flow from the distribution channels over their useful lives of 10 years.

47. BUSINESS COMBINATIONS *(Continued)*

b. Acquisition of publication retailing business *(Continued)*

Net cash outflow on acquisition

	RMB'000
Cash consideration paid	109,745
Less: cash and short-term deposits acquired	–
	109,745

Nil goodwill was recognised as the consideration transferred equals to the fair value of the identifiable net assets acquired.

For the year ended 31 December 2012, the 357 acquired outlets generated revenue of RMB84,751,000 and incurred net loss of RMB17,259,000 since the date of the acquisition. The management performed impairment testing on the distribution channels acquired, and provided an impairment loss of RMB12,000,000 for the year ended 31 December 2012.

During the year ended 31 December 2012, the subsidiary also developed its publication retailing business by establishing new outlets in supermarkets. Aggregate revenue generated by the subsidiary amounted to RMB107,418,000 and net loss of the subsidiary amounted to RMB73,151,000 for the year ended 31 December 2012.

48. DISPOSAL OF SUBSIDIARIES

In March 2012, the Company disposed of its 51% equity interest of Winshare logistics to Huasheng Group.

In November 2012, the Company disposed of its 28.5% equity interest of Chengdu Xinhui to Huasheng Group and retained 34% equity interest in Chengdu Xinhui. Chengdu Xinhui was then accounted for as an associate.

In December 2012, the Company disposed of its 51% equity interest of Winshare Properties to Huasheng Group.

The net assets of these companies, at the date of disposal, are as follows:

	Winshare Logistics RMB'000	**Chengdu Xinhui** RMB'000	**Winshare Properties** RMB'000	**Total** RMB'000
Consideration received:				
Cash received	24,676	117,635	24,220	166,531

48. DISPOSAL OF SUBSIDIARIES *(Continued)*

Analysis of assets and liabilities over which control was lost:

	Winshare Logistics RMB'000	Chengdu Xinhui RMB'000	Winshare Properties RMB'000	Total RMB'000
Property, plant and equipment	862	1,331	801	2,994
Other intangible assets	–	–	12	12
Long-term prepayment	50,000	232,953	44,000	326,953
Property under development	–	204,887	–	204,887
Prepayments, deposits and other receivables	2,135	–	2,518	4,653
Bank balances and cash	3	41,967	13	41,983
Other payables	(5,053)	(557)	(958)	(6,568)
Bank and other borrowings	–	(410,000)	–	(410,000)
Net assets disposed of	47,947	70,581	46,386	164,914
Gain on disposal of subsidiaries:				
Consideration received	24,676	117,635	24,220	166,531
Net assets disposed of	(47,947)	(70,581)	(46,386)	(164,914)
Non-controlling interests	23,494	29,663	22,729	75,886
Fair value of retained equity interests	–	140,193	–	140,193
Gain on disposal	223	216,910	563	217,696
Net cash inflow arising on disposal:				
Cash consideration	24,676	117,635	24,220	166,531
Less: Disposed of cash and short-term deposits	(3)	(41,967)	(13)	(41,983)
Net cash inflow arising on disposal	24,673	75,668	24,207	124,548

49. MAJOR NON-CASH TRANSACTIONS

As disclosed in note 47.a, during the year ended 31 December 2012, Zhuotai Industrial made capital contribution by way of equipment of RMB28,420,000 in the establishment of Chengdu Zhongzhuo. Further details are set out in note 47.a.

50. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2012, the Group had the following significant events:

Proposed final dividend and special dividend

A meeting of the Board of Directors of the Company was held on 8 March 2013, 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.

WIN SHARE

新華文軒出版傳媒股份有限公司
XINHUA WINSHARE PUBLISHING AND MEDIA CO., LTD.*

No. 6, Wenxuan Road, Shang Mao Dadao,
Cheng Bei, Chengdu, Sichuan
Postal Code: 610081
四川省成都市城北商貿大道文軒路6號
郵政編碼: 610081

Website 網址: www.winshare.com.cn