



WINSHARE

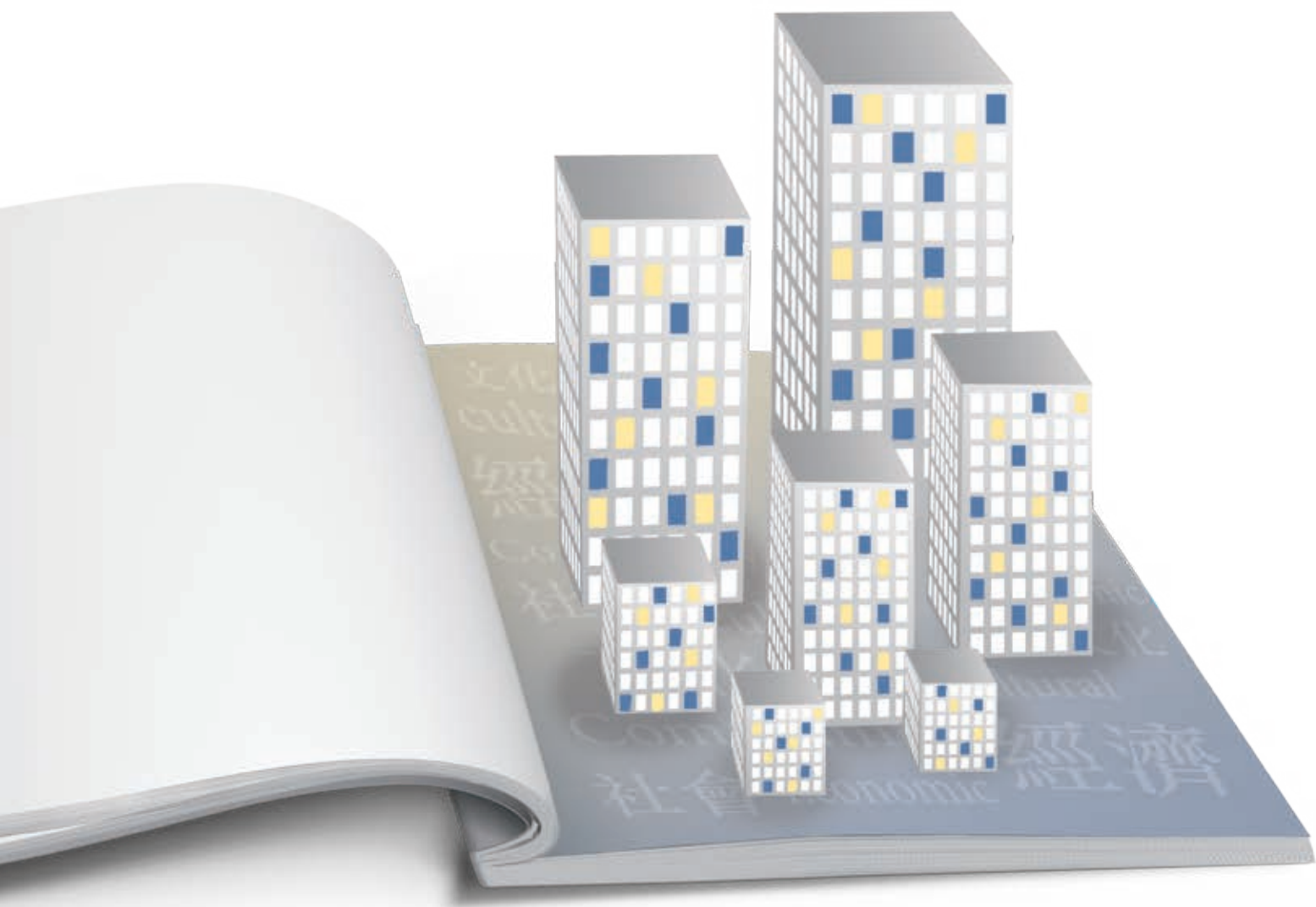
新華文軒出版傳媒股份有限公司

XINHUA WINSHARE PUBLISHING AND MEDIA CO., LTD.*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(於中華人民共和國註冊成立之股份有限公司)

(Stock Code 股份代號 : 00811)



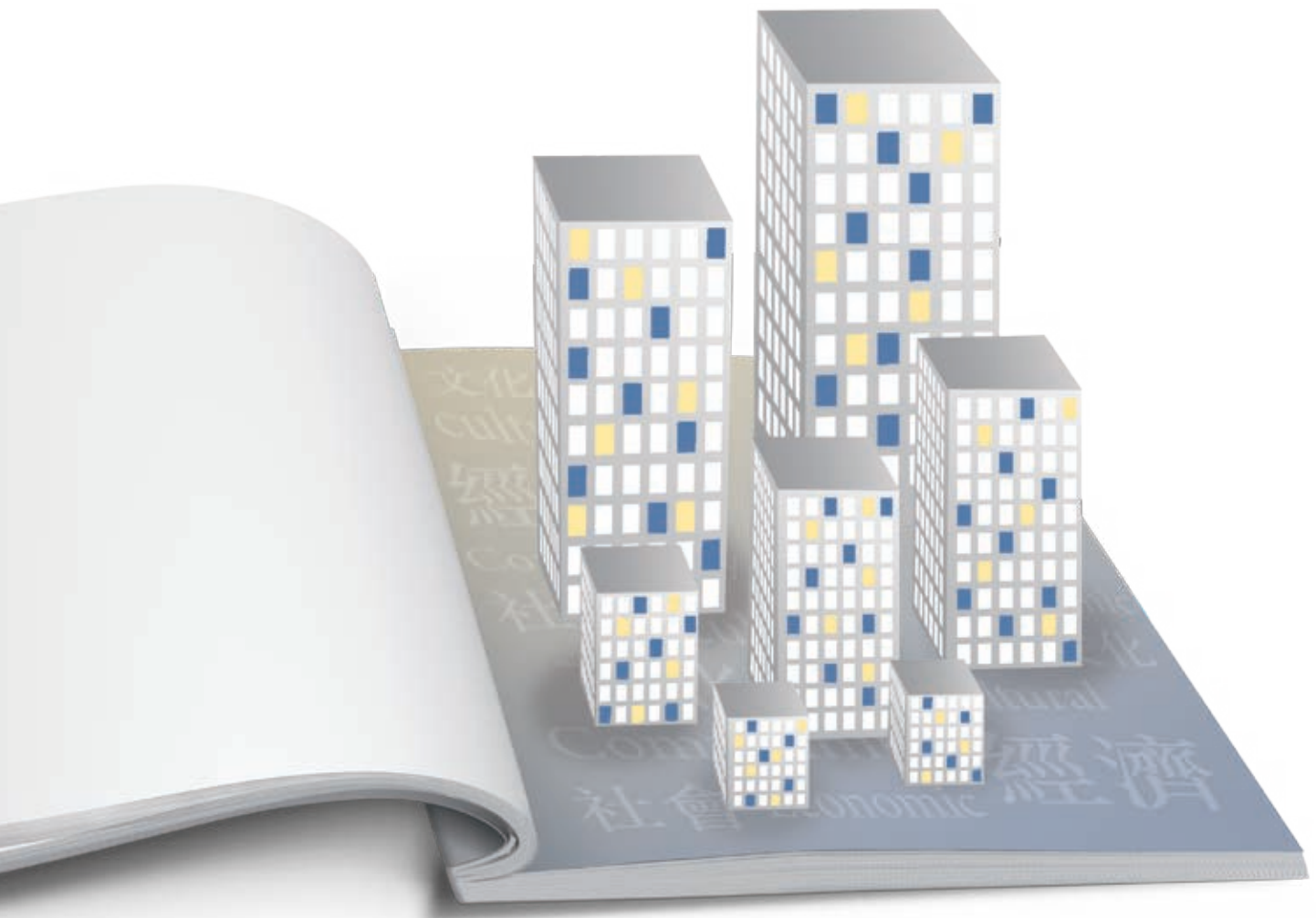
2016
年報 Annual Report

* For identification purposes only
僅供識別



Contents

2	Definitions
5	Important Notice
6	Corporate Information
8	Financial Summary
9	Chairman's Statement
13	Corporate Structure of the Group
17	Management Discussion and Analysis
34	Report of the Directors
47	Corporate Governance Report
62	Profile of Directors, Supervisors, Senior Management and Employees
71	Environment, Social and Governance Report
83	Report of the Supervisory Committee
86	Auditor's Report
90	Statements, Notes and Supplementary Information Prepared in accordance with the China Accounting Standards for Business Enterprises



In this report, the following expressions shall have the meanings stated below unless the context otherwise requires:

GLOSSARY

2016 AGM	the annual general meeting to be held by the Company on 25 May 2017
A Share(s)	Renminbi-denominated ordinary share(s) of the Company with a nominal value of RMB1.00 each, all of which are issued in China, subscribed in Renminbi and listed on the SSE
Aerospace Cloud	Beijing Aerospace Cloud Education Technology Co., Ltd.
Articles of Association	the articles of association of the Company (as amended from time to time)
Audit Committee	the audit committee under the Board of the Company
Bank of Chengdu	Bank of Chengdu Co., Ltd.
Beijing Shu Chuan	Beijing Shu Chuan Xinhua Bookstore Book Distribution Co., Ltd.
Board	the board of directors of the Company
CG Code	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
Chengdu Xinhui	Chengdu Xinhui Industrial Co., Ltd.
Chongqing Yunhan	Chongqing Yunhan Internet and Media Co., Ltd.
CITIC Buyout Fund	CITIC Buyout Investment Fund (Shenzhen) (Limited Partnership)
Company Law	the Company Law of the People's Republic of China
Company or Xinhua Winshare	Xinhua Winshare Publishing and Media Co., Ltd.* (新華文軒出版傳媒股份有限公司)
Companies Ordinance	the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
Consolidated Statement of Changes in Equity	the details of movements of the Group's reserves for the Year
Controlling Shareholder or Sichuan Xinhua Publishing Group	Sichuan Xinhua Publishing Group Co., Ltd.
CSRC	China Securities Regulatory Commission
Deloitte Touche Tohmatsu CPA	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Director(s)	the director(s) of the Company
Dividend Entitlement Date	6 June 2017
Dividend for 2016	the payment of dividend for the year ended 31 December 2016 of RMB0.30 (tax inclusive) per share recommended by the Board
Education House	Sichuan Education Publishing House Co., Ltd
Education Technology	Sichuan Winshare Education Technology Co., Ltd.

ESG Report	the report prepared in accordance with the ESG Reporting Guide
ESG Reporting Guide	the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules
Financial Summary	the summary of results, assets, liabilities and equity of the Group for the past five years
Group	the Company and its subsidiaries
H Share(s)	overseas listed foreign share(s) of the Company with a nominal value of RMB1.00 each, all of which are issued in Hong Kong, subscribed in Hong Kong dollars and listed on the Stock Exchange
Hua Sheng Group	Chengdu Hua Sheng (Group) Industry Co., Ltd.
Huang Peng Property	Chengdu Huang Peng Property Co., Ltd.
Huaxia Shengxuan	Beijing Huaxia Shengxuan Book Co., Ltd.
Huaying Winshare	Beijing Huaying Winshare Movie & TV Culture Co., Ltd.
Liaoning Publication Group	Liaoning Publication Group Co., Ltd.
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and/or the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, as the case may be
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
Nomination Committee	the nomination committee under the Board of the Company
NSSF	National Council for Social Security Fund – transfer account no.2 (轉特二戶)
Property Management Agreement	the property management agreement renewed with Huang Peng Property, a wholly-owned subsidiary of Sichuan Xinhua Publishing Group
Remuneration and Review Committee	the remuneration and review committee under the Board of the Company
RMB	Renminbi, the lawful currency of China
RMB, RMB10,000 and RMB100 million	RMB, RMB10,000 and RMB100 million
Sales value	the list price of books printed at the back of each book
SASAC of Sichuan	State-owned Assets Supervision and Administration Commission of the Sichuan Provincial Government



Definitions

Securities Law	the Securities Law of the People's Republic of China
September Online	the digital content push platform under Winshare Online
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Sichuan Culture Communication	Sichuan Xinhua Culture Communication Co., Ltd.
Sichuan Daily	Sichuan Daily Newspaper Group
Sichuan Development	Sichuan Development (Holding) Co., Ltd.
Sichuan Wenzhuo	Sichuan Wenxuan Zhuotai Investment Co., Ltd.
SPG	Sichuan Publication Group Co., Ltd.
SSE	Shanghai Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Limited
Strategy and Investment Planning Committee	the strategy and investment planning committee under the Board of the Company
Supervisor(s)	the supervisor(s) of the Company
Supervisory Committee	the supervisory committee of the Company
Wan Xin Media	Anhui Xinhua Media Co., Ltd.
Winshare Commercial	Xinhua Winshare Commercial Chain (Beijing) Co., Ltd.
Winshare Hengxin Fund	Winshare Hengxin (Shenzhen) Equity Investment Fund Partnership (Limited Partnership)
Winshare International	Winshare International Cultural Communication Co., Ltd.
Winshare Investment	Winshare Investment Co., Ltd.
Winshare Online	Sichuan Winshare Online E-commerce Co., Ltd.
winxuan.com	the online sales platform of paper publications under Winshare Online
Xinhua Colour Printing	Sichuan Xinhua Colour Printing Co., Ltd.
Xinhua Online	Sichuan Xinhua Online Network Co., Ltd.
Xinhua Printing	Sichuan Xinhua Printing Co., Ltd.
Xinhua Shang Paper	Sichuan Xinhua Shang Paper Co., Ltd.
Year or Reporting Period	the period from 1 January 2016 to 31 December 2016
Youli Holding	Jiangsu Youli Investment Holding Co., Ltd.



Important Notice

- I. The Board, the Supervisory Committee, Directors, Supervisors and senior management of the Company warrant that this annual report is true, accurate and complete and does not contain any false records, misleading statements or material omission and jointly and severally take full legal responsibility as to the contents herein.
- II. All Directors of the Company attended the second Board meeting for the fourth session of the Board held on 29 March 2017 at which this annual report was considered and approved.
- III. Deloitte Touche Tohmatsu CPA issued a standard unqualified audit report for the Company.
- IV. Mr. He Zhiyong, the head of the Company, Mr. Zhu Zaixiang, the person-in-charge of accounting affairs, and Ms. Wu Sufang, the head of accounting department, declare that they warrant the truthfulness, accuracy and completeness of the financial statements contained in this annual report.
- V. The net profit attributable to the shareholders of the Company for 2016 amounted to RMB647,462,300. For the profit distribution proposal for 2016, it is proposed that, on the basis of a total share capital of 1,233,841,000 Shares in issue, a cash dividend of RMB3.00 per 10 Shares (tax inclusive) will be distributed to the shareholders, with total cash dividend amounting to RMB370,152,300.00 (tax inclusive).

The above profit distribution proposal is subject to the approval by the Company's shareholders at the 2016 AGM before the execution thereof.

- VI. The forward-looking statements included in this report, including future plans and development strategies, do not constitute actual commitment of the Company to investors. Investors should be reminded of the risks of investment.
- VII. There was no appropriation of funds on a non-recurring basis by the Company's controlling shareholders or their related parties during the Reporting Period.
- VIII. The Company has not provided any external guarantees in violation of the prescribed decision-making procedures during the Reporting Period.
- IX. During the Reporting Period, there were no major risks that would have a material impact on the production and operations of the Company. Investors are advised to read the details of the risk factors that may be involved under the section headed "Management Discussion and Analysis" of this report described by the Company.



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. He Zhiyong

BOARD OF DIRECTORS

Executive Directors

Mr. He Zhiyong (*Chairman*)
Mr. Luo Yong
Mr. Yang Miao

Non-Executive Directors

Mr. Luo Jun
Mr. Zhang Peng
Mr. Zhao Junhuai

Independent Non-Executive Directors

Mr. Chan Yuk Tong
Mr. Han Liyan
Ms. Xiao Liping

BOARD COMMITTEES

Strategy and Investment Planning Committee

Mr. Zhao Junhuai (*Chairman*)
Mr. Han Liyan
Mr. Yang Miao

Audit Committee

Mr. Chan Yuk Tong (*Chairman*)
Mr. Han Liyan
Mr. Zhang Peng

Remuneration and Review Committee

Mr. Han Liyan (*Chairman*)
Ms. Xiao Liping
Mr. Luo Jun

Nomination Committee

Ms. Xiao Liping (*Chairlady*)
Mr. Han Liyan
Mr. Luo Jun

SUPERVISORY COMMITTEE

Supervisors

Mr. Xu Ping (*Chairman*)
Mr. Xu Yuzheng (resigned on 29 March 2017)
Ms. Lan Hong
Ms. Wang Yan

Independent Supervisors

Mr. Li Xu
Ms. Liu Mixia

* For identification purpose only





COMPANY SECRETARY

Mr. You Zugang

AUTHORISED REPRESENTATIVES

Mr. Luo Jun
Mr. You Zugang

ALTERNATE AUTHORISED REPRESENTATIVE

Ms. Wong Wai Ling

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

Unit 1, 1/F, Block 4
No. 239 Jinshi Road
Jinjiang District
Chengdu, Sichuan
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

18th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
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

RMB10,000

Key accounting data and financial indicators	2016	2015	2014	2013	2012
Operating income	635,616.81	573,269.31	541,570.43	529,826.23	472,954.15
Total profit	63,571.61	61,770.97	61,269.20	59,444.88	57,206.92
Net profit attributable to shareholders of the Company	64,746.23	64,726.95	63,278.74	62,288.18	62,358.39
Net profit attributable to shareholders of the Company after non-recurring profits or losses	61,456.93	59,902.77	61,467.79	58,671.09	39,601.23
Net cash flow from operating activities	68,342.73	101,665.02	87,598.40	26,893.92	87,987.37
Net assets attributable to shareholders of the Company	833,569.04	727,067.09	595,805.99	541,066.12	497,350.11
Total assets	1,225,517.66	1,074,328.91	904,600.56	837,328.65	872,936.71
Total liabilities	396,069.93	350,377.59	308,063.09	292,879.35	335,953.89
Basic earnings per share (RMB)	0.55	0.57	0.56	0.55	0.55
Basic earnings per share after non-recurring profits or losses (RMB)	0.53	0.53	0.54	0.52	0.35
Weighted average return on net assets (%)	8.22	9.83	11.19	12.03	12.96
Weighted average return on net assets after non-recurring profits or losses (%)	7.80	9.10	10.87	11.34	8.23

Note: 2012 figures are not restated to include the effect of merger with Sichuan Culture Communication.

DEAR SHAREHOLDERS,

On behalf of the Board, I am pleased to present to the Shareholders the annual results of the Company and its subsidiaries for the year ended 31 December 2016.



He Zhiyong
Chairman

The year 2016 was a crucial year for the development of the Group. In 2016, the Company successfully completed the listing of A Shares by way of initial public offering, thus becoming the first publishing and distribution enterprise with a dual listing status on both the A+H markets. Adhering to the strategic focus of “strengthening the traditional principal businesses, as supplemented by the transformation development by capitalising on the Internet and capital market to build itself into a globally influential integrated cultural service group”, the Group followed the mission of “achieving mission, creating value and fulfilling the dream” as the starting point and made various breakthroughs in its business development by taking a market-oriented and innovative approach. It has gradually formed a sector layout featuring the synergistic development of the physical operations and capital operations of multi-cultural sectors with publishing and media as the core business segment. Accordingly, the Group's assets expanded increasingly and its operating efficiency continued to grow steadily, alongside with increasing market competitiveness and social influence.

In 2016, the Group recorded revenue of RMB6,356 million, representing an increase of 10.88% over 2015, with net profit for the Year of RMB630 million; basic earnings per share amounted to RMB0.55; and profit attributable to owners of the Company was RMB647 million, which remained basically the same as last year.

Reviewing 2016, the publication segment of the Group saw considerable growth and breakthroughs and showed positive growth momentum where business segments including education service, online sales, supply chain management and physical bookstores continued to enjoy comparative advantages. While actively consolidating its core publishing and media business segment, the Group capitalised on the dual listing platform to drive capital operations. The Group followed its strategy and made use of capital operations to optimise resource allocation and to stabilise the development of other cultural sectors and capital operation-driven businesses, which facilitated the harmonious development between physical operations and capital operations and therefore, gradually improved the sector layout of the Company. This served as a new driver for the business development of the Group.

In 2016, upholding the growth principles of “payback to publication, resource integration, media integration, innovation system, project development and talent development” and as part of the efforts to “revitalise the publication segment”, our publication segment set up an innovative operational and management system and made considerable progress. The Group introduced a series of measures such as strengthening the allocation of resources to the publication segment, pushing ahead the profound integration of publication resources, planning the implementation of significant

Chairman's Statement

publication projects, reinforcing its own channels to support the publication segment and optimising the appraisal standards for publishing units. In 2016, the publication segment of the Group saw positive growth momentum and made considerable progress with steady growth in key operating indicators. As the confidence to revitalise the publication segment grew stronger, social benefits and economic benefits were aligned. A number of quality books with market influence namely Hilarious School Diaries (《米小圈上學記》), The Rise of Great Nations: New Political Economics (《大國崛起的新政治經濟學》) and Yang Jiang Autobiography (《楊絳傳》) that are on our strategic publication list, received good economic benefits. Among which, Hilarious School Diaries (《米小圈上學記》) book series recorded accumulated production output of approximately 6.20 million copies and aggregate sales value of approximately RMB110 million during the Year. 30 key publication items including Bashu Cultural History (《巴蜀文化通史》), Qiang Stone Inscription Literature Collection (《羌族石刻文獻集成》) and Collected Annotations of The Thirteen Classics (Notes) (《十三經恒解(箋解本)》) that are on our reserve list were selected as the State's key items. Nirvana in Fire (《琅琊榜》), Zhandui (《瞻對》) and A Guide to Li Ancient History (《黎族古代歷史資料》) won the Chinese Best Publications Award. The ranking of some of our publishing units also moved up on the list of publishers nationwide.

In 2016, our education service segment continued its efforts toward: driving the market transformation and business innovation; adjusting the means of organisation of education service business and business structure; integrating the digitalised education business; effectively increasing the efficiency of education service business and standard of professional service; promoting the

ongoing development of textbooks and supplementary materials business, digitalised education business and education equipment business; and achieving new breakthroughs in areas of digitalised education and education equipment. In 2016, faced with the decline in textbooks business due to decreasing number of students and changes in the State's education policies, the Company capitalised on the opportunities from balanced education development advocated by the State and pushed ahead the sales of textbooks and supplementary materials, digitalised education and education equipment via multi-channels. Sales revenue from education service business increased by RMB302 million over last year as to RMB151 million from the textbooks and supplementary materials business and RMB110 million from the digitalised education business. We have successfully changed our position from product provider to service provider. In addition, we continued to optimise the marketised operational system and basically achieved full service coverage across all segments regarding the education resources and education equipment for primary and secondary schools, which enabled our leading position in the digitalised education sector in Sichuan Province.

In 2016, while seizing the opportunities arising from the PRC government's policies to accelerate the development of physical bookstores, the Group focused on users starting from reading service, improved the bookstore network distribution and introduced innovative operating models to push ahead the construction of physical bookstores comprehensively and build a vertically integrated reading service network across Sichuan Province as part of the efforts to build a professional reading service brand. We have introduced the "Go Go Reading in Winshare Community" (文軒社區讀讀書



Ceremony of A Share IPO of the Company on the Shanghai Stock Exchange



The online investor exchange regarding A Share IPO was held by the Company at the grand hall of the Shanghai Stock Exchange



The Company struck the "Gong" of listing on the Shanghai Stock Exchange



吧) programme by a combination of services including free book borrowing, book buyback and value-added cultural service; the stylish Winshare Bookstore targeted at trendy readers who work in office; the specialised children bookstore targeted at the children niche market. In addition, we have also explored the "bookstore + real estate" cooperation business model and the construction of a new book city complex to drive the upgrade of physical bookstores and extend the brand influence of Xinhua Winshare.

In 2016, the Company not only strengthened the operations of physical bookstores, but also pushed ahead the digitalised upgrade of channel business and accelerated the development of e-commerce business. Focusing on the development of four core supporting competencies of merchandise assembly, sales & supply, logistics & distribution and IT support, we have built a modernised book e-commerce service system via our own online sales platform winxuan.com and a number of directly operated online chain stores opened on Tmall and JD.com which offer 700,000 varieties of products with a nationwide logistics distribution network, thus bringing more convenient and speedy e-commerce shopping experience to readers. In 2016, our online sales business and supply chain development grew synergistically. Our online sales business continued to make new breakthroughs. In 2016, we recorded single day sales value of RMB150 million on Double 11 (Singles' Day) and ranked No.1 in sales of books across the PRC online platforms for the sixth consecutive year. As a result, our influence continued to increase substantially. Throughout the Year, we recorded a turnover of RMB1,076 million, representing an increase of 24.25% as compared with that in the previous year.

In 2016, the Group strengthened the development of logistics network to accelerate the growth of channel business. Our Northern China Logistics Centre, which has been relocated and put into service, together with our eastern and western logistics centres, form the Group's main logistics network with nationwide coverage, which

effectively enhances the logistics distribution support for the Group's online sales and own publications. The next day delivery rate of e-commerce books was above 80% and the 24-hr stock out rate of its own books was above 90%. In addition to expanding internal services, our logistics support division actively explored the third-party logistics market and recorded revenue from third-party logistics service of more than RMB46 million in 2016.

In 2016, the Company achieved a dual listing status, gaining access to both capital markets. Since the kickoff of A Share application filing in 2011, after years of preparation and hard work, we successfully completed the listing on the SSE and issued 98.71 million A Shares on 8 August 2016 with net proceeds amounting to RMB645 million, thus becoming the first publishing and distribution enterprise with a dual listing status on both the A+H markets. The dual listing status has ushered in more growth opportunities for which allow us to carry out physical operations and capital operations and promote our leapfrog development. The interactive development between capital operations and our physical principal businesses has initially taken shape, thus building a more solid foundation for increasing the overall competences and development of the Group.

Innovative development and reward sharing are core values that we adhere to. While growing our business, we also relentlessly bear in mind the corporate responsibilities to pay back the community and contribute to the cultural sector. In 2016, upholding the mission of serving the scholarly community and the education sector, we capitalised on our extensive reading service network and set foot in campuses, communities, rural villages, enterprises, authorities and military camps and tailored a variety of brand-building reading activities which included "Sending books to military depots along Sichuan and Tibet" (走進川藏線•送書到兵站), "Sun Star" village primary school dream come true campaign, youth patriotism reading and education event, "Sending books to old areas via long march" (重走長征路•送書到老區) and other cultural related public welfare activities.





Chairman's Statement

Looking into 2017, the Group will seize the opportunities arising from the IPO of A Shares, focus on its core businesses of publishing and media and capitalise on the advantages being the only PRC enterprise with a dual listing (A+H) status and the existing sector advantages to meet the needs of great cultural consumption. In addition, it will make use of e-commerce and capital means in the course of transformation and devote intensive efforts to key areas including book publications, public reading service, integrated education service as well as culture + finance. While stepping up the resource allocation to the publication segment, we will promote the integrated development of our publication business between traditional media and emerging media. As to the education service segment, we will strengthen the traditional business while expanding new business areas such as digitalised education and education equipment in an effort to develop a comprehensive education service system through profound integration. We will step up our efforts in online sales business and continue to improve the development of the online supply chain system to maintain ongoing and rapid sales growth. At the same time, through optimising the physical bookstore network and segment innovation, we will further push ahead the development of an extensive network system and explore online/offline integrated development. In addition, we will fully utilise the strengths of the Group to engage in external cooperation and carry out third-party logistics business. With the means of capital operations, we have accomplished the sector layout for the Company. While strengthening our core competitiveness and sustainability, we endeavour to develop into a globally influential integrated cultural service group to drive leapfrog development for the Group.

He Zhiyong

Chairman

29 March 2017



Corporate Structure of the Group



Corporate Structure of the Group

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 People's Publishing House Co., Ltd. (四川人民出版社有限公司)	100.00	
6	Sichuan Education Publishing House Co., Ltd. (四川教育出版社有限公司)	100.00	
7	Sichuan Youth and Children's Publishing House Co., Ltd. (四川少年兒童出版社有限公司)	100.00	
8	Sichuan Digital Publishing & Media Co., Ltd. (四川數字出版傳媒有限公司)	100.00	
9	Sichuan Literature & Art Publishing House Co., Ltd. (四川文藝出版社有限公司)	100.00	
10	Sichuan Fine Arts Publishing House Co., Ltd. (四川美術出版社有限公司)	100.00	
11	Sichuan Science & Technology Publishing House Co., Ltd. (四川科學技術出版社有限公司)	100.00	
11-1	Sichuan Discovery of Nature Magazine Press Co., Ltd. (四川大自然探索雜誌社有限公司)	100.00	Sichuan Science & Technology Publishing House Co., Ltd. owns 100% equity interest in such company.
12	Sichuan Lexicographical Publishing House Co., Ltd. (四川辭書出版社有限公司)	100.00	
13	Sichuan Bashu Publishing House Co., Ltd. (四川巴蜀書社有限公司)	100.00	
14	Sichuan Tiandi Publishing House Co., Ltd. (四川天地出版社有限公司)	100.00	
14-1	Sichuan Times English Cultural Communication Co., Ltd. (四川時代英語文化傳播有限公司)	51.00	Sichuan Tiandi Publishing House Co., Ltd. owns 51% equity interest in such company.
15	Sichuan Reader's Journal Press Co., Ltd. (四川讀者報社有限公司)	100.00	
16	Sichuan Pictorial Co., Ltd. (四川畫報社有限公司)	100.00	
17	Sichuan Wenchuan Logistics Co., Ltd. (四川文傳物流有限公司)	100.00	
18	Sichuan VIVI Bride Magazine Co., (四川薇薇新娘雜誌有限公司)	100.00	
19	Beijing Huaying Winshare Movie & TV Culture Co., Ltd. (北京華影文軒影視文化有限公司)	100.00	
20	Sichuan Xinhua Printing Co., Ltd. (四川新華印刷有限責任公司)	100.00	
21	Winshare Investment Co., Ltd. (文軒投資有限公司)	100.00	
22	Winshare International Cultural Communication Co., Ltd. (文軒國際文化傳播有限公司)	100.00	
22-1	Washington Winshare Media, Inc. (華盛頓文軒媒體發展有限公司)	90.00	In January 2016, 90% equity interests in such company held by the Company were transferred to Winshare International.

Corporate Structure of the Group

No.	Company Name	Interests attributable to the Group (%)	Remarks
23	Winshare Quan Media (Beijing) Culture Communication Co., Ltd. (文軒全媒(北京)文化傳播有限公司)	100.00	
24	Sichuan Winshare Music Culture Communication Co., Ltd. (四川文軒音樂文化傳播有限公司)	100.00	
25	Beijing Aerospace Cloud Education Technology Co., Ltd. (北京航天雲教育科技有限公司)	70.00	
26	Sichuan Xinhua Culture Communication Co., Ltd. (四川新華文化傳播有限責任公司)	100.00	
27	Sichuan Winshare Arts Investment and Management Co., Ltd. (四川文軒藝術投資管理有限責任公司)	100.00	
28	Sichuan Winshare Yuntu Wenchuang Technology Co., Ltd. (四川文軒雲圖文創科技有限公司)	100.00	Formerly known as Sichuan Winshare Education Technological Equipment Co., Ltd. (四川文軒教育技術裝備有限公司).
29	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)	100.00	
30	Beijing Xinhua Wenxuan Advertising Co., Ltd. (北京新華文軒廣告有限公司)	81.54	
31	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	
32	Sichuan Winshare Online E-commerce Co., Ltd. (四川文軒在線電子商務有限公司)	75.00	
33	Sichuan Xinhua Winshare Media Co., Ltd. (四川新華文軒傳媒有限公司)	70.00	
34	Sichuan Xinhua Colour Printing Co., Ltd. (四川新華彩色印務有限公司)	65.00	
35	Winshare VIVI Advertising Media (Chengdu) Co., Ltd. (文軒薇薇廣告傳媒(成都)有限公司)	53.00	
36	Sichuan Xinhua Shang Paper Co., Ltd. (四川新華商紙業有限公司)	51.00	
37	Beijing Huaxia Shengxuan Book Co., Ltd. (北京華夏盛軒圖書有限公司)	100.00	
38	Xinhua Winshare Commercial Chain (Beijing) Co., Ltd. (新華文軒商業連鎖(北京)有限公司)	51.00	

Note 2: Joint ventures mainly include the following companies:

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	
2	Sichuan Wenxuan Zhuotai Investment Co., Ltd. (四川文軒卓泰投資有限公司)	48.00	

Corporate Structure of the Group

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

No.	Company Name	Interests attributable to the Group (%)	Remarks
1	The Commercial Press (Chengdu) Co., Ltd. (商務印書館(成都)有限責任公司)	49.00	
2	Guizhou Xinhua Winshare Book Audio-Visual Product Chainstore Co., Ltd. (貴州新華文軒圖書音像連鎖有限責任公司)	45.00	
3	Chengdu Xinhui Industrial Co., Ltd. (成都鑫匯實業有限公司)	34.00	
4	Sichuan Winshare Preschool Educational Management Co., Ltd. (四川文軒幼兒教育管理有限公司)	34.00	
5	Ming Bo Education Technology Holdings Co., Ltd. (明博教育科技股份有限公司)	27.20	
6	Ren Min Eastern (Beijing) Book Industry Co., Ltd. (人民東方(北京)書業有限公司)	20.00	
7	Chengdu Winshare Equity Investment Funds Management Co., Ltd. (成都文軒股權投資基金管理有限公司)	45.45	Winshare Investment owns 45.45% equity interest in such company.

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

No.	Company Name	Interests attributable to the Group (%)	Remarks
1	Shanghai Eastern Publishing & Trading Centre Co., Ltd. (上海東方出版交易中心有限公司)	10.00	
2	Anhui Xinhua Media Co., Ltd. (安徽新華傳媒股份有限公司)	6.27	Wan Xin Media implemented the non-public issuance of A Shares on 1 September 2016 and the shareholding of the Company was diluted from 6.85% to 6.27%
3	Bank of Chengdu Co., Ltd. (成都銀行股份有限公司)	2.46	

Management Discussion and Analysis

INDUSTRY OVERVIEW

In recent years, the State has strengthened support for the publishing and media sector. The Publicity Department of the Central Committee of the Communist Party of China, State Administration of Press, Publication, Radio, Film and Television of the People's Republic of China, Ministry of Finance of the People's Republic of China and other departments have successively introduced policies and measures to drive the integrated development of traditional publishing and emerging publishing, support physical bookstores and promote national reading, thus creating more opportunities for industry development.

Given the development of the Internet, digitalised technologies and emerging media, the traditional publishing sector has accelerated the digitalisation process and the integrated development with media to increase the publishing efficiency by capitalising on the technological capabilities in compilation, printing and distribution. The publishers made use of big data and social media platforms to carry out topic planning and precision marketing. Focusing on the content, multi-media products are developed to achieve multi-channel development of the content resources.

In recent years, the cultural consumption market has been increasingly trending toward personalisation and diversity and the scale of online cultural consumption has been expanding, which drastically changes the traditional reading style and habits. Publishing and media players gradually transition from publication sellers to reading service providers by restructuring the reading space, providing refined service, integrating the online-offline development and enhancing the reading and cultural experience.

Publishers have gradually abandoned the single product production and sales model and the transformation from product providers to content service providers has become the norm. Publishers endeavour to promote the development of an innovative business model by engaging in cross-sector cooperation to tap into the great cultural consumption areas including digitalised service, knowledge service and education service. This has expanded the boundary of the publishing sector and created room for broader development.

The PRC publishers have been growing with increasing competence. Capital operation is crucial to the rapid development and transformation development of various publishing and media groups. Publishing and media enterprises widely make use of capital means to acquire and merge with quality publishers, emerging media and online companies at home and abroad to accelerate the industry layout and scale expansion and to facilitate the transformation and upgrade of the traditional sector.

With the speedy growth in the economic strength of China, its international cultural influence will continue to increase and its cultural export capabilities will further increase. Guided by the State's strategies, traditional PRC publishers will actively build relationships with countries subject to the "One Belt One Road" policy with a view to enhancing the influence of the Chinese culture in the international arena through various means of internationalisation such as copyrights export, physical book export, joint publishing and capital merger and acquisition.



The first professional children bookstore of the Company was opened



Sales of winxuan.com on 2016 Double 11 (Singles' Day) exceeded RMB150 million

Management Discussion and Analysis

RESULTS

During 2016, overall operating results of the Company grew steadily. During the Year, revenue of the Group amounted to RMB6,356,168,100, up by 10.88% as compared with that in the same period last year; profit for the Year amounted to RMB635,716,100, up by 2.92% as compared with that in the same period last year; profit attributable to owners of the Company amounted to RMB647,462,300, which remained basically the same as compared with that in last year; and earnings per share amounted to RMB0.55. During the Year, the traditional publishing business of the Group grew steadily and the education service and online sales businesses further expanded.

PRINCIPAL BUSINESS ANALYSIS

Breakdown of relevant item changes in income statement and cash flow statement

RMB

Item	Current period	Comparative period last year	Change (%)
Revenue	6,356,168,113.43	5,732,693,141.71	10.88
Operating costs	3,977,341,759.38	3,469,413,266.56	14.64
Cost of sales	804,634,976.55	743,696,335.05	8.19
Administrative expenses	996,340,516.83	977,375,063.21	1.94
Finance costs	(8,948,732.34)	(4,911,799.47)	(82.19)
Net cash from operating activities	683,427,278.33	1,016,650,228.40	(32.78)
Net cash from investing activities	(1,308,553,279.98)	(91,366,294.79)	(1,332.21)
Net cash from financing activities	434,935,011.72	(446,631,537.27)	197.38
R&D expenses	18,021,278.96	15,775,976.43	14.23

Note: R&D expenses include the capitalised portion and cost portion. Among which, the cost amount for the Year was RMB7,076,576.41.



The Company started the education equipment business to build a digitalised smart classroom

Management Discussion and Analysis

Revenue

During the Year, the Group recorded revenue of RMB6,356 million, up by 10.88% as compared with RMB5,733 million in the same period last year, which was mainly attributable to the steady growth in the traditional publishing business of the Group and the further expansion of the sales of education service business and online sales business.

Gross profit margin

During the Year, the gross profit margin of the Group's principal businesses was 36.42%, down by 1.80 percentage points as compared with 38.22% in the same period last year, which was primarily due to the change in sales structure.

Details of its principal businesses by segment, product and region are as follows:

RMB

Segment	Revenue	Operating costs	Principal business by segment			
			Gross profit margin (%)	Change of revenue as compared with last year (%)	Change of operating costs as compared with last year (%)	Change of gross profit margin as compared with last year (%)
Publication	1,740,748,858.90	1,154,067,326.04	33.70	5.71	3.37	Increased by 1.50 ppts
Distribution	5,703,116,410.42	3,982,670,256.14	30.17	10.83	13.33	Decreased by 1.54 ppts
Others	99,323,307.26	73,147,325.53	26.35	143.08	152.48	Decreased by 2.74 ppts
Inter-segment elimination	(1,314,060,129.22)	(1,249,512,632.58)	N/A	N/A	N/A	
Total	6,229,128,447.36	3,960,372,275.13	36.42	11.39	14.63	Decreased by 1.80 ppts



Our Northern China Logistics Centre completed construction and was put into use

Management Discussion and Analysis

RMB

Principal business by product						
Product	Revenue	Operating costs	Gross profit margin (%)	Change of revenue as compared with last year (%)	Change of operating costs as compared with last year (%)	Change of gross profit margin as compared with last year (%)
I. Publication	1,740,748,858.90	1,154,067,326.04	33.70	5.71	3.37	Increased by 1.50 ppts
Textbooks and supplementary materials	1,139,310,169.92	686,964,459.09	39.70	0.18	(1.75)	Increased by 1.18 ppts
General books	296,783,115.19	207,131,222.87	30.21	22.69	20.83	Increased by 1.07 ppts
Printing and supplies	269,018,073.24	247,460,395.95	8.01	7.61	5.34	Increased by 1.99 ppts
Others	35,637,500.56	12,511,248.13	64.89	102.87	15.41	Increased by 26.60 ppts
II. Distribution	5,703,116,410.42	3,982,670,256.14	30.17	10.83	13.33	Decreased by 1.54 ppts
Education service	3,728,171,732.24	2,354,765,505.52	36.84	8.81	10.28	Decreased by 0.84 ppt
Of which:						
Textbooks and supplementary materials	3,315,531,959.85	1,999,701,835.92	39.69	4.76	4.55	Increased by 0.12 ppt
Winshare digital campus	360,783,201.34	322,513,454.38	10.61	43.72	47.27	Decreased by 2.15 ppts
Retailing	588,166,092.14	379,217,561.98	35.53	(1.51)	(0.35)	Decreased by 0.75 ppt
Commercial supermarket	175,051,787.74	117,158,822.23	33.07	8.54	9.66	Decreased by 0.69 ppt
Online sales	1,075,548,017.43	1,002,486,069.18	6.79	24.25	25.81	Decreased by 1.16 ppts
Others	136,178,780.88	129,042,297.23	5.24	42.87	36.04	Increased by 4.76 ppts
III. Others	99,323,307.26	73,147,325.53	26.35	143.08	152.48	Decreased by 2.74 ppts
Inter-segment elimination	(1,314,060,129.22)	(1,249,512,632.58)	N/A	N/A	N/A	
Total	6,229,128,447.36	3,960,372,275.13	36.42	11.39	14.63	Decreased by 1.80 ppts

RMB

Principal business by region						
Region	Revenue	Operating costs	Gross profit margin (%)	Change of revenue as compared with last year (%)	Change of operating costs as compared with last year (%)	Change of gross profit margin as compared with last year (%)
Within Sichuan Province	4,818,081,403.75	2,756,655,795.52	42.79	9.94	13.02	Decreased by 1.56 ppts
Outside Sichuan Province	1,411,047,043.61	1,203,716,479.61	14.69	16.63	18.50	Decreased by 1.34 ppts
Total	6,229,128,447.36	3,960,372,275.13	36.42	11.39	14.63	Decreased by 1.80 ppts

Management Discussion and Analysis

Details of its production and sales volume are as follows:

Major products	No. of copies	Production	Sales volume	Inventory	Change in production as compared with last year (%)	Change in sales volume as compared with last year (%)	Change in inventory as compared with last year (%)
Publication segment:							
Of which:							
Textbooks and supplementary materials	10,000	24,677.45	24,687.27	37.74	(15.45)	(2.65)	(20.94)
General books	10,000	3,615.32	3,258.88	1,239.13	43.21	53.29	28.62
Distribution segment:							
Of which:							
Textbooks and supplementary materials	10,000	38,797.67	36,788.50	7,929.85	88.44	3.38	4.73
General books	10,000	11,144.12	9,384.78	4,456.64	4.81	12.93	4.54

Cost breakdown is as follows:

RMB

By sector							Change in amount for the current period over the amount for the comparative period last year (%)	Remark
Sector	Cost composition	Amount for the current period	Amount for the current period as a percentage of total costs (%)	Amount for the comparative period last year	Amount for the comparative period last year as a percentage of total costs (%)			
Publication	Operating costs	1,154,067,326.04	22.15	1,116,395,397.53	23.96	3.37		
Distribution	Operating costs	3,982,670,256.14	76.45	3,514,312,697.69	75.42	13.33		
Others	Operating costs	73,147,325.53	1.40	28,971,341.32	0.62	152.48		
Inter-segment elimination		(1,249,512,632.58)	N/A	(1,204,741,445.43)	N/A	N/A		
Total		3,960,372,275.13		3,454,937,991.11		14.63		

Management Discussion and Analysis

RMB

Product	Cost composition	By product				Change in amount for the current period over the amount for the comparative period last year (%)	Remark
		Amount for the current period	Amount for the current period as a percentage of total costs (%)	Amount for the comparative period last year	Amount for the comparative period last year as a percentage of total costs (%)		
I. Publication	Operating costs	1,154,067,326.04	22.15	1,116,395,397.53	23.96	3.37	
Textbooks and supplementary materials	Operating costs	686,964,459.09	13.19	699,203,679.55	15.01	(1.75)	
General books	Operating costs	207,131,222.87	3.98	171,425,835.82	3.68	20.83	
Printing and supplies	Operating costs	247,460,395.95	4.75	234,925,562.84	5.04	5.34	
Others	Operating costs	12,511,248.13	0.23	10,840,319.33	0.23	15.41	
II: Distribution	Operating costs	3,982,670,256.14	76.44	3,514,312,697.69	75.42	13.33	
Education service	Operating costs	2,354,765,505.52	45.20	2,135,253,335.88	45.82	10.28	
Of which:							
Textbooks and supplementary materials	Operating costs	1,999,701,835.92	38.38	1,912,602,896.79	41.05	4.55	
Winshare digital campus	Operating costs	322,513,454.38	6.19	218,991,449.24	4.70	47.27	
Retailing	Operating costs	379,217,561.98	7.28	380,537,861.37	8.17	(0.35)	
Commercial supermarket	Operating costs	117,158,822.23	2.25	106,834,502.36	2.29	9.66	
Online sales	Operating costs	1,002,486,069.18	19.24	796,830,482.23	17.10	25.81	
Others	Operating costs	129,042,297.23	2.48	94,856,515.85	2.04	36.04	
III. Others	Operating costs	73,147,325.53	1.40	28,971,341.32	0.62	152.48	
Inter-segment elimination		(1,249,512,632.58)		(1,204,741,445.43)	N/A	N/A	
Total		3,960,372,275.13		3,454,937,991.11		14.63	

ANALYSIS OF OPERATING DATA OF THE PUBLISHING AND MEDIA INDUSTRY

1. Overview of Principal Business Segments

Based on the internal organisational structure, management requirements and internal reporting system of the Group, the operating business of the Group are divided into two reporting segments, namely the publication segment and the distribution segment. These segments are classified by the nature of business of the Company. The management of the Group regularly assesses the operating performance of these segments to determine its resource allocation and to assess its results.

The major products and services provided under each reporting segment of the Group are as follows:

Publication: Publishing of publications including books, periodicals, audio-visual products and digital products; provision of printing services and supply of printing materials; and

Distribution: Distribution of textbooks and supplementary materials to schools and students and provision of education informationalised service to primary and secondary school students; retailing, distribution and online sales of publications.

Overview of operations of the principal business segments is as follows:

RMB10,000

	Sales volume (10,000 copies)			Sales value			Revenue			Operating costs			Gross profit margin (%)		
	Last year	Current period	Growth rate (%)	Last year	Current period	Growth rate (%)	Last year	Current period	Growth rate (%)	Last year	Current period	Growth rate (%)	Last year	Current period	Growth rate (%)
Publication segment:															
Self-compiled textbooks and supplementary materials	10,475.07	11,272.36	7.61	96,302.30	107,118.90	11.23	48,293.53	54,636.56	13.13	24,778.79	28,163.70	13.66	48.69	48.45	Decreased by 0.24 ppt
Plate-leased textbooks and supplementary materials	11,347.64	11,914.74	5.00	88,062.84	91,646.59	4.07	52,518.68	51,822.44	(1.33)	33,881.54	34,167.88	0.85	35.49	34.07	Decreased by 1.42 pts
Printing of textbooks and supplementary materials on behalf of others	2,964.64	1,487.29	(49.83)	20,405.06	11,634.80	(42.98)	12,914.92	7,472.02	(42.14)	11,260.05	6,364.86	(43.47)	12.81	14.82	Increased by 2.01 pts
General books	2,125.90	3,258.88	53.29	52,474.62	79,698.29	51.88	24,190.63	29,678.31	22.69	17,142.58	20,713.12	20.83	29.14	30.21	Increased by 1.07 pts
Distribution segment:															
Textbooks and supplementary materials	35,585.58	36,788.50	3.38	331,730.48	347,723.64	4.82	316,488.21	331,553.20	4.76	191,260.29	199,970.18	4.55	39.57	39.69	Increased by 0.12 ppt
General books	8,310.08	9,384.78	12.93	258,174.68	300,131.98	16.25	171,940.11	197,494.47	14.86	137,905.94	162,790.48	18.04	19.79	17.57	Decreased by 2.22 pts

Management Discussion and Analysis

2. Operating data of various business segments

(1) Publication segment

Major cost breakdown

RMB10,000

	Publication of textbooks and supplementary materials			Publication of general books		
	Last year	Current period	Growth rate (%)	Last year	Current period	Growth rate (%)
Plate-leased textbooks and supplementary materials expenses	5,386.87	3,556.53	(33.98)	–	–	–
Copyright fee	3,301.83	2,361.56	(28.48)	–	–	–
Author's remuneration	2,824.66	2,693.21	(4.65)	2,254.00	3,955.67	75.50
Printing costs	47,561.36	40,717.84	(14.39)	10,331.50	15,208.48	47.20
Documentation fee	832.37	785.16	(5.67)	1,864.90	1,910.14	2.43
Others	1,716.88	1,904.80	10.95	766.46	1,204.24	57.12

Note: With respect to the binding of printed materials, the production of general books is priced two ways: free materials only and free binding and materials. Of which, the settlement price for free materials only refers to the printing fee only. For free binding and materials production, the printer will be responsible for paper purchase and the settlement price is inclusive of the printing fee and cost of paper. The printing costs herein are inclusive of the printing fee and cost of paper materials.

Textbooks and supplementary materials publication business

The publication of textbooks and supplementary materials of the Company is mainly carried out through its subsidiary, Education House. In the spring and autumn of 2016, there were 1,130 genres of self-compiled textbooks and supplementary materials by the Education House.

In 2016, revenue from the sales of textbooks and supplementary materials under the publication segment of the Company amounted to RMB1,139,310,200, up by 0.18% as compared with that in the same period last year; cost of sales amounted

to RMB686,964,500, down by 1.75% as compared with that in the same period last year. Gross profit margin was 39.70%, up by 1.18 percentage points from the same period last year.

General books publication business

The Company has nine publishing units which engage in the publishing of public books. Each of the publishing units has identified its own professional line of products by leveraging on the Company's strengths and expertise as well as the strategic plans. In 2016, more than 4,000 genres of general books were published.

During the Reporting Period, with respect to the publication business, revenue from the sales of general books amounted to RMB296,783,100, up by 22.69% as compared with that in the same period last year; cost of sales amounted to RMB207,131,200, up by 20.83% as compared with that in the same period last year. Gross profit margin was 30.21%, up by 1.07 percentage points from the same period last year, which was mainly due to the fact that the publishing units not only expanded sales, gross profit margin was also increased.

(2) Distribution segment

Textbooks and supplementary materials distribution business

The provincial government of Sichuan has implemented a single source purchase policy regarding the supply of textbooks to primary and secondary school students during their compulsory education. Since 2008, the Company, being the supplier of the single source purchase, enters into the "purchase contract regarding free textbooks for students in rural villages during compulsory education" (農村義務教育階段學生免費教科書採購合同書) with Sichuan's provincial education office of Sichuan each year with respect to the details of single source purchase.

In 2016, 367,885,000 copies of textbooks and supplementary materials with sales value of RMB3,477,236,400 were distributed. Sales revenue amounted to RMB3,315,532,000, up by 4.76% as compared with that in the same period last year; operating costs amounted

to RMB1,999,701,800, up by 4.55% as compared with that in the same period last year. Gross profit margin was 39.69%, up by 0.12 percentage point from the same period last year, which was mainly attributable to the channel strengths of the Company which further enhanced the quality of service and resulted in continuous growth in sales of supplementary materials.

General books distribution business

During the Reporting Period, 93,847,800 copies of general books with sales value of RMB3,001,319,800 were distributed by the Company. Sales revenue amounted to RMB1,974,944,700, up by 14.86% as compared with that in the same period last year; operating costs amounted to RMB1,627,904,800, up by 18.04% as compared with that in the same period last year. Gross profit margin was 17.57%, down by 2.22 percentage points from the same period last year. The increase in sales revenue was mainly due to the growth in sales from the online sales channel. At the same time, since the gross profit margin of online sales channel is lower than that of the traditional retail stores, gross profit margin was lower as compared with that in the same period last year.

During the Reporting Period, revenue from the online sales amounted to RMB1,075,548,000. Among which, sales value secured through third-party e-commerce platforms amounted to RMB709,220,900, accounting for 65.94% of the total revenue of online sales business.

Management Discussion and Analysis

EXPENSES

During 2016, the selling expenses of the Company amounted to RMB804,635,000, which increased by 8.19% as compared with that in the same period last year but was lower than the growth of revenue. The expenses margin decreased by 0.31 percentage point as compared with that in the same period last year. The increase in total selling expenses was mainly due to the corresponding increase in resource allocation to marketing efforts in order to facilitate business expansion, and the increase in cost of logistics and transportation as a result of growth in sales.

During 2016, the administrative expenses of the Company amounted to RMB996,340,500, which increased by 1.94% as compared with that in the same period last year but was lower than the growth of revenue. The expenses margin decreased by 1.37 percentage points as compared with that in the same period last year. The increase in total administrative expenses was mainly due to the growth in the cost of human resources and the increase in administrative expenses as a result of normal business development.

During 2016, the finance cost of the Company amounted to RMB(8,948,700), as compared with (4,911,800) in the same period last year. Among which, net interest expenses amounted to RMB12,134,600, representing an increase of RMB3,082,300 from RMB9,052,300 in the same period last year, which was mainly due to the continued efforts of the Company to centralise funds of the Group, the increase in interest income from capital funds and the decrease in interest expense on loans of the subsidiaries as compared with that in the same period last year.

R&D COMMITMENTS

Breakdown of R&D commitments

	<i>RMB</i>
R&D expenses for the current period	7,076,576.41
R&D commitments capitalised for the current period	10,944,702.55
Total R&D commitments	18,021,278.96
Total R&D commitments as a percentage of revenue (%)	0.28
Total no. of R&D personnel of the Company	87
No. of R&D personnel as a percentage of total no. of personnel of the Company (%)	1.12
Percentage of R&D commitments capitalised (%)	60.73

The R&D expenses of the Company mainly referred to the R&D commitments in You class digitalised classroom and one-stop cloud class.

Management Discussion and Analysis

CASH FLOW ANALYSIS

RMB

Item	2016	2015	Change	Major analysis of the change
Cash received from sales and services	6,663,029,048.32	6,087,579,661.81	9.45%	
Refund of taxes	57,323,319.75	177,996,506.81	(67.80%)	Mainly due to the receipt of appreciation tax refund settled for prior years in the same period of 2015
Cash paid for purchases and services	4,261,241,599.98	3,540,594,090.13	20.35%	
Cash paid for salaries and on behalf of employees	833,079,163.49	796,997,501.78	4.53%	
Cash paid for various taxes	145,619,786.24	122,514,330.02	18.86%	
Cash received from sale of investments	1,851,710,332.00	1,021,892,000.00	81.20%	Mainly due to the increase in the principal upon sale of trust products and principal guaranteed wealth management products as compared with that in the same period last year, and the recovery of investment in Chengdu Institute outside Sichuan Province during the period
Cash received from returns on investments	58,370,805.09	75,865,000.78	(23.06%)	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	1,538,222.04	129,293,337.13	(98.81%)	Mainly due to the relocation compensation for the North Improvement Project of RMB116,000,000 received by the Company's subsidiary Xinhua Printing in 2015
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	341,657,330.79	198,311,602.98	72.28%	Mainly due to the increase in commitments in infrastructure projects including the publishing and media creativity centre
Cash paid for acquisition of investments	2,649,200,169.84	1,161,484,324.57	128.09%	Mainly due to the increase in the purchase of principal guaranteed wealth management products during the period as compared with that in the same period last year
Cash received from capital contribution	662,315,200.00	4,500,000.00	14,618.12%	Mainly due to the net proceeds of RMB645,000,000 from the listing of A Shares of the Company in August 2016
Cash paid for distribution of dividend or profit and for interest expense	237,702,136.60	342,747,637.27	(30.65%)	Mainly due to the payment of the dividend declared by the Company in December 2016, which was completely paid in January 2017



Management Discussion and Analysis

PROFIT

Net profit for the Year of the Group amounted to RMB630,038,000, which slightly increased from RMB614,919,800 in the same period last year. Net profit attributable by the owners of the parent amounted to RMB647,462,300, which remained basically the same as compared with RMB647,269,500 in the same period last year.

EARNINGS PER SHARE

Earnings per share is calculated based on the net profit attributable to the owners of the parent for the Year divided by the weighted average number of the ordinary shares in issue during the Year. During the Year, earnings per share of the Group amounted to RMB0.55, which slightly decreased as compared with RMB0.57 in the same period last year. Excluding the weighted effect as a result of 98,710,000 A Shares issued in the A Share Issue by the Company during the Year, earnings per share remained basically the same as last year. For details regarding the calculation of earnings per share, please refer to supplementary information 2 in this report.



Management Discussion and Analysis

ASSETS AND LIABILITIES ANALYSIS

The position of assets and liabilities is as follows:

RMB

Item	As at the end of the current period	Amount as at the end of the current period as a percentage of the total assets (%)	As at the end of the comparative period last year	Amount as at the end of the comparative period last year as a percentage of the total assets (%)	Change in the amount as at the end of the current period over the amount as at the end of the comparative period last year (%)	Remark
Bank and cash	1,695,414,090.58	13.83	1,929,029,300.50	17.96	(12.11)	
Receivables	801,178,862.51	6.54	660,051,562.79	6.14	21.38	
Prepayments	92,509,488.32	0.75	60,073,408.90	0.56	53.99	Mainly due to the prepayments made for film production by Huaying Winshare, a subsidiary of the Company
Inventory	1,512,550,560.26	12.34	1,464,179,820.95	13.63	3.30	
Other current assets	974,629,765.89	7.95	31,671,984.28	0.29	2,977.26	Mainly due to the purchase of principal guaranteed wealth management products by the Group which are yet to be matured
Available-for-sale financial assets	2,933,130,717.43	23.93	2,948,341,637.73	27.44	(0.52)	
Long-term receivables	134,581,582.86	1.10	23,145,230.77	0.22	481.47	Mainly due to increase in the number of items that are settled by instalment payment as a result of increase in market share of digitalised classroom
Long-term equity investments	685,192,748.42	5.59	650,739,926.46	6.06	5.29	
Fixed assets	1,358,740,899.48	11.09	1,409,890,949.80	13.12	(3.63)	
Construction in progress	460,203,701.05	3.76	232,590,792.28	2.16	97.86	Mainly due to the increase in commitments to infrastructure projects such as the publishing and media creativity centre
Intangible assets	397,038,235.41	3.24	411,293,500.73	3.83	(3.47)	
Other non-current assets	413,198,913.58	3.37	137,204,482.44	1.28	201.16	Mainly due to the term deposits with a maturity of over one year included in the closing balance in 2016
Payables	2,715,003,443.35	22.15	2,537,859,546.44	23.62	6.98	
Advance receipts	309,946,513.41	2.53	240,526,811.54	2.24	28.86	
Employee compensation payable	251,796,187.52	2.05	233,953,297.60	2.18	7.63	
Dividend payable	132,581,130.00	1.08	-	0.00	N/A	Mainly due to the payment of the dividend declared by the Company in December 2016, which was completely paid in January 2017
Other payables	270,461,490.08	2.21	230,538,122.49	2.15	17.32	
Other current liabilities	108,411,050.48	0.88	104,588,785.46	0.97	3.65	
Deferred income tax liabilities	33,722,112.47	0.28	40,345,532.42	0.38	(16.42)	

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group had cash and short-term deposits of approximately RMB1,695 million. The Group did not have any interest-bearing bank and other borrowings.

As at 31 December 2016, the gearing ratio (calculated by dividing total liabilities by total assets) of the Group was 32.32%, as compared with 32.61% as at 31 December 2015. The Group's overall financial structure remained relatively stable.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group did not have any material contingent liabilities.

WORKING CAPITAL MANAGEMENT

	31 December 2016	31 December 2015
Current ratio	1.4	1.3
Inventory turnover days	136.6 days	145.9 days
Trade receivables turnover days	42.0 days	40.4 days
Trade payables turnover days	241.0 days	240.5 days

As at 31 December 2016, the current ratio of the Group was 1.4. During the Year, inventory turnover days, trade receivables turnover days and trade payables turnover days were 136.6 days, 42.0 days and 241.0 days respectively, which remained basically the same as those as at 31 December 2015.

OVERVIEW OF MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the Year, the Group focused on its growth strategies, improved existing industrial layout, and strengthened its efforts in principal businesses, with a view to establishing the Group as a first-class cultural media group in the PRC.

In order to support the Company's strategies for the great cultural industry and share the benefits of China's economic and industrial development, the Company has undertaken to invest RMB100 million in CITIC Buyout Fund. During the Year, the Company made a payment of RMB20 million according to the relevant agreement. The

PLEDGE OF ASSETS

As at 31 December 2016, other than the Group's pledged deposits of RMB6,815,900, the Group did not have any other assets under pledge or guarantee.

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.

Company made total investments amounting to RMB100 million and all the capital contributions have been made as agreed. In addition, during the Year, the Company's subsidiary, Winshare Investment invested RMB88 million in Winshare Hengxin Fund with a total investment of RMB188 million.

To facilitate the growth strategies of industrial operations and capital operations of the Group, the Company decided to increase the capital of Winshare Investment by RMB100 million, which would be mainly used for investing in the equity interests in quality cultural enterprises and other short to medium-term investment opportunities. The Company settled the payment of capital increase in September 2016.

To promote the transformation from traditional paper education to digitalised education development of the Group, the Company decided to increase the capital of its wholly-owned subsidiary, Education Technology by RMB290 million, which would be used for the development of regional education service cloud platform and Winshare integrated service cloud platform. The Company fully settled the payment of capital increase in November 2016. Upon completion of capital increase, the registered capital of Education Technology was changed to RMB330 million.

Due to strategic growth needs, during the Year, the Company injected capital of RMB40 million, RMB22 million and RMB22.5 million to its wholly-owned subsidiaries, namely, Sichuan Literature & Art Publishing House Co., Ltd., Sichuan Winshare Yuntu Wenchuang Technology Co, Ltd. (formerly known as Sichuan Winshare Education Technological Equipment Co., Ltd.) and its subsidiary Sichuan Winshare Online E-commerce Co., Ltd. respectively.

During the Year, the Company disposed of 24.3% equity interest in Chengdu Institute, Sichuan International Studies University at a consideration of RMB260.25 million. As at the date of this report, the relevant registration changes have not been completed. In addition, the Company disposed of 34% equity interest in Chengdu Xinhui and 48% equity interest in Sichuan Wenzhuo by way of public auction. As at the date of this report, these disposals are still under auction for sale.

During the Year, the Company received dividend for 2015 from Wan Xin Media in the sum of RMB16,203,200. On 13 June 2016, Wan Xin Media implemented the proposal of capitalisation of reserve

where every 10 shares of capital reserve will be issued to all shareholders for every 10 shares. Upon completion of the capitalisation of reserve, the number of shares in Wan Xin Media held by the Company was changed to 124,640,000 shares where the shareholding percentage remained unchanged.

In addition, the Company also received dividends for 2015 from Bank of Chengdu, Ren Min Eastern (Beijing) Book Industry Co., Ltd and CITIC Buyout Fund in the sum of RMB20,000,000, RMB3,333,300 and RMB240,000, respectively.

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

During the Year, details of the external investments made by the Company and Winshare Investment are set out note VI 9 to the consolidated financial statements in this report.

MATERIAL EVENTS DURING THE REPORTING PERIOD

On 8 August 2016, the Company's Renminbi-denominated ordinary shares (being the A Shares) were listed for the first time on the SSE at the price of RMB7.12 per share and existing Domestic Shares were converted into A Shares. The gross proceeds from the listing amounted to RMB702,815,200 and the net proceeds amounted to RMB645,175,100 after deducting issue expenses of RMB57,640,100. Upon the issue, the total number of shares was 1,233,841,000 shares (comprising 791,903,900 A Shares and 441,937,100 H Shares).

FUTURE PROSPECTS

(I) Growth strategy

Upholding the core values of the publishing and media sector, the Company will capture the growth momentum of the international cultural sector and focus on areas of “online+capital” as transformation drivers. While providing the great cultural consumption service, the Company will, through full-product operations, full-customer service and full-channel coverage, push ahead the development of content resources and optimise the integrated education service industry chain to develop a great cultural consumption ecosphere with a view to building the most innovative and growing publishing and media enterprise in China and a comprehensive cultural service group with international influence.

(II) Operating plans

1. Bearing in mind the responsibilities to revitalise the publishing sector in Sichuan, the Company will continue to increase resource allocation to the publication segment and improve the incentive and appraisal system so as to ensure the rapid growth of performance of the publication segment. At the same time, it will actively promote the integrated development of the publication segment and the journal operation segment in traditional media and emerging media.
2. While stepping up the efforts in e-commerce business, the Company will continue to optimise the development e-commerce supply chain system and maintain the speedy sales growth momentum in an effort to rank No.1 in e-commerce business of books. In addition to pushing ahead the network development of physical bookstores, the Company will optimise the network distribution, build a vertical network service system which covers the entire

Sichuan Province and innovate the operating model of retail stores. The Company will also actively explore the online-offline integrated development to shape itself into a professional publication distributor in the era of Internet and Internet of Things.

3. The Company will also accelerate resource integration. While consolidating the traditional businesses, the Company will put great efforts to expand the new businesses of digitalised education and education equipment. The Company will actively explore the online growth model to achieve upgrade in the mode of service, mode of operation and products based on the Internet.
4. Based on its strategy, the Company will make use of capital operations to optimise resource allocation and drive the sector development of the Company so as to gradually improve the sector layout of the Company.
5. To achieve breakthrough in whole-industry chain operations, the Company will actively work with third parties to develop logistic business and build a one-stop service platform with the supply chain of logistics+Internet and logistics+finance. Seizing the growth opportunities in education products arising from the State’s “13th Five-Year Plan”, the Company will focus its efforts in building itself into a well-known professional education base in the western region. In addition to taking various measures to expand the kindergarten education market, the Company will also expand the supplies trading business to build the brand of printing supplies and achieve breakthroughs in the sales of supplies. The Company will also explore a diversified cultural growth model to enhance Winshare’s cultural influence.

(III) Potential risks

Over the years, the State has issued key policies to support the cultural industry where the publishing and media enterprises enjoy standardised preferential tax policies promulgated by the State. In the event the current preferential tax policies are not renewed upon expiry, the financial conditions of the Company will be adversely affected. Since 2016, given the environmental pressure, the price of raw materials in the publishing sector has grown substantially. In addition, logistic costs and labour costs also keep rising. If such trend is not reversed in the future, the operating costs of the publication and distribution business of the Company will increase, thus affecting the profitability of the Company.

To accelerate its development, the Company has formulated scientifically reasonable strategic objectives and optimised the operating plans, as well as structured the objective budget assessment and management system to ensure the operating objectives are achieved. However, due to uncertainties in the external market, coupled with the deficiencies in the quality of management team, team building and resource allocation, risks beyond the Company's expectation will arise in the course of execution of these objectives.



Report of the Directors

The Board hereby submit their report, together with the audited financial statements of the Group for the year ended 31 December 2016, to all the Shareholders.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is an integrated cultural operator specialising in the production, processing and sales of publications and diversified sector development and its principal activities include: the editorial and publishing of publications; the retailing and distribution of books and audio-visual products; and the publishing of textbooks and supplementary materials, etc.

Further discussion and analysis on the relevant businesses stipulated in Schedule 5 of the Companies Ordinance, including the discussion on principal risks and uncertainties faced by the Group and future business growth direction are set out in the section headed Management Discussion and Analysis, which forms part of this Report of the Directors, on pages 17 to 33 of this annual report.

FINANCIAL POSITION AND RESULTS

The financial position of the Group as at 31 December 2016 and the results of the Group for the year ended 31 December 2016 are set out on pages 90 to 95 of this annual report.

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 8 of this annual report.

DIVIDEND

An extraordinary general meeting of the Company was held on 15 December 2016 and it was approved that the profits available for distribution of the Company as at the end of the third quarter of 2016 would be used as the actual profits available for distribution to the Shareholders. Based on the total share capital of 1,233,841,000 shares in issue as at 8 August 2016, a dividend of RMB0.30 per share (tax inclusive) (equivalent to dividends totalling RMB370,000,000, tax inclusive) was paid.

The Board has proposed the distribution of dividend for the year ended 31 December 2016 of RMB0.30 (tax inclusive) per share, totalling RMB370 million (tax inclusive) (2015: nil). Dividends payable to A shareholders will be made and paid in RMB, whereas dividends payable to the H shareholders 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 2016 AGM.

In accordance with the "Corporate Income Tax Law of the People's Republic of China" and its implementation regulations effective, where a PRC domestic enterprise distributes dividends to non-resident enterprise shareholders, it 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 dividend as corporate income tax, distribute the dividend 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 holders of H shares registered in the name of other groups and organisations.

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 Dividend for 2016 is subject to the approval by Shareholders at the forthcoming 2016 AGM of the Company. In order to ascertain the Shareholders who are entitled to attend 2016 AGM and to receive the Dividend for 2016 (if approved by the Shareholders), the register of holders of H Shares will be closed during the following periods:

To ascertain the H shareholders who are qualified to attend and vote at the 2016 AGM:

Latest time for lodging transfers of H Shares	4:30 PM, Monday, 24 April 2017
Closure of H Share register of members	from Tuesday, 25 April 2017 to Thursday, 25 May 2017 (both days inclusive)
Date for the 2016 AGM	Thursday, 25 May 2017

To ascertain the H shareholders who are entitled to the proposed Dividend for 2016:

Latest time for lodging transfers of H Shares	4:30 PM, Wednesday, 31 May 2017
Closure of H Share register of members	from Thursday, 1 June 2017 to Tuesday, 6 June 2017 (both days inclusive)
Dividend Entitlement Date	Tuesday, 6 June 2017

In order for the H shareholders to qualify to attend and vote at the 2016 AGM and to receive the Dividend for 2016 (if approved by the Shareholders), all transfers accompanied by the relevant share certificates must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration before the above mentioned deadlines for lodging the transfer documents.

H shareholders whose names appear on the register of members of the Company after the close of business on 24 April 2017 are entitled to attend and vote at the 2016 AGM. H shareholders whose names appear on the register of members of the Company on the Dividend Entitlement Date are entitled to the Dividend for 2016 of the Company (if approved by the Shareholders).

H shareholders are advised to consult their own professional advisers about the tax effect in China, Hong Kong and/or other countries (regions) in respect of owning and disposal of H Shares if they are in any doubt as to the above arrangements.

Shareholders should read this paragraph carefully. Should there be anyone who intends to change his/her identity as a shareholder, please seek advice on the relevant procedures from the nominees or trustees. The Company is neither obliged nor responsible for ascertaining the identities of the shareholders. In addition, the Company will withhold corporate income tax and individual income tax in strict compliance with the relevant laws or regulations and the registered information on the H Share register of members as at the Dividend Entitlement Date, and will not entertain or assume responsibility for any requests or claims in relation to

any delay or inaccuracies in ascertaining the identity of the shareholders or any disputes over the arrangements for withholding the corporate income tax and individual income tax.

FIXED ASSETS

Details of movements of the Group's fixed assets during the Year are set out in note (VI) 13 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 Group's reserves available for distribution to Shareholders as at 31 December 2016 are set out in note (VI) 33 to the financial statements for the Year.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2016, the sales to five largest customers of the Group accounted for less than 30% of the total turnover of the Group.

For the year ended 31 December 2016, the five largest suppliers of the Group accounted for less than 30% of the total purchases of the Group.

The Group maintains steady development relationship with each of the customers and suppliers. The business of the Group does not rely on any individual customers or suppliers which may cause any material impact on the Group.

SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES

Particulars of the Company's principal subsidiaries, joint ventures and associated companies (including the principal businesses of these companies) are set out in notes (VII) to the financial statements in this annual report respectively.

Analysis of Core Competitiveness

- 1. Implement strategies to revitalise publication business for strong growth ahead.** Capitalising on the growth trend of its publication business, coupled with its existing publication resources, the Company formulates and pushes ahead the implementation of growth strategies to "revitalise the publication business". Through a series of new initiatives such as building a dynamic publication operational management system, increasing the investments in the publication segment and integrating the resources to build a new platform for publication development, the publication segment has revealed good growth momentum. In 2016, the net sales value of general books of the Company grew substantially on a year-on-year basis and its ranking in terms of marketing share moved up seven places out of 35 publishing groups nationwide.
- 2. Establish a comprehensive channel system to build solid foundation for integrated development.** The Company endeavours to enhance channel development and consolidate channel strengths to form a three-dimensional channel network which is "based in Sichuan Province with national coverage online and offline". As to physical channel development, the Company has established a vertically integrated physical bookstore network and an education service subscription network across the province as well as a nationwide commercial supermarket bookstore network. As to online channel development, the Company has established an online sales platform of paper books and e-books such as winxuan.com and September Online. In recent three years, the Company's online sales recorded annual average growth exceeding 60%. The increasing improvement online/offline channel system has built a solid foundation for the integrated development of the Company.

3. **Comprehensive digitalised education layout with good market influence.** In 2009, the Company took the lead to explore the digitalised education business and developed a variety of digitalised products based on the demand for education service. It has successfully established an education service eco-system that is targeted at primary education and specialises in digitalised resources, education hardware and software, digitalised scientific tools and online service, and has gradually transformed and upgraded from the position of “product provider” to “service operator”. Some of its digitalised education products have coverage in 27 provinces (municipalities and districts). It has established good market influence in the area of nationwide digitalised education. The digitalised classroom of the Company accounted for approximately 50% of the market share in Sichuan covering more than 3,000 schools and 50,000 classrooms and benefiting more than 300 teachers, students and parents in Sichuan Province. Thus, the Company has established a leading position in the digitalised education sector in Sichuan Province.
4. **Successful listing on the A Share market to drive coordinated development between physical operations and capital operations.** On 8 August 2016, the Company successfully completed the A Share listing, thus becoming the only publishing and distribution enterprise in China with a dual listing status on both the A+H markets. The Company can fully capitalise on the dual listing platform to link up the capital markets, integrate the resources locally and abroad and expand both the domestic and overseas markets. Through the combination of industry and finance as well as the coordinated development between physical operations and capital operations, it has created favourable conditions for achieving the Company’s strategic objectives.

CONNECTED TRANSACTIONS

Non-Exempted Continuing Connected Transactions

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

1. Transactions with 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 48.44% 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 23 November 2015, 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 2016 to 31 December 2018 as offices, warehouses and retail outlets. Please refer to the announcement of the Company dated 23 November 2015 for details of the above lease agreement.

For the year ended 31 December 2016, the rental payment made by the Group to Sichuan Xinhua Publishing Group pursuant to the above leasing agreement amounted to RMB40,104,000.

(ii) *Renewal of Property Management Agreement between the Company and Huang Peng Property*

On 23 November 2015, the Company and Huang Peng Property, a wholly-owned subsidiary of Sichuan Xinhua Publishing Group, renewed the Property Management Agreement in connection with the provision of property management services to the Group by Huang Peng Property for the period from 1 January 2016 to 31 December 2018.

Please refer to the announcement of the Company dated 23 November 2015 for details of the Property Management Agreement.

For the year ended 31 December 2016, RMB7,671,000 in total was paid to Huang Peng Property by the Group in respect of the property management services provided according to the above Property Management Agreement.

2. Transaction with SPG and its subsidiaries

SPG is a wholly-owned subsidiary of Sichuan Development and Sichuan Xinhua Publishing Group, controlling shareholder of the Company is a wholly-owned subsidiary of Sichuan Development. According to Chapter 14A of the Listing Rules, SPG is a connected person of the Company.

On 12 December 2013, the Company and SPG entered into the Lease Framework (Renewal) Agreement, pursuant to which SPG shall lease certain buildings and warehouses owned by it to the Group as offices and warehouses legally owned by it and/or its subsidiaries as well as shall provide ancillary property management services to the Group for the period from 1 January 2014 to 31 December 2016. Given that the agreement expired on 31 December 2016, on 27 October

2016, the Company and SPG renewed the lease framework agreement in connection with the leasing of certain buildings and warehouses from SPG during the period from 1 January 2017 to 31 December 2019. Please refer to the announcements of the Company dated 12 December 2013 and 27 October 2016 for details of the above Lease Framework (Renewal) Agreement.

For the year ended 31 December 2016, the rental and property management fees paid by the Group to SPG according to the above Lease Framework (Renewal) Agreement amounted to RMB14,207,000 in total.

3. 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 23 November 2015, the Company renewed the Publications Purchase Agreement with Winshare Online, pursuant to which Winshare Online shall purchase the publications from the Group (excluding Winshare Online) for the period from 1 January 2016 to 31 December 2018 for sale at Winshare Online's e-commerce platform, Winshare Web. The renewed agreement and the transactions contemplated thereunder were approved by the independent shareholders on 18 February 2016. Please refer to the announcement dated 23 November 2015 and the circular dated 7 January 2016 of the Company for details of the above Publications Purchase Agreement.

For the year ended 31 December 2016, the payment made by Winshare Online to the Company according to the above Publications Purchase Agreement amounted to RMB924,648,000 (tax inclusive) 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 Group;
- (2) on normal commercial terms or better (as defined in the Listing Rules); and
- (3) on the terms of the respective transaction agreements, which are fair and reasonable and in the interests of the Company and Shareholders as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Board engaged the auditor of the Company to report on the Group's 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. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed as above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to 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.

CHARITABLE DONATIONS

During the Year, the total charitable donations and other donations of the Group amounted to approximately RMB21.93 million (2015: RMB14.49 million).

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group endeavours to achieve long-term sustainable development in the environment and community where the Group operates. As a cultural enterprise, the Group actively contribute to the community and engage in public welfare activities in addition to striving for good performance to foster credibility and build a good corporate image. Besides, the Group will act in an environmentally responsible way and strive to comply with the relevant environmental laws and regulations. Details of the environmental policies and performance of the Group are set out in the "Environment, Social and Governance Report" from pages 71 to 82 in this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

During the Year, to the knowledge of the Company, the Group had complied with the relevant laws and regulations that have a material impact on the business of the Group in all material aspects and there were no circumstances of material breach or non-compliance of applicable laws and regulations.

SHARE CAPITAL

On 8 August 2016, the Company's A Shares were listed on the SSE whereby 98,710,000 A Shares were issued to the public at the price of RMB7.12 per share and existing 693,193,900 Domestic Shares were converted into A Shares. Upon the A Share Issue, the total number of issued shares of the Company was 1,233,841,000 shares (comprising 441,937,100 H Shares and 791,903,900 A Shares).

Report of the Directors

As at 31 December 2016, the total issued share capital of the Company was RMB1,233,841,000, divided into 1,233,841,000 shares of RMB1.00 each, including:

Class of shares	Number of shares	Approximate percentage of issued share capital of the Company
A Shares	791,903,900	64.19%
Including		
(i) Sichuan Xinhua Publishing Group (<i>note 1</i>)	592,809,525	48.05%
(ii) Other promoters (<i>note 2</i>)	46,322,566	3.76%
(iii) National Council for Social Security Fund (<i>note 3</i>)	725,809	0.06%
(iv) Hua Sheng Group (<i>note 4</i>)	53,336,000	4.32%
(v) Public investors of A Shares	98,710,000	8.00%
H Shares	441,937,100	35.81%
Including		
(i) Sichuan Xinhua Publishing Group (<i>note 5</i>)	4,844,000	0.39%
(ii) Public investors of H Shares	437,093,100	35.42%
Total share capital	1,233,841,000	100%

Notes:

- Sichuan Xinhua Publishing Group, the controlling shareholder of the Company, is a wholly-owned subsidiary of Sichuan Development. The de facto controller of Sichuan Development is SASAC of Sichuan.
- Other promoters include SPG, Sichuan Daily Newspaper Group* (四川日報報業集團) and Liaoning Publication Group Co., Ltd.* (遼寧出版集團有限公司).
- Upon the issuance and listing of A Shares, 479,034 shares, 145,162 shares and 101,613 shares held respectively by SPG, Sichuan Daily Newspaper Group* (四川日報報業集團) and Liaoning Publication Group Co., Ltd.* (遼寧出版集團有限公司) will be transferred to the National Council for Social Security Fund.
- Social Legal Person Shares are held by Hua Sheng Group, a promoter of the Company.
- 4,844,000 H Shares of the Company are held by Sichuan Xinhua Publishing Group, a controlling shareholder of the Company, through its subsidiary.

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

On 31 December 2016, 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 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	623,382,418	Interests in controlled corporation	A Shares	78.72%	50.52%	Long position
	4,844,000 (note 1)	Interests in controlled corporation	H Shares	1.10%	0.39%	Long position
Sichuan Xinhua Publishing Group	592,809,525	Beneficial owner	A Shares	74.86%	48.05%	Long position
	4,844,000 (note 2)	Interests in controlled corporation	H Shares	1.10%	0.39%	Long position
Hua Sheng Group	53,336,000 (note 3)	Beneficial owner	A Shares	6.74%	4.32%	Long position
Wu Wenqian	53,336,000 (note 3)	Interests in controlled corporation	A Shares	6.74%	4.32%	Long position
Edgbaston Investment Partners LLP	31,003,000	Investment manager	H Shares	7.02%	2.51%	Long position
Seafarer Capital Partners, LLC	27,794,500	Investment manager	H Shares	6.29%	2.25%	Long position
Edgbaston Asian Equity Trust	26,908,000	Beneficial owner	H Shares	6.09%	2.18%	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 (i) indirectly hold 592,809,525 A Shares of the Company through Sichuan Xinhua Publishing Group and 30,572,893 A Shares of the Company through SPG, totalling 623,382,418 A Shares; and (ii) indirectly hold 4,844,000 H Shares of the Company through a wholly-owned subsidiary of Sichuan Xinhua Publishing Group.
2. Shudian Investment Co., Ltd. is a wholly-owned subsidiary of Sichuan Xinhua Publishing Group. According to the SFO, Sichuan Xinhua Publishing Group is deemed to indirectly hold 4,844,000 H Shares through Shudian Investment Co., Ltd. Sichuan Xinhua Publishing Group is directly interested in 592,809,525 A Shares.
3. Wu Wenqian is directly interested in 96% equity interests in Hua Sheng Group. Accordingly, Wu Wenqian is deemed to hold 53,336,000 A Shares of the Company through Hua Sheng Group. Hua Sheng Group has pledged all the shares in the Company held by it.

Save as disclosed above, as at 31 December 2016, so far as is known to the Directors and Supervisors, no other person (not being a Director, Supervisor or senior management of the Company) had any interest 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. He Zhiyong, the Chairman and executive Director of the Company, who is the director and president of Sichuan Xinhua Publishing Group; (ii) Mr. Luo Jun, the non-executive Director, who is the director and vice president of Sichuan Xinhua Publishing Group; and (iii) Mr. Zhao Junhuai, non-executive Director, who is the vice-chairman of Hua Sheng Group, as at 31 December 2016, none of the Directors held any positions as directors or employed as employees in any company having interests or short positions which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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

So far as is known to the Directors, as at 31 December 2016, 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, to be notified to the Company and the Stock Exchange.

PRE-EMPTIVE RIGHTS

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

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.

PUBLIC FLOAT

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



COMPLIANCE WITH THE CG CODE

The Company is committed to achieving sound corporate governance, continuously perfecting and optimising the internal control and risk management system of the Company. The Company has adopted and complied with all applicable code provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules during the Year. Details of compliance with the CG Code 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 annual report, the Directors and Supervisors are as follows:

Executive Directors

Mr. He Zhiyong
Mr. Luo Yong
Mr. Yang Miao

Non-Executive Directors

Mr. Luo Jun
Mr. Zhang Peng
Mr. Zhao Junhuai

Independent Non-Executive Directors

Mr. Mak Wai Ho (resigned on 18 February 2016)
Mr. Chan Yuk Tong (appointed on 18 February 2016)
Mr. Han Liyan
Ms. Xiao Liping

Supervisors

Mr. Xu Ping
Mr. Xu Yuzheng (resigned on 29 March 2017)
Ms. Lan Hong
Ms. Wang Yan

Independent Supervisors

Mr. Fu Daiguo (resigned on 18 February 2016)
Mr. Li Xu (appointed on 18 February 2016)
Ms. Liu Mixia

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of the Directors, Supervisors and senior management of the Company are set out in the section headed “Profile of Directors, Supervisors, Senior Management and Employees” in this annual report.

CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Year, details of the changes relating to Directors, Supervisors and senior management of the Company are set out below:

A. Change of Directors

Mr. Mak Wai Ho resigned as an independent non-executive Director of the Board of the Company and chairman of the Audit Committee as he needed to devote more time to his other business and personal engagements with effect from 18 February 2016. On the same date, Mr. Chan Yuk Tong was appointed as an independent non-executive Director of the Company as passed at the extraordinary general meeting of the Company by way of resolution for a term commencing on 18 February 2016 and ending upon the expiry of the current session of the Board.

B. Change of Supervisors

Mr. Fu Daiguo resigned as an independent Supervisor of the Supervisory Committee of the Company as he needed to devote more time to his other business and personal engagements with effect from 18 February 2016. On the same date, Mr. Li Xu was appointed as an independent Supervisor of the Company as passed at the extraordinary general meeting of the Company by way of resolution for a term commencing on 18 February 2016 and ending upon the expiry of the current session of the Supervisory Committee.

Mr. Xu Yuzheng resigned as Supervisor of the Company due to advancing age with effect from 29 March 2017.



C. Change of Senior Management

Mr. Zheng Chuan resigned as deputy general manager of the Company due to personal reasons with effect from 29 September 2016.

Mr. Xiong Hong ceased to be deputy general manager of the Company due to reshuffling with effect from 29 September 2016.

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

BOARD AND BOARD COMMITTEES

Details of the Board and the special committees under the Board are set out in the section headed "Corporate Governance Report" in this annual report.

CHANGE OF BOARD COMMITTEES

During the Year, details of the changes relating to the special committees of the Board are set out below:

On 18 February 2016, the Board unanimously agreed to appoint Mr. Chan Yuk Tong as chairman of the Audit Committee under the fourth session of the Board of the Company for a term commencing on 18 February 2016 and ending upon the expiry of the current session of the Board.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

As at the date of this annual report, none of the Directors and Supervisors had entered into service contracts with the Company or its subsidiaries, which were not determinable within one year without payment of compensation (other than statutory compensation).

PERMITTED INDEMNITY PROVISION

During the Year, subject to applicable laws, the Company has taken out and maintained appropriate directors, supervisors and senior management liability insurance coverage against the liabilities that may be incurred by the Directors, Supervisors and senior management of the Company upon executing and performing their duties.

DIRECTORS' AND SUPERVISORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the Year, none of the Directors and Supervisors had any direct or indirect material interest in any transactions, arrangements or 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.

COMPETING BUSINESS INTERESTS

As at the date of this annual report, so far as the Directors are aware, neither Sichuan Xinhua Publishing Group nor its subsidiaries (excluding the Company) was engaged in any business activities which are or may be in direct or indirect competition with the business of the Group.

As at the date of this annual report, to the knowledge of the Directors, none of the Directors, Supervisors and 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 (X) 4 to the consolidated financial statements in this annual report.

During the Year, there were a total of 7 senior management officers of the Company (excluding Directors and Supervisors) with remuneration in the following band:

Remuneration band HK\$	Number of senior management officers
0-1,000,000	6
1,000,001-1,500,000	1

SHARE APPRECIATION RIGHT INCENTIVE SCHEME

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

MATERIAL LITIGATION

During the Year, 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 Rules 3.21 and 3.22 of 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, risk management, and internal control 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.





Report of the Directors

AUDITORS

At the annual general meeting of the Company held on 17 May 2016, 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 2016, and the Board was authorised to determine and approve their remunerations.

Since the A Shares of the Company were listed on the SSE on 8 August 2016, the Company is required to comply with the relevant requirements of the Stock Exchange and the SSE in respect of the disclosure of financial information. As the Group's principal place of business is in China, in order to facilitate audit procedures, improve efficiency and reduce costs, and in light of the acceptance of the Mainland accounting and auditing standards and Mainland audit firms by the Stock Exchange, on 15 December 2016, an extraordinary general meeting was convened by the Company to approve that the financial reports for the financial years ended 31 December 2016 and onwards of the Company shall be solely prepared in accordance with China Accounting Standards for Business Enterprises and the cessation to appoint Deloitte Touche Tohmatsu as the Company's international auditor and the appointment of Deloitte Touche Tohmatsu CPA as the Company's sole auditor.

The consolidated financial statements for 2016 of the Group, prepared in accordance with the China Accounting Standards for Business Enterprises, have been audited by Deloitte Touche Tohmatsu CPA. The terms of office of Deloitte Touche Tohmatsu CPA will expire on the date of the forthcoming 2016 AGM of the Company, and shall be eligible for re-appointment at the 2016 AGM. Deloitte Touche Tohmatsu CPA is also the PRC auditor of the Company for 2014 and 2015.

By order of the Board

He Zhiyong

Chairman

29 March 2017



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 applicable to the actual position of the Company. Pursuant to the relevant requirements of the Listing Rules, the Board has taken actions and measures to continuously strengthen the development of the corporate governance system of the Company and persistently improve the corporate governance work so as to ensure the Company's strict compliance with the relevant requirements in all aspects.

The Company attaches great importance to building up its corporate governance system. It continues to revise and improve its corporate governance normative documents based on regulatory requirements and the Company's development, and acts in accordance with those documents. The Company's comprehensive system supports the effective operation of its corporate governance.

During the Year, the Company has fully adopted and complied with the principles and the code provisions of the CG Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules.

BOARD

Responsibilities and Division of Work

The Board acts on behalf of the interests of the Shareholders as a whole and is accountable to 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. He Zhiyong and Mr. Yang Miao 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, Senior Management and Employees" of this annual report, there is no financial, business, family and other material/ relevant relationship among the respective Directors, the Chairman and General Manager.

Composition of the Board

The fourth session of the Board of the Company currently comprises 9 Directors, including 3 executive Directors, Mr. He Zhiyong, Mr. Luo Yong and Mr. Yang Miao, 3 non-executive Directors, Mr. Luo Jun, Mr. Zhang Peng and Mr. Zhao Junhuai and 3 independent non-executive Directors, Mr. Chan Yuk Tong (appointed on 18 February 2016 to take over the duties of Mr. Mak Wai Ho who resigned on 18 February 2016), Mr. Han Liyan and Ms. Xiao Liping. 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 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.

During the Year, details of the changes of Directors are set out in the section “Report of the Directors” in this annual report.

The biographical details of the Directors as at the date of this annual report are set out in the section “Profile of Directors, Supervisors, Senior Management and Employees” in this annual report.

Directors' Time Commitment

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

Directors' Training and Continuing Professional Development

Upon appointment of the Directors, the Company will provide them with an induction guideline folder comprising the relevant statutory and regulatory systems, terms of reference of the Board, duties of the Directors, corporate and industry information and other governance documents to assist them in performing the duties of the Directors.

The Company attaches great importance to the continuing development and improvement of Directors' knowledge and skills, as well as monitors and actively organises the Directors to participate in various trainings and seminars to improve their professional development. At the same time, the Company also, from time to time, provides the Directors with monthly updates on the business, operating conditions and prospects of the Company and the latest developments and changes of the listing and regulatory rules to ensure that its contribution to the Board remains informed and relevant and to better fulfil their duties as Directors.



During the Year, given the listing of the A Shares of the Company and pursuant to the listing rules and regulatory requirements of the H Share market and A Share market as revised from time to time, the Company engaged an intermediary to carry out the special training named "H Share Corporate Governance" and "A Share Corporate Governance" for its Directors, Supervisors and other related personnel. At the same time, it organised an induction training of the SSE for the Chairman and some independent non-executive Directors to allow them to understand and familiarise with the latest news and requirements regarding the listing rules of the H Share market and A Share market so as to ensure compliance by the Directors and Supervisors in performing their duties and responsibilities. Individual records of the Directors who have attended training are as follows:

Name	Training attendance	Reading Materials
He Zhiyong (<i>Chairman</i>)	3	✓
Luo Yong	2	✓
Yang Miao	2	✓
Luo Jun	2	✓
Zhang Peng	2	✓
Zhao Junhuai	2	✓
Han Liyan	2	✓
Mak Wai Ho <i>Note 1</i>	0	✓
Xiao Liping	3	✓
Chan Yuk Tong <i>Note 2</i>	3	✓

Notes:

1. Mr. Mak Wai Ho resigned as an independent non-executive Director and relevant positions of the Company on 18 February 2016.
2. Mr. Chan Yuk Tong was appointed as an independent non-executive Director and chairman of the Audit Committee of the Company on 18 February 2016.

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 and senior management.

Board Meetings

During the Year, the Board for the fourth session convened a total of 17 Board meetings, of which nine were attended in person and eight were held by way of written resolutions. The Board meetings reviewed resolutions regarding the A Share listing and relevant matters, continuing connected transactions, engagement of auditors, 2015 annual results, 2016 interim results and 2016 third-quarterly results, etc.

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





Corporate Governance Report

The attendance of the Directors at the Board meetings and general meetings during the Year is as follows:

Attendance of members of the Board at Board meetings

Name	Attendance in person/Number of meetings requiring attendance	Attendance by director proxy	Attendance rate
<i>Executive Directors</i>			
He Zhiyong (Chairman)	17/17	0	100%
Luo Yong	15/17	2	88%
Yang Miao	16/17	1	94%
<i>Non-Executive Directors</i>			
Luo Jun	17/17	0	100%
Zhang Peng	16/17	1	94%
Zhao Junhuai	17/17	0	100%
<i>Independent Non-executive Directors</i>			
Han Liyan	17/17	0	100%
Xiao Liping	16/17	1	94%
Mak Wai Ho Note 1	1/1	0	100%
Chan Yuk Tong Note 2	15/16	1	94%

Notes:

1. Mr. Mak Wai Ho resigned as an independent non-executive Director and relevant positions of the Company on 18 February 2016.
2. Mr. Chan Yuk Tong was appointed as an independent non-executive Director and chairman of the Audit Committee of the Company on 18 February 2016.



Attendance of members of the Board at general meetings

Name	Attendance in person/Number of meetings requiring attendance	Attendance rate
<i>Executive Directors</i>		
He Zhiyong (Chairman)	9/9	100%
Luo Yong	8/9	89%
Yang Miao	6/9	67%
<i>Non-Executive Directors</i>		
Luo Jun	9/9	100%
Zhang Peng	8/9	89%
Zhao Junhuai	7/9	78%
<i>Independent Non-executive Directors</i>		
Han Liyan	9/9	100%
Xiao Liping	9/9	100%
Mak Wai Ho Note 1	0/1	0%
Chan Yuk Tong Note 2	8/8	100%

Notes:

1. Mr. Mak Wai Ho resigned as an independent non-executive Director and relevant positions of the Company on 18 February 2016.
2. Mr. Chan Yuk Tong was appointed as an independent non-executive Director and chairman of the Audit Committee of the Company on 18 February 2016.

BOARD COMMITTEES

The fourth session of the Board of the Company has set up 4 committees, namely Strategy and Investment Planning Committee, Audit Committee, Remuneration and Review Committee and Nomination Committee.

During the Year, the Board convened one meeting of the Strategy and Investment Planning Committee, seven meetings of the Audit Committee, two meetings of the Remuneration and Review Committee and one meeting of the Nomination Committee. The attendance of the members of individual committees under the Board during the Year is as follows:

Name	Strategy and Investment Planning Committee	Audit Committee	Remuneration and Review Committee	Nomination Committee
<i>Executive Directors</i>				
He Zhiyong (Chairman)	N/A	N/A	N/A	N/A
Luo Yong	N/A	N/A	N/A	N/A
Yang Miao	1/1	N/A	N/A	N/A
<i>Non-Executive Directors</i>				
Luo Jun	N/A	N/A	2/2	1/1
Zhang Peng	N/A	7/7	N/A	N/A
Zhao Junhuai	1/1	N/A	N/A	N/A
<i>Independent Non-executive Directors</i>				
Han Liyan	1/1	7/7	2/2	1/1
Xiao Liping	N/A	N/A	2/2	1/1
Mak Wai Ho <i>Note 1</i>	N/A	N/A	N/A	N/A
Chan Yuk Tong <i>Note 2</i>	N/A	7/7	N/A	N/A

Notes:

1. Mr. Mak Wai Ho resigned as an independent non-executive Director and relevant positions of the Company on 18 February 2016.
2. Mr. Chan Yuk Tong was appointed as an independent non-executive Director and chairman of the Audit Committee of the Company on 18 February 2016.



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 of the Board for the fourth session comprises 3 Directors, members being Mr. Zhao Junhuai, Mr. Han Liyan and Mr. Yang Miao. Mr. Zhao Junhuai, a non-executive Director, is the chairman of the committee.

During the Year, the Strategy and Investment Planning Committee of the Board convened one meeting where all committee members attended the meeting in person, at which the resolution regarding the Equity Investment Planning of the Company for 2016 was considered and approved, and constructive recommendations were made in respect of future strategic development and equity investment of the Company.

Audit Committee

The main responsibilities of the Audit Committee include: (1) to propose 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; (6) to perform the corporate governance responsibilities; and (7) to review and perform the risk management duties, etc.

The Audit Committee of the Board for the fourth session comprises 3 Directors, current members being Mr. Chan Yuk Tong, Mr. Han Liyan and Mr. Zhang Peng. Mr. Chan Yuk Tong, an independent non-executive Director, acts as chairman of the Audit Committee and is a professional accountant. All members of the Audit Committee are non-executive Directors, among whom Mr. Chan Yuk Tong and Mr. Han Liyan are independent non-executive Directors, and Mr. Zhang Peng is a non-executive Director.

During the Year, the Audit Committee of the Board convened a total of seven meetings. All committee members attended all the meetings in person and signed all written resolutions to consider the various resolutions including 2015 annual results, 2016 interim results, 2016 third quarterly results, internal control issues of the Company, auditor's engagement, amendment to the accounting standards of the Company and review of the Company's compliance with the CG Code etc, to submit its recommendations to the Board, playing a positive role in helping the Board's decision-making.

The Board has designated the function of corporate governance and the function to review risk management and internal control systems to the Audit Committee to strengthen the internal control and risk management of the Company with a view to enhancing the overall corporate governance level of the Company. In 2016, 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 Company's 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 with their due performance of corporate governance duties and review of their risk management duties.

In addition, the Audit Committee communicated separately with the external auditors regarding the audit of the annual financial report of the Company and the audit fees.

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, risk management and internal control systems with the management and auditors. 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 Company adopts a system where 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 of the Board for the fourth session comprises 3 Directors, current members being Mr. Han Liyan, Ms. Xiao Liping 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 Ms. Xiao Liping are independent non-executive Directors.

During the Year, the Remuneration and Review Committee of the Board for the fourth session convened a total of two meetings. All committee members signed all written resolutions. The meeting mainly considered the resolutions regarding the remuneration of operating management team for 2015 and remuneration appraisal proposal for 2016.

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 of the Board for the fourth session comprises three Directors, members being Ms. Xiao Liping, Mr. Han Liyan and Mr. Luo Jun. Ms. Xiao Liping, an independent non-executive Director, is the chairlady of the committee. All members of the Nomination Committee are non-executive Directors, among whom Ms. Xiao Liping and Mr. Han Liyan are independent non-executive Directors.

During the Year, the Nomination Committee of the Board for the fourth session convened a total of one meeting. All committee members attended the meeting in person. The meeting mainly considered the resolution regarding the nomination of candidates for directorship of the graduate school of business of the Company.

BOARD DIVERSITY

Pursuant to the Listing Rules regarding the requirements on board diversity, the Board has formulated the Board Diversity Policy. The objective is to keep an appropriate balance in diversity of skills, experience and opinions of the Board members, to enhance the decision making of the Board and corporate governance level, so as to achieve the strategies of the Company and sustainable development.

In electing the Directors of the Company, the Company seeks to achieve board diversity through the fully consideration of a number of factors and measurable criteria, including but not limited to age, gender, cultural and educational background, region, industry experience, professional skills and length of service.

The Nomination Committee will monitor the execution of the Board Diversity Policy and review this Policy, as appropriate, to ensure the effectiveness of this Policy. The Nomination Committee has reviewed the composition of the Board according to the requirements of the Listing Rules, and considered that the members of the Board are in compliance with the requirements on board diversity under the Listing Rules in terms of age, education background, industry experience, region and term of service.



DIRECTORS

Appointment and Re-election of Directors

The Directors 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 6 years continuously 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 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.

Mr. Chan Yuk Tong, Mr. Han Liyan and Ms. Xiao Liping, the 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 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 as set out in Appendix 10 to the Listing Rules as a code of conduct for securities transactions by the Directors and Supervisors. Having made specific enquiries to each of the Directors and Supervisors, all Directors and Supervisors confirmed that they have complied with all the terms set out in the Model Code during the Year.

SHAREHOLDERS AND GENERAL MEETINGS

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. Sichuan Development is defacto controlled by 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.



General Meetings

The Company endeavours to ensure that all Shareholders of the Company, especially the minority shareholders, 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, the Articles of Association 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, website of the SSE and the Company's self-established website.

During the Year, the Company had convened one annual general meeting, four extraordinary general meetings, two domestic shares class meetings and two H shares class meetings. The meetings considered and passed many important resolutions such as the 2015 annual report, profit distribution proposal, the A Shares IPO and relevant matters, auditor's engagement and the amendments to the Articles of Association, etc. The Directors, Supervisors 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 website of the Stock Exchange, website of the SSE and the Company's self-established website in a timely manner.

SUPERVISORY MECHANISM

Supervisory Committee

The Supervisory Committee of the Company 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.

During the Year, the fourth session of the Supervisory Committee comprises 6 members, including 2 Supervisors recommended by Shareholders, 2 independent Supervisors and 2 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 fourth session of the Supervisory Committee. The Supervisors who are recommended by Shareholders and independent Supervisors are subject to election and removal 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 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 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, Senior Management and Employees" in this annual report.

During the Year, the Supervisory Committee convened a total of five 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 and Risk Management

The Board is responsible for establishing a comprehensive risk management and internal control system, evaluating its effectiveness, and reviewing the risk management and 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 risk management and internal control of the enterprise. The Company has established an internal control work leadership team and an internal control (joint) work team to comprehensively guide, organise and implement the risk management and internal control work of the Company. In addition a discipline inspection office and a legal department are in place to handle matters on complaints reporting; to check economic contracts in advance and to provide professional assistance afterwards when disputes arise, respectively. The Company has separately set up an internal audit department – Audit Department to audit and monitor the above matters.

During the Year, the Company endeavoured to strengthen and optimise the development of internal control system and enhanced the internal control capability. The Company continued to engage intermediaries to assist the Company in the optimisation and improvement of the internal control system, carry out evaluations and follow-ups on the effectiveness of internal control every half year, and strengthen the promotion and application of the Internal Control Code of the Company. Through training, professional assistance and operational practices, it facilitated the enhancement of the capabilities of professionals and expanded the breadth and depth of self-assessment of internal control among relevant entities. The Company also stepped up the efforts in strengthening the three lines of defence in internal control to ensure the completeness and effectiveness of internal control of the Company with respect to key authorities, material matters and key segments. The Company enhanced the mechanism to prevent the conflict of interests which processed various reported issues to form a multi-angle and multi-layered internal control system. In addition, the Company strictly examined the legality and validity of economic contracts to safeguard the legal interests of the Company.

During the Year, it engaged an intermediary to assist the Company in strengthening and optimising the development of the risk management system, which comprehensively rationalised and evaluated the management and business operations of the Company and identified the material risks that may be faced by the Company. It established a risk database, evaluated the effectiveness of existing response measures to facilitate the relevant person-in-charge of risk management in executing the risk response measures, and optimised the on-going system of the Board and management over risk management so that the risk management capabilities of the Company were greatly enhanced. Driven by demand for external regulations and internal management of operations, the Company has built a sound and effective “risk-oriented” internal control system over the years. The operational teams at each level also actively balanced the risks and returns in the course of business and voluntarily managed the uncertainties that may affect the accomplishment of business objectives. At the same time, the Company has established good risk awareness and culture and the management actively fulfilled the dual responsibilities of “operation + control”. During the Year, no risks that will materially affect the operations of the Company were identified.

Placing great emphasis on the internal control of information disclosure, the Company has formulated the Information Disclosure System and the Insider Registration Management System, and implemented the information disclosure review and approval procedures based on the rules of the system. Before disclosure of inside information, the Company shall strictly carry out the review according to the procedures as stipulated in the Information Disclosure System and make disclosure after obtaining the consent from the Board. The Company has implemented the Insider Registration Management System where the Board is responsible for the registration management tasks of inside information of the Company and ensuring the insider registration archives are true, accurate and complete; the secretary to the Board is responsible for filing of the insider registration archives of the Company; the person designated by the Board office is responsible for the inside information registration management tasks of the Company to ensure that the insider registration archives



are true, accurate and complete; and the Supervisory Committee of the Company is responsible for supervising the implementation of the system.

During the Year, the Board reviewed the establishment and operation of the internal control and risk management system of the Company and no material control deficiencies in relation to internal control of the Company were identified and considered the risk management system effective.

AUDITORS AND THEIR REMUNERATIONS

At the annual general meeting held on 17 May 2016, the shareholders of the Company approved the re-engagement of Deloitte Touche Tohmatsu as the Company's international auditor for 2016 and Deloitte Touche Tohmatsu CPA as the Company's PRC auditor for 2016. 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. As the financial statements for the 2016 reporting period of the Company (including the 2016 financial report) are prepared solely in accordance with the China Accounting Standards for Business Enterprises (the PRC accounting standards), the Shareholders of the Company approved the cessation to appoint Deloitte Touche Tohmatsu as the Company's international auditor and the appointment of Deloitte Touche Tohmatsu CPA as the Company's sole auditor at the extraordinary general meeting held on 15 December 2016.

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 fees payable to the international and PRC auditors in respect of the above services provided by the Group was RMB2.86 million (2015: RMB2.86 million).

In addition to the rendering of the above services, during the Year, Deloitte Touche Tohmatsu CPA received relevant fees from the Group for the provision of non-audit services, including: the audit fee for the initial public offering of A Shares amounting to RMB1.42 million (2015: RMB1.35 million); and the audit fee for the placement and use of proceeds amounting to RMB50,000; and the service fee for the provision of consulting services in accordance with the ESG Reporting Guide amounting to RMB220,000.

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

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, Senior Management and Employees" in this annual report.

Mr. You received relevant professional training of no less than 15 hours for the year ended 31 December 2016.

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

To satisfy the corporate governance requirements on the A Share listed companies by the CSRC, the Company has made amendments to the Articles of Association pursuant to the relevant domestic laws and regulations as well as the SSE Listing Rules. The amendments were as considered and approved at the second extraordinary general meeting of the Company for 2013 held on 8 March 2013, subject to obtaining the approval or consent from relevant regulatory authorities or registration with relevant regulatory authorities, and shall take effect upon obtaining the approval from CSRC and completion of issuance of A Shares. On 8 August 2016, the A Shares of the Company were listed and traded on the SSE. Following the completion of registration for the amendments to the Articles of Association with the relevant regulatory authorities, the amendments to the Articles of Association took effect on 5 September 2016. Please refer to the circular of the Company dated 5 February 2013 for details.

Given the amendment to the accounting policies and registered address adopted by the Company and pursuant to the Guidelines on the Articles of Association of Listed Companies (2016 revision) promulgated by the CSRC on 30 September 2016, the Company amended the Articles of Association during the Year. The resolution regarding the Amendments to the Articles of Association was considered and approved at the extraordinary general meeting held on 15 December 2016 and approved or authorised by the relevant regulatory authorities or registration with the relevant regulatory authorities. Please refer to the circular of the Company dated 1 November 2016 and the supplemental circular dated 1 December 2016 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, email and SSE E-interactive;
- 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; and
- provision of operational and management as well as corporate governance information, etc to investors through the websites of the stock exchanges 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 strengthens information disclosure in accordance with the principle of compliance, transparency, adequacy and continuity and makes timely, accurate and complete disclosure of relevant information 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. While strictly performing the statutory obligations on information disclosure and through a variety of investor relations activities, it allows investors locally and abroad to understand the operation and growth conditions of the Company in a timely and sufficient manner. In 2016, the Company carried out special discussions with domestic and overseas investors through online roadshows, attending seminars of securities firms and investors' visits to the Company; maintained routine contact with domestic and overseas investors through telephone, mail, SSE E-interactive; and disclosed the operating and growth conditions and the progress of the A Share Issue of the Company through the websites of the stock exchanges and the Company in a voluntary and timely manner, thus increasing the information transparency of the Company and safeguarding the Company's good image on corporate governance in the capital market.

To the Company, corporate governance is a long-term system development project. As a company with "A+ H Shares" dual listing status, in the future, the Company will, in compliance with listing regulatory requirements locally and abroad, development trend in the capital market and investors' expectations, strengthen our risk management and internal control, continue to review and improve its corporate governance, further enhance its corporate governance standard and transparency of information disclosure, so as to ensure the steady development of the Company and appreciation of Shareholders' value.



Profile of Directors, Supervisors, Senior Management and Employees

I. BASIC PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

In 2016, the basic particulars of the incumbent and resigned Directors, Supervisors and senior management of the Company during the Reporting Period are as follows:

Name	Position	Gender	Age	Commencement date of term	End date of term	Total remuneration before tax received from the Company for the reporting period (RMB10,000)	Remuneration from related parties of the Company
He Zhiyong	Executive Director and Chairman	Male	56	29 December 2015	5 March 2018	0	Yes
Luo Yong	Executive Director	Male	53	29 September 2011	5 March 2018	0	Yes
Yang Miao	Executive Director and General Manager	Male	46	6 March 2015	5 March 2018	112.07	No
Luo Jun	Non-executive Director	Male	50	30 July 2008	5 March 2018	0	Yes
Zhao Junhuai	Non-executive Director	Male	49	16 October 2007	5 March 2018	10.80	No
Zhang Peng	Non-executive Director	Male	53	9 May 2013	5 March 2018	0	Yes
Han Liyan	Independent Non-executive Director	Male	62	29 September 2011	5 March 2018	23.10	No
Xiao Liping	Independent Non-executive Director	Female	60	6 March 2015	5 March 2018	0	No
Chan Yuk Tong	Independent Non-executive Director	Male	54	18 February 2016	5 March 2018	20.97	No
Mak Wai Ho	Independent Non-executive Director	Male	44	10 July 2013	18 February 2016	3.83	No
Xu Ping	Chairman of Supervisory Committee	Male	58	29 September 2011	5 March 2018	0	Yes
Xu Yuzheng	Supervisor	Male	60	30 July 2008	29 March 2017	0	Yes
Lan Hong	Supervisor	Female	50	11 June 2005	5 March 2018	37.59	No
Wang Yan	Supervisor	Female	38	6 March 2015	5 March 2018	35.21	No
Li Xu	Independent Supervisor	Male	54	18 February 2016	5 March 2018	8.23	No
Fu Daiguo	Independent Supervisor	Male	52	20 April 2006	18 February 2016	1.17	No
Liu Mixia	Independent Supervisor	Female	58	6 March 2015	5 March 2018	9.10	No
Chen Dali	Deputy General Manager	Male	54	11 June 2005	5 March 2018	78.86	No
Zheng Chuan	Deputy General Manager	Male	56	19 January 2010	29 September 2016	49.04	No
An Qingguo	Deputy General Manager	Male	61	1 December 2010	5 March 2018	61.14	No
Xiong Hong	Deputy General Manager	Male	50	6 March 2015	29 September 2016	50.67	No
Li Qiang	Deputy General Manager	Male	43	6 March 2015	5 March 2018	107.87	No
You Zugang	Secretary to the Board	Male	54	11 June 2005	5 March 2018	85.97	No
Zhu Zaixiang	Chief Financial Officer	Male	55	11 June 2005	5 March 2018	83.85	No
Total	/	/	/	/	/	779.47	/

II. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

He Zhiyong (何志勇), born in June 1960, currently Chairman and executive Director of the Company; director, president and party committee member of Sichuan Xinhua Publishing Group. Mr. He served as associate professor, deputy department head and professor of the Economic and Trade Department at Southwestern University of Finance and Economics; executive vice president at Southwestern University of Finance and Economics; deputy head of Sichuan Provincial Press and Publication (Copyright) Bureau; editor-in-chief and deputy head of the management committee of Sichuan Publication Group; party secretary and head of the management committee of Sichuan Periodical Press Group. He has been the director, president and party committee member of Sichuan Xinhua Publishing Group since September 2015. On 29 December 2015, he was appointed as Chairman of the fourth session of the Board and executive Director of the Company. Mr. He holds a doctorate degree in Economics from Southwestern University of Finance and Economics and enjoys special government subsidy granted by the State Council.

Luo Yong (羅勇), born in March 1963, currently executive Director of the Company and chairman and party secretary of SPG. 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 and deputy secretary to party committee of SPG; and president of SPG. Mr. Luo was general manager of the Company from July 2008 to December 2013. He has been chairman and party secretary of SPG since September 2015. Mr. Luo has been executive Director of the Company since September 2011. Mr. Luo graduated from the Faculty of Chinese Language of Southwest University for Nationalities, majoring in journalism, and completed a journalism course at the College of Arts of Southwest University for Nationalities and an advance 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.

Profile of Directors, Supervisors, Senior Management and Employees

Yang Miao (楊杪), born in May 1970, currently general manager and executive director of the Company. 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 service department, deputy party secretary, general manager and executive Director. He was deputy general manager of the Company from August 2008 to December 2013. He has been general manager of the Company since December 2013. Mr. Yang was appointed as executive Director of the fourth session of the Board of the Company on 6 March 2015. Mr. Yang graduated from the University of Chengdu with a bachelor's degree in public relations and economic law, subsequently he completed the research course at the School of Economics and Management of Tsinghua University and Renmin University of China, and later obtained a master's degree in business administration from Sichuan College of Business Administration. He is also an economist.

Non-Executive Directors

Luo Jun (羅軍), born in March 1966, 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., Sichuan Xinhua Haiyi Cultural Development Co., Ltd. (四川新華海頤文化發展有限公司), Sichuan Guanghan Sanxingdui Qushanyuan Cultural Ltd. (四川廣漢市三星堆瞿上園文化有限公司), Shudian Investment Co., Ltd., Sichuan Xinhua International Hotel Co., Ltd. (四川新華國際酒店有限責任公司) and Chengdu Huang Peng Property Co., Ltd. (成都皇鵬物業有限責任公司); and director of Chengdu Xinhua Chuangzhi Cultural Industry Investment Co., Ltd. (成都市新華創智文化產業投資有限公司). 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 of the Company from May 2006 to July 2008. He has been vice president of Sichuan Xinhua Publishing Group since January 2006, director of Sichuan Xinhua Publishing Group since November 2007 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).

Profile of Directors, Supervisors, Senior Management and Employees

Zhao Junhuai (趙俊懷), born in December 1967, 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; and director of Sichuan Wenhan International Trading Company (四川文瀚國際貿易有限公司). 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).

Zhang Peng (張鵬), born in January 1964, currently non-executive Director of the Company; assistant to the chief executive and head of human resources department of SPG and chairman of Sichuan Aikexing Education Technology Co., Ltd. (四川愛科行教育科技有限公司). He held the positions of editor and the manager of the chief editor office of Sichuan People's Publishing House and office manager of SPG. He has been assistant to the chief executive of SPG since July 2011 and head of human resources department since December 2016. Since May 2013, he has been non-executive Director of the Company. Mr. Zhang graduated from the Chinese Department of Sichuan College of Education (四川教育學院) and obtained a master's degree in journalism from the Sichuan Academy of Social Sciences (四川省社會科學院).

Independent Non-Executive Directors

Han Liyan (韓立岩), born in January 1955, currently independent non-executive Director of the Company; independent director of China Aerospace Investment Holdings Co., Ltd. (航天投資控股有限公司) and Guangxi Liugong Machinery Co., Ltd.; professor and PhD tutor of Beihang University (北京航空航天大學); as well as PhD tutor of 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. 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 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.

Profile of Directors, Supervisors, Senior Management and Employees

Xiao Liping (肖莉萍), born in July 1956, currently independent non-executive Director of the Company; once held the positions of deputy department head of the computer centre, department head of the personnel office, head of the human resource department, deputy party secretary, discipline secretary, deputy general manager of Sichuan Province Xinhua Bookstore, and executive deputy general manager and party secretary of the Company. Ms. Xiao has retired since July 2011. Ms. Xiao was appointed as independent non-executive Director of the fourth session of the Board of the Company on 6 March 2015. Ms. Xiao graduated from Sichuan Radio and Television University, majoring in Electronics, completed the master course in Renmin University of China in September 2002 and is a senior political officer (高級政工師).

Chan Yuk Tong (陳育棠), born in June 1962, currently independent non-executive Director of the Company; and independent non-executive director of FDG Electric Vehicles Limited (stock code: 729.HK) and Ground International Development Limited (formerly known as Ground Properties Company Limited) (stock code: 989.HK), which are companies listed in Hong Kong. He is also director of Ascenda Cachet CPA Limited. Mr. Chan served as audit principal and manager of Ernst & Young and director of G2000 (Apparel), respectively. He also served as director or independent non-executive director of a number of listed companies in both China and Hong Kong. During the last three years, he was an independent non-executive director of Kam Hing International Holdings Limited (stock code: 2307.HK), Ausnutria Dairy Corporation Ltd. (stock code: 1717.HK), BYD Electronic (International) Company Limited (stock code: 285.HK), Daisho Microline Holdings Limited (stock code: 567.HK), Global Sweeteners Holdings Limited (stock code: 3889.HK), Golden Shield Holdings (Industrial) Limited (stock code: 2123.HK) and Trauson Holdings Company Limited (already delisted, stock code: 325.HK). Mr. Chan was an

independent non-executive Director from April 2006 to July 2013, during which he had been the chairman, a member of the Audit Committee and a member of the remuneration committee of the Company. He was re-appointed as independent non-executive Director of the Company from 18 February 2016. Mr. Chan obtained a Bachelor's degree in Commerce from the University of Newcastle of Australia and a Master's degree in Business Administration from the Chinese University of Hong Kong. Mr. Chan is a practicing fellow member of the Hong Kong Institute of Certificate Public Accountants and a member of CPA Australia.

SUPERVISORS

Xu Ping (徐平), born in July 1958, currently Supervisor and chairman of the Supervisory Committee of the Company; 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, 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 (中國科學院); deputy county mayor of the People's Government of Yanting County, 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 and chairman of the Supervisory Committee of the Company 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, and is a senior political officer (高級政工師).

Profile of Directors, Supervisors, Senior Management and Employees

Xu Yuzheng (許玉鄭), born in June 1956, currently Supervisor of the Company. 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 Disciplinary Investigation Committee of Sichuan Party Committee (中共四川省紀律檢查委員會) and Sichuan Provincial Department of Supervision (四川省監察廳). He served as director, discipline secretary and chairman of labour union of Sichuan Xinhua Publishing Group from 2006 to June 2016 and retired in June 2016. 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. Mr. Xu holds the professional qualification as a lawyer. Mr. Xu Yuzheng resigned as a Supervisor of the Company on 29 March 2017.

Lan Hong (蘭紅), born in January 1967, 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 senior accountant and a member of the International Institute of Certified Internal Auditors.

Wang Yan (王焱), born in September 1978, currently Supervisor, deputy head of the financial management centre of the Company and supervisor of Sichuan Wenchuan Logistics Co., Ltd. and Sichuan Xinhua Winshare Media Co., Ltd. She held the positions of supervisor of reporting team and assistant to head of the financial management centre of the Company, and has served as the deputy head of the financial management centre of the Company since November 2011. She served as Supervisor of the Company from 6 March 2015. Ms. Wang graduated from Jiangxi University of Finance and Economics, majoring in Financial Management and Economic Laws, and obtained a double degree of Bachelor in Economics and Bachelor in Laws. She is also a senior accountant and a non-practising member of the Chinese Institute of Certified Public Accountants.

INDEPENDENT SUPERVISORS

Li Xu (李旭), born in December 1962, currently independent Supervisor of the Company, partner of Sichuan Tianhua Accounting Firm* (四川天華會計師事務所有限公司) and Sichuan Zhongtianhua Asset Appraisal Co., Ltd.* (四川中天華資產評估有限公司) and general manager of Sichuan Jiu Hua Asset Management Co., Ltd.* (四川九華資產管理有限公司) respectively. Mr. Li was a lecturer of the School of Business Administration of Southwest University of Finance and Economics, the legal representative and the general manager of Sichuan Tianhua Accounting Firm* and Sichuan Zhongtianhua Asset Appraisal Co., Ltd*. He was also the fourth session committee member of the Chinese Institute of Certified Public Accountants, a mentor of master students of the School of Accounting of Southwest University of Finance and Economics, a committee member and the chief committee member of the Education and Training Committee of Sichuan Institute of Certified Public Accountants. He has been independent Supervisor of the Company since 18 February 2016. Mr. Lee obtained a Bachelor's degree in Economics from Sichuan Institute of Finance (currently known as Southwestern University of Finance and Economics) and a Master's degree in Economics from the Faculty of Business Administration of Southwestern University of Finance and Economics.

Liu Mixia (劉密霞), born in March 1958, currently independent Supervisor of the Company. She held the positions of deputy head of the financial department of Sichuan Province Winshare Bookstore (四川省新華書店), head of the financial department of Sichuan Province Winshare Bookstore Audio and Visual Product Company (四川省新華書店音像公司) and deputy head of the audit office of Sichuan Xinhua Publishing Group Co., Ltd. She also held position of head of the audit department of the Company, and retired in March 2013. She has served as independent Supervisor of the Company since 6 March 2015. Ms. Liu graduated from the Correspondence College of the Party College of Sichuan Provincial Committee of the Communist Party of China (中共四川省委黨校函授學院), majoring in economics management. She is also an accountant.

SENIOR MANAGEMENT

Yang Miao (楊杪) is the general manager of the Company. Biographical details about Mr. Yang are set out in the section headed "Directors" above.

Chen Dali (陳大利), born in October 1962, currently deputy general manager of the Company; director of Sichuan Winshare Yuntu Wenchuang Technology Co., Ltd. (formerly known as Sichuan Winshare Education Technological Equipment Co., Ltd.), Ren Min Eastern (Beijing) Book Industry 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; and general manager of the publication department of the Company. 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.

Profile of Directors, Supervisors, Senior Management and Employees

An Qingguo (安慶國), born in October 1955, currently deputy general manager of the Company; and director of Winshare Commercial and Hainan Publishing House Co., Ltd.; and a graduate tutor at the Department of Journalism of Sichuan University. 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 Yanyuan County of Sichuan Province of the Communist Party of China; vice president of Sichuan People's Publishing House; president of Sichuan Education Press; and director of Huaxia Shengxuan. 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.

Li Qiang (李強), born in May 1973, 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); and director of Sichuan Yaxinshengxiang Education Technology Co., Ltd. He held the positions of deputy manager of the sales department and manager of the marketing center and operations center of Sichuan Xinhua Publishing Group Textbook Company, assistant to general manager, deputy manager and manager of the textbook service department of the Company, as well as general manager of Sichuan Winshare Education Technology Co., Ltd. (四川文軒教育科技有限公司). Mr. Li served as an employee representative Supervisor of the Company from June 2005 to September 2011. He has been deputy general manager of the Company since March 2015. Mr. Li graduated from Wuhan University with a bachelor's degree in Book Publication. He is also an economist.

You Zugang (游祖剛), born in October 1962, currently secretary to the Board of the Company; director of Chengdu Xinhui and Bank of Chengdu; and a 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 Audiovisual 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), born in March 1961, currently chief financial officer of the Company; director of Xinhua Shang Paper and Winshare Investment; vice president of Accounting Society of Sichuan; and chairman of the financial and management working committee of China Xinhua Bookstore Association. 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.

III. PARTICULARS OF EMPLOYEES

1. Particulars of Employees

As at 31 December 2016, the Group has a total of 7,743 (31 December 2015: 7,914) employees. For details of the employees, please refer to the ESG Report set out in this annual report.

2. Employee Remuneration and Benefits Policies

The Company endeavours to improve and optimise the remuneration policies and remuneration management system for its employees and has built an incentive mechanism for the joint development of the enterprise and employees. The standard remuneration benefits of the Company include basic salary, performance based bonus and benefits. In addition, the Company offers pension, medical, unemployment, work injury, maternity insurance benefits as well as housing provident fund and annuity.

For the year ended 31 December 2016, the total contributions made by the Group for its employees pursuant to the pension plan and annuity plan amounted to RMB112.79 million (2015: RMB110.26 million). For details of these plans, please refer to note (VI) 23 to the consolidated financial statements of this annual report.

3. Employee Training

The Company attaches great importance to the growth and development and its employees and endeavours to provide training and exchange opportunities for its employees so as to help them enhance their professional skills and expand their scope of work. In accordance with the requirements that complement personnel training and corporate strategies, the Company builds a talent reserve pool to optimise the human resources structure through training plans such that the management can learn about the Internet and capital tools. In addition, it closely monitors the capabilities of employees at different levels to better cope with the growth needs of each business segment. During the Year, it organised approximately 200 training seminars on capital operation, brand management and digital publishing to integrate organisational capabilities into various training activities.

4. Employee Relations

Upholding a “people-oriented” human resource principle, the Company endeavours to improve the human resources management system in order to maintain sound employee relations in line with the growth and development of its employees.

ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT

The Company considers that sound environment, social and governance performance is crucial to maintaining the Company's future sustainability, achieving long-term objectives and creating long-term value for shareholders. Being a cultural media group, the Company regards the passing on the Chinese culture and serving the community as its mission and closely monitors its efforts of corporate social responsibility and sustainability. Environmental protection, community welfare and governance are not only the Company's display of support and care to various parties, but also an important assurance for achieving sustainable development, growth strategies, objectives and enhancing quality and efficiency. While steadily improving its financial performance, the Company firmly bears in mind the fundamental attributes of a cultural enterprise and takes an active approach in creating value, expanding market and optimising business model. Incorporating corporate social responsibilities into its business development, the Company strives to make progress and grow together with its customers, employees, shareholders and the community.

The Board is responsible for the environment, social and governance strategies and report of the Company. The environment, social and governance report is prepared by the Company in accordance with the ESG Reporting Guide as set out in Appendix 27 to the Listing Rules of the Stock Exchange which covers the period from 1 January 2016 to 31 December 2016.

The following sets out the ESG matters and the scope of ESG Reporting Guide in relation to relevant matters which are deemed important as far as the Company is concerned based on the evaluations of the Company. The report covers the Company's headquarters and companies (units) thereunder. Details of corporate governance are set out in the section "Corporate Governance Report" in this annual report.

Scope of ESG Reporting Guide	Material ESG Related Matters of the Company
A Environmental	
A1 Emissions	Emissions management
A2 Use of Resources	Use of resources and conservation of resources
A3 The Environment and Natural Resources	Eco-environment and natural resources protection
B Social	
B1 Employment	Equal employment and employee rights protection
B2 Health and Safety	Occupational health and safety management
B3 Development and Training	Employee development and training
B4 Labour Standards	Child labour and forced labour are prohibited
B5 Supply Chain Management	Value chain management
B6 Product Responsibility	Textbook and book quality management, consumer protection service
B7 Anti-corruption	Anti-corruption
B8 Community Investment	Contribution to education sector, national reading promotion and community welfare

1. HERITAGE DEVELOPMENT

The Chinese civilisation has a long history with a strong ambience of the ancient Sichuan culture. Riding on such accumulation of knowledge, the Company shoulders the mission of passing on the Chinese culture and leading the industry development by strengthening education service, participating in public welfare, encouraging national reading and promoting the Chinese culture to facilitate effective learning and enjoy quality spiritual life.

During the Reporting Period, the Company donated 67,264 books to the community and made charitable donations of RMB21.93 million.

1.1. Serving the education sector

Upholding the principle of “building the future with heart”, the Company endeavours to serve the education sector in a bold, innovative, comprehensive and multi-dimensional manner. With respect to quality service improvement, the Company strengthens the “hardware and software” capabilities of the education service with focus on the R&D, preparation and marketing of primary school and secondary school textbooks, digitalised education service, educational equipment, and education training and consulting in dedication of shaping a professional education service operating platform.

Based on the development and needs of national primary education, the Company joins hands with academic institutions, publishers and educational technology institutes on an annual basis, and launches a myriad of training and communication events with school teachers and education administrators. Every year, the Company organises large-scale theme events such as “Village Primary School Dream Come True” (村小圓夢) and “Campus Cultural Development” (校園文化建設) and numerous community welfare service activities in an effort to enhance the level of education service. Among which, since the launch of the “Village Primary School Dream Come True” (村小圓夢) campaign in 2013, its education service has substantially covered all village primary schools nationwide and is highly acclaimed and well received by the public. At the same time, on top of “textbooks ready before class and timely supply” (課前到書、按時供應), the Company follows the State’s growth strategy of digitalised education by improving the level of education service. Focusing on the provision of all-in-one classroom education solutions, the Company has introduced a variety of digitalised education services and products such as “You Class digitalised classrooms” and “electronic schoolbags”, receiving good acclaim from students, teachers and education administrators.



You Class digitalised classroom



“Village Primary School Dream Come True” campaign – Spend your summer with seniors from university

1.2. Introducing national reading

Never forgetting its corporate responsibilities of giving back to society and serving the cultural sector, the Company has developed a series of cultural related community activities by focusing its efforts on the scholarly community, capitalising on the strengths of its publishing and distribution business and vertically penetrating into the reading service network. These activities include “Seven Scholarly Entrance” (書香七進) reading programme to enter schools, families, community, farms, enterprises, authorities and military camps; “National reading at campus” (全民閱讀進行校園); “Sending books to military depots along Sichuan and Tibet” (走進川藏線·送書到兵站); “Sending books to old areas via long march” (重走長征路·送書到老區); “Scholarly paradise – Farmer reading month 2016” (書香天府2016年農民

讀書月) and etc. The Company looks forward to introducing national reading among grassroots where books are all over the world and reading makes the cities and villages a better place. At the same time, to enhance readers’ reading experience, the Company also endeavours to strengthen the digitalised development of retail stores to build a smart book city which centres on user experience and reading service with the aim of increasing the brand influence of physical stores at large and providing convenient reading and cultural related services to consumers. Leverage on the retail store network across Sichuan Province, the Company has founded and developed a number of Xinhua reading and cultural events such as “Sister Winshare Storytelling” (文軒姐姐講故事) and “Winshare Club Players” (軒客玩家), thus extending greater social influence.



Leshan Book City – children’s bookstore



Community Book House – free book borrowing



Winshare Club 24-hr Bookstore – sharing of bedtime reading by famous authors



Reading at Campus – author sharing at campus

1.3. Promoting the Chinese culture

In 2016, in response to the State's "go global" efforts to promote the Chinese culture and policies to strengthen international culture influence, the Company pushed ahead the dissemination of the Chinese culture in the international arena through strategic planning of book publication, focusing on key projects and participating in international book fairs as part of its efforts to inherit and promote the traditional Chinese culture. During the Reporting Period, the Company targeted at quality books and originality stationeries and entered into project cooperation to inherit the traditional Chinese and promote the Chinese civilisation through promoting the Chinese culture abroad and cultural interaction with a view to exporting the copyrights overseas. In addition to optimising the publishing products in areas of content, copyright, branding and means of cooperation, the Company endeavoured to extend the international influence of the Chinese culture to contribute to "telling a good Chinese story, promoting the Chinese culture and spreading the voice of China" (講好中國故事、弘揚中華文化、傳播中國聲音).

2. SHARING THE WIN-WIN OUTCOME

The Company endeavours to build a cultural and media platform featuring the elements of openness, inclusiveness, co-innovation and sharing toward becoming a leader of quality cultural communication, the most valuable strategic investment and integrator of the cultural industry as well as a good cultural corporate citizen who works with its employees and business partners in creating cultural value and sharing a cultural future.

2.1. Employee development

Insisting on the "people-oriented" human resources principle, the Company takes the management approaches of "a horse race lies in a good horse" (賽馬識好馬) and "hard work makes talent" (實幹造就人才), the Company continues to improve the human resources management system and optimise the human resources structure to allow its employees to grow and progress with the Company.

- **Employee rights**

The Company perseveres in equal employment and prohibits employment discrimination and forced labour in compliance with the Labour Law of the People's Republic of China, Labour Contract Law of the Peoples' Republic of China and other relevant laws and regulations. Child labour is strictly prohibited. Employees are entitled to all statutory holidays stipulated by the PRC government. The Company provides transparent and equal employment opportunities by improving the system of talent selection, integration, training, incentive and elimination. The Company also enters into labour contract with employees in writing in accordance with the principles of equality, willingness and unanimous negotiation. By providing them with the Employee's Handbook, the Company allows its employees to know about the basic particulars of the Company such as corporate culture, values, business and management models so as to guide and regulate their work behaviours. During the Reporting Period, no incident of irregular employment or forced labour was identified.

ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT

The Company endeavours to improve and optimise the employee remuneration policies and remuneration management system of the Company and has built an incentive mechanism for the co-development of the enterprise and the employees. The standard remuneration package of the Company includes basic salary, performance-based bonus and benefits. Fringe benefits including pension insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance, housing welfare funds and corporate annuity plan are also provided to the employees.

As of the end of the Reporting Period, the employee structure of the Company was set out below:

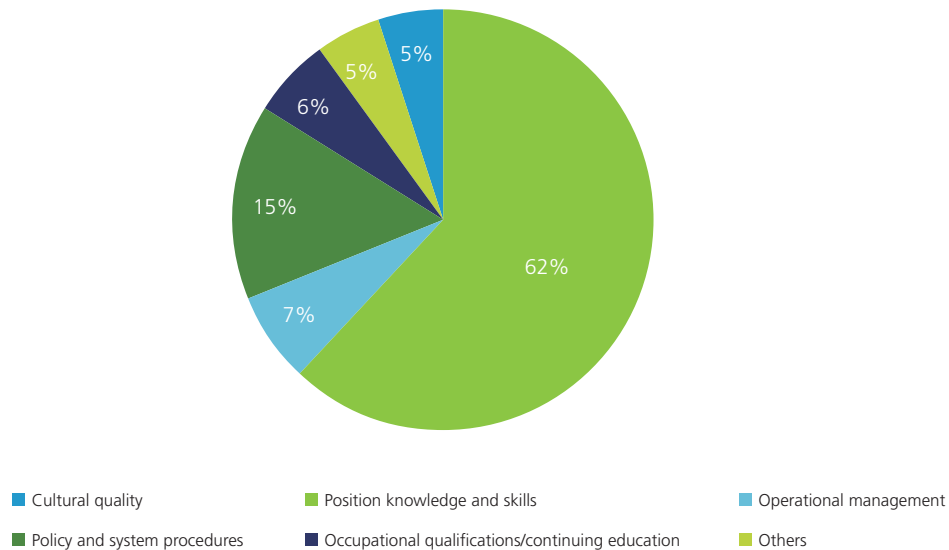
Classification	No. of employees
No. of existing employees of the Company	4,938
No. of existing employees of the major subsidiaries	2,805
Total no. of existing employees	7,743
No. of employees resigned or retired for whom the Company and its major subsidiaries are responsible for pension	0
No. of employees by gender	
Male	3,251
Female	4,492
No. of employees by profession	
Production	567
Sales	3,860
Technical	721
Finance	345
Professional support	1,555
Management	695
No. of employees by education level	
Master's degree and above	284
Bachelor's degree	1,786
Diploma	2,769
Senior high and below	2,904
No. of employees by age	
Aged 30 and below	1,643
31-40	2,410
41-50	2,730
Aged 51 and above	960

- Training development**

The Company builds a training-centric platform of internal talent demonstration and communication to explore potential human resources and strengthen the training of back office personnel of the Company. The Company adopts a standardised management and hierarchical implementation approach regarding employee training and builds a multi-level and multi-form training system. The annual training of the Company covers a number of areas from operational management through position and skills, cultural quality

to occupational qualifications in various forms such as inbound and outbound training, online learning and contest with focus on the relevance and effectiveness of training in order to enhance the skills and professional qualities of employees at every level and to broaden their areas of work. During the Reporting Period, the Company organised approximately 200 training seminars on capital operation, branding and digital publishing according to its business needs to integrate its organisational capabilities into various training programmes.

Percentage of training participants by training content



Outstanding retail staff training



Zhongpan expansion training

- **Health and safety**

Abiding by the Law of the People's Republic of China on Prevention and Control of Occupational Diseases and other relevant laws and regulations, the Company prioritises health and safety of employees and organises body check for employees on annual basis to ensure employees with the threat of occupational diseases receive appropriate check up on occupational diseases. At the same time, the Company has formulated the Administrative Measures on Production Safety and Fire Control (Interim) in accordance with the Production Safety Law of the People's Republic of China, Fire Protection Law of the People's Republic of China and other relevant laws and regulations which implements the accountability system on each level of the personnel and improves the management system to ensure safety in office and production. During the Reporting Period, the Company did not identify any material issues relating to safety or occupational health.

- **Employee benefits**

The Company attaches great importance to the opinions of employees and the union and has built a formal monitoring and management channel to maximise the interest of employees. The Company cares for the employees and has established a system to care for those employees in distress and sickness. During the Reporting Period, the Company organised the "Family of Workers" (職工之家) founding event, "2nd Winshare Staff Sports Day" (第二屆文軒員工體育運動會), May Fourth (五四) youth festival event and "Harmonious development of publishing and distribution sectors" (出版發行融合發展) essay competition to promote its corporate culture and enrich the cultural life of its employees.



Tug of war competition

2.2. Anti-corruption

The Company has formulated the Implementation Measures on Evaluation of Cadre's Integrity (《幹部廉潔從業評價實施辦法》) and the Complaint Reporting System (《投訴舉報制度》) in strict accordance with the Company Law and relevant laws and regulations on anti-corruption and bribery to push ahead the compliant governance and operation of the Company from the system perspective. In addition to strengthening the development of the integrity system, it has set up a smooth complaint processing platform which is strongly against irregularities such as business bribery, corruption and fraud. At the same time, it is actively engaged in seminars on clean business, inviting over 1,000 participants on accrual basis. The discipline inspection office of the Company processes complaints and reports and carries out relevant investigation, verification and punishment based on the provisions of the system. During the Reporting Period, the Company was in compliance with the relevant laws and regulations and no incident of corruption or bribery was identified.

2.3. Value chain management

Throughout a decade's hard work, the Company's development is inseparably linked to strategic planning and meticulous design of the whole industry chain. Through in-depth analysis of and strict control over the segments namely publishing, printing, logistics and consumer service, the overall capability of the Company's industry chain is assured, thereby producing products catered to the mass cultural demands to provide consumers with safe and convenient all-round services.

The Company places great emphasis on safeguarding intellectual property rights and endeavours to raise employees' awareness and knowledge of intellectual property rights as part of its efforts to respect and safeguard intellectual property rights to achieve value appreciation. During the Reporting Period, the Company passed the acceptance requirements for model intellectual property rights enterprise in Sichuan Province. As at the end of the Reporting Period, the Company had a total of 204 trademarks. During the Reporting Period, application for nine new trademark was in progress and nine trademarks were successfully renewed.

Meanwhile, the Company pays attention to the environment and social related performance of vendors and strengthens qualifications management to ensure product procurement is compliant and fair and product quality meets the standards. In addition, it reinforces communication with vendors to accomplish common goals. Currently, major vendors of the Company are classified into three categories as follows: 73 printing equipment and supplies vendors; 1,048 publication vendors; and 62 printers.

- **Publishing**

Sticking to the overall work principle of “publishing good books to drive the reform and development of Winshare Publishing” (以出好書為目標·推動文軒出版的改革與發展), the Company has built a flexible and effective mechanism to publish good books and train talent personnel in aligning social benefits and economic benefits and building a new brand image for Winshare Publishing. To have strict control over the quality of publications, the Company has formed an expert proofreading team to avoid factual and typographical errors from appearing in the publications. Random checks are conducted regularly on the publication files to ensure quality of the publications. After opening up the publishing and distribution industry chain, the Company explores the innovative model which effectively enhances the publishing capabilities of the Company. At the same time, the Company strives to explore and implement digitalised transformation and upgrade of the publishing sector, industry chain extension and media integration development, while promoting the integrated development between traditional publishing business and emerging media business, thus bringing new growth momentum to the business expansion of the Company.

- **Printing**

The Company’s printing business is primarily based on the printing of textbooks and supplementary materials. To implement stricter quality control over the printing of textbooks and supplementary materials, and ensure “textbooks ready before class” (課前到書), the Company has formulated the Rules of Assessment of Printing Vendors (《承印單位考核辦法》), Rules of Random Check of Quality of Supplementary Materials and Standards of Inspection (《教輔品質抽檢辦法和檢驗標準》), Administrative Measures on Printing Cycle (《印製週期管理辦法》) and other assessment management systems in accordance with the laws and regulations relating to the printer qualifications and production rules. Among which, printers which undertake the printing of the nine-year mandatory textbooks are required to provide China Environmental Label certification. Printers are subject to a three-year rating assessment and a series of administrative measures such as managing textbook printing contracts by rank are introduced so that qualified printers are selected as part of its quality control of printing products. During the Reporting Period, Sichuan Xinhua Printing Co., Ltd., a subsidiary of the Company, was named the Model Enterprise of Green Printing (推進綠色印刷標兵企業) by the State Administration of Press, Publication, Radio, Film and Television (“SARFT”) and China Academy of Printing Technology.

To strengthen control over the raw materials of printing products, the Company also standardises the procurement of raw materials such as printing paper and ink and builds a system for quality assessment of product procurement in strict compliance with the relevant national and industry standards. In addition, it also carries out comparison and monitors random checks on the quality of paper and ink.

On the basis of strict quality control over printing, the Company has established a comprehensive quality issue investigation system. Following the Administrative Measures on Printing Quality (《印製品質管制辦法》), the Company has introduced a punishment system toward printing vendors of substandard printing products which deducts printing fee according to different requirements of the printing quality standards of the product. Vendors will be disqualified in serious cases of quality issues to effectively ensure the printing quality.

- **Logistics**

Riding on digitalised development, logistics system integration, business flow optimisation and distribution expansion, the Company devotes its efforts to developing an efficient and modernised logistic platform to ensure smooth delivery and storage of the publications and information from suppliers to consumers.

During the Reporting Period, our Northern China Logistics Centre completed relocation and was put into use, which forms the key node in the nationwide logistics network of the Company. This has strengthened the overall logistics operations and synergies, which effectively increase the logistics distribution support of e-commerce and self-publishing. During the Reporting Period, the next day delivery rate of e-commerce books of the Company was above 80% and the 24-hr stock out rate of its own books was above 90%. Meanwhile, the Company focuses its efforts on logistics transformation and development to increase operational capabilities while strengthening the awareness of the shift from traditional logistics to modern logistics, launching social enterprise business and facilitating third-party logistics service providers to march forward. During the Reporting Period, in addition to carrying out numerous market researches and selecting value-added customers, the Company's third-party logistics business went from zero to hero and initially formed a professional third-party logistics team.

- **Consumers**

The Company consistently places consumers on the top of value chain. In addition to strict quality control, the Company strictly follows the laws and regulations applicable to advertising and offers a complete range of consumer services to ensure that consumers can enjoy intimate and comfortable reading experience.

To safeguard consumers' interest, the Company has built a comprehensive system of after-sales service and information confidentiality. The particulars of consumers will be encrypted and held confidential by a designated team and approval must be obtained before the business departments can access to such information. The Company implements the first inquiry accountability system regarding the quality of the publications sold. A complaint hotline is printed on the copyrights page in every book for readers' feedback on quality issues. The person online is held accountable for handling the complaint. The Company ensures timely return and replacement of defective products so as to provide quality service to users.

As for e-commerce, the Company has built the physical book network sales platform "winxuan.com" and digitalised content push platform "September Online" to optimise the model of multi-channel online chain stores and to adapt to the new trends of online purchase which effectively enhance consumers' purchase experience. During the Reporting Period, the Company owns a number of online chain stores with more than 700,000 genres of books in stock.

3. GREEN OPERATIONS

The Company strives to minimise the impacts on environment and climate change in upholding the green strategy and encourages green habits on targeted basis pursuant to the Environmental Protection Law of the People's Republic of China and other environmental laws and regulations. Through training, education and promotion campaigns, the Company actively encourages its employees to protect the environment and go green in the office. During the Reporting Period, no penalty was imposed on the Company as a result of violation of relevant environmental laws and regulations.

3.1. Emissions management

The Company is primarily engaged in the publishing and sales of publications and is not involved in production other than some of its own printing business. The Company's printing companies are in strict compliance with the Environmental Law of the People's Republic of China and Law of the People's Republic of China on Promoting Clean Production. They set strict standards on green printing and put great efforts into recycling of wastes and biodegradability of emissions to minimise the impacts on the eco-environment. The purpose of which is to provide healthy and safe printing products to consumers. During the Reporting Period, the Company's own printer was named the Model Enterprise of Green Printing (推進綠色印刷標兵企業) by the SARFT and China Academy of Printing Technology. In addition to setting high standards and requirements for its own printing companies, the Company also demands other printers and raw materials suppliers who work with the Company to meet the standards of green operations in their printing of products and provision of raw materials in an attempt to drive players along the industry chain to save the environment.

Emissions of the Company are mainly the packaging waste, domestic waste and domestic sewage arising from logistics and routine office business, as well as hazardous wastes (such as volatile waste gas and ink waste) and non-hazardous wastes (such as used paper and scrap) arising from the printing processes at printers. Emissions arising from logistics and routine office business are processed by municipal government authorities. Major measures taken for management of emissions at printers are as follows:

- Maintained good ventilation where vent hoods and dust removal machines are installed at production lines to reduce the emission of non-methane hydrocarbons (“**NMHC**”) and dusts;
- Recycled non-hazardous wastes (such as used paper and scrap) and used printing plates, and centralised collection of hazardous wastes such as car wash waste and ink waste which will be processed by qualified units regularly
- Installed centralised ink supply system for rotary press of books and using low-volatile ink and hot melt glue to reduce the production of hazardous wastes

3.2. Resource saving

The Company stresses the development of green culture by promoting thrift and environment protection in strengthening the development of its digitalised information management platform. The Company calls for employees’ participation in the green office to effectively achieve the overall goal of the Company.

To enhance resource utilisation, the Company promotes the development of a green and low-carbon office with reduced use of fuels, water and power. Major measures taken during the Reporting Period were as follows:

- Implemented full-scale office automation (“**OA**”) digitalised management platform which promotes paperless office with reduced use of paper products such as paper and filing paper bags;
- Required printing vendors to have energy efficient equipment and green printing qualifications;
- Recycled used packaging in logistics where used packaging paper and carton boxes are used for wrapping product returns to retail stores;
- Replaced LED lamps at branches including the printers and various retail stores;
- Strengthened water saving where posters with “save water” slogan are posted at washrooms and toilets in the retail outlets and office area of the Company;
- Developed and promoted the use of 100% biodegradable and highly recyclable “stone paper” as notebooks.

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 five 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. 13 resolutions including the resolutions regarding the Report of Supervisory Committee for 2015, the Audited Consolidated Financial Report for 2015, the Internal Control Evaluation Report for 2015, the Profit Distribution Proposal for 2015, the Annual Report for 2015, the Half-Yearly Report for 2016, the Third Quarterly Report for 2016, the Nomination of Mr. Li Xu as Candidate for Supervisorship of the Fourth Session of the Supervisory Committee of the Company and the Replacement of Self-Financing Funds Already Committed in Advance to Fund-Raising Investment Projects with Raised Funds were considered and approved at the meetings of the Supervisory Committee. In addition, the Supervisory Committee also discussed the agenda on connected transactions, external investments, disposals and acquisitions by means of unofficial meetings to make advice and recommendations to the Board and management of the Company.

At the Supervisory Committee meeting convened to consider the regular report, the Supervisors heard the reporting of the management on the operating results, financial conditions and management of the Company, and communicated with Deloitte Touche Tohmatsu, the Company's international auditor and Deloitte Touche Tohmatsu CPA, the Company's PRC auditor with respect to key areas including the financial conditions, operations, internal control development and risk management of the Company. Based on the problems raised during the reporting and communication, the Supervisory Committee carried out detailed discussions and submitted to the management for review. In addition, matters of significance including connected transactions, external investments, and purchase and sale of assets of the Company were also considered and discussed by the Supervisory Committee, and constructive advice and recommendations in respect of such transaction matters were made to the Board, by which the supervisory function of the Supervisory Committee was effectively exercised.



Report of the Supervisory Committee

2. SUPERVISION AND INSPECTION CONDUCTED BY THE SUPERVISORY COMMITTEE

During the Year, the Supervisory Committee 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 with the Company's management and annual auditors, and reviewed the operating and management information provided by the Company regularly with a view to understanding and grasping the Company's operating condition, financial position and business operations in a timely manner. The Supervisory Committee considered 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 was 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 2016

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

During the year 2016, the Company operated and regulated its management in accordance with the laws. Its operating results were fair and true, with a continuously improved and strengthened 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 was 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 2016 was audited by Deloitte Touche Tohmatsu CPA, its auditor for the Year, respectively, and the audited report with unqualified opinion was issued. After reviewing the Consolidated Financial Report for 2016, 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 Business 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 sat in on the meetings of the Board to consider the Company's connected transactions (including continuing connected transactions), and monitored the approval procedures and abstention of the Board. It was confirmed that, upon approving the relevant connected transactions by the Board, the connected Directors had abstained from voting and the approval procedures were legitimate Board. The Board was also 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) Actual use of proceeds of the Company

In August 2016, the Company issued A Shares on the SSE with net proceeds of RMB645,000,000. The Supervisory Committee of the Company monitored the use of proceeds of the Company, considered the Resolution regarding the Company's Replacement of Self-Financing Funds Already Committed in Advance to Fund-Raising Investment Projects with Raised Funds. It was confirmed that the actual use of proceeds of the Company was in line with the intended use. During the reporting period, no actual change to the investment projects was identified by the Company.

In 2017, 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 in order to safeguard the legal interests of the Company and Shareholders, taking an active role in regulating the operations and sustainable and healthy development of the Company.

By order of the Supervisory Committee

Xu Ping
Chairman

29 March 2017



Auditor's Report

De Shi Bao (Shen) Zi (17) No. P01281

(Page 1 of 4)

Deloitte.

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To the Shareholders of Xinhua Winshare Publishing and Media Co., Ltd.

1. OPINION

We have audited the financial statements of Xinhua Winshare Publishing and Media Co., Ltd. (hereinafter referred to as "Xinhua Winshare"), which comprise the consolidated and Company's balance sheets as at 31 December 2016, and the consolidated and Company's income statements, the consolidated and Company's statements of changes in shareholders' equity and the consolidated and Company's cash flow statements for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying financial statements of Xinhua Winshare present fairly, in all material respects, the consolidated and Company's financial position as of 31 December 2016, and the consolidated and Company's results of operations and consolidated and Company's cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

2. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing for Chinese Certified Public Accountants. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of Xinhua Winshare in accordance with the Code of Ethics for Chinese Certified Public Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We hereby determine that the following are key audit matters to be communicated in the auditor's report.



3. KEY AUDIT MATTERS *(Continued)*

Recognition for the revenue generated from the sales of textbooks and supplementary materials.

(1) Description

As shown in the Note (VI) 34 and Note (XV) 25 to the financial statements, the revenue generated from the sales of textbooks and supplementary materials for the current year is RMB3,315.53 million, accounting for a proportion of Xinhua Winshare's consolidated and the Company's operating income of 52 % and 64% respectively. Considering that the proportion of the revenue generated from the sales of textbooks and supplementary materials is significant and the main profit source of Xinhua Winshare, which affects the key performance indicators, and such sales transactions are frequent and involved with many branches, the inherent risk of misstatement is high. We therefore take into account the recognition for the revenue generated from the sales of textbooks and supplementary materials as a key audit matter.

(2) Audit Response

Our main audit procedures for this key audit matter include:

- (1) Test the internal control relating to the recognition for the revenue generated from the sales of textbooks and supplementary materials;
- (2) Perform monthly fluctuation analysis of sales revenue, and identify and investigate abnormal fluctuations by considering industry characteristics;
- (3) Take advantage of data analysis experts to check the consistency of financial system revenue records with order information and shipping records in business system, and identify and investigate abnormal transaction records; and
- (4) On a sample basis, select samples from the sales revenue records to check supporting documents, such as goods delivery notes.

4. OTHER INFORMATION

Management of Xinhua Winshare is responsible for the other information. The other information comprises the information included in the annual report 2016 of Xinhua Winshare, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Auditor's Report

De Shi Bao (Shen) Zi (17) No. P01281

(Page 3 of 4)

5. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management of Xinhua Winshare is responsible for the preparation of the financial statements that give a fair view in accordance with Accounting Standards for Business Enterprises, and designing, implementing and maintaining the internal control that is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing Xinhua Winshare's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate Xinhua Winshare or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Xinhua Winshare's financial reporting process.

6. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it's not a guarantee that an audit conducted in accordance with China Standard on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are usually considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with China Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit 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 internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Xinhua Winshare's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Xinhua Winshare to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Xinhua Winshare to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

6. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Touche Tohmatsu LLP
Shanghai China

Chinese Certified Public Accountant: Li Xu
(Engagement Partner)

Chinese Certified Public Accountant: Liu Jie

29 March 2017

The auditor's report and the accompanying financial statements are English translations of the Chinese auditor's report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.

Consolidated Balance Sheet

At 31 December 2016

RMB

ITEM	Notes	Closing balance	Opening balance
Current Assets:			
Cash and bank balances	(VI)1	1,695,414,090.58	1,929,029,300.50
Notes receivable	(VI)2	2,170,000.00	872,844.14
Accounts receivable	(VI)3	801,178,862.51	660,051,562.79
Prepayments	(VI)4	92,509,488.32	60,073,408.90
Interest receivable		714,789.56	166,575.34
Other receivables	(VI)5	70,041,693.67	73,397,683.83
Inventories	(VI)6	1,512,550,560.26	1,464,179,820.95
Other current assets	(VI)7	974,629,765.89	31,671,984.28
Non-current assets due within one year	(VI)8	120,000,000.00	120,000,000.00
Total Current Assets		5,269,209,250.79	4,339,443,180.73
Non-current Assets:			
Available-for-sale financial assets	(VI)9	2,933,130,717.43	2,948,341,637.73
Long-term equity investments	(VI)10	685,192,748.42	650,739,926.46
Long-term receivables	(VI)11	134,581,582.86	23,145,230.77
Investment properties	(VI)12	68,671,687.82	61,149,527.93
Fixed assets	(VI)13	1,358,740,899.48	1,409,890,949.80
Construction in progress	(VI)14	460,203,701.05	232,590,792.28
Intangible assets	(VI)15	397,038,235.41	411,293,500.73
Development cost		10,944,702.55	–
Goodwill	(VI)16	500,590,036.14	500,590,036.14
Long-term prepaid expenses	(VI)17	14,846,016.36	20,554,421.60
Deferred tax assets	(VI)18	8,828,117.50	8,345,365.46
Other non-current assets	(VI)19	413,198,913.58	137,204,482.44
Total Non-current Assets		6,985,967,358.60	6,403,845,871.34
TOTAL ASSETS		12,255,176,609.39	10,743,289,052.07
Current Liabilities:			
Notes payable	(VI)20	12,584,784.00	3,200,000.00
Accounts payable	(VI)21	2,715,003,443.35	2,537,859,546.44
Advance from customers	(VI)22	309,946,513.41	240,526,811.54
Employee benefits payable	(VI)23	251,796,187.52	233,953,297.60
Taxes payable	(VI)24	38,956,867.75	36,430,615.67
Dividends payable		132,581,130.00	–
Other payables	(VI)25	270,461,490.08	230,538,122.49
Deferred income	(VI)26	99,576,587.05	96,818,099.16
Provisions	(VI)27	8,834,463.43	7,770,686.30

Consolidated Balance Sheet

At 31 December 2016

ITEM	Notes	Closing balance	Opening balance
Total Current Liabilities		3,839,741,466.59	3,387,097,179.20
Non-current Liabilities:			
Deferred tax liabilities	(VI)18	33,722,112.47	40,345,532.42
Deferred income	(VI)28	87,235,679.55	76,333,156.35
Total Non-current Liabilities		120,957,792.02	116,678,688.77
TOTAL LIABILITIES		3,960,699,258.61	3,503,775,867.97
Shareholders' Equity:			
Share capital	(VI)29	1,233,841,000.00	1,135,131,000.00
Capital reserve	(VI)30	2,619,467,530.11	2,073,002,432.05
Other comprehensive income	(VI)31	2,045,820,792.23	1,903,286,451.10
Surplus reserve	(VI)32	539,564,967.34	476,433,736.51
Retained profits	(VI)33	1,896,996,070.84	1,682,817,310.23
Total Equity Attributable to shareholders of the Company		8,335,690,360.52	7,270,670,929.89
Non-controlling Interests		(41,213,009.74)	(31,157,745.79)
TOTAL SHAREHOLDERS' EQUITY		8,294,477,350.78	7,239,513,184.10
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		12,255,176,609.39	10,743,289,052.07

The accompanying notes form part of the financial statements.

The financial statements on pages 90 to 260 were signed by the following:

Legal Representative	Chief Accountant	Person in Charge of the Accounting Department
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The Company's Balance Sheet

At 31 December 2016

RMB

ITEM	Notes	Closing balance	Opening balance
Current Assets:			
Cash and bank balances	(XV)1	945,896,827.77	1,165,067,860.80
Accounts receivable	(XV)2	698,485,863.00	619,687,134.32
Prepayments	(XV)3	26,361,875.41	15,224,313.49
Interest receivable		561,664.56	166,575.34
Other receivables	(XV)4	307,839,677.58	660,362,643.48
Dividends receivable	(XV)5	500,000,000.00	250,000,000.00
Inventories	(XV)6	1,293,976,637.90	1,195,726,237.71
Other current assets	(XV)7	1,180,378,562.32	–
Non-current assets due within one year	(XV)8	120,000,000.00	120,000,000.00
Total Current Assets		5,073,501,108.54	4,026,234,765.14
Non-current Assets:			
Available-for-sale financial assets	(XV)9	2,532,897,201.83	2,613,696,639.66
Long-term equity investments	(XV)10	3,195,235,150.48	2,723,938,660.59
Long-term receivables		18,651,257.27	23,145,230.77
Investment properties	(XV)11	22,589,079.35	23,489,269.37
Fixed assets	(XV)12	876,560,378.24	898,303,668.19
Construction in progress		458,006,194.05	231,016,798.34
Intangible assets	(XV)13	147,303,378.74	155,192,199.53
Long-term prepaid expenses	(XV)14	10,708,031.71	15,164,055.53
Other non-current assets	(XV)15	647,141,489.58	422,655,614.44
Total Non-current Assets		7,909,092,161.25	7,106,602,136.42
TOTAL ASSETS		12,982,593,269.79	11,132,836,901.56

The Company's Balance Sheet

At 31 December 2016

RMB

ITEM	Notes	Closing balance	Opening balance
Current Liabilities:			
Accounts payable	(XV)16	3,890,288,128.50	3,275,657,732.72
Advance from customers	(XV)17	212,138,836.31	198,999,619.75
Employee benefits payable	(XV)18	170,916,466.43	164,406,547.75
Taxes payable	(XV)19	18,469,206.69	1,195,034.49
Dividends payable		132,581,130.00	–
Other payables	(XV)20	466,514,633.95	474,174,729.27
Deferred income		10,057,076.69	8,841,633.09
Provisions		3,747,680.35	3,571,692.88
Total Current Liabilities		4,904,713,158.92	4,126,846,989.95
Deferred income		18,927,806.35	12,813,238.64
Total Non-current Liabilities		18,927,806.35	12,813,238.64
TOTAL LIABILITIES		4,923,640,965.27	4,139,660,228.59
Shareholders' Equity:			
Share capital	(VI)29	1,233,841,000.00	1,135,131,000.00
Capital reserve	(XV)21	2,630,651,083.92	2,084,185,985.86
Other comprehensive income	(XV)22	2,008,398,036.83	1,848,957,511.66
Surplus reserve	(XV)23	538,730,217.21	475,598,986.38
Retained profits	(XV)24	1,647,331,966.56	1,449,303,189.07
TOTAL SHAREHOLDERS' EQUITY		8,058,952,304.52	6,993,176,672.97
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		12,982,593,269.79	11,132,836,901.56

The accompanying notes form part of the financial statements.

Consolidated Income Statement

For the year ended 31 December 2016

RMB

ITEM	Notes	Amount for the current period	Amount for the prior period
I. Total operating income	(VI)34	6,356,168,113.43	5,732,693,141.71
Less: Total operating costs		5,882,301,254.56	5,281,482,832.72
Including: Operating costs	(VI)34	3,977,341,759.38	3,469,413,266.56
Taxes and levies	(VI)35	32,271,503.31	14,703,776.84
Selling expenses	(VI)36	804,634,976.55	743,696,335.05
Administrative expenses	(VI)37	996,340,516.83	977,375,063.21
Financial expenses	(VI)38	(8,948,732.34)	(4,911,799.47)
Impairment losses of assets	(VI)39	80,661,230.83	81,206,190.53
Add: Investment income	(VI)40	64,865,975.99	75,895,340.03
Including: Income from investments in associates and joint ventures		9,828,451.99	8,744,291.89
II. Operating profit		538,732,834.86	527,105,649.02
Add: Non-operating income	(VI)41	121,021,162.30	107,047,355.58
Including: Gains from disposal of non-current assets		452,562.89	19,013,986.43
Less: Non-operating expenses	(VI)42	24,037,937.44	16,443,273.60
Including: Losses from disposal of non-current assets		1,332,520.58	566,522.64
III. Total profit		635,716,059.72	617,709,731.00
Less: Income tax	(VI)43	5,678,065.63	2,789,931.13
IV. Net profit		630,037,994.09	614,919,799.87
Including: Net loss of acquiree which realised before business combination involving enterprises under common control (note)		–	(2,294,018.60)
Net profit attributable to shareholders of the Company		647,462,291.44	647,269,508.49
Profit or loss attributable to non-controlling interests		(17,424,297.35)	(32,349,708.62)
V. Other comprehensive income, net of tax	(VI)31	142,534,341.13	1,053,745,114.50
Total comprehensive income attributable to shareholders of the Company		142,534,341.13	1,053,745,114.50
Other comprehensive income that will be subsequently reclassified into profit or loss		142,534,341.13	1,053,745,114.50
Share of other comprehensive income of the investee that will be subsequently reclassified into profit or loss under equity method		412,151.06	–
Gains arising from changes in fair value of available-for-sale financial assets	(VI)31	142,122,190.07	1,053,745,114.50
Profit or loss arising from changes in fair value of available-for-sale financial assets		–	–
VI. Total comprehensive income:		772,572,335.22	1,668,664,914.37
Total comprehensive income attributable to shareholders of the Company		789,996,632.57	1,701,014,622.99
Total comprehensive income attributable to non-controlling interests		(17,424,297.35)	(32,349,708.62)
VII. Earnings per share			
Basic earnings per share		0.55	0.57
Diluted earnings per share		N/A	N/A

The accompanying notes form part of the financial statements.

Note: Net loss of the acquiree which realised before business combination involving enterprises under common control was arisen from the acquisition of equity in Sichuan Xinhua Culture Communication Co. Ltd. ("Sichuan Culture Communication") in December 2015. Details are set out in Note 6 of Note VII 1.

The Company's Income Statement

For the year ended 31 December 2016

RMB

ITEM	Notes	Amount for the current period	Amount for the prior period
I. Total operating income	(XV)25	5,150,852,283.59	4,726,976,206.40
Less: Total operating costs	(XV)25	3,527,484,418.78	3,154,173,569.71
Business taxes and levies	(XV)26	14,207,200.69	2,769,012.52
Selling expenses	(XV)27	558,104,034.95	514,103,282.00
Administrative expenses	(XV)28	734,590,771.57	694,076,369.35
Financial expenses	(XV)29	(4,642,218.37)	(3,430,165.10)
Impairment losses of assets	(XV)30	51,312,474.26	12,152,386.91
Add: Investment income	(XV)31	353,560,416.95	322,834,425.58
Including: Income from investments in associates and joint ventures		10,849,157.98	12,463,984.25
II. Operating profit		623,356,018.66	675,966,176.59
Add: Non-operating income	(XV)32	29,293,023.89	20,722,173.72
Including: Gains from disposal of non-current assets		110,746.68	13,383,029.18
Less: Non-operating expenses	(XV)33	21,336,734.23	14,483,165.58
Including: Losses from disposal of non-current assets		22,019.22	316,198.49
III. Total profit		631,312,308.32	682,205,184.73
Less: Income tax		–	–
IV. Net profit		631,312,308.32	682,205,184.73
V. Other comprehensive income, net of tax		159,440,525.17	999,518,992.81
Other comprehensive income that will be reclassified into profit or loss subsequently		159,440,525.17	999,518,992.81
Gains arising from changes in fair value of available-for-sale financial assets	(XV)22	159,440,525.17	999,518,992.81
VI. Total comprehensive income:		790,752,833.49	1,681,724,177.54
VII. Earnings per share			
Basic earnings per share		0.54	0.60
Diluted earnings per share		N/A	N/A

The accompanying notes form part of the financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2016

RMB

ITEM	Notes	Amount for the current period	Amount for the prior period
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		6,663,029,048.32	6,087,579,661.81
Receipts of tax refunds		57,323,319.75	177,996,506.81
Other cash receipts relating to operating activities	(VI)44(1)	96,352,312.32	110,232,226.82
Sub-total of cash inflows from operating activities		6,816,704,680.39	6,375,808,395.44
Cash payments for goods purchased and services received		4,261,241,599.98	3,540,594,090.13
Cash payments to and on behalf of employees		833,079,163.49	796,997,501.78
Payments of various types of taxes		145,619,786.24	122,514,330.02
Other cash payments relating to operating activities	(VI)44(2)	893,336,852.35	899,052,245.11
Sub-total of cash outflows from operating activities		6,133,277,402.06	5,359,158,167.04
Net Cash Flow from Operating Activities	(VI)45(1)	683,427,278.33	1,016,650,228.40
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		1,851,710,332.00	1,021,892,000.00
Cash receipts from investment income		58,370,805.09	75,865,000.78
Cash receipts from interest of entrusted loans		7,183,426.01	10,659,194.85
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		1,538,222.04	129,293,337.13
Net cash receipts from disposals of subsidiaries and other business units		–	5,486,100.00
Other cash receipts relating to investing activities	(VI)44(3)	77,329,974.49	105,434,000.00
Sub-total of cash inflows from investing activities		1,996,132,759.63	1,348,629,632.76
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		341,657,330.79	198,311,602.98
Cash payments to acquire investments		2,649,200,169.84	1,161,484,324.57
Cash payments to entrusted loans		–	10,200,000.00
Other cash payments relating to investing activities	(VI)44(4)	313,828,538.98	70,000,000.00

Consolidated Cash Flow Statement

For the year ended 31 December 2016

ITEM	Notes	Amount for the current period	Amount for the prior period
Sub-total of cash outflows from investing activities		3,304,686,039.61	1,439,995,927.55
Net Cash Flow from Investing Activities		(1,308,553,279.98)	(91,366,294.79)
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		662,315,200.00	4,500,000.00
Including: cash receipts from capital contributions from non-controlling shareholders of subsidiaries		7,500,000.00	4,500,000.00
Other cash receipts relating to financing activities	(VI)44(5)	18,962,050.26	–
Sub-total of cash inflows from financing activities		681,277,250.26	4,500,000.00
Cash repayments of borrowings		–	50,000,000.00
Cash payments for distribution of dividends or settlement of interest expenses		237,702,136.60	342,747,637.27
Including: payments for distribution of dividends to non-controlling shareholders of subsidiaries		130,966.60	103,199.35
Cash payments to acquire non-controlling interests		–	13,768,300.00
Acquisition of subsidiaries through business combination involving enterprises under common control		–	44,615,600.00
Other cash payments relating to financing activities	(VI)44(6)	8,640,101.94	–
Sub-total of cash outflows from financing activities		246,342,238.54	451,131,537.27
Net Cash Flow from Financing Activities		434,935,011.72	(446,631,537.27)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		–	–
V. Net Increase (decrease) in Cash and Cash Equivalents			
Equivalents	(VI)45(1)	(190,190,989.93)	478,652,396.34
Add: Opening balance of Cash and Cash Equivalents	(VI)45(2)	1,824,358,247.63	1,345,705,851.29
VI. Closing Balance of Cash and Cash Equivalents	(VI)45(2)	1,634,167,257.70	1,824,358,247.63

The accompanying notes form part of the financial statements.

The Company's Cash Flow Statement

For the year ended 31 December 2016

RMB

ITEM	Notes	Amount for the current period	Amount for the prior period
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		5,185,623,375.17	4,721,964,556.10
Receipts of tax refunds		17,683,816.54	143,985,171.81
Other cash receipts relating to operating activities	(XV)34(1)	56,080,707.06	14,906,012.92
Sub-total of cash inflows from operating activities		5,259,387,898.77	4,880,855,740.83
Cash payments for goods purchased and services received		3,126,871,813.29	2,563,244,492.66
Cash payments to and on behalf of employees		541,120,205.73	523,373,830.72
Payments of various types of taxes		19,790,587.19	17,206,092.15
Other cash payments relating to operating activities	(XV)34(2)	697,481,374.62	890,188,209.99
Sub-total of cash outflows from operating activities		4,385,263,980.83	3,994,012,625.52
Net Cash Flow from Operating Activities	(XV)35(1)	874,123,917.94	886,843,115.31
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		1,060,000,000.00	–
Cash receipts from investment income		47,699,667.06	94,634,871.51
Cash receipts from interest of entrusted loans		7,183,426.01	–
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		803,225.11	3,581,491.24
Net cash receipts from disposals of subsidiaries and other business units		64,260.00	5,486,100.00
Other cash receipts relating to investing activities		697,040,900.00	193,200,000.00
Sub-total of cash inflows from investing activities		1,812,791,478.18	296,902,462.75
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		307,078,543.76	171,269,092.14
Cash payments to acquire investments		2,151,260,037.00	257,207,700.00
Cash payments to entrusted loans		300,217,776.45	–
Other cash payments relating to investing activities		556,596,625.38	40,000,000.00
Sub-total of cash outflows from investing activities		3,315,152,982.59	468,476,792.14
Net Cash Flow from Investing Activities		(1,502,361,504.41)	(171,574,329.39)

The Company's Cash Flow Statement

For the year ended 31 December 2016

ITEM	Notes	Amount for the current period	Amount for the prior period
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		654,815,200.00	–
Other cash receipts relating to financing activities		10,250,000.00	–
Sub-total of cash inflows from financing activities		665,065,200.00	–
Cash payments for distribution of dividends or settlement of interest expenses		237,571,170.00	342,619,301.73
Other cash payments relating to financing activities		8,640,101.94	–
Sub-total of cash outflows from financing activities		246,211,271.94	342,619,301.73
Net Cash Flow from Financing Activities		418,853,928.06	(342,619,301.73)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		–	–
V. Net Increase (decrease) in Cash and Cash Equivalents	(XV)35(1)	(209,383,658.41)	372,649,484.19
Add: Opening balance of Cash and Cash Equivalents	(XV)35(2)	1,125,067,860.80	752,418,376.61
VI. Closing Balance of Cash and Cash Equivalents	(XV)35(2)	915,684,202.39	1,125,067,860.80

The accompanying notes form part of the financial statements.

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2016

RMB

ITEM	2016						Total shareholders' equity
	Equity attributable to shareholders of the Company					Non-controlling interests	
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained profits		
Opening balance	1,135,131,000.00	2,073,002,432.05	1,903,286,451.10	476,433,736.51	1,682,817,310.23	(31,157,745.79)	7,239,513,184.10
Changes for the year							
(I) Total comprehensive income	-	-	142,534,341.13	-	647,462,291.44	(17,424,297.35)	772,572,335.22
(II) Shareholders' contributions and reduction in capital							
1 Capital contribution from shareholders	98,710,000.00	546,465,098.06	-	-	-	7,500,000.00	652,675,098.06
(III) Profit distribution							
1. Transfer to surplus reserve	-	-	-	63,131,230.83	(63,131,230.83)	-	-
2. Distribution to shareholders	-	-	-	-	(370,152,300.00)	(130,966.60)	(370,283,266.60)
Closing balance	1,233,841,000.00	2,619,467,530.11	2,045,820,792.23	539,564,967.34	1,896,996,070.84	(41,213,009.74)	8,294,477,350.78

RMB

ITEM	2015						Total shareholders' equity
	Equity attributable to shareholders of the Company					Non-controlling interests	
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained profits		
Opening balance	1,135,131,000.00	2,120,866,735.18	849,541,336.60	408,213,218.04	1,444,307,620.21	7,314,759.05	5,965,374,669.08
Changes for the year							
(I) Total comprehensive income	-	-	1,053,745,114.50	-	647,269,508.49	(32,349,708.62)	1,668,664,914.37
(II) Shareholders' contributions and reduction in capital							
1 Capital contribution from shareholders	-	-	-	-	-	4,500,000.00	4,500,000.00
2 Equity transactions with non-controlling interests	-	(3,248,703.13)	-	-	-	(10,519,596.87)	(13,768,300.00)
3 Business combination involving enterprises under common control	-	(44,615,600.00)	-	-	-	-	(44,615,600.00)
(III) Profit distribution							
1 Transfer to surplus reserve	-	-	-	68,220,518.47	(68,220,518.47)	-	-
2 Distribution to shareholders	-	-	-	-	(340,539,300.00)	(103,199.35)	(340,642,499.35)
Closing balance	1,135,131,000.00	2,073,002,432.05	1,903,286,451.10	476,433,736.51	1,682,817,310.23	(31,157,745.79)	7,239,513,184.10

The accompanying notes form part of the financial statements.

The Company's Statement of Changes in Shareholders' Equity

For the year ended 31 December 2016

RMB

Item	2016					Total shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained profits	
Opening balance	1,135,131,000.00	2,084,185,985.86	1,848,957,511.66	475,598,986.38	1,449,303,189.07	6,993,176,672.97
Changes for the year						
(I) Total comprehensive income	-	-	159,440,525.17	-	631,312,308.32	790,752,833.49
(II) Shareholders' contributions and reduction in capital						
1. Capital contribution from Shareholders	98,710,000.00	546,465,098.06	-	-	-	645,175,098.06
(III) Profit distribution						
1 Transfer to surplus reserve	-	-	-	63,131,230.83	(63,131,230.83)	-
2 Distribution to shareholders	-	-	-	-	(370,152,300.00)	(370,152,300.00)
Closing balance	1,233,841,000.00	2,630,651,083.92	2,008,398,036.83	538,730,217.21	1,647,331,966.56	8,058,952,304.52

RMB

Item	2015					Total shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained profits	
Opening balance	1,135,131,000.00	2,098,511,579.58	849,438,518.85	407,378,467.91	1,175,857,822.81	5,666,317,389.15
Changes for the year						
(I) Total comprehensive income	-	-	999,518,992.81	-	682,205,184.73	1,681,724,177.54
(II) Shareholders' contributions and reduction in capital						
1 Business combination under common control	-	(14,325,593.72)	-	-	-	(14,325,593.72)
(III) Profit distribution						
1 Transfer to surplus reserve	-	-	-	68,220,518.47	(68,220,518.47)	-
2 Distribution to shareholders	-	-	-	-	(340,539,300.00)	(340,539,300.00)
Closing balance	1,135,131,000.00	2,084,185,985.86	1,848,957,511.66	475,598,986.38	1,449,303,189.07	6,993,176,672.97

The accompanying notes form part of the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2016

(I) BASIC INFORMATION ABOUT THE COMPANY

Upon approvals of *Reply on State-owned Equity Management of Sichuan Xinhua Winshare Chain Co., Ltd.* (Filed as Chuan Guo Zi Wei [2005] No. 81) issued by State-owned Assets Supervision and Administration Commission of Sichuan Province, and *Reply on Approval for Setting up Sichuan Xinhua Winshare Chain Co., Ltd. by Sichuan Provincial People's Government* (filed as Chuan Fu Han [2005] No. 69) issued by Sichuan Provincial People's Government, Xinhua Winshare Publishing and Media Co., Ltd. (hereinafter referred to as the "Company", originally known as Sichuan Xinhua Winshare Chain Co., Ltd.), collectively sponsored by Sichuan Xinhua Publishing Group Co., Ltd. ("Sichuan Xinhua Publishing Group"), Chengdu Huasheng Group Industrial Co., Ltd. ("Chengdu Huasheng"), Sichuan Daily Press Group Co., Ltd., Sichuan Publication Group Co., Ltd. ("Sichuan Publication Group"), Sichuan Youth and Children's Publishing House Co., Ltd., and Liaoning Publication Group Co., Ltd., was incorporated on 11 June 2005 upon registration with Sichuan Provincial Administration for Industry and Commerce. In compliance with the above approvals, the registered capital of the Company is RMB733.37 million, among which RMB945.00 million was contributed by the principal sponsor Sichuan Xinhua Publishing Group, which represents 63.00315 million shares of the Company, accounting for 85.909% of the total registered capital. These shares are defined as state shares, and the capital are contributed by appraised operating assets related to chain operation, logistics and distribution, printing services of publications and any other businesses associated with publishing businesses of Sichuan Xinhua Publishing Group (excluding prefectural and county book Outlets in Sichuan Aba Tibetan and Qiang Autonomous Prefecture, Sichuan Ganzi Tibetan Autonomous Prefecture and Sichuan Liangshan Yi Autonomous Prefecture). The above capital contribution has been approved by *Approval Letter on Assets Appraisal for System Reform and IPO of Sichuan Xinhua Publishing Group* (filed as Chuan Guo Zi Han [2005] No.28) issued by State-owned Assets Supervision and Administration Commission of Sichuan Province; Sichuan Publication Group. contributed RMB38.50 million in cash, accounting for 3.5% of the total registered capital. Its contribution represents 25.66795 million shares of state-owned legal person shares in the Company; Sichuan Daily Press Group Co., Ltd. contributed RMB15 million in cash, accounting for 1.364% of the total registered capital. Its contribution represents 10.0005 million shares of state-owned legal person shares in the Company; Liaoning Publication Group Co., Ltd. contributed RMB10.50 million in cash, accounting for 0.954% of the total registered capital. Its contribution represents 7.00035 million shares of state-owned legal person shares in the Company; Sichuan Youth and Children's Publishing House Co., Ltd. contributed RMB11.00 million in cash, accounting for 1.00% of the total registered capital. Its contribution represents 7.3337 million shares of state-owned legal person shares in the Company; Chengdu Huasheng contributed RMB80 million in cash, accounting for 7.273% of the total registered capital. Its contribution represents 53.336 million shares of social legal person shares in the Company. These shares are defined as social legal person shares. The above capital contribution has been verified by Beijing Zhongxingyu CPA Co., Ltd. with capital verification report Zhong Xing Yu Yan (2005) No. 2106.

The Company publicly offered overseas listed foreign shares (including overallotment) ("H shares") at Hong Kong Stock Exchange on 30 May 2007. The share's par value was RMB1 and its issue price was HKD5.80, the raised funds totaled HKD2,330,213,800.00. Accordingly, the registered capital changed into RMB1,135,131,000.00 (in words: RMB Eleven Billion Thirty Five Million and One Hundred Thirty One Thousand). The newly addition registered capital was verified by Shine Wing CPA Co., Ltd. with capital verification report XYZH/2007A10005.

In accordance with *Proposal of Reduction of State-owned Shares* approved by 1st Interim shareholders' meeting 2006 on 20 April 2006, and *Letter of Commitment for Raising Social Security Funds by Reduction of State-owned Shares* jointly issued by Sichuan Xinhua Publishing Group, Sichuan Publication Group, Sichuan Daily Press Group Co., Ltd., Liaoning Publication Group Co., Ltd., and Sichuan Youth and Children's Publishing House Co., Ltd., the shareholders committed to transfer 10% of the new shares to National Council for Social Security Fund when H shares of the Company were issued. As described in *Certificate of Share Registration* issued by China Securities Depository and Clearing Corporation Limited., as of 22 June 2007, the above share transfer (40,176,100 shares) had been completed.

In accordance with resolutions made on 7th meeting of board of directors meeting 2010 on 20 August 2010, the Company changed its name from Sichuan Xinhua Winshare Chain Co., Ltd. into Xinhua Winshare Publishing and Media Co., Ltd.

Notes to the Financial Statements

For the year ended 31 December 2016

(I) BASIC INFORMATION ABOUT THE COMPANY *(Continued)*

As approved by *Reply on Approval of IPO of Xinhua Winshare Publishing and Media Co., Ltd.* (filed as Zheng Jian Xu Ke [2016] No.1544) issued by China Securities Regulatory Commission, the Company publicly offered 98,710,000 shares of A share at Shanghai Stock Exchange at issue price of RMB7.12 per share. Upon the completion of IPO, the share capital of the Company changed into RMB1,233,841,000.00.

The legal representative of the Company is He Zhiyong. The Company held the 2016 Fourth Extraordinary Shareholders' General Meeting on 15 December 2016. The resolution changed the registered address from 12/F, No. 86 Section One, People's South Road, Qingyang District, Chengdu to Unit 1, 1/F, Block 4, No. 239, Jinshi Road, Jinjiang District, Chengdu, China, and revised the Articles of Association of the Company. The change of the registered address was approved by the Sichuan Provincial Administration for Industry and Commerce, registration procedures for renewal of Business License had been completed, and the new Business License issued by the Sichuan Provincial Administration for Industry and Commerce had been obtained. The headquarters is located at 6 Wenxuan Road, Rongbei Shangmao Avenue, Chengdu, Sichuan.

Details of the structure of share capital are set out in Note (VI) 29.

The Company and its subsidiaries (hereinafter referred to as the "Group") are mainly engaged in: sales of books, newspapers, journals, electronic publications; wholesale of audio-visual products (chainstore); manufacture of electronic publications and audio-visual products; production of audio tapes, video tapes; logistics; and wholesale and retail of pre-packaged food, dairy products (not including infant formula, limits branch office management); printing of publications, printed matters of package and decoration and other printed matters; (the valid period of the above business scope is subject to the approval of licences). Plate-leased printing and supply of textbooks; investments in publications and assets management; leasing of properties; business services; wholesale and retail of goods; import and export business; vocational skills training and education ancillary services (the items above (not including the aforesaid permitted items) are subject to the approval of licences and shall be operated according to the licences).

Details of subsidiaries of the Company are set out in Note (VII) INTERESTS IN OTHER ENTITIES.

The parent of the Company is Sichuan Xinhua Publishing Group. State-owned Assets Supervision and Administration Commission of Sichuan Province ("Sichuan SASAC"), in compliance with instructions of Sichuan Provincial People's Government, set up Sichuan Development Holding Co., Ltd. ("Sichuan Development") in 2009, and transferred its equity interests in Sichuan Xinhua Publishing Group to Sichuan Development, hence Sichuan Xinhua Publishing Group became a wholly-owned subsidiary of Sichuan Development. Meanwhile, as Sichuan Development is wholly owned by Sichuan SASAC, so the Company is actually controlled by Sichuan SASAC.



Notes to the Financial Statements

For the year ended 31 December 2016

(II) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Basis of preparation

The Group has adopted the *Accounting Standards for Business Enterprises* ("ASBE") and relevant regulations issued by the Ministry of Finance ("MoF"). In addition, the Group has disclosed relevant financial information in accordance with *Information Disclosure and Presentation Rules for Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reporting (Revised in 2014)*, *Hong Kong Company Ordinance and Rules Governing the Listing of Securities on the Stock Exchange*.

Basis of accounting and principle of measurement

The Group has adopted the accrual basis of accounting. Except for certain financial instruments which are measured at fair value, the Group adopts the historical cost as the principle of measurement in the financial statements. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

Where the historical cost is adopted as the measurement basis, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds or assets received or the contractual amounts for assuming the present obligation, or, at the amounts of cash or cash equivalents expected to be paid to settle the liabilities in the normal course of business.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using valuation technique. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

Fair value measurements are categorised into Level 1, 2 and 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Going concern

The Group assessed its ability to continue as a going concern for the 12 months subsequent to 31 December 2016, and found no events or circumstances that may cast significant doubts upon it. Hence the financial statements have been prepared on going concern basis.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of compliance with the ASBE

The financial statements have been prepared in accordance with ASBE, and present truly and completely, the Company's and consolidated financial position as at 31 December 2016, and the Company's and consolidated results of operations and cash flows for the year then ended.

2. Accounting period

The Group has adopted the calendar year as its accounting year, i.e. from 1 January to 31 December.

3. Operation cycle

Operation cycle represents the period from an entity purchasing assets designated for processing to realizing of cash and cash equivalents. The Group's operation cycle is 12 months.

4. Functional currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its subsidiaries choose RMB as their functional currency. The Company adopts RMB to prepare its financial statements.

5. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control

Business combinations are classified into business combinations involving enterprises under common control and business combinations not involving enterprises under common control.

5.1 Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

Assets and liabilities obtained shall be measured at their respective carrying amounts as recorded by the combining entities at the date of the combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination is adjusted to the share premium in capital reserve. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred.



Notes to the Financial Statements

For the year ended 31 December 2016

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

5. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control *(Continued)*

5.2 Business combinations not involving enterprises under common control and goodwill

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred. Where a business combination not involving enterprises under common control is achieved in stages that involve multiple transactions, the cost of combination is the sum of the consideration paid at the acquisition date and the fair value at the acquisition date of the acquirer's previously held interest in the acquiree. The equity interest in the acquiree held before the acquisition date is remeasured at its fair value at the acquisition date, with any difference between its fair value and its carrying amount being recognised as investment income. The other comprehensive income of the acquiree before the acquisition date relating to the previously held interest in the acquiree is transferred to investment income.

The acquiree's identifiable assets, liabilities and contingent liabilities, acquired by the acquirer in a business combination, that meet the recognition criteria shall be measured at fair value at the acquisition date. Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognised as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognises the remaining difference immediately in profit or loss for the current period.

Goodwill arising on a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements. It is tested for impairment at least at the end of each year.

Notes to the Financial Statements

For the year ended 31 December 2016

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

6. Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control exists when the investor has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power over the investee to affect its returns. Once there is any changes in relevant elements of the definition of control arising from changes in relevant facts or circumstances, the Group will make reassessment.

For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate, and no adjustment is made to the opening balances and comparative figures in the consolidated financial statements.

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company.

All significant intra-group balances and transactions are eliminated on consolidation.

The portion of subsidiaries' equity that is not attributable to the Company is treated as non-controlling interests and presented as "non-controlling interests" in the consolidated balance sheet within shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to non-controlling interests is presented as "non-controlling interests" in the consolidated income statement below the "net profit" line item.

When the amount of loss for the period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount are still allocated against non-controlling interests.

Acquisition of non-controlling interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the Company's interests and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve under owners' equity. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained earnings.



Notes to the Financial Statements

For the year ended 31 December 2016

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

7. Classification of joint arrangements

Joint arrangement is classified into joint operation and joint ventures based on the factors of structure, legal form and contractual provisions of arrangements, and determined by the joint operation party's rights and obligations under such arrangements. Joint operation represents a joint arrangement in which the joint operation party has rights to arrange relevant assets and assumes relevant liabilities under such arrangement. Joint venture refers to a joint arrangement in which the joint operation party solely has rights to net assets under such arrangement. All of the Group's joint arrangement are joint ventures. Investments in joint ventures are accounted by equity method. Details are set out in Note (III) 13.3.2 Long-term Equity Investments under Equity Method.

8. Recognition criteria of cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

9. Transactions denominated in foreign currencies

9.1 Transactions denominated in foreign currencies

A foreign currency transaction is recorded, on initial recognition, by applying the spot exchange rate on the date of the transaction. At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognised in profit or loss for the period. Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions.

9.2 Translation of financial statements denominated in foreign currencies

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; shareholders' equity items except for "retained earnings" are translated at the spot exchange rates at the dates on which such items arose; all items in the income statement as well as items reflecting the distribution of profits are translated at the spot exchange rates on the dates of the transactions; the opening balance of retained earnings is the translated closing balance of the previous year's retained earnings; the closing balance of retained earnings is calculated and presented on the basis of each translated income statement and profit distribution item. The difference between the translated assets and the aggregate of liabilities and shareholders' equity items is presented as other comprehensive income and included in shareholders' equity.

Cash flows arising from a transaction in foreign currency and the cash flows of a foreign subsidiary are translated at the spot exchange rate on the date of the cash flows. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciling item and presented separately in the cash flow statement as "effect of exchange rate changes on cash and cash equivalents".

The opening balances and the actual figures of previous year are presented at the translated amounts in the previous year's financial statements.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

10. Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognised in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognised amounts.

10.1 Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period, using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial asset or financial liability (without considering future credit losses), and also considers all fees paid or received between the parties to the contract giving rise to the financial asset and financial liability that are an integral part of the effective interest rate, transaction costs, and premiums or discounts, etc.

10.2 Classification, recognition and measurement of financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

On initial recognition, the Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. The Group's financial assets are mainly financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets.

10.2.1 Financial Assets at Fair Value through Profit or Loss ("FVTPL")

Financial assets at FVTPL include financial assets designated as at fair value through profit or loss.

A financial asset may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: (1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring assets or recognizing the gains or losses on them on different bases; or (2) The financial asset forms part of a group of financial assets or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis; or (3) qualifying hybrid instruments which includes embedded derivatives.



Notes to the Financial Statements

For the year ended 31 December 2016

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

10. Financial instruments *(Continued)*

10.2 Classification, recognition and measurement of financial assets *(Continued)*

10.2.1 Financial Assets at Fair Value through Profit or Loss ("FVTPL") *(Continued)*

Financial assets at FVTPL are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any dividend or interest income earned on the financial assets are recognised in profit or loss.

10.2.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables by the Group include cash and bank balances, notes receivable, accounts receivable, other receivables, non-current assets due within one year-entrusted loans and long-term receivables.

Loans and receivables are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortization is recognised in profit or loss for the period.

10.2.3 Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated on initial recognition as available for sale, and financial assets that are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognised as other comprehensive income, except that impairment losses are recognised in profit or loss, until the financial assets are derecognised, at which time the gains or losses are released and recognised in profit or loss.

Interests obtained and the dividends declared by the investee during the period in which the available-for-sale financial assets are held, are recognised in investment gains.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

10. Financial instruments *(Continued)*

10.3 Impairment of financial assets

The Group assesses at each balance sheet date the carrying amounts of financial assets other than those at fair value through profit or loss. If there is objective evidence that a financial asset is impaired, the Group determines the amount of any impairment loss. Objective evidence that a financial asset is impaired is evidence that, arising from one or more events that occurred after the initial recognition of the asset, the estimated future cash flows of the financial asset, which can be reliably measured, have been affected.

Objective evidence that a financial asset is impaired includes the following observable events:

- (1) Significant financial difficulty of the issuer or obligor;
- (2) A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- (3) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower;
- (4) It becoming probable that the borrower will enter bankruptcy or other financial reorganisations;
- (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;
- (6) Upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. Such observable data includes:
 - Adverse changes in the payment status of borrower in the group of assets;
 - Economic conditions in the country or region of the borrower which may lead to a failure to pay the group of assets;
- (7) Significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;
- (8) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost, namely, as at balance sheet date, if fair value of investment in an equity instrument is lower than 50% (including 50%) of its initial investment cost, or lower than its initial investment cost for more than 12 months (including 12 months);
- (9) Other objective evidence indicating there is an impairment of a financial asset.



Notes to the Financial Statements

For the year ended 31 December 2016

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

10. Financial instruments *(Continued)*

10.3 Impairment of financial assets *(Continued)*

Impairment of financial assets measured at amortised cost

If financial assets carried at amortised cost are impaired, the carrying amounts of the financial assets are reduced to 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. The amount of reduction is recognised as an impairment loss in profit or loss. If, subsequent to the recognition of an impairment loss on financial assets carried at amortised cost, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. However, the reversal is made to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

Impairment of available-for-sale financial assets measured at fair value

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value previously recognised directly in capital reserve is reclassified from the capital reserve to profit or loss. The amount of the cumulative loss that is reclassified from capital reserve to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognised as other comprehensive income.

Impairment of financial assets measured at cost

If an impairment loss has been incurred on an investment in unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognised as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognised.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

10. Financial instruments *(Continued)*

10.4 Transfer of financial assets

The Group derecognises a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (3) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred; and (2) the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised in other comprehensive income, is recognised in profit or loss.

10.5 Classification, recognition and measurement of financial liabilities

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.

The Group's financial liabilities are other financial liabilities.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with gain or loss arising from derecognition or amortisation recognised in profit or loss.

10.6 Derecognition of financial liabilities

The Group derecognises a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Group (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognises a financial liability or a part of it, it recognises the difference between the carrying amount of the financial liability (or part of the financial liability) derecognised and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2016

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

10. Financial instruments *(Continued)*

10.7 Offsetting financial assets and financial liabilities

Where the Group has a legal right that is currently enforceable to set off the recognised financial assets and financial liabilities, and intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

10.8 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. The issuance of equity instruments is deemed as changes in equity. The Group does not recognise any changes in the fair value of equity instruments. Transaction fees relevant to equity transactions are deducted from equity.

Distributions made by the Group to holders of equity instruments are treated as profit distributions.

11. Receivables

11.1 Receivables that are individually significant and for which bad debt provision is individually assessed

Criteria for determining receivables that are individually significant	A receivable that exceeds RMB5 million is deemed as an individually significant receivable by the Group.
Method of determining provision for receivables that are individually significant	For receivables that are individually significant, the Group assesses the receivables individually for impairment. For a financial asset that is not impaired individually, the Group includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Receivables for which an impairment loss is individually recognised are not included in a collective assessment of impairment.

Notes to the Financial Statements

For the year ended 31 December 2016

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

11. Receivables *(Continued)*

11.2 Receivables for which bad debt provision is collectively assessed on a portfolio basis

Basis for determining a portfolio	The Group classifies the receivables according to the similarity and relevance of credit risk characteristics. These credit risks usually reflect the debtors' ability to pay the amounts due at maturity under contractual terms of related assets and are related to the estimation of future cash flows of the assets subject to assessment.
Bad debt provision method for a portfolio	Aging analysis

The provision as a proportion of receivables determined by its business characteristics are as follows:

Aging	Provision as a proportion of accounts receivable (%)	Provision as a proportion of other receivables (%)
Within 1 year	3	3
More than 1 year	50-100	50-100

11.3 Receivables that are not individually significant but for which bad debt provision is individually assessed

Reasons for making individual bad debt provision	Receivables that are not individually significant but for which individual credit risk characteristics are distinctively different.
Reasons for making individual bad debt provision	Individual impairment tests is proposed to determine impairment loss according to the difference between present value of estimated future cash flow and its carrying amount, and make corresponding bad debt provisions.



Notes to the Financial Statements

For the year ended 31 December 2016

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

12. Inventories

12.1 Categories of inventories

The Group's inventories mainly include raw materials, low cost and short-lived materials, packaging materials, work in progress, goods on hand, and films and teleplays, etc. Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition.

12.2 Valuation method of inventories upon delivery (excluding films and teleplays)

The actual cost of inventories upon delivery is calculated using the weighted average method.

12.3 Transfer of sales cost for films and teleplays

Upon transfer, the sales cost for films and teleplays is recognised as follows since the date of criteria of revenue recognition is satisfied:

Distribution rights are transferred to certain TV stations in specific regions and periods by multiple times. For teleplays which are available for distribution and sales on going basis, all the actual cost shall be transferred to sales cost by installment by using planned revenue percentage method within 5 years since the date of criteria of revenue recognition is satisfied.



(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

12. Inventories *(Continued)*

12.4 Basis for determining net realisable value of inventories and provision methods for decline in value of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realisable value. If the net realisable value is below the cost of inventories, a provision for decline in value of inventories is made. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realisable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events.

For large quantity and low value items of inventories, provision for decline in value is made based on categories of inventories. For items of inventories relating to a product line that are produced and marketed in the same geographical area, have the same or similar end uses or purposes, and cannot be practicably evaluated separately from other items in that product line, provision for decline in value is determined on an aggregate basis. Provision for decline in value of other inventories is made based on the excess of cost of inventory over its net realisable value on an item-by-item basis.

For general books, textbooks and supplementary materials, the provision for decline in value of inventories is made by using the following method:

The provision for decline in value of self-owned, stenciling-rent, consigned printing and outsourcing (for underwriting part) general books are made by: 1) aging within one year, no provision is made; 2) aging for one to two years, provision is made at 10% of total pricing of book inventory at year end; 3) aging for two to three years, provision is made at 20% of total pricing of book inventory at year end; 4) aging for more than 3 years, provision is made at 100% of actual costs of book inventories at year end.

The Group makes provisions for textbooks and supplementary materials purchased or produced for teaching in prior years at full amount; For those purchased or produced for current year's teaching, if the Group has a clear picture about the utilisation for the next year, the Group will make provision for textbooks and supplementary materials which will not be used in the next year at full amount, and for those whose utilisation condition is unclear at 50% of their costs. No provision for impairment loss of textbooks and supplementary materials purchased or produced for teaching for next year will be made.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realisable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

12.5 Inventory count system

The perpetual inventory system is maintained for stock system.

12.6 Amortisation method for low cost and short-lived consumable items and packaging materials

Packaging materials and low cost and short-lived consumable items are amortised using the immediate write-off method.



Notes to the Financial Statements

For the year ended 31 December 2016

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

13. Long-term equity investments

13.1 Judgement criteria for control, joint control and significant influence

Control exists when the investor has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power over the investee to affect its returns. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control. 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. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

13.2 Determination of initial investment cost

For a long-term equity investment acquired through a business combination involving enterprises under common control, the investment cost of the long-term equity investment is the attributable share of the carrying amount of the owners' equity of the acquiree at the date of combination. Where the investment cost and the carrying amount of the assets given, liabilities incurred or assumed is different, the difference is adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

For a long-term equity investment acquired through business combination not involving enterprises under common control, the investment cost of the long-term equity investment is the cost of acquisition. For a long-term equity investment acquired through business combination not involving enterprises under common control and achieved in stages, the investment cost of the long-term equity investment is the aggregate of the carrying amount of the equity interest held in the acquiree prior to the acquisition date and the cost of the additional investment at the acquisition date.

The expenses incurred by the acquirer or acquiree in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred.

The long-term equity investment acquired otherwise than through a business combination is initially measured at its cost.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

13. Long-term equity investments *(Continued)*

13.3 Subsequent measurement and recognition of profit or loss

13.3.1 Long-term equity investment accounted for using the cost method

Long-term equity investments in subsidiaries are accounted for using the cost method in the Company's separate financial statements. A subsidiary is an investee that is controlled by the Group.

Under the cost method, a long-term equity investment is measured at initial investment cost. Investment income is recognised in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

13.3.2 Long-term equity investment accounted for using the equity method

The Group accounts for investment in associates and joint ventures using the equity method. An associate is an entity over which the Group has significant influence and the definition of joint venture is set out in Note (III) 7.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognised in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognises its share of the net profit or loss and other comprehensive income of the investee for the period as investment income or loss and other comprehensive income for the period. The Group recognises its share of the investee's net profit or loss based on the fair value of the investee's individual separately identifiable assets, etc. at the acquisition date after making appropriate adjustments to conform with the Group's accounting policies and accounting period. Unrealised profits or losses resulting from the Group's transactions with its associates and joint ventures are recognised as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated. However, unrealised losses resulting from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated. Changes in owners' equity of the investee other than net profit or loss are correspondingly adjusted to the carrying amount of the long-term equity investment, and recognised as other comprehensive income which is included in the capital reserve.

The Group discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognised according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Group resumes recognising its share of those profits only after its share of the profits exceeds the share of losses previously not recognised.



Notes to the Financial Statements

For the year ended 31 December 2016

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

13. Long-term equity investments *(Continued)*

13.3 Subsequent measurement and recognition of profit or loss *(Continued)*

13.3.3 Disposal of long-term equity investments

On disposal of a long-term equity investment, the difference between the proceeds actually received and receivable and the carrying amount is recognised in profit or loss for the period. For a long-term equity investment accounted for using the equity method, the amount is transferred to profit or loss for the period on the same accounting treatment basis with assets or liabilities directly disposed by investors.

14. Investment properties

Investment property is property held to earn rentals or for capital appreciation or both. It includes a land use right that is leased out; a land use right held for transfer upon capital appreciation; and a building that is leased out.

An investment property is measured initially at cost. Subsequent expenditures incurred for such investment property are included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

The Group uses the cost model for subsequent measurement of investment property, and adopts a depreciation or amortisation policy for the investment property which is consistent with that for buildings or land use rights.

When an investment property is sold, transferred, retired or damaged, the Group recognises the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss for the period.

Notes to the Financial Statements

For the year ended 31 December 2016

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

15. Fixed assets

15.1 Recognition criteria for fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognised only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognised. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

15.2 Depreciation of each category of fixed assets

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Category	Useful life	Estimated net residual value rate	Annual depreciation rate
Buildings	8-40 years	–	2.50-12.50%
Machinery and equipment	5-10 years	0-3%	9.70-20.00%
Electronic equipment and others	5-8 years	0-3%	12.13-20.00%
Transportation vehicles	5-8 years	0-3%	12.13-20.00%

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

15.3 Other explanations

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and account for any change as a change in an accounting estimate.

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognised. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognised in profit or loss for the period.

Notes to the Financial Statements

For the year ended 31 December 2016

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

16. Construction in progress

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, borrowing costs capitalised before it is ready for intended use and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset when it is ready for intended use.

17. Intangible assets

17.1 Intangible assets

Intangible assets include land use rights, software, patents, and distribution channel etc.

An intangible asset is measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost is amortised over its estimated useful life using the straight-line method. The useful life for each category of intangible assets are as follows:

Category	Useful life
Land use rights	40-70 years
Patents	10-15 years
Software	5-10 years
Distribution channel	10 years
Others	10 years

For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at the end of the period, and makes adjustments when necessary.

17.2 Research and development expenditure

Expenditure during the research phase is recognised as an expense in the period in which it is incurred.

Expenditure during the development phase that meets all of the following conditions at the same time is recognised as intangible asset. Expenditure during development phase that does not meet the following conditions is recognised in profit or loss for the period.

- (1) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- (2) the Group has the intention to complete the intangible asset and use or sell it;
- (3) the Group can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

17. Intangible assets *(Continued)*

17.2 Research and development expenditure *(Continued)*

- (4) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- (5) the expenditure attributable to the intangible asset during its development phase can be reliably measured.

If the expenditures cannot be distinguished between the research phase and development phase, the Group recognises all of them in profit or loss for the period.

18. Impairment of long-term assets

The Group reviews the long-term equity investments, investment properties measured by cost method, fixed assets, construction in progress and intangible assets with definite useful life at each balance sheet date to determine whether there is any indication that they have suffered an impairment loss. If there is any indication that such assets may be impaired, the recoverable amounts are estimated for such assets.

Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. The recoverable amount of asset or asset group is the higher of fair value net of disposal expenses and the present value of estimated future cash flow.

If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognised in profit or loss for the period. Goodwill is tested for impairment at least at the end of each year. For the purpose of impairment testing, goodwill is considered together with the related assets group(s), i.e., goodwill is reasonably allocated to the related assets group(s) or each of assets group(s) expected to benefit from the synergies of the combination. An impairment loss is recognised if the recoverable amount of the assets group or sets of assets groups (including goodwill) is less than its carrying amount. The impairment loss is firstly allocated to reduce the carrying amount of any goodwill allocated to such assets group or sets of assets groups, and then to the other assets of the group pro-rata on the basis of the carrying amount of each asset (other than goodwill) in the group.

An impairment loss once recognised shall not be reversed in a subsequent period.



Notes to the Financial Statements

For the year ended 31 December 2016

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

19. Long-term prepaid expenses

Long-term prepaid expenses represent expenses incurred that should be amortised over the current and subsequent periods (together of more than one year). Long-term prepaid expenses are amortised using the straight-line method over the expected periods in which benefits are derived.

20. Employee benefits

20.1 Accounting treatment for short-term employee benefits

In the accounting period in which an employee has rendered services, the Group recognises the actual short-term employee benefits payable for those services as a liability and the cost of related assets or profit or loss for the period in which they are incurred. The Group recognises the employee welfare as a cost of related assets or profit or loss for the period in which they are incurred. The non-monetary employee welfare shall be designated as fair value.

Expenditure related to payments for employees' social welfare system established by the State, including pensions, medical insurance, work-related injury insurance, maternity insurance and housing funds, other social welfare contributions, union running costs and employee education costs, are recognised as employee benefits, and included in liability and the cost of related assets or profit or loss for the period in which they are incurred.

20.2 Accounting treatment of post-employment benefits

The entire post-employment benefits are defined contribution plan.

In an accounting period when an employee rendering services to the Group, the Group recognises the payable amount calculated based on the defined contribution plan as a liability and includes it in the current profit or loss or cost of related asset.

20.3 Accounting treatment of termination benefits

When the Company provides termination benefits to employees, employee benefit liabilities are recognised for termination benefits, with a corresponding charge to the profit or loss for the period at the earlier of: (1) when the Company cannot unilaterally withdraw the offer of termination benefits because of the termination plan or a curtailment proposal; and (2) when the Company recognises costs or expenses related to restructuring that involves the payment of termination benefits.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

21. Provisions

Provisions are recognised when the Group has a present obligation related to a contingency, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money.

Where all or some of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognised as a separate asset only when it is virtually certain that reimbursement will be received, and the amount of reimbursement recognised does not exceed the carrying amount of the provision.

Based on historical experience, the Group makes return provisions for returnable books which utilised to offset operating income and operating costs.

22. Revenue

22.1 Revenue from the sales of goods

Revenue from sale of goods is recognised when (1) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; (2) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (3) the amount of revenue can be measured reliably; (4) it is probable that the associated economic benefits will flow to the Group; and (5) the associated costs incurred or to be incurred can be measured reliably. It includes:

22.1.1 Publishing enterprise

Revenue from the sales of publications is determined by the amount stated in contract or agreement entered by and between publishing enterprise and purchasing party, or the agreed amount by both parties.

The publishing enterprise determines the realisation revenue of the sales of goods by using the following method to:

- A. When prepayments are required to be made by buyers, the revenue of the sales is recognised upon delivery of publications.
- B. For the sales of returnable goods, if the Group can make reliable estimates on return rate, the revenue of the sales and provisions for estimated return goods are recognised upon delivery of goods and acquisition of acceptance receipts,



Notes to the Financial Statements

For the year ended 31 December 2016

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

22. Revenue *(Continued)*

22.1 Revenue from the sales of goods *(Continued)*

22.1.2 Distribution enterprise

Revenue from the sales of goods from retail business of publications are recognised upon receipts of payments or credentials for payment, and delivery of goods to buyers.

When selling goods with reward credits to customers, the Group allocates payment received or receivable between revenue from the sales of goods and fair value of reward credits, and the payment received or receivable net of fair value of reward credits is recognised as revenue, and the fair value of reward credits is recognised as deferred income.

When customer redeems his reward credits, the Group recognises the amount related to the redeemed reward credits which originally included in deferred income as revenue. The amount of revenue is determined on the basis of percentage of redeemed reward credits to the total reward credits expected to be redeemed.

For wholesale business of publications, the realisation of revenue from the sales of goods is recognised by using the following method:

- A. For sales of returnable goods, revenue from the sales of goods is determined in line with that of publishing enterprise.
- B. For publications which are brought out, revenue from the sales of goods is recognised upon delivery of such publications.
- C. For publications sold on a commission basis, revenue from the sales of goods is recognised upon delivery of such publications and receipts of consignment list.

22.2 Revenue from distribution of films and teleplays

Upon the completion of production of film and teleplays and receipt of *Film and Teleplay Distribution Certificate* which granted by administrative authorities, revenue from distribution of films and teleplays are recognised when copies, broadcasting tapes or other carriers of films and teleplays transferred to purchaser, and relevant economic benefits will flow to the Group and the revenue can be measured reliably.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

22. Revenue *(Continued)*

22.3 Revenue from rendering of services

Revenue from rendering of services is recognised when (1) the amount of revenue can be measured reliably; (2) it is probable that the associated economic benefits will flow to the enterprise; (3) the stage of completion of the transaction can be determined reliably; and (4) the associated costs incurred or to be incurred can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the costs incurred that will be recoverable, and the costs incurred are recognised as expenses for the period. When it is not probable that the costs incurred will be recovered, revenue is not recognised.

23. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognised only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. The government grants are classified those related to assets and those related to income as per the beneficiary specified in government documents.

Government grants related to assets are recognised as deferred income, and will be evenly allocated to profit or loss over useful life of related assets.

Government grants related to income which are utilised to make up expenses and losses in subsequent periods are recognised as deferred income, and included in profit or loss when related expenses are recognised; those which are utilised to incurred expenses and losses are directly recognised in to profit or loss of current period.



Notes to the Financial Statements

For the year ended 31 December 2016

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

24. Deferred tax assets/liabilities

The income tax expenses include current income tax and deferred income tax.

24.1 Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

24.2 Deferred tax assets and deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognised using the balance sheet liability method.

Deferred tax is generally recognised for all temporary differences. Deferred tax assets for deductible temporary differences are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognised.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilised.

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 timing of 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 taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realised or the liability is settled.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

24. Deferred tax assets/liabilities *(Continued)*

24.2 Deferred tax assets and deferred tax liabilities *(Continued)*

Current and deferred tax expenses or income are recognised in profit or loss for the period, except when they arise from transactions or events that are directly recognised in other comprehensive income or in shareholders equity, in which case they are recognised in other comprehensive income or in shareholders equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilised. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

25. Operating lease

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.

25.1 The Group as lessee under operating leases

Operating lease payments are recognised on a straight-line basis over the term of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the period. Initial direct costs incurred are charged to profit or loss for the period. Contingent rents are charged to profit or loss in the period in which they are actually incurred.

25.2 The Group as lessor under operating leases

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 with more than an insignificant amount are capitalised when incurred, and are recognised in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred. Contingent rents are charged to profit or loss in the period in which they actually arise.



Notes to the Financial Statements

For the year ended 31 December 2016

(IV) CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES

In the application of Note (III) to the accounting policies as set out below, the Group is required to make judgements, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately, due to the internal uncertainties of the operating activities. These judgements, estimates and assumptions are based on historical experience of the Group's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates.

The aforementioned judgements, estimates and assumptions are reviewed regularly by the Group on a going concern basis. The effect of a change in accounting estimate is recognised in the period of the change, if the change affects that period only; or recognised in the period of the change and future periods, if the change affects both.

Critical judgement in applying accounting policies

Operating lease commitment- the Group as lessee

The Group entered into commercial property lease contracts for certain business. The Group believes that the lessor retains all significant risks and rewards related to ownership of such properties, so such properties are accounted as operating lease.

Operating lease commitment – the Group as lessor

The Group entered commercial property lease contracts for investment property portfolio. After assessing the provisions and conditions for such arrangement, the Group believes it retains all significant risks and rewards related to ownership of leased properties under such operating lease commitment.

Classification of investment properties and self-occupied fixed assets

The Group determines if a fixed asset falls within the scope of definition for investment properties, and set out criteria for such judgements. Investment property is property held to earn rentals or for capital appreciation or both, so the Group considers if substantial cash flow generated from a property is independent from other assets held by the Group. Certain properties are held partially to earn rentals or for capital appreciation, while partially for production, rendering goods or services, or for administrative purposes. If such part can be disposed separately (or leased out as financing lease), the Group will account it separately. While if cannot, such property is classified as investment property only when the part of property held for production, rendering goods or services, or for administrative purposes is insignificant. The judgement is made on individual property basis, and the Group determines if supporting services are significant, otherwise such property does not satisfy the definition of investment property.

Notes to the Financial Statements

For the year ended 31 December 2016

(IV) CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES *(Continued)*

Key assumptions and uncertainties in accounting estimates

The following are the key assumptions and uncertainties in accounting estimates at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future periods.

Bad debts provision

The Group determines bad debts provision on the basis of recoverability of accounts receivable. Judgements and estimates shall be applied in determining bad debts provisions. If the re-assessment results differ from the existing estimates, the difference shall effect carrying amount of accounts receivable and profit or loss for the period when estimates changed.

Provisions for decline in value of inventories

The Group determines provisions for decline in value of inventories on the basis of net realisable value of inventories. Judgements and estimates shall be applied in determining provisions for decline in value of inventories. If the re-assessment results differ from the existing estimates, the difference shall effect carrying amount of inventories and profit or loss for the period when estimates changed.

Impairment loss of goodwill

When determining if goodwill is impaired or not, it is required to estimate use value of cash generating unit on which goodwill is allocated. When calculating use value, the Group must estimate future cash flow that is expected to be generated from cash generating unit, and calculate the present value discounted with applicable discount rate. If the actual cash flow in the future is lower than expected, significant impairment losses might incur.

Impairment loss of intangible assets

The Group assesses at each balance sheet date whether there is any indication that the intangible assets with a finite useful life may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognised in profit or loss for the period.

Notes to the Financial Statements

For the year ended 31 December 2016

(V) TAXES

1. Major categories of taxes and tax rates

Category of tax	Basis of tax calculation	Tax rate
Value-added tax	Note 1	17%/13%/11%/6%/3%
Business tax	Note 2	5%
City maintenance and construction tax	Value-added tax and business tax	5%/7%
Education surcharges	Value-added tax and business tax	3%
Local education surcharges	Value-added tax and business tax	2%
Enterprise income tax	Taxable income	25%

Note 1: Value-added tax is calculated at the amount of output tax net of deductible input tax. Output tax is calculated on the basis of sales volume as per relevant tax laws.

Note 2: The business tax was levied on lease and storage business at 5% of revenue from rendering of lease and storage services, which was replaced by value-added tax at tax rate of 6% since 1 May 2016.

2. Tax incentives and official approvals

Enterprise income tax

In accordance with "Notice on Several Tax Policies for the Transformation of Operating Cultural Institutions into Enterprises for Continuous Implementation of Cultural System Reform" (Cai Shui [2014] No. 84) issued by the Ministry of Finance, State Administration of Taxation and Publicity Department of the Communist Party of China, enterprises that are transformed from operating cultural institutions are exempted from enterprise income tax since the registration date of system reform. The implementation period for the notice is from 1 January 2014 to 31 December 2018.

According to the above provisions, the Company and its subsidiaries, Beijing Shuchuan Xinhua Bookstore Book Distribution Co., Ltd. ("Beijing Shuchuan"), Sichuan Xinhua Online Network Co., Ltd. ("Xinhua Online"), Sichuan Culture Communication and the Company's thirteen subordinate publishers enjoy income tax exemption until 31 December 2018.

The Company's subsidiary, Sichuan Winshare Education Technology Co., Ltd. ("Winshare Education Technology"), obtained the high-tech enterprise certificate of No. GR201451000673 on 11 October 2014, with a validity until 10 October 2017. Income tax of Winshare Education Technology is calculated at the rate of 15% of the taxable income according to the relevant tax provisions. Beijing Aerospace Cloud Education Technology Co., Ltd. ("Beijing Aerospace Cloud"), a subsidiary of the Company, obtained the high-tech enterprise certificate of No. GR201611000716 on 1 December 2016, with a validity until 30 November 2019, of which the income tax is calculated at 15% of the taxable income according to the relevant tax provisions.

Notes to the Financial Statements

For the year ended 31 December 2016

(V) TAXES (Continued)

2. Tax incentives and official approvals (Continued)

Value-added tax

As per *Notice on Persistently Promoting Cultural Value-added Tax and Business Tax Preferential Policies* (Cai Shui [2013] No. 87) issued by Ministry of Finance and State Administration of Taxation: (1) for the period from 1 January 2013 to 31 December 2017, preferential policies of 100% reimbursement and 50% reimbursement are respectively proposed for publications of certain category specified in this Notice during publishing phase, and the Group is entitled to this tax incentives; (2) for period from 1 January 2013 through 31 December 2017, the wholesale and retail of books are exempted from value-added tax, and the Group is entitled to this tax incentives.

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

RMB

Item	Closing balance			Opening balance		
	Amounts of the original currencies	Exchange rate	Amount in RMB	Amounts of the original currencies	Exchange rate	Amount in RMB
Cash:						
RMB	2,523,554.78	1.0000	2,523,554.78	2,898,007.97	1.0000	2,898,007.97
Bank balances:						
RMB (Note 1)	1,661,374,451.48	1.0000	1,661,374,451.48	1,895,959,237.22	1.0000	1,895,959,237.22
USD	68,693.41	6.9370	476,526.18	385,828.07	6.4936	2,505,413.16
EUR	91.21	7.3068	666.43	45,885.00	7.0952	325,563.25
HKD	5,236.68	0.8945	4,684.21	0.62	0.8378	0.52
Other currency funds						
RMB (Note 2)	31,034,207.50	1.0000	31,034,207.50	27,341,078.38	1.0000	27,341,078.38
Total			1,695,414,090.58			1,929,029,300.50

Note 1: At the end of the year, the bank balances include 3-month of time deposits in the amount of RMB30,212,625.38, with an interest rate of 1.43%.

Note 2: Restricted currency funds are set out in Note (VI), 46.

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2. Notes receivable

(1) Disclosure of accounts receivable by categories:

RMB

Category	Closing balance	Opening balance
Bank acceptances	2,170,000.00	872,844.14

(2) Notes receivable endorsed or discounted by the Group that are not yet due at the balance sheet date of the year

RMB

Item	Amount derecognised at the end of the year	Amount not derecognised at the end of the year
Bank acceptances	3,240,797.50	–

Note: During the year, the Group discounted bank acceptance bills of RMB731,000.00 to the bank and the discount charge incurred was RMB14,290.00

At the end of the year, the Group's endorsed but not yet due bank acceptance bills were RMB3,140,797.50 and the discounted but not yet due bank acceptance bills were RMB100,000.00. The Group derecognised the endorsed or discounted but not yet due bank acceptance bills at the balance sheet date. See Note (VIII) 2 for details.

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Accounts receivable

(1) Disclosure of accounts receivable by categories:

RMB

Category	Closing balance				Opening balance					
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision		Net carrying amount	
	Amount	Proportion (%)	Amount	Proportion of provision (%)	Amount	Proportion (%)	Amount	Proportion of provision (%)		
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually	334,849,963.67	35.29	(17,949,061.22)	5.36	316,900,902.45	290,495,462.42	36.87	(17,921,747.64)		6.17
Accounts receivable for which bad debt provision has been assessed by portfolios	614,113,225.99	64.71	(129,835,265.93)	21.14	484,277,960.06	497,365,339.48	63.13	(109,887,491.47)	22.09	387,477,848.01
Total	948,963,189.66	100.00	(147,784,327.15)	15.57	801,178,862.51	787,860,801.90	100.00	(127,809,239.11)	16.22	660,051,562.79

Accounts receivable that are individually significant at the end of the period and for which bad debt provision has been assessed individually:

RMB

Category	Closing balance				Opening balance			
	Accounts receivable	Bad debt provision	Proportion of provision (%)	Reasons for the provision	Accounts receivable	Bad debt provision	Proportion of provision (%)	Reasons for the provision
Beijing Jinhuanxuan Culture Development Co., Ltd (formerly known as Redkids Cartoon Books Co., Ltd)	7,860,893.20	(7,860,893.20)	100.00	Fully unrecoverable	7,860,893.20	(7,860,893.20)	100.00	Fully unrecoverable
Others	326,989,070.47	(10,088,168.02)	3.09	Partly unrecoverable	282,634,569.22	(10,060,854.44)	3.56	Partly unrecoverable
Total	334,849,963.67	(17,949,061.22)	5.36		290,495,462.42	(17,921,747.64)	6.17	

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

3. Accounts receivable *(Continued)*

(1) Disclosure of accounts receivable by categories: *(Continued)*

Accounts receivable portfolios for which bad debt provision has been assessed using the aging analysis approach:

RMB

Aging	Closing balance			Opening balance		
	Accounts receivable	Bad debt provision	Proportion of provision (%)	Accounts receivable	Bad debt provision	Proportion of provision (%)
Within 1 year	459,959,925.92	(14,191,028.80)	3.09	378,884,988.79	(15,050,464.37)	3.97
More than 1 year but not exceeding 2 years	72,707,243.20	(42,042,169.00)	57.82	42,964,059.10	(28,628,912.76)	66.63
More than 2 years but not exceeding 3 years	17,936,928.69	(12,097,302.67)	67.44	13,929,087.50	(8,559,057.48)	61.45
More than 3 years	63,509,128.18	(61,504,765.46)	96.84	61,587,204.09	(57,649,056.86)	93.61
Total	614,113,225.99	(129,835,265.93)	21.14	497,365,339.48	(109,887,491.47)	22.09

The aging of accounts receivable above is based on the date of goods delivery.

(2) Bad debt provision made or reversed in the current year.

The bad debt provision for the current year is RMB25,672,066.69, and the reversed amount of bad debt provision is RMB5,746,978.65.

(3) Accounts receivable written off for the current period

No accounts receivable has been written off for the current period. The reversed amount of bad debt provision that has been written off is RMB50,000.00.

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Accounts receivable (Continued)

(4) Top five debtors with the largest balances of accounts receivable

RMB

Name of entity	Relationship with the Company	Closing balance	Aging	Proportion of the amount to the total accounts receivable (%)	Closing balance of bad debt provision
People's Education Press Co., Ltd	Third party	67,562,685.84	Within 1 year	7.12	2,026,880.58
Amazon (China) Investment Co., Ltd	Third party	26,244,296.42	Within 1 year	2.77	797,081.74
Tongjiang Bureau for Education, Science & Technology and Sports	Third party	24,180,118.00	Within 1 year	2.55	–
Jiangsu Yuanzhou E-commerce Co., Ltd	Third party	22,263,538.30	Within 1 year	2.35	667,906.15
Education & Science Press	Third party	17,794,444.61	Within 1 year	1.88	533,833.34
Total		158,045,083.17		16.67	4,025,701.81

4. Prepayments

(1) Aging analysis of prepayments is as follows:

RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	80,833,093.00	87.38	50,115,351.34	83.43
More than 1 year but not exceeding 2 years	3,754,848.16	4.06	1,911,444.39	3.18
More than 2 year but not exceeding 3 years	660,533.80	0.71	1,966,980.54	3.27
More than 3 years	7,261,013.36	7.85	6,079,632.63	10.12
Total	92,509,488.32	100.00	60,073,408.90	100.00

The prepayment aged more than one year is mainly outstanding payments for goods which prepaid to the supplier.

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Prepayments (Continued)

(2) Top five entities with the largest balances of prepayments

RMB

Name of entity	Relationship with the Company	Closing balance	Aging	Reasons for unsettlement
Shanghai Gaochengsheng Studio	Third party	29,195,000.00	Within 1 year	Films and teleplays not yet finished
Shenzhen Youyou Communication Equipment Co., Ltd.	Third party	6,830,600.00	Within 1 year	Goods not yet received
Beijing Shangpin Weiye Commerce Co., Ltd.	Third party	3,816,000.00	4-5 years	Trading price not yet confirmed
Chengdu HongChuangDa Technology Co., Ltd.	Third party	3,558,180.00	Within 1 year	Goods not yet received
Shanghai Weishu Screen Culture Studio	Third party	2,415,000.00	Within 1 year	Films and teleplays not yet finished
Total		45,814,780.00		

5 Other receivables

(1) Disclosure of other receivables by categories:

RMB

Category	Closing balance				Net carrying amount	Opening balance				
	Carrying amount Amount	Proportion (%)	Bad debt provision Amount	Proportion (%)		Carrying amount Amount	Proportion (%)	Bad debt provision Amount	Proportion (%)	Net carrying amount
Other receivables that are individually significant and for which bad debt provision has been assessed individually	12,269,196.00	15.40	(5,269,196.00)	42.95	7,000,000.00	12,269,196.00	14.76	(5,269,196.00)	42.95	7,000,000.00
Other receivables for which bad debt provision has been assessed by portfolios	19,903,332.67	24.98	(4,356,038.86)	21.89	15,547,293.81	35,478,129.37	42.67	(4,468,215.39)	12.59	31,009,913.98
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	47,494,399.86	59.62	-	-	47,494,399.86	35,387,769.85	42.57	-	-	35,387,769.85
Total	79,666,928.53	100.00	(9,625,234.86)	12.08	70,041,693.67	83,135,095.22	100.00	(9,737,411.39)	11.71	73,397,683.83

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5 Other receivables (Continued)

(1) Disclosure of other receivables by categories: (Continued)

Other receivables that are individually significant and for which bad debt provision has been assessed individually at the end of the period:

RMB

Category	Closing balance			Reasons for the provision	Opening balance		
	Other receivables	Bad debt provision	Proportion of provision (%)		Other receivables	Bad debt provision	Proportion of provision (%)
Anhui Sihe Digital Technology Development Co., Ltd.	5,269,196.00	(5,269,196.00)	100.00	Fully unrecoverable	5,269,196.00	(5,269,196.00)	100.00
Ming Yang Pictures (Beijing) Culture Media Co., Ltd	7,000,000.00	-	-	--	7,000,000.00	-	-
Total	12,269,196.00	(5,269,196.00)	42.95		12,269,196.00	(5,269,196.00)	42.95

Other receivables portfolios for which bad debt provision has been assessed using the aging analysis approach:

RMB

Aging	Closing balance			Other receivables	Bad debt provision	Proportion of provision (%)
	Other receivables	Bad debt provision	Proportion of provision (%)			
Within 1 year	14,461,597.15	(520,250.79)	3.60	30,268,748.37	(974,137.30)	3.22
More than 1 year but not exceeding 2 years	2,721,463.32	(1,781,993.56)	65.48	1,766,459.70	(1,214,299.69)	68.74
More than 2 year but not exceeding 3 years	1,150,059.76	(771,906.76)	67.12	1,348,527.61	(928,678.50)	68.87
More than 3 years	1,570,212.44	(1,281,887.75)	81.64	2,094,393.69	(1,351,099.90)	64.51
Total	19,903,332.67	(4,356,038.86)	21.89	35,478,129.37	(4,468,215.39)	12.59

(2) Bad debt provision made or reversed for the current year

The bad debt provision for the current year is RMB98,917.19, and the reversed amount of bad debt provision is RMB274,593.72.

(3) Other accounts receivable written off for the current year

No accounts receivable has been written off for the current period. The reversed amount of bad debt provision that has been written off is RMB63,500.00.

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5 Other receivables (Continued)

(4) Other receivable presented by nature

RMB

Nature of other receivables	Closing balance	Opening balance
Deposit/security deposit	20,494,693.25	24,174,940.22
Petty cash	4,274,057.78	4,123,981.46
Relocation compensation (Note(VI)19)	4,000,000.00	4,000,000.00
Others	50,898,177.50	50,836,173.54
Total	79,666,928.53	83,135,095.22

(5) Top five debtors with the largest closing balances of other receivables

RMB

Name of entity	Nature	Closing balance	Aging	Proportion of the amount to the total other receivables (%)	Closing balance of bad debt provision
Ming Yang Ying Hua (Beijing) Culture Media Co., Ltd	Investment in films and teleplays	7,000,000.00	1-2 years	8.79	–
Anhui Sihe Digital Technology Development Co., Ltd.	Others	5,269,196.00	5-6 years	6.61	(5,269,196.00)
Old and Dilapidated Buildings Reconstruction Center of Jinniu District of Chengdu	Relocation compensation	4,000,000.00	1-2 years	5.02	–
People's Education Press Co., Ltd.	Others	3,362,358.00	Within 1 year	4.22	–
Da Hong Hua Mian International Auto-visual Media (Beijing) Co., Ltd.	Loan	2,400,000.00	1-2 years	3.01	–
Total		22,031,554.00		27.65	(5,269,196.00)

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Inventories

(1) Categories of inventories

RMB

Item	Carrying amount	Closing balance		Carrying amount	Opening balance	
		Provision for decline in value of inventories	Net carrying amount		Provision for decline in value of inventories	Net carrying amount
Goods on hand	1,443,799,278.49	(131,009,239.32)	1,312,790,039.17	1,320,428,777.11	(94,057,779.45)	1,226,370,997.66
Work-in-progress	136,293,718.21	-	136,293,718.21	123,652,152.50	-	123,652,152.50
Raw materials	40,797,180.42	(3,293,163.33)	37,504,017.09	110,409,613.52	(3,293,163.33)	107,116,450.19
Film and teleplay	62,868,099.46	(36,905,313.67)	25,962,785.79	43,945,534.27	(36,905,313.67)	7,040,220.60
Total	1,683,758,276.58	(171,207,716.32)	1,512,550,560.26	1,598,436,077.40	(134,256,256.45)	1,464,179,820.95

(2) Provision for decline in value of inventories

RMB

Category of inventories	Opening balance	Increase in the current year	Decrease in the current year		Closing balance
			Reversals	Write-off	
Goods on hand	94,057,779.45	61,121,566.37	(209,747.05)	(23,960,359.45)	131,009,239.32
Raw materials	3,293,163.33	-	-	-	3,293,163.33
Film and teleplay	36,905,313.67	-	-	-	36,905,313.67
Total	134,256,256.45	61,121,566.37	(209,747.05)	(23,960,359.45)	171,207,716.32

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Other current assets

<i>RMB</i>		
Item	Closing balance	Opening balance
Bank wealth management products (Note 1)	936,000,000.00	–
Available-for-sale financial assets		
– Trust Products Investments (Note 2)	17,176,654.12	31,671,984.28
Deductible VAT input tax (Note 3)	21,453,111.77	–
Total	974,629,765.89	31,671,984.28

Note 1: The Group's Bank wealth management products are wealth management products at fair value through profit or loss, its fair value is estimated using discounted cash flow analysis. For details of fair value measurement, please refer to Note (IX).

Note 2: At the end of the year, the Group's investment in trust products was CITIC Xinhui Capital Trust Plan 1201 of Cash-management Financial Investment Portfolio and FOTIC Capital Trust Plan II of Wuxing Huijin Small Fund Portfolio purchased by Winshare Investment Co., Ltd., a subsidiary of the Group. The investments above are subsequently measured at fair value. For details of fair value measurement, please refer to Note (IX).

Note 3: The deductible VAT amount is the amount of VAT input tax to be deducted by the Group within the next year.

8. Non-current assets due within one year

<i>RMB</i>		
Item	Closing balance	Opening balance
Entrust loans (Note)	120,000,000.00	120,000,000.00

Note: At the end of the year, entrusted by the Company, the loan to Sichuan Wenxuan Zhuotai Investment Co., Ltd. ("Wenzhuo") was granted by China Construction Bank Chengdu Xinhua Branch. The entrusted loan is with the period from 21 August, 2013 to 20 August 2016, and the annual interest rate of 6.15%. Zhuotai Industrial Co., Ltd., a shareholder of Wenzhuo, pledged 49% of its equity interest in Wenzhuo and its derivative interest to the Company to guarantee 49% of the creditor's rights in the entrusted loan contract. Pursuant to the resolution of the Board of Directors of the Company dated 19 August 2016, the entrusted loan was extended for another six months and it was recovered on 20 February 2017 when it was mature.

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Available-for-sale financial assets

(1) Available-for-sale financial assets

RMB

Item	Closing balance			Opening balance		
	Carrying amount	Provision for impairment	Net carrying amount	Carrying amount	Provision for impairment	Net carrying amount
Measured at fair value	2,692,901,902.10	-	2,692,901,902.10	2,448,112,822.40	-	2,448,112,822.40
Measured at cost	243,187,180.82	(2,958,365.49)	240,228,815.33	503,187,180.82	(2,958,365.49)	500,228,815.33
Total	2,936,089,082.92	(2,958,365.49)	2,933,130,717.43	2,951,300,003.22	(2,958,365.49)	2,948,341,637.73

(2) Available-for-sale financial assets measured at fair value at the end of the year

RMB

Item	Closing balance		Accumulated changes of fair value included in other comprehensive income
	Investment cost	Fair value	
Anhui Xinhua Media Co., Ltd. ("Wan Xin Media") (Note 1)	186,415,328.00	2,189,924,800.00	2,003,509,472.00
Jiangsu Youli Investment Holding Co., Ltd. ("Youli Holding") (Note 2)	783,556.84	1,592,651.85	809,095.01
CITIC Buyout Investment Fund (Shenzhen) Partnership (Limited Partnership) (Note 4)	98,083,837.00	102,972,401.83	4,888,564.83
Winshare Hengxin (Shenzhen) Equity Investment Fund Partnership (Limited Partnership) (Note 4)	188,000,000.00	220,943,522.28	32,943,522.28
Qingdao Jinshi Zhixin Investment Center (Limited Partnership) (Note 5)	151,667,500.00	151,667,500.00	-
Taizhou Xinheng Zhongrun Fund (Limited Partnership) (Note 6)	10,206,171.29	25,801,026.14	15,594,854.85
Total	635,156,393.13	2,692,901,902.10	2,057,745,508.97

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

9. Available-for-sale financial assets *(Continued)*

(2) Available-for-sale financial assets measured at fair value at the end of the year *(Continued)*

Note 1: The Company's quoted investment in Wan Xin Media accounted for 6.27% of the equity of Wan Xin Media. The stock of Wan Xin Media was listed on 18 January 2010 in the Shanghai Stock Exchange. The subsequent fair value changes for the current year resulted in the income of RMB153,211,753.15 have been included in other comprehensive income.

Note 2: Sichuan Xinhua Printing Co., Ltd. ("Sichuan Xinhua Printing"), a subsidiary of the Company, acquired in August 2014, holds 0.02% equity interest in Youli Holding and the fair value at the acquisition date is RMB783,556.84. The subsequent fair value changes for the current year resulted in the loss of RMB77,952.58 have been included in other comprehensive income.

Note 3: As at 31 December 2014, the Company, as a limited partner, invested RMB40,000,000.00 in CITIC Buyout Investment Fund (Shenzhen) Partnership (Limited Partnership). In the prior year, the Company increased its capital contribution by RMB40,000,000.00 and recovered investment of RMB1,676,200.00. For the current year, the Company's capital contribution increased by RMB20,000,000.00 and recovered investment of RMB239,963.00. Pursuant to the partnership agreement, the proportion of capital contribution subscribed by the Company is 1% of its total subscribed capital.

Under the partnership agreement, the general partner is the executive partner of the partnership who has exclusive power over the management and control of the partnership's operations, partnership investment business, and other matters. The distributable cash generated by the partnership in connection with the project investment shall be distributed among all the partners in proportion to their equity interest in the relevant investment, of which the portion attributable to the limited partner shall be first returned for the capital contribution until the cumulative distribution reaches its actual amount paid out. Then, the partnership will give priority to the limited partners according to the internal return rate of 8% each year. Under the premise of satisfying the order of distribution, the general partners will appropriate gain sharing, which is 20% of the total amount of the limited partner's income.

The subsequent fair value changes for the current year resulted in the income of RMB6,228,772.02 have been included in other comprehensive income.

Note 4: In the prior year, Winshare Investment, a subsidiary of the Company, as a limited partner, invested RMB100,000,000.00 in Winshare Hengxin (Shenzhen) Equity Investment Fund (Limited Partnership). In the current year, Winshare Investment increased the capital contribution to Winshare Hengxin by RMB88,000,000.00. Pursuant to the partnership agreement, the proportion of capital contribution subscribed by the Group is 62.50% of its total subscribed capital. During the year, Winshare Investment has received bonus of RMB1,109,398.30 from Winshare Hengxin (Shenzhen) Equity Investment Fund (Limited Partnership) and included it in investment income.

Under the partnership agreement, the general partner is the executive partner of the partnership who has exclusive power over the management and control of the partnership's operations, partnership investment business, and other matters. The distributable cash generated by the partnership in connection with the project investment shall be distributed among all the partners in proportion to their equity interest in the relevant investment, of which the portion attributable to the limited partner shall be first returned for the capital contribution until the cumulative distribution reaches its actual amount paid out. Then, the partnership will give priority to the limited partners according to the internal return rate of 8% each year. Under the premise of satisfying the order of distribution, the general partners will appropriate gain sharing, which is 20% of the total amount of the limited partner's income.

The subsequent fair value changes for the current year resulted in the loss of RMB10,592,234.49 have been included in other comprehensive income.

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

9. Available-for-sale financial assets *(Continued)*

(2) Available-for-sale financial assets measured at fair value at the end of the year *(Continued)*

Note 5: In the prior year, Winshare Investment, a subsidiary of the Company, as a limited partner, invested RMB150,767,500.00 in Qingdao Jinshi Zhixin Investment Center (Limited Partnership). In the current year, Winshare Investment made up the outstanding capital contribution of RMB900,000.00. Pursuant to the partnership agreement, the proportion of capital contribution subscribed by the Group is 62.50% of its total subscribed capital. During the year, Winshare Investment has received bonus of RMB4,249,545.15 from Qingdao Jinshi Zhixin Investment Center (Limited Partnership) and included it in investment income.

In accordance with the partnership agreement, the general partner acts as the internal executive partner and the external representative for the partnership. The profits and losses of the partnership shall be distributed and shared by the general partner and the limited partner in proportion to the paid-in capital contribution.

Note 6: In the prior year, Winshare Investment, a subsidiary of the Company, as a limited partner, accepted the transfer of the right of earnings from Taizhou Xinheng Zhongrun Investment Fund (Limited Partnership), of which the share accounted for 2.37% of the total subscribed capital of the partnership and the Group's investment cost of was RMB10,426,540.29. During the year, the Company has recovered its investment of RMB220,369.00. The investment is subsequently measured at fair value.

The subsequent fair value changes for the current year resulted in the loss of RMB12,420,926.40 has been included in other comprehensive income.

For details of the fair value measurement of available-for-sale financial assets, please refer to Note (IX).

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Available-for-sale financial assets (Continued)

(3) Available-for-sale financial assets measured at cost at the end of the year

RMB

Investee	Carrying amount			Closing balance	Opening balance	Provision for impairment		Closing balance	Proportion of ownership interest in the investee (%)	Cash dividends for the year
	Opening balance	Increase in the current year	Decrease in the current year			Increase in the current year	Decrease in the current year			
Shanghai Eastern Publishing & Trading Centre Co., Ltd.	1,311,665.90	-	-	1,311,665.90	(1,311,665.90)	-	-	(1,311,665.90)	10.00	-
Bank of Chengdu Co., Ltd.	240,000,000.00	-	-	240,000,000.00	-	-	-	-	2.46	20,000,000.00
Chengdu Institute Sichuan International Studies University (Chengdu Institute)	260,000,000.00	-	(260,000,000.00)	-	-	-	-	-	--	-
Others	1,875,514.92	-	-	1,875,514.92	(1,646,699.59)	-	-	(1,646,699.59)	--	-
Total	503,187,180.82	-	(260,000,000.00)	243,187,180.82	(2,958,365.49)	-	-	(2,958,365.49)	--	20,000,000.00

Note: During the year, the Company disposed of 24.3% equity interest in Chengdu Institute, at a consideration of RMB260,250,000.00.

The above available-for-sale financial assets marked with * are also available-for-sale financial assets of the Company measured at cost.

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Long-term equity investments

(1) Details of long-term equity investments are as follows:

Investee	Opening balance	Changes for the year							Closing balance	Closing balance of provision for impairment	
		Increase in investments	Decrease in investments	Investment profit or loss under equity method	Adjustment of other comprehensive income	Changes in other equity	Distribution of cash dividends or profits declared	Provision for impairment loss			Others
I. Joint ventures											
Hainan Publishing House Co., Ltd. ("Hainan Publishing")	117,338,938.83	-	-	6,352,772.93	-	-	-	-	-	123,691,711.76	-
Wenzhuo (Note 1)	308,258,879.43	-	-	424,259.54	-	-	-	-	-	308,683,138.97	-
Sichuan Fuduo Technology Co., Ltd. (Note 2)	681,788.93	1,705,500.00	-	(451,272.39)	-	-	-	-	-	1,936,016.54	-
Tibet Winshare Equity Investment (Note 3)	-	400,000.00	-	(5,914.22)	-	-	-	-	-	394,085.78	-
Shenzhen Xuancai Venture Capital Investment Fund Management Co., Ltd. (Note 4)	-	800,000.00	-	(188,351.06)	-	-	-	-	-	611,648.94	-
Subtotal	426,279,607.19	2,905,500.00	-	6,131,494.80	-	-	-	-	-	435,316,601.99	-
II. Associates											
Commercial Press (Chengdu) Co., Ltd.	2,078,723.24	-	-	169,124.86	-	-	-	-	-	2,247,848.10	-
Ren Min Eastern (Beijing) Book Industry Co., Ltd.	10,477,959.96	-	-	2,995,666.74	-	-	(3,333,281.09)	-	-	10,140,345.61	-
Guizhou Xinhua Winshare Book Audio-Visual Product Chainstore Co., Ltd. ("Guizhou Winshare")	-	-	-	-	-	-	-	-	-	-	-
Ming Bo Education Technology Holdings Co., Ltd.	22,361,459.43	-	-	6,392,918.14	-	-	-	-	-	28,754,377.57	-
Shanghai Jingjie Information Technology Co., Ltd.	2,828,422.10	-	-	(414,030.86)	-	-	-	-	-	2,414,391.24	-
Chengdu Xinhui Industrial Co., Ltd. ("Chengdu Xinhui") (Note 5)	124,931,342.10	-	-	(1,175,653.81)	-	-	-	-	-	123,755,688.29	(12,156,016.68)
Sichuan Winshare Preschool Educational Management Co., Ltd. ("Winshare Preschool") (Note 6)	7,593,492.42	-	-	(4,309,930.42)	-	-	-	-	-	3,283,562.00	-
Chongqing Yunhan Internet and Media Co., Ltd.	46,474,646.62	-	-	(353,159.43)	-	-	-	-	-	46,121,487.19	-
Chengdu Winshare Venture Capital Investment Fund Management Co., Ltd.	7,469,567.16	-	-	653,853.68	412,151.06	-	-	-	-	8,535,571.90	-
Sichuan Education and Science Forum Magazine Press Co., Ltd. (Education and Science Forum)	-	-	-	-	-	-	-	-	-	-	-
Sichuan Tianhe Culture Co., Ltd.	244,706.24	-	-	(36,966.70)	-	-	-	-	-	207,739.54	-
Tibet Winshare Venture Capital Investment Fund Partnership (Limited Partnership) (Note 7)	-	24,400,000.00	-	15,134.99	-	-	-	-	-	24,415,134.99	-
Sichuan Jiaoyang Sihuo Film Co., Ltd.	-	240,000.00	-	(240,000.00)	-	-	-	-	-	-	-
Subtotal	224,460,319.27	24,640,000.00	-	3,696,957.19	412,151.06	-	(3,333,281.09)	-	-	249,876,146.43	(12,156,016.68)
Total	650,739,926.46	27,545,500.00	-	9,828,451.99	412,151.06	-	(3,333,281.09)	-	-	685,192,748.42	(12,156,016.68)

RMB

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

10. Long-term equity investments *(Continued)*

(1) Details of long-term equity investments are as follows: *(Continued)*

Note 1: As discussed in the 11th meeting of the 4th session of the Company's Board of Directors, the Company was agreed to transfer the 48% equity interest in Wenzhuo held by the Company by way of public listing at the reserve price of RMB423,529,400. As of the date of approval of this report, the transfer has not yet been traded.

Note 2: Pursuant to the Articles of Association of Sichuan Fudou Technology Co., Ltd., Winshare Education Technology, a subsidiary of the Company, holds 38.5% of the voting rights at the shareholders' meeting and the other shareholder holds 61.5% at the shareholders' meeting. Resolutions of annual financial budget plans, final accounts, profit distribution and make up losses made by the shareholders of Sichuan Fudou Technology Co. Ltd shall be approved by over two-thirds of the total votes from its shareholders. Accordingly, Winshare Education Technology and the other technology have joint control over Sichuan Fudou Technology Co., Ltd., who accordingly became a joint venture of the Company. Winshare Education Technology made up RMB1,705,500.00 of the outstanding capital contribution for the year.

Note 3: According to the Articles of Association of Tibet Wenxuan Equity Investment Co., Ltd., Wenxuan Investment, a subsidiary of the Company, holds 40% of the voting rights in the shareholders' meeting and the other two shareholders respectively hold 30% of the voting right in the shareholders' meeting respectively. Resolutions of annual financial budget plans, final accounts, profit distribution and make up losses made by the shareholders shall be approved by over 75% of the votes from the shareholders. As a result, Wenxuan Investment and the other two shareholders shall have joint control over Tibet Wenxuan Equity Investment Co., Ltd. and accounts Tibet Wenxuan Equity Investment Co., Ltd. as a joint venture of the Group.

Note 4: According to the Articles of Association of Shenzhen Xuan Choi Venture Capital Management Co., Ltd., Winshare Investment, a subsidiary of the Company, has 40% of the voting rights in the shareholders' meeting and the other two shareholders will enjoy 30% of the voting rights respectively. Resolutions of annual financial budget plans, final accounts, profit distribution and make up losses made by the shareholders' meeting of Shenzhen Xuan Choi Venture Capital Fund Management Co., Ltd. shall be approved by over 75% of the votes from the shareholders. Therefore, Winshare Investment and the other two shareholders have joint control over Shenzhen Xuan Choi Venture Capital Fund Management Co., Ltd. which is a joint venture of the Group.

Note 5: As discussed in the 10th meeting of the 4th session of the Company's Board of Directors, the Company was agreed to transfer the 34% equity interest in Chengdu Xinhui by way of public listing at the reserve price of RMB141,920,700. As of the date of approval of this report, the transfer has not yet been traded.

Note 6: As discussed in the 15th meeting of the 4th session of the Company's Board of Directors, the Company was agreed to transfer the 34% equity interest in the Winshare Preschool held by the Company by way of public listing at the reserve price of RMB15,445,500. As of the date of approval of this report, the transfer has not yet been traded.

Note 7: As a limited partner, Winshare Investment, a subsidiary of the Company, invested RMB24,400,000.00 in Tibet Winshare Venture Capital Fund (Limited Partnership), and the proportion of the subscribed capital contribution of Winshare Investment accounted for 56.34% of its total subscribed capital. According to the partnership agreement of Tibet Winshare Venture Capital Fund (Limited Partnership), the Investment Decision-making Committee is responsible for the decision of fund projects. Winshare Investment holds 25% of the voting rights in the Investment Decision-making Committee, by which it can exert significant influence on Tibet Winshare Venture Capital Fund (Limited Partnership). As a result, Tibet Winshare Venture Capital Fund (Limited Partnership) is an associate of the Group.

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Long-term equity investments (Continued)

(2) Details of unrecognised investment losses are as follows:

RMB

Item	Current year/End of the year		Prior year/End of the prior year	
	Unrecognised/ (Reversed but unrecognised) investment losses for the year	Accumulated unrecognised investment losses	Unrecognised investment losses for the prior year	Accumulated unrecognised investment losses
Guizhou Winshare Education Forum	– (35,659.71)	5,557,990.70 198,724.85	110,220.00 (14,259.09)	5,557,990.70 234,384.56
Sichuan Jiaoyang Sihuo Film Co., Ltd.	82,198.49	82,198.49	–	–
Total	46,538.78	5,838,914.04	95,960.91	5,792,375.26

11. Long-term receivables

RMB

Item	Closing balance			Opening balance		
	Carrying amount	Provision for impairment	Net carrying amount	Carrying amount	Provision for impairment	Net carrying amount
Goods sold by installments (Note)	134,581,582.86	–	134,581,582.86	23,145,230.77	–	23,145,230.77

Note: Receivables of goods sold by installments are the Group's amounts of sales of equipment and software, which shall be collected by installments in accordance with the contract. The agreed period in the contract is 2-5 years and the Group has discounted at a discount rate of 4.75%-6%.

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

12. Investment properties

Investment properties measured at cost

Item	RMB Buildings
I. Total original carrying amount	
1. Opening balance	79,750,558.59
2. Increase in the year	23,053,572.97
(1) Transfer from fixed assets	23,053,572.97
3. Decrease in the year	(4,026,946.75)
(1) Transfer to fixed assets	(4,026,946.75)
4. Closing balance	98,777,184.81
II. Total accumulated depreciation	
1. Opening balance	(18,601,030.66)
2. Increase in the year	(13,523,428.91)
(1) Provision	(3,190,969.45)
(2) Transfer from fixed assets	(10,332,459.46)
3. Decrease in the year	2,018,962.58
(1) Transfer to fixed assets	2,018,962.58
4. Closing balance	(30,105,496.99)
III. Total net carrying amount of investment properties	
1. Net carrying amount at the end of the year	68,671,687.82
2. Net carrying amount at the beginning of the year	61,149,527.93

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Fixed assets

(1) Fixed assets

RMB

Item	Buildings	Machinery and equipment	Electronic equipment and others	Transportation vehicles	Total
I. Original carrying amount					
1. Opening balance	1,562,822,001.80	266,252,429.26	145,801,609.80	116,513,692.41	2,091,389,733.27
2. Increase in the year	26,802,544.61	17,548,775.06	15,215,367.02	2,302,710.00	61,869,396.69
(1) Acquisition	6,473,067.86	7,751,934.88	15,215,367.02	2,302,710.00	31,743,079.76
(2) Transfer from construction in progress	16,302,530.00	9,796,840.18	-	-	26,099,370.18
(3) Transfer from investment property	4,026,946.75	-	-	-	4,026,946.75
3. Decrease in the year	(23,175,938.75)	(7,802,820.58)	(4,492,948.16)	(5,516,872.99)	(40,988,580.48)
(1) Disposal	(122,365.78)	(7,802,820.58)	(4,492,948.16)	(5,516,872.99)	(17,935,007.51)
(2) Transfer to investment property	(23,053,572.97)	-	-	-	(23,053,572.97)
4. Closing balance	1,566,448,607.66	275,998,383.74	156,524,028.66	113,299,529.42	2,112,270,549.48
II. Accumulated depreciation					
1. Opening balance	(323,353,543.50)	(173,296,029.09)	(110,801,595.05)	(74,047,615.83)	(681,498,783.47)
2. Increase in the year	(51,921,909.07)	(15,580,057.80)	(18,046,191.30)	(12,331,995.60)	(97,880,153.77)
(1) Provision	(49,902,946.49)	(15,580,057.80)	(18,046,191.30)	(12,331,995.60)	(95,861,191.19)
(2) Transfer from investment property	(2,018,962.58)	-	-	-	(2,018,962.58)
3. Decrease in the year	10,451,154.27	6,468,343.47	3,867,675.32	5,062,114.18	25,849,287.24
(1) Disposal	118,694.81	6,468,343.47	3,867,675.32	5,062,114.18	15,516,827.78
(2) Transfer to investment property	10,332,459.46	-	-	-	10,332,459.46
4. Closing balance	(364,824,298.30)	(182,407,743.42)	(124,980,111.03)	(81,317,497.25)	(753,529,650.00)
III. Net carrying amount					
1. Net carrying amount at the end					
of the year	1,201,624,309.36	93,590,640.32	31,543,917.63	31,982,032.17	1,358,740,899.48
2. Net carrying amount at the beginning					
of the year	1,239,468,458.30	92,956,400.17	35,000,014.75	42,466,076.58	1,409,890,949.80

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

13. Fixed assets *(Continued)*

(2) Fixed assets of which certificates of title have not been obtained

RMB

Item	Net carrying amount	Reasons why certificates of title have not been obtained	Expected timing of obtaining certificates of title
Office building (Beijing Branch)	67,241,214.80	In progress	2017 year
Warehouse and office building (Sichuan Jiange)	6,151,324.46	In progress	2017 year
Warehouse and office building (Sichuan peng'an)	5,229,711.86	In progress	2017 year
Warehouse and office building (Sichuan Longquan)	8,582,044.19	In progress	2017 year
Warehouse and office building (Sichuan Wusheng)	6,533,748.76	In progress	2017 year
Warehouse and office building (Sichuan Xindu)	6,203,527.18	In progress	2017 year
Warehouse and office building (Sichuan Renshou)	10,143,909.43	In progress	2017 year
Warehouse and office building (Sichuan Xichong)	7,140,129.21	In progress	2017 year
Warehouse and office building (Sichuan Nanchong)	17,474,183.70	In progress	2017 year
Business Building (Guang'an Bookstore)	20,342,662.85	In progress	2017 year
Total	155,042,456.44		

(3) There is no temporary idle fixed assets included in the Group's major operational fixed assets at the end of the year.

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Construction in progress

(1) Details of construction in progress are as follows:

RMB

Item	Closing balance			Opening balance		
	Carrying amount	Provision for impairment	Net carrying amount	Carrying amount	Provision for impairment	Net carrying amount
Western culture logistics distribution base	2,142,329.61	-	2,142,329.61	1,573,993.94	-	1,573,993.94
Publishing Media Creation Center*	365,607,570.37	-	365,607,570.37	158,907,444.24	-	158,907,444.24
Bazhong warehouse and office building*	7,976,000.00	-	7,976,000.00	7,976,000.00	-	7,976,000.00
Deyang textbook warehouse*	-	-	-	16,302,530.00	-	16,302,530.00
Yilong textbook distribution center project*	9,835,113.32	-	9,835,113.32	9,257,928.10	-	9,257,928.10
Ziyang textbooks transfer station project*	19,122,881.51	-	19,122,881.51	18,999,162.00	-	18,999,162.00
Anyue branch-office building and warehouse*	4,306,875.96	-	4,306,875.96	1,962,875.00	-	1,962,875.00
Lezhi textbook distribution center*	5,288,482.89	-	5,288,482.89	2,635,627.00	-	2,635,627.00
Mianyang textbook warehouse*	39,933,952.00	-	39,933,952.00	14,975,232.00	-	14,975,232.00
Yuechi warehouse and office building*	5,935,318.00	-	5,935,318.00	-	-	-
Others	55,177.39	-	55,177.39	-	-	-
Total	460,203,701.05	-	460,203,701.05	232,590,792.28	-	232,590,792.28

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Construction in progress (Continued)

(2) Changes in construction in progress

RMB

Item name	Budget amount	Opening balance	Increase in the current year	Transfer to fixed assets	Amount injected as a proportion of budget amount (%)	Construction progress (%)	Amount of accumulated capitalised interest	Including: capitalised interest for the period	Interest capitalisation rate for the period (%)	Source of funds	Closing balance
Western culture logistics distribution base	598,000,000.00	1,573,993.94	588,335.67	-	61.00	61.00	-	-	-	self-raised funds	2,142,329.61
Publishing media creation center*	736,000,000.00	158,307,444.24	206,700,126.13	-	50.00	50.00	-	-	-	Self-raised	365,607,570.37
Bazhong warehouse and office building*	19,500,000.00	7,976,000.00	-	-	41.00	41.00	-	-	-	Self-raised	7,976,000.00
Deyang textbook warehouse*	19,000,000.00	16,302,530.00	-	(16,302,530.00)	86.00	86.00	-	-	-	Self-raised	-
Yilong textbook distribution center project*	16,000,000.00	9,257,928.10	577,185.22	-	61.00	61.00	-	-	-	Self-raised	9,835,113.32
Ziyang textbooks transfer station project*	20,000,000.00	18,999,162.00	123,719.51	-	96.00	96.00	-	-	-	Self-raised	19,122,881.51
Anyue Branch-office building and warehouse*	13,600,000.00	1,962,875.00	2,344,000.96	-	32.00	32.00	-	-	-	Self-raised	4,306,875.96
Lezhi textbook distribution center*	31,000,000.00	2,635,627.00	2,652,855.89	-	17.00	17.00	-	-	-	Self-raised	5,288,482.89
Mianyang textbook warehouse*	39,600,000.00	14,975,232.00	24,958,720.00	-	100.00	100.00	-	-	-	Self-raised	39,933,952.00
Yuechi warehouse and office building*	11,120,000.00	-	5,935,318.00	-	53.00	53.00	-	-	-	Self-raised	5,935,318.00
Others	-	-	9,852,017.57	(9,796,840.18)	-	-	-	-	-	Self-raised	55,177.39
Total	1,503,820,000.00	232,590,792.28	253,712,278.95	(26,099,370.18)	-	-	-	-	-	-	460,203,701.05

* It is also the construction in progress of the Company

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Intangible assets

(1) Intangible assets

RMB

Item	Land use rights	Patent	Software	Distribution channel	Others	Total
I. Total original carrying amount						
1. Opening balance	391,600,040.28	3,131,155.64	110,976,183.21	44,944,000.00	3,042,341.59	553,693,720.72
2. Increase in the year	-	2,222,865.70	4,313,116.70	-	1,987,658.79	8,523,641.19
(1) Acquisition	-	2,222,865.70	4,313,116.70	-	1,987,658.79	8,523,641.19
3. Decrease in the year	(55,619.85)	(54,320.00)	(2,079,575.66)	-	-	(2,189,515.51)
(1) Retirement	(55,619.85)	(54,320.00)	(2,079,575.66)	-	-	(2,189,515.51)
4. Closing balance	391,544,420.43	5,299,701.34	113,209,724.25	44,944,000.00	5,030,000.38	560,027,846.40
II. Total accumulated amortisation						
1. Opening balance	(59,958,193.76)	(1,936,151.68)	(52,268,866.76)	(13,977,599.92)	(2,259,407.87)	(130,400,219.99)
2. Increase in the year	(9,160,927.30)	(216,377.72)	(9,924,176.87)	(3,161,066.64)	(316,357.98)	(22,778,906.51)
(1) Provision	(9,160,927.30)	(216,377.72)	(9,924,176.87)	(3,161,066.64)	(316,357.98)	(22,778,906.51)
3. Decrease in the year	55,619.85	54,320.00	2,079,575.66	-	-	2,189,515.51
(1) Retirement	55,619.85	54,320.00	2,079,575.66	-	-	2,189,515.51
4. Closing balance	(69,063,501.21)	(2,098,209.40)	(60,113,467.97)	(17,138,666.56)	(2,575,765.85)	(150,989,610.99)
III. Total provision for impairment						
1. Opening balance	-	-	-	(12,000,000.00)	-	(12,000,000.00)
2. Closing balance	-	-	-	(12,000,000.00)	-	(12,000,000.00)
IV. Total net carrying amount of intangible assets						
1. Net carrying amount at the end of the year	322,480,919.22	3,201,491.94	53,096,256.28	15,805,333.44	2,454,234.53	397,038,235.41
2. Net carrying amount at the beginning of the year	331,641,846.52	1,195,003.96	58,707,316.45	18,966,400.08	782,933.72	411,293,500.73

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Goodwill

(1) Original carrying amount of goodwill

RMB

Name of the investee and item resulting in goodwill	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
Acquisitions of 15 publishing companies (Note)	500,571,581.14	–	–	500,571,581.14
Others	3,870,061.53	–	–	3,870,061.53
Total	504,441,642.67	–	–	504,441,642.67

Note: Goodwill of RMB500,571,581.14 was generated from the Group's acquisition of 15 publishing entities on 31 August 2010, which has been distributed to a related asset group, including 3 of the 15 publishing entities of the publishing segment.

The recoverable amount of the asset group is determined based on the present value of its expected future cash flows. The future cash flows are determined based on the financial budget approved by the management for the five-year period. Budget gross profit is determined based on the average gross profit achieved in the five years before the budget year. The revenue growth rate of operating income after 5 years is from 0 to 2% (Prior year: 0-2%). Discount rate of 15% (prior year: 15%) is proposed according to the specific risk of publishing business.

The management believes that any reasonable changes in the above assumptions would under no circumstances result in the sum of the respective book value of the asset group exceeds its recoverable amount.

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

16. Goodwill *(Continued)*

(2) Provision for impairment loss of goodwill

RMB

Name of the investee and item resulting in goodwill	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
Others	(3,851,606.53)	–	–	(3,851,606.53)

17. Long-term prepaid expenses

RMB

Item	Opening balance	Increase in the current year	Amortisation for the year	Closing balance
Leasehold improvement	20,314,298.06	3,959,934.82	(9,620,315.46)	14,653,917.42
Rent	240,123.54	–	(48,024.60)	192,098.94
Total	20,554,421.60	3,959,934.82	(9,668,340.06)	14,846,016.36

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Deferred tax assets (liabilities)

(1) Deferred tax assets

RMB

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment losses of assets	20,797,374.92	5,199,343.73	22,692,210.76	5,673,052.69
Employee benefits payable	14,515,095.08	3,628,773.77	10,689,251.08	2,672,312.77
Total	35,312,470.00	8,828,117.50	33,381,461.84	8,345,365.46

(2) Deferred tax liabilities

RMB

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Differences between carrying amount and fair value in acquisitions of subsidiary	43,627,963.36	10,906,990.84	47,030,529.68	11,757,632.42
Relocation compensation	41,428,724.80	10,357,181.20	41,428,724.80	10,357,181.20
Changes in the fair value of available-for-sale financial assets	49,831,761.72	12,457,940.43	72,922,875.20	18,230,718.80
Total	134,888,449.88	33,722,112.47	161,382,129.68	40,345,532.42

The amount for offsetting of deferred tax assets and deferred tax liabilities at the end of the year is nil.

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

18. Deferred tax assets (liabilities) *(Continued)*

(3) Details of unrecognised deferred tax assets

RMB

Item	Closing balance	Opening balance
Deductible temporary differences	92,901,973.99	63,434,306.71
Deductible taxable losses	426,772,258.67	395,984,891.22
Total	519,674,232.66	459,419,197.93

The Group believes that it is not probable that taxable profits will be available in future periods to offset the aforementioned deductible losses, therefore, deferred tax assets are not recognised on above items.

(4) Deductible losses, for which no deferred tax assets are recognised, will expire in the following years

RMB

Year	Closing balance	Opening balance
2016	–	18,880,749.35
2017	83,879,851.12	83,879,851.12
2018	78,105,186.70	83,465,862.28
2019	81,243,283.59	84,602,612.67
2020	121,900,969.19	125,155,815.80
2021	61,642,968.07	–
Total	426,772,258.67	395,984,891.22

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Other non-current assets

Item	Closing balance	Opening balance
Prepaid land funds	35,355,837.99	35,355,837.99
Deductible VAT input tax (Note 1)	60,104,189.59	65,618,314.45
Relocation compensation (Note 2)	37,738,886.00	36,230,330.00
Time deposit (Note 3)	280,000,000.00	–
Total	413,198,913.58	137,204,482.44

Note 1: The deductible VAT input tax is the VAT input tax that the Group expects to deduct in the following year.

Note 2: Sichuan Xinhua Printing and Old and Dilapidated Buildings Reconstruction Center of Jinniu District of Chengdu signed the *Relocation Compensation Contract of South Area Urban Renewal Project of Xinhua Printing Factory Conditional Agreement* in December 2013. According to the Relocation Compensation Contract, Sichuan Xinhua Printing will receive cash compensation of RMB199,925,770.00, and compensation for resettlement house valued to RMB36,230,330.00. As at 31 December 2016, Sichuan Xinhua Printing has received cash compensation of RMB195,925,770.00 and the remaining compensation will be received in 2018.

In May 2015, Sichuan Printing Materials Co., Ltd., a subsidiary of the Company, entered into *Relocation Compensation Contract of Surrounding Scattered Plots of North Area Urban Renewal Project of Xinhua Printing Factory Conditional Agreement* with Sichuan Chuanchu Property Co., Ltd. Pursuant to the Relocation Compensation Contract, Printing Materials will receive compensation for resettlement house valued to RMB1,508,556.00 in 2018.

Note 3: Time deposit is in the form of negotiable certificate of deposit with the period from 12 December 2016 to 12 December 2018 and the interest rate of 2.98%.

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

20. Notes payable

<i>RMB</i>		
Item	Closing balance	Opening balance
Bank acceptances	12,584,784.00	3,200,000.00

At the end of the year, the Group's deposit for the above-mentioned bank acceptance bills was RMB6,815,913.60.

All of the Group's bank acceptance bills are due within 6 months.

21. Accounts payable

Aging analysis of accounts payable:

<i>RMB</i>		
Item	Closing balance	Opening balance
Within 1 year	1,951,342,495.62	1,866,015,076.36
More than 1 year but not exceeding 2 years	502,756,239.78	473,616,645.00
More than 2 years but not exceeding 3 years	147,358,941.28	112,560,097.84
More than 3 years	113,545,766.67	85,667,727.24
Total	2,715,003,443.35	2,537,859,546.44

Aging analysis of accounts payable is carried out based on the time of purchasing goods or receiving services. Accounts payable aged more than one year are mainly payments due to the suppliers.

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Advance from customers

Details of advance from customers are as follows:

<i>RMB</i>		
Item	Closing balance	Opening balance
Within 1 year	285,643,576.28	215,984,319.30
More than 1 year but not exceeding 2 years	13,202,730.15	14,226,383.24
More than 2 years but not exceeding 3 years	3,750,103.96	4,091,648.72
More than 3 years	7,350,103.02	6,224,460.28
Total	309,946,513.41	240,526,811.54

At the end of the year, advance from customers of the Group was advances on sales.

Advance from customers aged more than 1 year are mainly outstanding payments due from customers in previous years.

23. Employee benefits payable

(1) Employee benefits payable

<i>RMB</i>				
Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
I. Short-term benefits	233,537,458.31	738,132,021.89	(720,710,908.63)	250,958,571.57
II. Post-employment benefit – defined contribution plan	415,839.29	112,790,031.52	(112,368,254.86)	837,615.95
Total	233,953,297.60	850,922,053.41	(833,079,163.49)	251,796,187.52

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23. Employee benefits payable (Continued)

(2) Short-term benefits

RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
I. Wages or salaries, bonuses, allowances and subsidies	191,615,876.49	609,936,747.37	(599,575,430.32)	201,977,193.54
II. Staff welfare	258.55	7,956,147.22	(7,952,347.22)	4,058.55
III. Social security contributions	653,833.95	39,842,427.32	(40,169,002.00)	327,259.27
Including: Medical insurance	232,933.82	35,456,306.98	(35,424,148.70)	265,092.10
Work-related injury insurance	33,524.94	1,971,844.21	(1,969,174.82)	36,194.33
Maternity insurance	34,455.08	2,306,737.08	(2,319,020.96)	22,171.20
Other insurances	352,920.11	107,539.05	(456,657.52)	3,801.64
IV. Housing funds	1,425,311.90	53,161,125.89	(53,259,410.63)	1,327,027.16
V. Union running costs and employee education costs	39,630,261.70	21,099,372.36	(13,614,516.73)	47,115,117.33
VI. Others	211,915.72	6,136,201.73	(6,140,201.73)	207,915.72
Total	233,537,458.31	738,132,021.89	(720,710,908.63)	250,958,571.57

(3) Defined contribution plan

RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
I. Basic pension insurance	382,705.82	86,964,323.96	(86,910,917.82)	436,111.96
II. Unemployment insurance expense	33,133.47	4,109,689.66	(4,094,748.37)	48,074.76
III. Enterprise annuity	–	21,716,017.90	(21,362,588.67)	353,429.23
Total	415,839.29	112,790,031.52	(112,368,254.86)	837,615.95

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. Taxes payable

<i>RMB</i>		
Item	Closing balance	Opening balance
Income tax	1,764,930.97	29,089,532.94
Value added tax	16,207,327.07	(15,138,375.10)
Business tax	11,593.02	1,371,451.52
City construction and maintenance tax	445,266.91	576,191.46
Education surcharges	313,775.70	423,807.43
Housing property tax	26,305.07	19,916.01
Others	20,187,669.01	20,088,091.41
Total	38,956,867.75	36,430,615.67

25. Other Payables

<i>RMB</i>		
Item	Closing balance	Opening balance
Amounts due to related parties	2,972,709.57	744,346.71
Security deposit/deposit/quality warranty/performance security	86,068,756.41	59,526,406.65
Construction and infrastructure construction expenses	17,318,289.77	50,091,983.29
Amounts due to/from other entities	62,362,569.77	17,427,028.79
Others	101,739,164.56	102,748,357.05
Total	270,461,490.08	230,538,122.49

Other payables aged more than one year are mainly security deposit and deposit.

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26. Deferred income

RMB		
Item	Closing balance	Opening balance
Government grants (Note 1)	89,519,510.36	87,737,092.86
Membership card points (Note 2)	10,057,076.69	9,081,006.30
Total	99,576,587.05	96,818,099.16

Items involving with government subsidies:

RMB					
Item	Opening balance	New grants for the current year	Amount recognised in non-operating income for the current year	Closing balance	related to an asset/ related to income
Books subsidies	72,561,810.19	28,971,926.89	(22,491,104.11)	79,042,632.97	related to income
Films and television work subsidies	15,175,282.67	30,000.00	(4,728,405.28)	10,476,877.39	related to income
Total	87,737,092.86	29,001,926.89	(27,219,509.39)	89,519,510.36	

Note 1: For the publication of certain subject matter, the publishing subordinate unit of the Group will receive various forms of government subsidies. When the relevant publications are completed, the corresponding government subsidies will be included in the non-operating income, and the government subsidies that have been acquired but not yet implemented of the relevant issuing business will be listed in the deferred income.

Subsidies for films and teleplays are subsidies for the production and distribution of films and teleplays of certain subject matters acquired by Beijing Huaying Winshare Movie & TV Culture Co., Ltd., a subsidiary of the Company, which are included in the non-operating income when the relevant films and teleplays are completed and distributed.

Note 2: The Group's retail Outlets offer a loyalty card to the consumers, and the points for customers who earn a certain amount of points can be converted to cash when shopping. The Group distributes the consideration for sale between the goods sold and the points awarded according to the relative fair value. The sales price allocated to the reward points is recognised as deferred income and recognised as income when the reward points are redeemed.

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27. Provisions

RMB

Item	Closing balance	Opening balance
Provisions for sales return	8,834,463.43	7,770,686.30

Provisions of the Group are the provisions for sales return that estimated in accordance with the historical return rate.

28. Deferred income

RMB

Item	2016.12.31	2015.12.31
Government grants	87,235,679.55	76,333,156.35

Items related to government grants:

RMB

Item	Opening balance	New grants for the current year	Amount recognised in non-operating income for the current year	Closing balance	related to an asset/related to income
Copyright protection of audio and video cloud application system	3,000,000.00	-	-	3,000,000.00	related to an asset
Integration and Application Demonstration of Key Technology in Digital Education	5,887,600.00	-	-	5,887,600.00	related to an asset
Construction of Full Media Center of "Tibetan-Chinese Bilingual Language"	828,134.09	-	(158,662.13)	669,471.96	related to an asset
Western Culture Logistics and Distribution Base	2,199,715.12	-	(242,949.68)	1,956,765.44	related to an asset
CNONIX National Standard Application Promotion Demonstration – Based on Supply Chain Collaborative E – Commerce Platform	9,997,360.34	-	(2,281,755.69)	7,715,604.65	related to an asset
Overseas cultural market development project	8,811,354.56	4,000,000.00	(1,371,806.58)	11,439,547.98	related to an asset
Special funds for technological transformation	28,249,975.23	-	(4,213,472.99)	24,036,502.24	related to an asset
R&D and industrialisation project of rich media digital resources online edit system	-	4,000,000.00	-	4,000,000.00	related to an asset
Special fund for Winshare bookstores	-	6,000,000.00	-	6,000,000.00	related to an asset
UClass Digital Teaching Application System	-	400,000.00	-	400,000.00	related to an asset
Winshare Cloud Digital Campus Development and Application Promotion	-	300,000.00	-	300,000.00	related to an asset
Wisdom Bookstore Project	-	4,000,000.00	-	4,000,000.00	related to an asset
Others	17,359,017.01	1,770,606.26	(1,299,435.99)	17,830,187.28	related to an asset
Total	76,333,156.35	20,470,606.26	(9,568,083.06)	87,235,679.55	

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

29. Share capital

RMB

Item	Opening balance	New issue of shares	Changes for the year			Subtotal	Closing balance
			Bonus issue	Capitalisations of surplus reserve	Others		
For the current year:							
Promotor's shares	693,193,900.00	-	-	-	(725,809.00)	(725,809.00)	692,468,091.00
National Council for Social Security Fund	-	-	-	-	725,809.00	725,809.00	725,809.00
Outstanding overseas listed foreign shares	441,937,100.00	-	-	-	-	-	441,937,100.00
Outstanding domestic listed RMB ordinary shares	-	98,710,000.00	-	-	-	98,710,000.00	98,710,000.00
Total	1,135,131,000.00	98,710,000.00	-	-	-	98,710,000.00	1,233,841,000.00
For the prior year:							
Promotor's shares	693,193,900.00	-	-	-	-	-	693,193,900.00
Outstanding overseas listed foreign shares	441,937,100.00	-	-	-	-	-	441,937,100.00
Total	1,135,131,000.00	-	-	-	-	-	1,135,131,000.00

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

30. Capital reserve

For the current year

RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
Share capital premium				
Including: Capital contributed by investors	2,076,342,695.61	546,465,098.06	–	2,622,807,793.67
Effect of business combination involving enterprises under common control	(24,511,900.00)	–	–	(24,511,900.00)
Equity transaction with non-controlling shareholders	(8,066,401.59)	–	–	(8,066,401.59)
Deemed acquisition of additional interests in subsidiaries	(2,865,206.59)			(2,865,206.59)
Other capital reserve		–	–	
Including: Transfer from capital reserve under the previous accounting system	23,281,007.10	–	–	23,281,007.10
The appreciation of net assets arising from associates changing into subsidiaries on pro-rata basis	9,820,616.03	–	–	9,820,616.03
Treasury shares	(998,378.51)	–	–	(998,378.51)
Total	2,073,002,432.05	546,465,098.06	–	2,619,467,530.11

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30. Capital reserve (Continued)

For the prior year

RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
Share capital premium				
Including: Capital contributed by investors	2,076,342,695.61	–	–	2,076,342,695.61
Effect of business combination involving enterprises under common control	20,103,700.00	–	44,615,600.00	(24,511,900.00)
Equity transaction with non-controlling shareholders Regarded as the acquisition of additional interests of subsidiaries	(4,817,698.46)	–	3,248,703.13	(8,066,401.59)
	(2,865,206.59)	–	–	(2,865,206.59)
Other capital reserve				
Including: Transfer from capital reserve under the previous accounting system	23,281,007.10	–	–	23,281,007.10
The appreciation of net assets arising from associated companies changing into subsidiaries on pro-rata basis	9,820,616.03	–	–	9,820,616.03
Treasury shares	(998,378.51)	–	–	(998,378.51)
Total	2,120,866,735.18	–	47,864,303.13	2,073,002,432.05

Note: In December 2015, the Company acquired 97.95% of the equity interest in Sichuan Culture Communication held by Sichuan Xinhua Publishing Group in cash consideration of RMB44,615,600.00. Upon completion of the acquisition, Sichuan Culture Communication became a wholly-owned subsidiary of the Company. The transaction constitutes a business combination involving entities under the same control. See Note (VII) 1 Note 6 for details.

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31. Other comprehensive income

RMB

Item	Opening balance	Amount before income tax for the current year	Less: amount included in other comprehensive income in the prior periods that is transferred to profit or loss for the period	changes for the year			Closing balance
				Less: income tax expenses	Attribute to the owner of the Company (after tax)	Attribute to non-controlling shareholders (after tax)	
Closing balance							
Other comprehensive income will be reclassified in profit or loss in the subsequent years	1,903,286,451.10	138,931,777.81	(2,170,215.05)	5,772,778.37	142,534,341.13	-	2,045,820,792.23
Share of other comprehensive income of the investee that will be subsequently reclassified into profit or loss under equity method	-	412,151.06	-	-	412,151.06	-	412,151.06
Profit or loss arising from changes in fair value of available-for-sale financial assets	1,903,286,451.10	138,519,626.75	(2,170,215.05)	5,772,778.37	142,122,190.07	-	2,045,408,641.17
For the prior year:							
Other comprehensive income will be reclassified in profit or loss in the subsequent years	849,541,336.60	1,077,192,191.11	(5,371,702.70)	(18,075,373.91)	1,053,745,114.50	-	1,903,286,451.10
Profit or loss arising from changes in fair value of available-for-sale financial assets	849,541,336.60	1,077,192,191.11	(5,371,702.70)	(18,075,373.91)	1,053,745,114.50	-	1,903,286,451.10

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32. Surplus reserve

RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
For the current year:				
Statutory surplus reserve	476,433,736.51	63,131,230.83	–	539,564,967.34
For the prior year:				
Statutory surplus reserve	408,213,218.04	68,220,518.47	–	476,433,736.51

33. Retained profits

RMB

Item	Current year	Prior year	Proportion of appropriation
Retained profits at beginning of year	1,682,817,310.23	1,432,662,045.46	
Effect of business combination under common control	–	11,645,574.75	
Retained profits at beginning of year	1,682,817,310.23	1,444,307,620.21	
Add: Net profit attributable to shareholders of the Company for the year	647,462,291.44	647,269,508.49	
Less: Appropriation to statutory surplus reserve	(63,131,230.83)	(68,220,518.47)	(1)
Declaration of dividends on ordinary shares	(370,152,300.00)	(340,539,300.00)	(2)
Retained profits at the end of the year	1,896,996,070.84	1,682,817,310.23	

(1) Appropriation to statutory surplus reserve

According to the Articles of Association, the Company is required to transfer 10% of its net profit to the statutory surplus reserve. The transfer may be ceased if the balance of the statutory surplus reserve has reached 50% of the Company's registered capital. The statutory surplus reserve can be used to offset the loss of the Company, expanding production and operation or transferring to paid-in capital, but the retained statutory surplus reserve shall not lower than 25% of the registered capital.

(2) Cash dividends approved in shareholders' meeting

On 15 December 2016, the resolution of the 2016 Fourth Extraordinary Shareholders' General Meeting of the Company approved the Company's 2016 Quarterly Profit Distribution Proposal. The profit distribution was based on 1,233,841,000 shares of the Company's total share capital before the implementation of the proposal. The cash dividend per share was RMB0.30 (tax-inclusive) (Prior year: RMB0.30) and the total cash dividends of RMB370,152,300.00 (Prior year: RMB340,539,300.00) was distributed.

(3) Appropriation to surplus reserve by subsidiaries

At the end of the year, the balance of the Group's retained profits includes the surplus reserve of RMB58,528,898.05 (31 December 2015: RMB48,219,495.57) appropriated to subsidiaries.

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

34. Operating income and operating costs

(1) Operating income and operating costs

RMB

Item	Amount recognised in the current year	Amount recognised in the prior year
Principal operating income	6,229,128,447.36	5,592,163,298.31
Other operating income	127,039,666.07	140,529,843.40
Including: Gross revenue from concessionaire sales	322,989,829.28	327,730,787.40
Gross cost from concessionaire sales	(273,618,726.23)	(276,443,738.12)
Commissions from concessionaire sales	49,371,103.05	51,287,049.28
Operating costs	3,977,341,759.38	3,469,413,266.56

(2) Details of operating income and operating costs:

RMB

Item	Operating income		Operating costs	
	Current year	Prior year	Current year	Prior year
Publishing segment				
Textbooks and Supplementary materials	1,139,310,169.92	1,137,271,333.64	686,964,459.09	699,203,679.55
General books	296,783,115.19	241,906,347.75	207,131,222.87	171,425,835.82
Printing and supplies	267,933,641.03	249,366,923.97	247,460,395.95	234,925,562.84
Others	65,052,834.73	47,709,903.22	25,357,376.53	18,342,643.46
Subtotal	1,769,079,760.87	1,676,254,508.58	1,166,913,454.44	1,123,897,721.67
Issuing segment				
Education services	3,728,171,732.24	3,426,451,722.24	2,354,765,505.52	2,135,253,335.88
Including: Textbooks and Supplementary materials	3,315,531,959.85	3,164,882,141.30	1,999,701,835.92	1,912,602,896.79
Winshare digital campus	360,783,201.34	251,028,544.26	322,513,454.38	218,991,449.24
Retailing	637,537,195.19	648,459,728.54	379,217,561.98	380,537,861.37
Commercial Supermarket	175,051,787.74	161,278,010.16	117,158,822.23	106,834,502.36
Online Sales	1,075,548,017.43	865,633,987.69	1,002,486,069.18	796,830,482.23
Others	187,620,804.03	148,912,012.02	133,494,728.58	100,933,929.97
Subtotal	5,803,929,536.63	5,250,735,460.65	3,987,122,687.49	3,520,390,111.81

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

34. Operating income and operating costs (Continued)

(2) Details of operating income and operating costs: (Continued)

RMB

Item	Operating income		Operating costs	
	Current year	Prior year	Current year	Prior year
Others				
Revenue from distribution of television programs	443,773.58	18,230,950.97	–	15,148,374.00
Others	101,073,799.37	28,760,388.04	73,767,870.92	14,718,504.49
Subtotal	101,517,572.95	46,991,339.01	73,767,870.92	29,866,878.49
Less: inter-segment elimination	(1,318,358,757.02)	(1,241,288,166.53)	(1,250,462,253.47)	(1,204,741,445.41)
Total	6,356,168,113.43	5,732,693,141.71	3,977,341,759.38	3,469,413,266.56

Details of publishing segment and distribution segment and other details are set out in Note (XIV) 2.

35. Taxes and levies

RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Business tax	724,677.48	4,627,712.47
City construction and maintenance tax	5,248,930.60	5,042,572.31
Education surcharges	3,736,650.26	3,613,043.72
Property tax (Note)	12,262,120.63	–
Urban land use tax (Note)	4,493,305.35	–
Stamp duty (Note)	731,813.75	–
Travel tax (Note)	219,212.80	–
Disabled Person Security Fund (Note)	4,158,190.36	–
Others	696,602.08	1,420,448.34
Total	32,271,503.31	14,703,776.84

Note: In accordance with the Notice on MoF Publishing the Rules of Value-added Tax Accounting Treatment (Cai Kuai [2016] No.22), land use tax, property tax, travel tax, stamp duty and disabled person security fund shall be presented in "Taxes and levies" from 1 May 2016.

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

36. Selling expenses

Item	RMB	
	Amount incurred in the current year	Amount incurred in the prior year
Wages and other manpower costs	302,925,635.17	300,720,933.08
Transportation costs	244,639,858.41	210,739,387.80
Business conference fees	38,686,964.04	35,152,503.56
Vehicle fees	31,711,984.27	31,894,685.63
Travel expenses	17,834,830.54	18,630,024.40
Advertising and promotion fees	60,802,219.78	49,540,852.65
Distribution commission	4,422,520.17	9,173,777.62
Packing expenses	15,118,991.49	20,001,746.06
Others	88,491,972.68	67,842,424.25
Total	804,634,976.55	743,696,335.05

37. Administrative expenses

Item	RMB	
	Amount incurred in the current year	Amount incurred in the prior year
Wages and other manpower costs	490,774,973.29	462,107,745.14
Business entertainment	105,464,955.04	89,502,453.35
Lease payments	98,567,108.34	98,015,695.83
Depreciation and amortisation expenses	103,462,672.84	115,746,557.67
Conference fees	22,887,258.89	16,528,168.13
Taxes	7,510,940.14	28,057,132.14
property management fees	27,331,341.20	26,486,045.33
Travelling expenses	11,111,535.18	10,208,180.10
Energy cost	20,310,206.33	21,780,897.28
Office expense	8,634,575.44	8,431,802.57
Repair charge	20,122,560.50	19,791,886.33
Audit and other non-audit service fees (Note)	3,700,000.00	4,546,092.00
Others	76,462,389.64	76,172,407.34
Total	996,340,516.83	977,375,063.21

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

37. Administrative expenses (Continued)

Note: The amount of audit and other non-audit service fees paid by the Group for the current year is RMB4,550,000.00, including the amount of RMB3,700,000.00 recorded in the administrative expenses, and the amount of RMB850,000.00 of listing expenses directly related to the issue of new shares deducting "Capital reserve-Share premium".

38. Financial expenses

Item	RMB	
	Amount incurred in the current year	Amount incurred in the prior year
Interest expenses	–	2,105,137.92
Interest income	(12,134,615.94)	(11,157,399.48)
Interest income of long-term receivables	(1,717,719.73)	(1,714,461.54)
Bank charges	4,116,097.69	3,106,304.46
Exchange gains and losses and others	787,505.64	2,748,619.17
Others	(8,948,732.34)	(4,911,799.47)

39. Impairment losses of assets

Item	RMB	
	Amount incurred in the current year	Amount incurred in the prior year
Bad debt losses	19,749,411.51	13,564,060.29
Written-down of inventories	60,911,819.32	63,790,523.71
Impairment on goodwill	–	3,851,606.53
Total	80,661,230.83	81,206,190.53

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

40. Investment income

Item	RMB	
	Amount incurred in the current year	Amount incurred in the prior year
Income from long-term equity investments		
Income from investments under equity method	9,828,451.99	8,744,291.89
Investment income on disposal of long-term equity investments	–	36,841.33
Investment income from disposal of available-for-sale financial assets		
Investment income from available-for-sale financial assets measured at cost	20,000,000.00	46,000,000.00
Investment income from available-for-sale financial assets measured at fair value	21,562,143.45	14,333,600.00
Investment income from disposal of available-for-sale financial assets	2,420,215.05	5,371,702.70
Investment income from disposal of financial assets at FVTPL	11,055,165.50	1,408,904.11
Total	64,865,975.99	75,895,340.03

41. Non-operating income

(1) Details of non-operating income are as follows:

Item	RMB		
	Amount incurred in the current year	Amount incurred in the prior year	Amount included in non-recurring profit and loss for the current year
Total gains on disposal of non-current assets	452,562.89	19,013,986.43	452,562.89
Including: Gains on disposal of fixed assets	452,562.89	19,013,986.43	452,562.89
Government grants	112,806,007.61	82,870,807.45	32,991,583.75
Others	7,762,591.80	5,162,561.70	7,762,591.80
Total	121,021,162.30	107,047,355.58	41,206,738.44

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

41. Non-operating income (Continued)

(2) Details of government grants:

Item	RMB	
	Amount incurred in the current year	Amount incurred in the prior year
Book publishing subsidies	22,491,104.11	19,159,175.93
VAT refund income	40,068,809.21	34,011,335.00
VAT surcharge refund	17,254,510.54	–
Other financial subsidies	32,991,583.75	29,700,296.52
Total	112,806,007.61	82,870,807.45

42. Non-operating expenses

Item	RMB		
	Amount incurred in the current year	Amount incurred in the prior year	Amount included in non-recurring profit and loss for the current year
Total losses on disposal of non-current assets	1,332,520.58	566,522.64	1,332,520.58
Including: Losses on disposal of fixed assets	1,332,520.58	558,526.64	1,332,520.58
Losses on disposal of intangible assets	–	7,996.00	–
Donations	21,934,426.75	14,489,510.38	21,934,426.75
Penalty cost	33,092.03	57,781.55	33,092.03
Others	737,898.08	1,329,459.03	737,898.08
Total	24,037,937.44	16,443,273.60	24,037,937.44

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

43. Income tax

Item	<i>RMB</i>	
	Amount incurred in the current year	Amount incurred in the prior year
Current tax expense calculated according to tax laws and relevant requirements	7,011,459.25	31,306,249.85
Deferred tax expenses	(1,333,393.62)	(28,516,318.72)
Total	5,678,065.63	2,789,931.13

Reconciliation of income tax expenses to the accounting profit is as follows:

Item	<i>RMB</i>	
	Amount incurred in the current year	Amount incurred in the prior year
Accounting profit	635,716,059.72	617,709,731.00
Income tax expenses calculated at 25%	158,929,014.93	154,427,432.75
Tax concessions	(191,818,631.33)	(180,242,681.06)
Effect of expenses that are not deductible for tax purposes	24,180,159.59	19,334,471.79
Effect of tax-free income	(9,050,800.00)	(15,083,400.00)
Effect of unrecognised (using previously unrecognised) deductible temporary differences	7,366,916.82	(1,563,811.68)
Effect of unrecognised deductible losses	12,417,029.20	25,917,919.33
Payment for income tax of prior years	3,654,376.42	–
Total	5,678,065.63	2,789,931.13

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44. Notes to items in the cash flow statement

(1) Other cash receipts relating to operating activities

RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Interests	11,586,401.72	11,004,261.89
Government grants	66,659,072.56	56,301,142.24
Collected amounts due to/from other entities	18,106,838.04	42,926,822.69
Total	96,352,312.32	110,232,226.82

(2) Other cash payments relating to operating activities

RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Selling expenses	501,709,341.38	442,975,401.97
Administrative expenses(excluding lease payment)	287,583,461.94	273,447,932.43
Lease payment	60,853,757.28	98,015,695.83
Others	43,190,291.75	84,613,214.88
Total	893,336,852.35	899,052,245.11

(3) Other cash receipts relating to investing activities

RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Recovery of pledged time deposits	–	21,034,000.00
Decrease in time deposit over 3 months	77,329,974.49	30,000,000.00
Recovery of entrusted loans	–	54,400,000.00
Total	77,329,974.49	105,434,000.00

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44. Notes to items in the cash flow statement (Continued)

(4) Other cash payments relating to investing activities

Item	RMB	
	Amount incurred in the current year	Amount incurred in the prior year
Increase in time deposits over 3 months	310,212,625.38	70,000,000.00
Increase in pledged time deposit	3,615,913.60	–
Total	313,828,538.98	70,000,000.00

(5) Other cash receipts relating to financing activities

Item	RMB	
	Amount incurred in the current year	Amount incurred in the prior year
Government grants	18,962,050.26	–

(6) Other cash payments relating to financing activities

Item	RMB	
	Amount incurred in the current year	Amount incurred in the prior year
Listing expenses	8,640,101.94	–

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

45. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Supplementary information	Amount of the current year	Amount of the prior year
<i>RMB</i>		
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	630,037,994.09	614,919,799.87
Add: Provision for impairment losses of assets	80,661,230.83	81,206,190.53
Depreciation of fixed assets,	95,861,191.19	108,480,190.77
Depreciation of investment properties	3,190,969.45	2,859,000.06
Amortisation of intangible assets	22,778,906.51	21,616,681.48
Amortisation of long-term prepaid expenses	9,668,340.06	12,379,536.82
Losses on disposal of fixed assets, intangible assets and other long-term assets (Less: income)	879,957.69	(18,447,463.79)
Financial expenses	(1,717,719.73)	390,676.38
Interest income of entrust loans	(7,183,426.01)	(10,659,194.85)
Investment income	(64,865,975.99)	(75,895,340.03)
Financial product income	–	(6,230,793.97)
Decrease (increase) in deferred tax assets	(482,752.04)	1,891,137.79
Decrease in deferred tax liabilities	(850,641.58)	(30,407,456.51)
Increase in inventories	(109,282,558.63)	(219,201,817.34)
Decrease (increase) in receivables from operating activities	(324,051,130.22)	72,626,895.90
Increase in payables from operating activities	348,782,892.71	461,122,185.29
Net cash flow from operating activities	683,427,278.33	1,016,650,228.40
2. Net changes in cash and cash equivalents:		
Closing balance of cash	1,634,167,257.70	1,824,358,247.63
Less: Opening balance of cash	1,824,358,247.63	1,345,705,851.29
Net increase (decrease) in cash and cash equivalents	(190,190,989.93)	478,652,396.34

Notes to the Financial Statements

For the year ended 31 December 2016

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45. Supplementary information to the cash flow statement (Continued)

(2) Cash and cash equivalents

<i>RMB</i>		
Item	Closing balance	Opening balance
Cash	1,634,167,257.70	1,824,358,247.63
Including: Cash on hand	2,523,554.78	2,898,007.97
Bank deposits	1,631,643,702.92	1,821,460,239.66
Balance of cash and cash equivalents	1,634,167,257.70	1,824,358,247.63

46. Assets of limited ownership

<i>RMB</i>		
Assets of limited ownership	Closing balance	Opening balance
Cash and bank balances (Note)	31,034,207.50	27,341,078.38

Note: As at 31 December 2016, the Group's cash and bank balances with limited ownership consists of security deposit for the issuance of bank acceptance bills is RMB6,815,913.60 (As at 31 December 2015: RMB3,200,000.00) and the special fund for housing reform is RMB24,218,293.90 (As at 31 December 2015: RMB24,141,078.38).

47. Net current assets

<i>RMB</i>		
Item	Closing balance	Opening balance
Current assets	5,269,209,250.79	4,339,443,180.73
Less: Current liabilities	(3,839,741,466.59)	(3,387,097,179.20)
Net current assets	1,429,467,784.20	952,346,001.53

48. Total assets less current liabilities

<i>RMB</i>		
Item	Closing balance	Opening balance
Total assets	12,255,176,609.39	10,743,289,052.07
Less: Current liabilities	(3,839,741,466.59)	(3,387,097,179.20)
Total assets less current liabilities	8,415,435,142.80	7,356,191,872.87

Notes to the Financial Statements

For the year ended 31 December 2016

(VII) INTERESTS IN OTHER ENTITIES

1. Subsidiaries:

(1) Subsidiaries incorporated by investments

RMB

Full name of subsidiary	Type of the subsidiary	Place of incorporation	Nature of business	Registered capital	Business scope	Proportion of ownership interests (%)	Proportion of voting power (%)	Consolidated or not consolidated	Remarks
Sichuan People's Education Times Xinhua Audio and Video Co., Ltd. ("People's Education Times")	LLC	Chengdu	Sales of audio and video product	2,000,000.00	Sales and production of audio and video product	80.00	80.00	Y	
Sichuan Xinhua Winshare Media Co., Ltd. ("Winshare Media")	LLC	Chengdu	Periodical	5,700,000.00	Sales of books and periodicals, etc.	70.00	70.00	Y	
Beijing Xinhua Wenxuan Advertising Co., Ltd. ("Wenxuan Advertising")	LLC	Beijing	Advertising	13,000,000.00	Advertising	81.54	81.54	Y	
Winshare Education Technology	LLC	Chengdu	Retail and wholesale	330,000,000.00	Software Development and sales of electronic equipment	100.00	100.00	Y	Note 1
Sichuan Wenchuan Logistics Co., Ltd. ("Wenchuan Logistics")	LLC	Chengdu	Storage and distribution	100,000,000.00	Storage and distribution of goods	100.00	100.00	Y	
Xinhua Winshare Commercial Chain (Beijing) Co., Ltd. ("Beijing Winshare Commercial")	LLC	Beijing	sales of publication	180,000,000.00	Sales of books, newspaper and periodicals	51.00	51.00	Y	
Sichuan Winshare Arts Investment and Management Co., Ltd. ("Arts Investment")	LLC	Chengdu	sales of artwork	20,000,000.00	Project investment and management, sales of artwork	100.00	100.00	Y	
Sichuan Winshare Online E-commerce Co., Ltd. ("Winshare Online")	LLC	Chengdu	sales of publication	60,000,000.00	online sales of various products	75.00	75.00	Y	Note 2
Washington Winshare Media, Inc. ("Washington Winshare Media")	LLC	U.S.	distribution of publication	1,910,430.00	Copyright trade, foreign cooperation in publishing and distribution	90.00	90.00	Y	
Sichuan VIVI Bride Magazine Co., ("VIVI Bride")	LLC	Chengdu	periodical	2,000,000.00	sales of periodical	100.00	100.00	Y	
Winshare VIVI Advertising Media (Chengdu) Co., Ltd. ("VIVI Advertising")	LLC	Chengdu	Advertising	7,500,000.00	Advertising	53.00	53.00	Y	

Notes to the Financial Statements

For the year ended 31 December 2016

(VII) INTERESTS IN OTHER ENTITIES *(Continued)*

1. Subsidiaries: *(Continued)*

(1) Subsidiaries incorporated by investments *(Continued)*

RMB

Full name of subsidiary	Type of the subsidiary	Place of incorporation	Nature of business	Registered capital	Business scope	Proportion of ownership interests (%)	Proportion of voting power (%)	Consolidated or not consolidated	Remarks
Sichuan Winshare Cloud Image Culture Innovation Technology Co., Ltd. ("Winshare Cloud Image")	LLC	Chengdu	software maintenance	25,000,000.00	Sales of software and hardware support kit	100.00	100.00	Y	Note 3
Winshare Investment	LLC	Chengdu	investment	200,000,000.00	Venture investment, business investment	100.00	100.00	Y	Note 4
Winshare International Cultural Communication Co., Ltd. ("Winshare International")	LLC	Chengdu	Business advisory services	50,000,000.00	Organisation and planning cultural and art exchange activities, business consulting, conference and exhibition services	100.00	100.00	Y	
Winshare Quan Media (Beijing) Culture Communication Co., Ltd. ("Winshare Quan Media")	LLC	Beijing	Business advisory services	10,000,000.00	Organisation of cultural and artistic exchange activities	100.00	100.00	Y	
Sichuan Winshare Music Culture Communication Co., Ltd. ("Winshare Music")	LLC	Chengdu	Business services	10,000,000.00	Business services and sales of musical instrument	100.00	100.00	Y	
Beijing Aerospace Cloud	LLC	Beijing	Technical Services	15,000,000.00	Computer software development and system services	70.00	70.00	Y	
Beijing Huaxia Shengxuan Book Co., Ltd. ("Huaxia Shengxuan")	LLC	Beijing	Sales of publications	15,000,000.00	Sales of publications, etc.	100.00	100.00	Y	

Notes to the Financial Statements

For the year ended 31 December 2016

(VII) INTERESTS IN OTHER ENTITIES (Continued)

1. Subsidiaries: (Continued)

(2) Subsidiaries acquired in business combination involving enterprises under common control

RMB

Full name of subsidiary	Type of the subsidiary	Place of incorporation	Nature of business	Registered capital	Business scope	Proportion of ownership interests (%)	Proportion of voting power (%)	Consolidated or not consolidated	Remarks
Xinhua Online	LLC	Chengdu	Sales of publications	50,000,000.00	Internet Publishing	100.00	100.00	Y	Note 5
Beijing Shu Chuan	LLC	Beijing	Sales of publications	2,000,000.00	Sales of publications	100.00	100.00	Y	
Sichuan Culture Communication	LLC	Chengdu	Advertising agency and leasing	20,523,700.00	Advertising agency and leasing	100.00	100.00	Y	Note 6

(3) Subsidiaries acquired in business combination not involving enterprises under common control

RMB

Full name of subsidiary	Type of the subsidiary	Place of incorporation	Nature of business	Registered capital	Business scope	Proportion of ownership interests (%)	Proportion of voting power (%)	Consolidated or not consolidated	Remarks
Sichuan Xinhua Shang Paper Co., Ltd. ("Xinhua Shang")	LLC	Chengdu	Sales of paper	15,000,000.00	Sales of pulp, paper and paper products	51.00	51.00	Y	
Sichuan Xinhua Colour Printing Co., Ltd. ("Xinhua Colour Printing")	LLC	Chengdu	Printing	100,000,000.00	Printing of publications	65.00	65.00	Y	
Huaying Winshare	LLC	Beijing	screen culture	160,770,000.00	Film and teleplay planning, cultural exchanges	100.00	100.00	Y	
Sichuan People's Publishing House Co., Ltd. ("People's Publishing House")	LLC	Chengdu	Publication	10,000,000.00	Publication of books	100.00	100.00	Y	
Sichuan Publication Printing Co., Ltd. ("Publication Printing")	LLC	Chengdu	Publication	50,000,000.00	Textbook stenciling-rent and printing	100.00	100.00	Y	
Sichuan Education Publishing House Co., Ltd. ("Education Publishing House")	LLC	Chengdu	Publication	10,000,000.00	Publication of books	100.00	100.00	Y	
Sichuan Youth and Children's Publishing House Co., Ltd. ("Youth and Children's Publishing House")	LLC	Chengdu	Publication	10,000,000.00	Publication of books and periodicals	100.00	100.00	Y	
Sichuan Science & Technology Publishing House Co., Ltd. ("Science & Technology Publishing House")	LLC	Chengdu	Publication	4,000,000.00	Publication of books	100.00	100.00	Y	
Sichuan Discovery of Nature Magazine Press Co., Ltd. ("Discovery of Nature Magazine Press")	LLC	Chengdu	Publication	300,000.00	Publication of books	100.00	100.00	Y	

Notes to the Financial Statements

For the year ended 31 December 2016

(VII) INTERESTS IN OTHER ENTITIES *(Continued)*

1. Subsidiaries: *(Continued)*

(3) Subsidiaries acquired in business combination not involving enterprises under common control *(Continued)*

RMB

Full name of subsidiary	Type of the subsidiary	Place of incorporation	Nature of business	Registered capital	Business scope	Proportion of ownership interests (%)	Proportion of voting power (%)	Consolidated or not consolidated	Remarks
Sichuan Fine Arts Publishing House Co., Ltd. ("Fine Arts Publishing House")	LLC	Chengdu	Publication	4,250,000.00	Publication of books	100.00	100.00	Y	
Sichuan Lexicographical Publishing House Co., Ltd. ("Lexicographical Publishing House")	LLC	Chengdu	Publication	2,000,000.00	Publication of books	100.00	100.00	Y	
Sichuan Literature & Art Publishing House Co., Ltd. ("Literature & Art Publishing House")	LLC	Chengdu	Publication	45,000,000.00	Publication of books	100.00	100.00	Y	Note 7
Sichuan Tiandi Publishing House Co., Ltd. ("Tiandi Publishing House")	LLC	Chengdu	Publication	2,000,000.00	Publication of books	100.00	100.00	Y	
Sichuan Times English Cultural Communication Co., Ltd. ("Times English")	LLC	Chengdu	Publication	600,000.00	Publication of books	51.00	51.00	Y	
Sichuan Bashu Publishing House Co., Ltd. ("Bashu Publishing House")	LLC	Chengdu	Publication	2,000,000.00	Publication of books	100.00	100.00	Y	
Printing Materials	LLC	Chengdu	retail and wholesale	30,000,000.00	Rendering of suppliers related to printing	100.00	100.00	Y	
Sichuan Digital Publishing & Media Co., Ltd. ("Digital Publishing & Media")	LLC	Chengdu	Publication	10,000,000.00	Publication of books	100.00	100.00	Y	
Sichuan Reader's Journal Press Co., Ltd. ("Reader's Journal Press")	LLC	Chengdu	Publication	1,500,000.00	Publication of Reader's Journal Press, advertising	100.00	100.00	Y	
Sichuan Pictorial Co., Ltd. ("Pictorial")	LLC	Chengdu	Publication	1,500,000.00	Publication of periodicals	100.00	100.00	Y	
Sichuan Xinhua Printing	LLC	Chengdu	Publication	100,160,000.00	Printing of publications	100.00	100.00	Y	

Note 1: In October 2016, the Company increased its capital by RMB290,000,000.00 of cash and bank balances to the subsidiary Winshare Education Technology. After the capital increase, the registered capital of Winshare Education Technology was changed to RMB330,000,000.00.

Note 2: In May 2016, the Company and Sichuan Xinhua Publishing Group increased capital of Winshare Online, a subsidiary of the Company, of RMB22,500,000.00 and RMB7,500,000.00 respectively. Upon completion of the capital increase, the registered capital of Winshare Online was changed to RMB60,000,000.00.

Note 3: In December 2016, the registered capital of the subsidiary Winshare Cloud Image was changed to RMB25,000,000.00. During the year, the Company increased its capital by RMB13,000,000.00 of cash and bank balances to Winshare Cloud Image, of which the paid-in capital was changed to RMB16,000,000.00.

Notes to the Financial Statements

For the year ended 31 December 2016

(VII) INTERESTS IN OTHER ENTITIES (Continued)

1. Subsidiaries: (Continued)

(3) Subsidiaries acquired in business combination not involving enterprises under common control (Continued)

Note 4: In November 2016, the Company increased its capital by RMB100,000,000.00 of cash and bank balances to the subsidiary Winshare Investment. After the capital increase, the registered capital of Winshare Investment was changed to RMB200,000,000.00.

Note 5: In June 2015, the registered capital of the subsidiary Xinhua Online changed to RMB50,000,000.00. In the previous year, the Company actually contributed RMB30,000,000.00 of cash and balances. During the year, the Company contributed RMB10,000,000.00 of cash and balances to the subsidiary Xinhua Online to make up the capital contribution.

Note 6: Sichuan Culture Communication was originally a 97.95%-owned subsidiary of the parent of the Company, Sichuan Xinhua Publishing Group, and the other 2.05% was held by the Company. As at 31 December 2015, the Company acquired 97.95% of equity interest in Sichuan Culture Communication held by Sichuan Xinhua Publishing Group at a consideration of RMB44,615,600.00.

Note 7: In December 2016, the registered capital of the subsidiary, Literature & Art Publishing House, was changed to RMB45,000,000.00. During the year, the Company increased the capital by RMB30,000,000.00 of cash and bank balances to Literature & Art Publishing House, of which the paid-in capital was changed to RMB35,000,000.00.

2. Key financial information of the Group's important non wholly-owned subsidiaries is as follows:

RMB

Full name of subsidiary	Proportion of ownership interests held by non-controlling shareholders (%)	Proportion of voting power held by non-controlling shareholders (%)	Losses attribute to non-controlling shareholders		Non-controlling interests	
			Current year	Prior year	End of current year	End of prior year
Xinhua Colour Printing	35.00	35.00	(1,118,555.55)	(6,204,239.94)	22,395,303.68	23,513,859.23
Beijing Winshare Commercial	49.00	49.00	(6,176,585.10)	(8,769,036.40)	(46,920,582.86)	(40,743,997.76)
Winshare Online	25.00	25.00	(8,471,860.62)	(3,752,087.60)	(17,268,094.87)	(16,296,234.25)

a. Xinhua Colour Printing

RMB

	End of current year	End of prior year
Current assets	18,891,635.28	19,038,984.89
Non-current assets	57,425,330.94	63,692,957.58
Current liabilities	12,330,384.28	15,549,487.54
Operating income	7,367,530.12	52,482,918.55
Operating costs and expenses	10,563,403.13	70,209,318.38
Total loss, net loss	(3,195,873.01)	(17,726,399.83)
Net cash flow from operating activities	8,063,932.29	(21,423,601.20)
Net cash flow from investing activities	917,021.15	30,102,494.20
Net cash flow from financing activities	–	(36,535,722.23)

Notes to the Financial Statements

For the year ended 31 December 2016

(VII) INTERESTS IN OTHER ENTITIES *(Continued)*

2. Key financial information of the Group's important non wholly-owned subsidiaries is as follows: *(Continued)*

b. Beijing Winshare Commercial

	End of current year	End of prior year
		<i>RMB</i>
Current assets	154,823,446.58	158,282,082.84
Non-current assets	18,743,653.97	22,691,252.47
Current liabilities	216,554,004.35	211,354,963.39
Operating income	177,385,149.60	163,320,774.54
Operating costs and expenses	189,990,425.32	181,216,767.20
Total loss, net loss	(12,605,275.72)	(17,895,992.66)
Net cash flow from operating activities	5,638,019.10	(1,614,538.93)
Net cash flow from investing activities	(701,481.01)	1,211,327.34
Net cash flow from financing activities	-	-

c. Winshare Online

	End of current year	End of prior year
		<i>RMB</i>
Current assets	364,444,456.07	300,206,567.65
Non-current assets	50,992,544.58	50,852,250.40
Current liabilities	483,880,380.12	415,614,755.04
Non-current liabilities	629,000.00	629,000.00
Operating income	1,066,262,151.97	857,702,668.44
Operating costs and expenses	1,100,149,594.46	872,711,018.82
Total loss, net loss	(33,887,442.49)	(15,008,350.38)
Net cash flow from operating activities	8,963,385.96	37,488,363.46
Net cash flow from investing activities	(70,039,713.65)	3,197,713.45
Net cash flow from financing activities	30,000,000.00	-

Notes to the Financial Statements

For the year ended 31 December 2016

(VII) INTERESTS IN OTHER ENTITIES *(Continued)*

3. Interests in joint ventures or associates

(1) Significant joint ventures or associates

RMB

Name of joint ventures or associates	Major business area	Place of incorporation	Nature of business	Proportion of ownership interests in investee (%)	Accounting method used in joint ventures or associates investments
Associates					
Hainan Publishing	Haikou	Haikou	Publication	50	Equity method
Wenzhuo (Note 1)	Chengdu	Chengdu	Professional education	48	Equity method
Joint ventures					
Ren Min Eastern (Beijing) Book Industry Co., Ltd.	Beijing	Beijing	Wholesale of books, periodicals, newspapers and electronic publications	20	Equity method
Ming Bo Education Technology Holdings Co., Ltd.	Beijing	Beijing	Publication of internet education	27.2	Equity method
Chongqing Yunhan Internet and Media Co., Ltd. (Note 2)	Chongqing	Chongqing	Publications online Wholesale	50	Equity method

Note 1: In accordance with the Articles of Association of Wenzhuo, the Company, Zhuotai Industrial Co., Ltd. and Sichuan Publishing Group Co., Ltd. enjoy 48%, 49% and 3% voting rights respectively at the shareholders' meeting, and any resolutions made by the shareholders' meeting shall be approved by over two-thirds of the total votes from its shareholders. Wenzhuo is jointly controlled by the Company and Zhuotai Industrial Co., Ltd. Therefore, Wenzhuo is a joint venture of the Company.

Note 2: Pursuant to the Articles of Association of Chongqing Yunhan Internet and Media Co., Ltd., Winshare Online, the subsidiary of the Company, holds 51% of the voting rights in the shareholders' meeting, and the resolutions made in shareholder's meeting regarding the annual financial budget plan, final accounts plan, profit distribution and make up losses shall be approved by over 2/3 of the shareholders with the voting rights, over which Winshare Online and the other three shareholders are not able to exercise control solely. Therefore, Chongqing Yunhan Internet and Media Co., Ltd. is the associate of the Company.

Notes to the Financial Statements

For the year ended 31 December 2016

(VII) INTERESTS IN OTHER ENTITIES *(Continued)*

3. Interests in joint ventures or associates *(Continued)*

(2) Key financial information of significant joint ventures

a. Hainan Publishing

	End of current year/ current year	End of prior year/ prior year
		<i>RMB</i>
Current assets	224,056,779.70	189,455,532.50
Including: cash and cash equivalents	36,436,620.62	21,958,889.58
Non-current assets	122,661,681.12	120,841,392.92
Total assets	346,718,460.82	310,296,925.42
Current liabilities	143,809,873.26	95,723,883.72
Non-current liabilities	16,996,226.00	41,366,226.00
Total liabilities	160,806,099.26	137,090,109.72
Net assets calculated on pro-rata basis of shareholding	92,956,180.78	86,603,407.85
Adjustment events		
Goodwill	30,735,530.98	30,735,530.98
Carrying amount of equity investments in joint ventures	123,691,711.76	117,338,938.83
Operating income	156,518,444.11	139,536,595.65
Net profit and total comprehensive income	12,705,545.86	10,909,516.58
Interest income	78,721.55	60,988.32
Interest expense	1,162,371.94	3,317,464.23
Income tax	342,915.09	213,183.83
Dividends receipts from joint ventures	-	-

Notes to the Financial Statements

For the year ended 31 December 2016

(VII) INTERESTS IN OTHER ENTITIES *(Continued)*

3. Interests in joint ventures or associates *(Continued)*

(2) Key financial information of significant joint ventures *(Continued)*

b. Wenzhuo

	End of current year/ current year	End of prior year/ prior year
		<i>RMB</i>
Current assets	130,588,167.77	98,631,217.61
Including: cash and cash equivalents	64,158,494.00	45,388,305.93
Non-current assets	891,774,630.30	913,568,688.20
Total assets	1,022,362,798.07	1,012,199,905.81
Current liabilities	136,762,885.21	130,831,502.07
Non-current liabilities	242,510,040.00	239,162,404.93
Total liabilities	379,272,925.21	369,993,907.00
Net assets calculated on pro-rata basis of shareholding	308,683,138.97	308,258,879.43
Carrying amount of equity investments in joint ventures	308,683,138.97	308,258,879.43
Operating income	122,312,827.56	149,325,586.68
Net profit and total comprehensive income	883,874.05	2,804,979.71
Interest income	144,841.99	104,079.25
Interest expense	7,523,962.00	7,629,443.80
Income tax	3,470,620.20	2,995,907.81
Dividends receipts from joint ventures for the current year	-	-

Notes to the Financial Statements

For the year ended 31 December 2016

(VII) INTERESTS IN OTHER ENTITIES *(Continued)*

3. Interests in joint ventures or associates *(Continued)*

(3) Key financial information of significant associates

a. Ren Min Eastern (Beijing) Book Industry Co., Ltd.

	End of current year/ current year	End of prior year/ prior year
		<i>RMB</i>
Current assets	78,081,481.00	77,763,902.10
Non-current assets	5,715,787.33	3,084,343.59
Total assets	83,797,268.33	80,848,245.69
Current liabilities and total liabilities	33,095,540.30	28,458,445.89
Net assets calculated on pro-rata basis of shareholding	10,140,345.61	10,477,959.96
Carrying amount of equity investments in joint ventures	10,140,345.61	10,477,959.96
Operating income	62,308,605.15	75,422,518.03
Net profit and total comprehensive income	14,978,333.70	16,716,367.77
Dividends receipts from associates for the current year	3,333,281.09	2,520,000.00

b. Ming Bo Education Technology Holdings Co., Ltd.

	End of current year/ current year	End of prior year/ prior year
		<i>RMB</i>
Current assets	73,744,481.62	71,561,021.01
Non-current assets	65,634,619.49	49,498,929.21
Total assets	139,379,101.11	121,059,950.22
Current liabilities	18,488,434.79	4,044,743.08
Non-current liabilities	15,176,042.90	34,803,959.24
Total liabilities	33,664,477.69	38,848,702.32
Net assets calculated on pro-rata basis of shareholding	28,754,377.57	22,361,459.43
Carrying amount of equity investments in joint ventures	28,754,377.57	22,361,459.43
Operating income	55,140,407.63	44,575,245.61
Net profit and total comprehensive income	23,503,375.52	14,446,669.83
Dividends receipts from associates for the current year	-	-

Notes to the Financial Statements

For the year ended 31 December 2016

(VII) INTERESTS IN OTHER ENTITIES *(Continued)*

3. Interests in joint ventures or associates *(Continued)*

(3) Key financial information of significant associates *(Continued)*

c. *Chongqing Yunhan Internet and Media Co., Ltd.*

	End of current year/ current year	End of prior year/ prior year
		<i>RMB</i>
Current assets	9,360,724.89	4,269,983.11
Non-current assets	77,895,005.52	78,852,391.77
Total assets	87,255,730.41	83,122,374.88
Current liabilities	8,069,946.05	3,230,271.66
Non-current liabilities	20,000,000.00	20,000,000.00
Total liabilities	28,069,946.05	23,230,271.66
Net assets calculated on pro-rata basis of shareholding	29,592,892.18	29,946,051.61
Adjustments		
Goodwill	16,528,595.01	16,528,595.01
Carrying amount of equity investments in joint ventures	46,121,487.19	46,474,646.62
Operating income	1,044,372.75	4,430,802.03
Net loss and total comprehensive income	(706,318.86)	(2,478,210.08)
Dividends receipts from associates for the current year	-	-

(4) Summarizing financial information of insignificant joint ventures and associates

	End of current year/ current year	End of prior year/ prior year
		<i>RMB</i>
Insignificant joint ventures		
Total carrying amount of investments	2,941,751.26	681,788.93
Sum of net loss and total comprehensive income calculated according to proportion of investment	(645,537.67)	(2,612,711.07)
Insignificant associates		
Total carrying amount of investments	164,859,936.06	145,146,253.26
Sum of net loss and total comprehensive income calculated according to proportion of investment	(5,338,468.26)	(1,477,808.29)

Notes to the Financial Statements

For the year ended 31 December 2016

(VIII) RISK EXPOSURES ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Group's financial instruments consists of Cash and bank balances, Available-for-sale financial assets, Receivables and Payables. Risk exposures associated with financial instruments and the risk management strategy to reduce the risk is as follows. The Group manage and monitor the risk exposures to ensure the risks are controlled at a certain level.

1. Risk management objectives and policies

The Group's risk management objectives are to achieve a proper balance between risks and yield, minimize the adverse impacts of risks on the Group's operation performance, and maximize the benefits of the shareholders and other stakeholders. Based on these risk management objectives, the Group's basic risk management strategy is to identify and analyze the Group's exposure to various risks, establish an appropriate maximum tolerance to risk, implement risk management, and monitors regularly and effectively these exposures to ensure the risks are monitored at a certain level.

1.1 Market risk

1.1.1 Currency risk

The Group mainly operates in China with its principal activities are denominated and settled in RMB. At each balance sheet date, the balance of the Group's assets and liabilities are both denominated in RMB except that the assets and liabilities set out below. The management believes that the RMB exchange rates may have no significant impact on the net profit and the shareholders' equity of the Group.

<i>RMB</i>		
Item	Closing amount	Opening amount
Cash and bank balances		
USD	476,526.18	2,505,413.16
EUR	666.43	325,563.25
HKD	4,684.21	0.52

1.1.2 Interest rate risk

The Group was not exposed to interest rate risk as the Group had no interest-bearing borrowings at the end of the year.

Notes to the Financial Statements

For the year ended 31 December 2016

(VIII) RISK EXPOSURES ASSOCIATED WITH FINANCIAL INSTRUMENTS *(Continued)*

1. Risk management objectives and policies *(Continued)*

1.1 Market risk *(Continued)*

1.1.3 Other price risk

The Group measured the investment in listed shares of Wan Xin Media and those of Youli Holdings at fair value, which was exposed to the stock price risk as the fair value is determined based on the quoted prices from the active market ((Note (VI) 9). The directors of the Company regularly monitor the share prices of Wan Xin Media and Youli Holdings. For the current year, the direct investments in Wan Xin Media and Youli Holdings equity recognised in other comprehensive income by the Group resulted in an income of RMB153,211,753.15 and a loss of RMB77,952.58 respectively.

In the case of other variables remain unchanged, the pre-tax effects of other reasonable changes in stock prices on other comprehensive income and shareholders' equity during the period are as follows:

RMB

Item	Price fluctuation	Effect (tax exclusive) on other comprehensive income and shareholders' equity	
		Current year	Prior year
Available-for-sale financial assets			
Wan Xin Media	Stock prices rise 5%	109,496,240.00	101,835,652.34
Youli Holdings	Stock prices rise 5%	59,724.44	62,647.67
Available-for-sale financial assets			
Wan Xin Media	Stock prices fall 5%	(109,496,240.00)	(101,835,652.34)
Youli Holdings	Stock prices fall 5%	(59,724.44)	(62,647.67)



Notes to the Financial Statements

For the year ended 31 December 2016

(VIII) RISK EXPOSURES ASSOCIATED WITH FINANCIAL INSTRUMENTS *(Continued)*

1. Risk management objectives and policies *(Continued)*

1.2 Credit risk

At balance sheet date, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties. The Group's credit risk is mainly attributable to cash and bank balances, notes receivable, interest receivable, accounts receivable, other receivables, long-term account receivables, other current assets (bank wealth management products and trust product investments) and non-current assets due within one year (entrust loans).

In order to minimise the credit risk, the management of the Group has established policies to ensure that sales are only limited to customers with a good credit history and has continually examined the credit risk exposures. The Group also sets up a team responsible for determination of credit limits, credit approvals as well as execution of other monitoring procedures to ensure the overdue debts are able to collect by necessary actions. Therefore, the management of the Group considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because they are deposited with banks with high credit ratings.

Except for the entrusted loans of joint venture, Wenzhuo, the Group has no other significant credit concentration risks. The entrusted loans to Wenzhuo were recovered on 20 February 2017.

1.3 Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group aims at striking a balance between capital return and flexibility through operating activities and the issuance of other interest-bearing borrowings as the main source of funding. The Group manages the financing activities by maintaining adequate cash so as to finance the Group's operations. The Group also ensures that bank credit facilities are available to meet any short-term funding needs.

Notes to the Financial Statements

For the year ended 31 December 2016

(VIII) RISK EXPOSURES ASSOCIATED WITH FINANCIAL INSTRUMENTS *(Continued)*

1. Risk management objectives and policies *(Continued)*

1.3 Liquidity risk *(Continued)*

The following is the maturity analysis for financial liabilities held by the Group which is based on undiscounted remaining contractual obligations:

End of the current year

<i>RMB</i>			
Item	Within 1 year	1 to 5 years	Total
Notes payable	12,584,784.00	–	12,584,784.00
Accounts payable	2,715,003,443.35	–	2,715,003,443.35
Dividends payable	132,581,130.00	–	132,581,130.00
Other payables	270,461,490.08	–	270,461,490.08
Total	3,130,630,847.43	–	3,130,630,847.43

End of the prior year

<i>RMB</i>			
Item	Within 1 year	1 to 5 years	Total
Notes payable	3,200,000.00	–	3,200,000.00
Accounts payable	2,537,859,546.44	–	2,537,859,546.44
Other payables	230,538,122.49	–	230,538,122.49
Total	2,771,597,668.93	–	2,771,597,668.93



Notes to the Financial Statements

For the year ended 31 December 2016

(VIII) RISK EXPOSURES ASSOCIATED WITH FINANCIAL INSTRUMENTS *(Continued)*

2. Transfer of Financial Assets

At the end of the year, the amount of bank acceptance bills that the Group had endorsed but not yet due was RMB3,140,797.50, which was the accounts payable to the suppliers, and the amount of bank acceptance bills that the Group had discounted but not yet due was RMB100,000.00, which was used for the exchange of cash and bank balances. The Group believes that the substantial risks and rewards of the endorsed notes receivable have been transferred to the suppliers or the discount bank, therefore, these endorsed or discounted notes receivable were derecognised. In the event that the accepting bank fails to accept the notes due, the Group is jointly and severally liable for the notes receivable in accordance with the relevant PRC laws and regulations. The Group holds the view that the accepting bank is of sound reputation and the risk of non-payment by the accepting bank on due date is extremely low.

At the end of the year, if the accepting bank fails to accept the notes due, the maximum loss which may be incurred by the Group is equivalent to the same amount payable by the Group to the suppliers for such endorsement or discount notes.

At the end of the year, all notes receivable endorsed or discounted to suppliers or the bank will be due within six months.



(IX) DISCLOSURE OF FAIR VALUE

1. Fair value

1.1 Financial assets measured at fair value on a recurring basis:

The Group's investment of equity securities in listed company, unlisted private equity and partnership, trust products and parts of bank-financing products are measured at fair value at the end of each reporting period. The fair value measurements for such financial assets are detailed as followings:

Financial assets	Fair value at the end of each reporting period		Fair value hierarchy	Valuation method and inputs	Significant unobservable inputs	Relationship between unobservable inputs and fair value
	Closing balance	Opening balance				
Available-for-sale financial assets – the shares of A share listed company-Wan Xin Media	2,189,924,800.00	2,036,713,046.85	Level 1	Quoted prices in active markets	N/A	N/A
Available-for-sale financial assets – the shares of A share listed company-Youli Holding	1,592,651.85	1,670,604.43	Level 1	Quoted prices in active markets	N/A	N/A
Financial assets at fair value through profit or loss – bank wealth management products	560,000,000.00	–	Level 2	Calculated based on a discounted cash flow model, the inputs are 3 month USD LIBOR and 3 month RMB SHIBOR.	N/A	N/A
Available-for-sale financial assets – CITIC Buyout Investment Fund (Shenzhen) (Limited Partnership) ("CITIC Buyout Fund")	102,972,401.83	76,983,592.81	Level 3	Market approach, method of discounted future cash flow	<ul style="list-style-type: none"> Price earnings ratio, price sales ratio, liquidity discount Discount rate meeting expected risk level 	<ul style="list-style-type: none"> The higher the price earnings ratio and price sales ratio are, the higher the fair value is; The lower the liquidity discount is, the higher the fair value is

Notes to the Financial Statements

For the year ended 31 December 2016

Notes to the Financial Statements

For the year ended 31 December 2016

(IX) DISCLOSURE OF FAIR VALUE (Continued)

1. Fair value (Continued)

1.1 Financial assets measured at fair value on a recurring basis: (Continued)

Financial assets	Fair value at the end of each reporting period		Fair value hierarchy	Valuation method and inputs	Significant unobservable inputs	Relationship between unobservable inputs and fair value
	Closing balance	Opening balance				
Available-for-sale financial assets – Winshare Hengxin (Shenzhen) Equity Investment Fund (Limited Partnership) ("Winshare Hengxin")	220,943,522.28	143,535,756.77	Level 3	Adjusted quoted prices in active markets, method of discounted future cash flow	<ul style="list-style-type: none"> Liquidity discount Discount rate meeting expected risk level 	<ul style="list-style-type: none"> The lower the liquidity discount is, the higher the fair value is The lower the discount rate is, the higher the fair value is
Available-for-sale financial assets – Taizhou Xinheng Zhongrun Investment Fund (Limited Partnership)	25,801,026.14	38,442,321.54	Level 3	Adjusted quoted prices in active markets	Liquidity discount	The lower the liquidity discount is, the higher the fair value is
Available-for-sale financial assets – Qingdao Jinshi Zhixin Investment Center (Limited Partnership)	151,667,500.00	150,767,500.00	Level 3	Discounted cash flow. Future cash flow is estimated based on expected recoverable amount and discounted at the rate determined by the management based on the best estimate of expected future risk level.	<ul style="list-style-type: none"> Expected recoverable amount; Discount rate meeting expected risk level 	<ul style="list-style-type: none"> The higher the expected recoverable amount is, the higher the fair value is; The lower the discount rate is, the higher the fair value is
Available-for-sale financial assets – trust products investments	17,176,654.12	31,671,984.28	Level 3	Discounted cash flow. Future cash flow is estimated based on expected recoverable amount and discounted at the rate determined by the management based on the best estimate of expected future risk level.	<ul style="list-style-type: none"> Expected recoverable amount; Discount rate meeting expected risk level. 	<ul style="list-style-type: none"> The higher the expected recoverable amount is, the higher the fair value is; The lower the discount rate is, the higher the fair value is
Financial assets at fair value through profit or loss – bank wealth management products	376,000,000.00	–	Level 3	Discounted cash flow. Future cash flow is estimated based on expected recoverable amount and discounted at the rate determined by the management based on the best estimate of expected future risk level.	<ul style="list-style-type: none"> Expected recoverable amount; Discount rate meeting expected risk level 	<ul style="list-style-type: none"> The higher the expected recoverable amount is, the higher the fair value is; The lower the discount rate is, the higher the fair value is

RMB

Notes to the Financial Statements

For the year ended 31 December 2016

(IX) DISCLOSURE OF FAIR VALUE *(Continued)*

1. Fair value *(Continued)*

1.1 Financial assets measured at fair value on a recurring basis: *(Continued)*

1.1.1 Reconciliation of Level 3 fair value measurements :

	RMB	
	Current year	Prior year
Opening balance	441,401,155.40	140,000,000.00
Included in other comprehensive income of the current year	(14,614,173.82)	75,583,033.53
Purchases	1,337,154,669.84	435,489,824.57
Reclassified to investment income from other comprehensive income due to disposal of available-for-sale financial assets	(2,170,215.05)	(5,371,702.70)
Disposals	(867,210,332.00)	(204,300,000.00)
Closing balance	894,561,104.37	441,401,155.40

1.2 Financial assets and financial liabilities not measured at fair value on a recurring basis:

The management considers that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the financial statements approximate their fair values.

Notes to the Financial Statements

For the year ended 31 December 2016

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent of the Company

RMB10,000

Name of the parent	Type of the entity	Place of incorporation	Legal representative	Nature of business	Registered capital	Proportion of the Company's ownership interest held by the parent (%)	Proportion of the Company's voting power held by the parent (%)	Ultimate controlling party of the Company	Organisation code
Sichuan Xinhua Publishing Group	LLC	Chengdu	Zhu Danfeng	Goods wholesale and retail, house lease, real estate, project investment	59,382.20	48.44 (Note)	48.44 (Note)	State-owned Assets Supervision and Administration Commission of Sichuan Province	70892370-8

Note: Sichuan Xinhua Publishing Group holds 592,809,525 founders' shares of the Company, accounting for 48.05% of the total share capital of the Company. During the year, Sichuan Xinhua Publishing Group increased holding 4,844,000 H shares of the Company through the stock trading system of the Stock Exchange of Hong Kong Limited via the wholly-owned subsidiary, Shudian Investment Co., Ltd. (Hong Kong), accounting for 0.39% of the total share capital of the Company, resulting in a total shareholding of 48.44% of the total share capital of the Company.

2. Subsidiaries of the Company

Please refer to Notes VII Interests in Other Entities for details of the subsidiaries of the Company.

Notes to the Financial Statements

For the year ended 31 December 2016

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

3. Other related parties of the Company

Name of other related party	Relationship between other related parties and the Company	Organisation code
Guizhou Winshare	Associates	675448487
Ming Bo Education Technology Holdings Co., Ltd.	Associates	697677942
The Commercial Press (Chengdu) Co., Ltd.	Associates	569670260
Winshare Preschool	Associates	56071699-8
Chengdu Xinhui	Associates	698924757
Shanghai Jingjie Information Technology Co., Ltd.	Associates	586788957
Ren Min Eastern (Beijing) Book Industry Co., Ltd.	Associates	78095092X
Education and Science Forum	Associates	720898197
Sichuan Jiaoyang Sihuo Film Co., Ltd.	Associates	MA61TEEJ-X
Hainan Publishing	Joint venture	201243383
Wenzhuo	Joint venture	05006895-1
Sichuan Xinhua International Hotel Co., Ltd.	Controlling shareholder's subsidiary	723226759
Sichuan Guanghan Sanxingdui Qushanyuan Cultural Ltd.	Controlling shareholder's subsidiary	660281899
Chengdu Huang Peng Property Co., Ltd.	Controlling shareholder's subsidiary	723446225
Sichuan Xinhua Haiyi Cultural Development Co., Ltd.	Controlling shareholder's subsidiary	05747750-4
Chengdu Xinhua Powerise Cultural Industry Investment Co.	Controlling shareholder's subsidiary	06241041-9
Sichuan Xinhua Publishing Group Co., Ltd Huadao Holiday Hotel	Controlling shareholder's subsidiary	206861113
Sichuan Publication Group	Other enterprises over which the directors of the Company have significant influence	696959032
Sichuan Hengxi Property Management Co., Ltd.	Other enterprises over which the directors of the Company have significant influence	740320552
Sichuan Chongwenju Forest Hotel Co., Ltd	Other enterprises over which the directors of the Company have significant influence	669581660

Notes to the Financial Statements

For the year ended 31 December 2016

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

4. Related party transactions

(1) Sales and purchase of goods, provision and receipt of services

Purchase of goods/receipt of services

RMB

Related party	Type of related party transaction	Details of related party transaction	Pricing and decision-making procedures of related party transactions	Amount incurred in the current year	Amount incurred in the prior year
Sichuan Xinhua International Hotel Co., Ltd.	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	281,368.61	200,140.00
Sichuan Guanghan Sanxingdui Qushanyuan Cultural Ltd.	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	272,211.30	486,201.00
Chengdu Huang Peng Property Co., Ltd.	Receipt of services	Payments for property management service fees	Price negotiated by both parties	7,671,454.61	7,896,090.78
Sichuan Xinhua Publishing Group Co., Ltd. Huadao Holiday Hotel	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	211,516.40	–
Ming Bo Education Technology Holdings Co., Ltd.	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	20,512,800.00	14,188,235.04
The Commercial Press (Chengdu) Co., Ltd.	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	16,483,185.66	16,166,368.03
Ren Min Eastern (Beijing) Book Industry Co., Ltd.	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	3,066,037.62	3,187,019.90
Hainan Publishing	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	2,543,154.53	2,584,708.73
Shanghai Jingjie Information Technology Co., Ltd.	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	96,960.00	771,351.36
Sichuan Chongwenju Forest Hotel Co., Ltd.	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	5,960.00	322,554.60
Sichuan Xinhua Haiyi Cultural Development Co., Ltd.	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	183,543.00	–
Total				51,328,191.73	45,802,669.44

Notes to the Financial Statements

For the year ended 31 December 2016

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

4. Related party transactions *(Continued)*

(1) Sales and purchase of goods, provision and receipt of services *(Continued)*

Sales of goods/rendering of services

RMB

Related party	Type of related party transaction	Details of related party transaction	Pricing and decision-making procedures of related party transactions	Amount incurred in the current year	Amount incurred in the prior year
Sichuan Xinhua Publishing Group	Sales of goods	Sales of publications service	Price negotiated by both parties	120,090.25	245,684.59
Sichuan Publication Group	Sales of goods	Sales of publications	Price negotiated by both parties	10,451.95	-
Sichuan Xinhua Printing	Sales of goods	Sales of paper and equipment	Price negotiated by both parties	-	3,572.65
Sichuan Jiaoyang Sihuo Film Co., Ltd.	Sales of goods	Sales of publications	Price negotiated by both parties	176,991.15	-
Chengdu Xinhua Powerise Cultural Industry Investment Co.	Rendering of services	Rendering of advertising design and production services	Price negotiated by both parties	10,859.43	-
Sichuan Xinhua Publishing Group Huadao Holiday Hotel	Rendering of services	Rendering of advertising design and production services	Price negotiated by both parties	26,426.42	-
Total				344,819.20	249,257.24

Notes to the Financial Statements

For the year ended 31 December 2016

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

4. Related party transactions *(Continued)*

(2) Leases with related parties

Leases where the Group is the lessor:

RMB

Name of lessor	Name of lessee	Type of leased assets	Commencement date of leases	Expiration date of leases	Basis of determining the lease income	Lease income recognised in the current year	Lease income recognised in the prior year
The Company	Sichuan Xinhua Publishing Group	Buildings	2016.1.1	2018.12.31	Contractual price negotiated by both parties	1,279,575.78	N/A
The Company	Sichuan Xinhua Publishing Group	Buildings	2010.1.1	2015.12.31	Contractual price negotiated by both parties	N/A	1,343,554.56

Leases where the Group is the lessee:

RMB

Name of lessor	Name of lessee	Type of leased assets	Commencement date of leases	Expiration date of leases	Basis of determining the lease income	Lease payment recognised in the current year	Lease payment recognised in the prior year
Sichuan Xinhua Publishing Group	The Group	Buildings	2016.1.1	2018.12.31	Contractual price negotiated by both parties	40,104,373.77	N/A
Sichuan Xinhua Publishing Group	The Group	Buildings	2013.1.1	2015.12.31	Contractual price negotiated by both parties	N/A	35,800,034.04
Sichuan Publication Group	The Group	Buildings	2014.1.1	2016.12.31	Contractual price negotiated by both parties	11,096,987.67	13,918,220.91
Sichuan Hengxi Property Management Co., Ltd.	The Group	Buildings	2014.1.1	2016.12.31	Contractual price negotiated by both parties	3,110,091.56	3,419,681.02

Notes to the Financial Statements

For the year ended 31 December 2016

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

4. Related party transactions *(Continued)*

(3) Borrowings/loans with related parties

Current year:

RMB

Related party	Amount of borrowing/loan	Inception date	Maturity date	Amount at the end of the current year	Remarks
Loans Wenzhuo	-	2013.8.21	2017.2.20	120,000,000.00	Please refer to Note (VI) 8 for details

Prior year

RMB

Related party	Amount of borrowing/loan	Inception date	Maturity date	Amount at the end of the prior year	Remarks
Loans Wenzhuo	-	2013.8.21	2016.8.20	120,000,000.00	Please refer to Note (VI) 8 for details
Chengdu Xinhui	10,200,000.00	2015.1.22	2015.12.9	-	

(4) Receipts of interest

The Group's receipts of interest of the borrowings/loans with related parties are as follows:

RMB

Name of the entity	Current year Amount	Prior year Amount
Chengdu Xinhui	-	3,176,674.48
Wenzhuo	7,183,426.01	7,482,520.37
Total	7,183,426.01	10,659,194.85

Notes to the Financial Statements

For the year ended 31 December 2016

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

4. Related party transactions *(Continued)*

(5) Compensation for key management personnel

Item	<i>RMB</i>	
	Amount incurred in the current year	Amount incurred in the prior year
Compensation for key management personnel	7,794,739.86	7,227,170.57

Note: Key management personnel are those personnel having the authority and responsibility for planning, directing and controlling the activities of the entity, including director, supervisor and other personnel who perform similar strategic functions. Compensation for key management personnel includes basic salaries, bonuses and various subsidies.

(6) Remuneration for directors and supervisors and staff of top five remunerations

Details of remunerations for directors and supervisors for the current year are as follows:

	Director		Supervisor	
	Current year	Prior year	Current year	Prior year
Emoluments	530	691	140	159
Other remunerations:				
Salaries and allowances	472	460	460	603
Performance linked bonus	661	512	223	322
Retirement benefit contribution	45	44	90	92
Subtotal	1,178	1,016	773	1,017
Total	1,708	1,707	913	1,176

Notes to the Financial Statements

For the year ended 31 December 2016

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

4. Related party transactions *(Continued)*

(6) Remuneration for directors and supervisors and staff of top five remunerations *(Continued)*

(a) Independent non-executive directors

Emoluments and other remunerations paid to independent non-executive directors for the current year are as follows:

RMB'000

	Current year			Prior year		
	Emolument	Salaries and allowances	Total remuneration	Emolument	Salaries and allowances	Total remuneration
Independent non-executive directors:						
Mr. Mak Wai Ho (Note 1)	38	–	38	230	9	239
Mr. Han Liyan	210	21	231	210	24	234
Mr. Chen Yutang (Note 2)	192	18	210	–	–	–
Mr. Mo Shixing (Note 3)	–	–	–	–	–	–
Xiao Liping (Note 4)	–	–	–	–	–	–
Total	440	39	479	440	33	473

Note 1: Has no longer been an independent non-executive director since March 2016.

Note 2: Has been an independent non-executive director since March 2016.

Note 3: Has no longer been an independent non-executive director since March 2015.

Note 4: Has been an independent non-executive director since March 2015.

The remunerations for the above independent non-executive directors are remunerations paid for their services as the Company's directors.

There are no other remunerations payable to independent non-executive directors for the current year and the prior year.

Notes to the Financial Statements

For the year ended 31 December 2016

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

4. Related party transactions *(Continued)*

(6) Remuneration for directors and supervisors and staff of top five remunerations *(Continued)*

(b) *Executive and non-executive directors*

RMB'000

	2016				Total remuneration
	Emolument	Salaries and allowances	Performance linked bonus	Retirement benefit contribution	
Executive directors:					
Mr. He Zhiyong (Chairman) (Note 5)/(Note 7)	-	-	-	-	-
Mr. Luo Yong (Note 6)	-	-	-	-	-
Mr. Yang Miao	-	415	661	45	1,121
Subtotal	-	415	661	45	1,121
Non-executive director:					
Mr. Luo Jun (Note 7)	-	-	-	-	-
Mr. Zhang Peng (Note 6)	-	-	-	-	-
Mr. Zhao Junhuai	90	18	-	-	108
Subtotal	90	18	-	-	108
Total	90	433	661	45	1,229

Notes to the Financial Statements

For the year ended 31 December 2016

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

4. Related party transactions *(Continued)*

(6) Remuneration for directors and supervisors and staff of top five remunerations *(Continued)*

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

RMB'000

	2015				Total remuneration
	Emolument	Salaries and allowances	Performance linked bonus	Retirement benefit contribution	
Executive directors:					
Mr. He Zhiyong (Chairman) (Note 5)/(Note 7)	–	–	–	–	–
Mr. Gong Cimin (Note 8)	158	–	–	–	158
Mr. Luo Yong (Note 5)	–	–	–	–	–
Mr. Yang Miao	–	403	512	44	959
Subtotal	158	403	512	44	1,117
Non-executive director:					
Mr. Zhang Chengxing (Note 7)/(Note 9)	–	–	–	–	–
Mr. Luo Jun (Note 7)	–	–	–	–	–
Mr. Zhang Peng (Note 6)	–	–	–	–	–
Mr. Zhao Junhuai	93	24	–	–	117
Subtotal	93	24	–	–	117
Total	251	427	512	44	1,234



Notes to the Financial Statements

For the year ended 31 December 2016

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

4. Related party transactions *(Continued)*

(6) Remuneration for directors and supervisors and staff of top five remunerations *(Continued)*

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

Note 5: Has been the executive director and chairman since December 2015.

Note 6: The remuneration is paid by Sichuan Publication Group, which is a wholly owned by Sichuan Development Holding Co., Ltd. The Group did not pay any remuneration to this director during the current year and the prior year.

Note 7: The remuneration is paid by Sichuan Xinhua Publishing Group. The Group did not pay any remuneration to this director during the current year and the prior year.

Note 8: Has no longer been an executive director and the chairman since December 2015.

Note 9: Has no longer been a director since March 2015.

The remunerations for the above executive directors are mainly remunerations paid for their services provided for the management of the Company and the Group.

The remunerations for the above non-executive directors are remunerations paid for their services as the Company's directors.



Notes to the Financial Statements

For the year ended 31 December 2016

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

4. Related party transactions *(Continued)*

(6) Remuneration for directors and supervisors and staff of top five remunerations *(Continued)*

(c) Supervisors

RMB'000

	2016				Total remuneration
	Emolument	Salaries and allowances	Performance linked bonus	Retirement benefit contribution	
Supervisors:					
Mr. Xu Ping (Note 10)	-	-	-	-	-
Mr. Xu Yuzheng (Note 11)	-	-	-	-	-
Ms. Lan Hong	-	214	117	45	376
Mr. Li Xu (Note 12)	58	24	-	-	82
Mr. Fu Daiguo (Note 13)	12	-	-	-	12
Ms. Liu Mixia (Note 15)	70	21	-	-	91
Ms. Wang Yan (Note 15)	-	201	106	45	352
Total	140	460	223	90	913

Notes to the Financial Statements

For the year ended 31 December 2016

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

4. Related party transactions *(Continued)*

(6) Remuneration for directors and supervisors and staff of top five remunerations *(Continued)*

(c) Supervisors *(Continued)*

RMB'000

	2015				Total remuneration
	Emolument	Salaries and allowances	Performance linked bonus	Retirement benefit contribution	
Supervisors:					
Mr. Xu Ping (Note 10)	–	–	–	–	–
Mr. Xu Yuzheng (Note 11)	–	–	–	–	–
Ms. Lan Hong	–	184	117	44	345
Ms. Liu Nan (Note 14)	–	173	124	11	308
Ms. Wang Jianping (Note 14)	–	–	–	–	–
Mr. Fu Daiguo (Note 13)	70	15	–	–	85
Mr. Li Guangwei (Note 14)	15	6	–	–	21
Mr. Li Kun (Note 14)	8	–	–	–	8
Ms. Zhou Jing (Note 14)	8	9	–	–	17
Ms. Liu Mixia (Note 15)	58	18	–	–	76
Ms. Wang Yan (Note 15)	–	198	81	37	316
Total	159	603	322	92	1,176

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

4. Related party transactions *(Continued)*

(6) Remuneration for directors and supervisors and staff of top five remunerations *(Continued)*

(c) Supervisors *(Continued)*

Note 10: The remuneration is paid by Sichuan Publication Group. The Group did not pay any remuneration to this supervisor during the current year and the prior year.

Note 11: The remuneration is paid by Sichuan Xinhua Publishing Group. The Group did not pay any remuneration to this supervisor during the current year and the prior year.

Note 12: Has been a supervisor since March 2016.

Note 13: Has no longer been a supervisor since March 2016

Note 14: Have no longer been supervisors since March 2015.

Note 15: Have been supervisors since March 2015.

During the current year and the prior year, no directors or supervisors waived or agreed to waive any remuneration arrangement.

During the current year and the prior year, among the above directors and supervisors, except that one director's remuneration was in the range of HK\$1,000,000.00 (equivalent to RMB894,500.00) to HK\$2,000,000.00 (equivalent to RMB1,789,000.00), the remuneration of the others fell within the range of HK\$0 to HK\$1,000,000.00 (equivalent to RMB894,500.00).

Notes to the Financial Statements

For the year ended 31 December 2016

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

4. Related party transactions *(Continued)*

(6) Remuneration for directors and supervisors and staff of top five remunerations *(Continued)*

(d) Staff of top five remunerations

During the current year and the prior year, the Group's staff of top five remunerations included a director whose remuneration was set out in the table above. The remuneration of the remaining four highest paid staff who were not directors or supervisors of the Company is set out as follows:

	<i>RMB'000</i>	
	2016	2015
Salaries, allowances and benefits-in-kind	1,419	1,360
Performance linked bonus	2,046	1,205
Retirement benefit contribution	179	176
Total	3,644	2,741

During the current year and the prior year, among the above four highest paid staff, except that one staff's remuneration was in the range of HK\$1,000,000.00 (equivalent to RMB894,500.00) to HK\$2,000,000.00 (equivalent to RMB1,789,000.00), the remuneration of the others fell within the range of HK\$0 to HK\$1,000,000.00 (equivalent to RMB894,500.00).

Notes to the Financial Statements

For the year ended 31 December 2016

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

5. Amount due/from related parties

		<i>RMB</i>	
Item	Related party	Closing balance	Opening balance
Accounts receivable	Sichuan Xinhua Publishing Group	4,133.75	–
	Shanghai Jingjie Information Technology Co., Ltd.	195,984.00	195,984.00
Total		200,117.75	195,984.00
Prepayments	Ming Bo Education Technology Holdings Co., Ltd.	–	368,127.66
	Sichuan Jiaoyang Sihuo Film Co., Ltd.	480,000.00	–
	Ren Min Eastern (Beijing) Book Industry Co., Ltd.	1,533,018.81	1,533,018.81
Total		2,013,018.81	1,901,146.47
Other receivables	Sichuan Xinhua Publishing Group	10,331.70	–
Total		10,331.70	–
Non-current assets due within 1 year	Wenzhuo (Note (VI) 8)	120,000,000.00	120,000,000.00
Total		120,000,000.00	120,000,000.00
Advance from customers	Ming Bo Education Technology Holdings Co., Ltd.	1,360,000.00	–
	Sichuan Xinhua Publishing Group	44,100.00	–
	Sichuan Publication Group	68,267.93	–
Total		1,472,367.93	–
Accounts payable	The Commercial Press (Chengdu) Co., Ltd.	11,200,299.19	9,174,190.56
	Hainan Publishing	122,481.66	2,007,028.28
	Ming Bo Education Technology Holdings Co., Ltd.	201,962.50	–
	Shanghai Jingjie Information Technology Co., Ltd.	18,941.36	18,941.36
Total		11,543,684.71	11,200,160.20
Other payables	Sichuan Xinhua Publishing Group	–	549.05
	Sichuan Publication Group	872,709.57	743,797.66
	Ming Bo Education Technology Holdings Co., Ltd.	2,100,000.00	–
Total		2,972,709.57	744,346.71

Notes to the Financial Statements

For the year ended 31 December 2016

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

6. Transactions with Chengdu Huasheng and Bank of Chengdu Co., Ltd.

According to *Administrative Measures for the Disclosure of Information of Listed Companies*, enterprises of which the directors or senior management are the directors, supervisor and senior management of the listed company are regarded as the related parties of the listed company. Zhao Junhuai, the director of Chengdu Huasheng (shareholder of the Company), also serves as the director of the Company; You Zugang, the secretary of the board of directors of the Company, also serves as the director of Bank of Chengdu Co., Ltd; The Group's transactions with Chengdu Huasheng and its subsidiaries as well as Bank of Chengdu Co., Ltd. within the reporting period are detailed as follows:

a. Transactions with Chengdu Huasheng

Purchase of fixed assets

Prior year				<i>RMB</i>	
Type of related party transaction	Details of related party transaction	Pricing and decision-making procedures of related party transactions	Amount for the prior year	Amount	Proportion (%)
Purchase of fixed assets	Shudu Garden	conducted at the price agreed by both parties	110,000,000.00		75.56

b. Transactions with Bank of Chengdu Co., Ltd.

(1) *Payments for interest*

2016		2015		<i>RMB</i>	
Amount	Proportion (%)	Amount	Proportion (%)		
-	-	1,910,772.23	90.77		

The shown proportion is the proportion of the amount of the transaction to total amount of similar transactions.

(2) *Dividends income*

2016		2015		<i>RMB</i>	
Amount	Proportion (%)	Amount	Proportion (%)		
20,000,000.00	30.83	20,000,000.00	26.35		

The shown proportion is the proportion of the amount of the transaction to total investment income in the current period.

Notes to the Financial Statements

For the year ended 31 December 2016

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

6. Transactions with Chengdu Huasheng and Bank of Chengdu Co., Ltd. *(Continued)*

b. Transactions with Bank of Chengdu Co., Ltd. *(Continued)*

(3) *Interest income*

2016		2015	
Amount	Proportion (%)	Amount	Proportion (%)
955,784.81	7.88	574,695.43	5.15

The shown proportion is the proportion of the amount of the transaction to total amount of similar transactions.

(4) *Amount due from related parties*

Item	Closing balance	Opening balance
Bank balances	51,484,501.41	84,490,390.39

(XI) CONTINGENCIES

At the balance sheet date, the Group has no significant contingencies of which the disclosure is required.

Notes to the Financial Statements

For the year ended 31 December 2016

(XII) COMMITMENTS

Capital commitments

	<i>RMB</i>	
	Closing balance	Opening balance
Commitment for acquisition and construction of long-term assets that have been entered into but have not been recognised in the financial statements	286,059,941.73	364,234,889.05

Operating lease commitments

At the balance sheet date, the Group had the following commitments in respect of non-cancellable operating leases:

The Group as lessee

	<i>RMB</i>	
	Closing balance	Opening balance
Minimum lease payments under non-cancellable operating leases		
1st year subsequent to the balance sheet date	100,876,222.27	96,023,459.94
2nd year subsequent to the balance sheet date	84,883,402.82	69,469,928.69
3rd year subsequent to the balance sheet date	28,408,400.13	59,785,248.08
Subsequent periods	11,814,531.61	19,444,753.58
Total	225,982,556.83	244,723,390.29

The Group as lessor

	<i>RMB</i>	
	Closing balance	Opening balance
Minimum lease receipts under non-cancellable operating leases		
1st year subsequent to the balance sheet date	12,651,147.78	11,791,637.81
2nd year subsequent to the balance sheet date	7,539,544.15	5,366,662.21
3rd year subsequent to the balance sheet date	4,124,456.49	4,696,738.50
Subsequent periods	4,687,764.16	8,150,895.80
Total	29,002,912.58	30,005,934.32

(XIII) EVENTS AFTER THE BALANCE SHEET DATE

After the balance sheet date, the Group has the following significant events:

Dividends distribution

The Company held a meeting of the Board of Directors on 29 March 2017 and adopted the profit distribution plan for the year of 2016 to distribute the retained profits at the end of at RMB0.30 per share (tax inclusive), for which the proposed distribution of dividends was RMB370,152,300.00 (tax inclusive). This proposal can be implemented only after it is approved by the 2016 Annual Shareholders' General Meeting to be held on 25 May 2017.

(XIV) OTHER SIGNIFICANT EVENTS

1. Capital management

The Group manages its capital principally aiming to secure the Group as going concern and achieve maximum income for shareholders through optimizing the combination structure of equity financing and debt financing. The Group's capital comprises the following components:

- Cash and cash equivalents ;
- Paid-in capital, capital reserve, surplus reserve and retained profit.

The Group's management reviews the capital structure according to the interim or annual financial statements. During the review, the management considers the capital cost and risks corresponding to various type of capital. The Group optimise the overall capital structure through issuing extra shares or borrowing or repayment of borrowings on the basis of the choice of the management.



Notes to the Financial Statements

For the year ended 31 December 2016

(XIV) OTHER SIGNIFICANT EVENTS *(Continued)*

2. Segment reporting

Based on the Group's internal organisation structure, management requirements and internal reporting system, the operations of the Group are classified into 2 reporting segments, which are publication segment and distribution segment. The reporting segments are determined based on the Company's business type. The Group's management periodically evaluates the operating results of these reporting segments to make decisions about resources to be allocated to the segments and assess their performance.

Major products and services delivered or provided by each of the reporting segments are:

Publication: publishing, printing and supply of publications like books, journals, audio-visual products and digital products;

Distribution: Distribution of textbooks and supplementary materials to schools and students and supply of informationised service for middle and primary school education; publications retail, distribution and sales via internet etc.;

Other segment of the Group covers production and distribution of films and teleplays, advertising service and sales of art work etc. However, these operating businesses do not separately satisfy the definition of reportable segment. The relevant financial materials of such operating businesses are consolidated and presented as "others" in the following table.

Segment information is disclosed in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to management. The measurement criteria are consistent with the accounting and measurement criteria in the preparation of the financial statements.



Notes to the Financial Statements

For the year ended 31 December 2016

(XIV) OTHER SIGNIFICANT EVENTS (Continued)

2. Segment reporting (Continued)

(1) Segment information

Current year						RMB
	Publication segment	Distribution segment	Others	Unallocated items	Inter-segment eliminations	Total
External revenue	500,948,403.45	5,796,212,068.12	59,007,641.86	-	-	6,356,168,113.43
Inter-segment revenue	1,268,131,357.42	7,717,468.51	42,509,931.09	-	(1,318,358,757.02)	-
Total operating income	1,769,079,760.87	5,803,929,536.63	101,517,572.95	-	(1,318,358,757.02)	6,356,168,113.43
Operating profit (loss)	362,562,568.34	247,009,204.00	(27,357,890.04)	(18,791,917.91)	(24,689,129.53)	538,732,834.86
Non-operating income	68,062,754.03	41,770,078.84	11,188,329.43	-	-	121,021,162.30
Non-operating expenses	1,478,615.81	22,418,984.49	140,337.14	-	-	24,037,937.44
Total profit (loss)	429,146,706.56	266,360,298.35	(16,309,897.75)	(18,791,917.91)	(24,689,129.53)	635,716,059.72
Total assets	4,421,239,890.32	6,198,867,719.61	775,389,950.68	4,404,915,454.80	(3,545,236,406.02)	12,255,176,609.39
Total liabilities	1,473,228,704.70	5,105,744,062.81	711,677,473.12	64,085,524.25	(3,394,036,506.27)	3,960,699,258.61
Supplementary information						
Depreciation	23,230,769.24	64,374,272.80	11,447,118.60	-	-	99,052,160.64
Amortisation	2,890,963.10	25,411,619.86	4,144,663.61	-	-	32,447,246.57
Interest income	4,413,101.39	4,364,650.25	593,973.16	6,442,875.03	(1,962,264.16)	13,852,335.67
Impairment losses recognised in the current period	13,073,644.04	49,997,000.23	17,590,586.56	-	-	80,661,230.83
Investment losses from long-term equity investment under equity method	-	(5,134,310.25)	(4,694,141.74)	-	-	(9,828,451.99)
Long-term equity investments under equity method	-	174,163,606.73	511,029,141.69	-	-	685,192,748.42
Capital expenditure	16,339,334.62	283,338,671.08	5,245,696.75	-	-	304,923,702.45
Including: Expenditure arising from						
Construction in progress	10,628,960.02	242,514,983.26	568,335.67	-	-	253,712,278.95
Expenditure arising from purchase of fixed assets	3,004,021.71	25,781,390.87	2,957,667.18	-	-	31,743,079.76
Expenditure arising from purchase of intangible assets	2,706,352.89	4,097,594.40	1,719,693.90	-	-	8,523,641.19
Development cost	-	10,944,702.55	-	-	-	10,944,702.55

Notes to the Financial Statements

For the year ended 31 December 2016

(XIV) OTHER SIGNIFICANT EVENTS (Continued)

2. Segment reporting (Continued)

(1) Segment information (Continued)

Prior year	RMB					
	Publication segment	Distribution segment	Others	Unallocated items	Inter-segment eliminations	Total
External revenue	434,981,342.05	5,250,735,460.65	46,976,339.01	-	-	5,732,693,141.71
Inter-segment revenue	1,241,273,166.53	-	15,000.00	-	(1,241,288,166.53)	-
Total operating income	1,676,254,508.58	5,250,735,460.65	46,991,339.01	-	(1,241,288,166.53)	5,732,693,141.71
Operating profit (loss)	245,100,168.24	375,766,767.30	(71,109,926.73)	13,412,624.89	(36,063,984.68)	527,105,649.02
Non-operating income	69,145,683.25	29,687,369.49	8,214,302.84	-	-	107,047,355.58
Non-operating expenses	943,540.91	14,958,122.42	541,610.27	-	-	16,443,273.60
Total profit (loss)	313,302,310.58	390,496,014.37	(63,437,234.16)	13,412,624.89	(36,063,984.68)	617,709,731.00
Total assets	3,997,919,436.82	5,369,150,490.28	743,822,195.29	3,816,725,999.83	(3,184,329,070.15)	10,743,289,052.07
Total liabilities	1,427,308,424.67	4,404,991,898.90	661,386,695.36	67,907,148.97	(3,057,818,299.93)	3,503,775,867.97
Supplementary information						
Depreciation	26,329,631.05	72,619,225.29	12,390,334.49	-	-	111,339,190.83
Amortisation	1,451,601.50	30,281,063.09	2,263,553.71	-	-	33,996,218.30
Interest income	1,612,645.86	5,377,921.08	348,574.96	5,532,719.12	-	12,871,861.02
Interest expenses	25,136.21	2,080,001.71	-	-	-	2,105,137.92
Impairment losses recognised in the current period	41,317,692.17	11,328,696.57	28,559,801.79	-	-	81,206,190.53
Investment income from long-term equity investment under equity method	-	1,423,769.63	7,320,522.26	-	-	8,744,291.89
Long-term equity investments under equity method	-	167,323,796.48	483,416,129.98	-	-	650,739,926.46
Capital expenditure						
Including: Expenditure arising from Construction in progress	271,924.40	98,745,818.16	18,924,552.56	-	-	117,942,295.12
Expenditure arising from purchase of fixed assets	4,835,860.67	146,133,409.58	2,272,119.05	-	-	153,241,389.30
Expenditure arising from purchase of intangible assets	242,821.51	19,380,131.34	2,615,141.85	-	-	22,238,094.70

Notes to the Financial Statements

For the year ended 31 December 2016

(XIV) OTHER SIGNIFICANT EVENTS *(Continued)*

2. Segment reporting *(Continued)*

(2) External revenue by geographical area of source and non-current assets by geographical location.

More than 99% of the Group's income is sourced from Chinese customer and most of the Group's assets are located in China, therefore the regional data is not disclosed.

(3) Concentrate on major customers

The Group's revenue from its top one customer for the current year is RMB631,314,893.30 (prior year: RMB680,010,050.61), which is attributable to the distribution segment. Apart from the aforesaid top one customer, the Group has no external customer from which the revenue accounts for 10% or more of the total revenue in the current year or prior year.

Inter-segment transfers are measured on the basis of prices negotiated between different segment entities. Segment revenue and segment expenses are determined on the basis of actual revenue and expenses of each segment. Segment assets and liabilities are allocated according to the attributable assets employed by a segment in its operating activities and the attributable liabilities resulting from the operating activities of a segment.

(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY

1. Cash and bank balances

Item	Closing balance			Opening balance		
	Amounts of the original currencies		Amount in RMB	Amounts of the original currencies		Amount in RMB
		Exchange rate			Exchange rate	
Cash:						
RMB	1,785,174.50	1.0000	1,785,174.50	2,181,318.22	1.0000	2,181,318.22
Bank balances:						
RMB	944,079,453.67	1.0000	944,079,453.67	1,162,860,798.52	1.0000	1,162,860,798.52
USD	3,966.47	6.9370	27,515.40	3,964.45	6.4936	25,743.55
HKD	5,236.6685	0.8945	4,684.20	0.61	0.8378	0.51
Total			945,896,827.77			1,165,067,860.80

Notes to the Financial Statements

For the year ended 31 December 2016

(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

2. Accounts receivable

(1) Disclosure of accounts receivable by categories:

RMB

Category	Closing balance					Opening balance				
	Carrying amount		Bad debt provision			Carrying amount		Bad debt provision		
	Amount	Proportion	Amount	Proportion	Net carrying amount	Amount	Proportion	Amount	Proportion	Net carrying amount
		(%)		of provision			(%)		of provision	
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually	557,900,828.20	71.96	(7,860,893.20)	1.41	550,039,935.00	451,777,286.98	66.67	(7,860,893.20)	1.74	443,916,393.78
Accounts receivable for which bad debt provision has been assessed by portfolios	217,368,440.67	28.04	(68,922,512.67)	31.71	148,445,928.00	225,891,027.65	33.33	(50,120,287.11)	22.19	175,770,740.54
Total	775,269,268.87	100.00	(76,783,405.87)	9.90	698,485,863.00	677,668,314.63	100.00	(57,981,180.31)	8.56	619,687,134.32

Accounts receivable that are individually significant and for which bad debt provision has been assessed individually at the end of the year:

RMB

Category	Closing balance				Opening balance			
	Accounts receivable	Bad debt provision	Proportion of provision (%)	Reasons for the provision	Accounts receivable	Bad debt provision	Proportion of provision (%)	Reasons for the provision
Beijing Jinhuanxuan Culture Development Co., Ltd (originally known as Redkids Cartoon Books Co., Ltd)	7,860,893.20	(7,860,893.20)	100.00	Fully unrecoverable	7,860,893.20	(7,860,893.20)	100.00	Fully unrecoverable
Others	550,039,935.00	-	-	-	443,916,393.78	-	-	-
Total	557,900,828.20	(7,860,893.20)	1.41		451,777,286.98	(7,860,893.20)	1.74	

Notes to the Financial Statements

For the year ended 31 December 2016

(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

2. Accounts receivable (Continued)

(1) Disclosure of accounts receivable by categories: (Continued)

Among the portfolios, accounts receivable for which bad debt provision has been assessed using the aging analysis approach:

RMB

Aging	Closing balance			Opening balance		
	Accounts receivable	Bad debt provision	Proportion of provision (%)	Accounts receivable	Bad debt provision	Proportion of provision (%)
Within 1 year	135,883,110.81	(4,433,726.81)	3.26	176,483,847.70	(5,662,077.22)	3.21
More than 1 year but not exceeding 2 years	34,580,704.47	(17,584,160.47)	50.85	9,954,056.60	(5,005,086.54)	50.28
More than 2 years but not exceeding 3 years	8,849,575.50	(8,849,575.50)	100.00	7,771,548.97	(7,771,548.97)	100.00
More than 3 years	38,055,049.89	(38,055,049.89)	100.00	31,681,574.38	(31,681,574.38)	100.00
Total	217,368,440.67	(68,922,512.67)	31.71	225,891,027.65	(50,120,287.11)	22.19

(2) Bad debt provision made or reversed in the current year

Bad debt provision in the current year is RMB18,752,225.56; Reversed or collected amount of bad debt provision which is important is set out below:

RMB

Name of customer	Current year		Prior year	
	Amount of reversals or collections	Way of collection	Amount of reversals or collections	Way of collection
Guizhou Winshare	–	–	3,325,230.65	Cash

Notes to the Financial Statements

For the year ended 31 December 2016

(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

2. Accounts receivable (Continued)

(3) Accounts receivable written off in the current year

The Group has no accounts receivable written off in the current year. The collected amount of bad debt provision for accounts receivable that are written off is RMB50,000.

(4) Top five debtors with the largest balances of accounts receivable

RMB

Name of entity	Relationship with the Company	Closing balance	Aging	Proportion of the amount to the total accounts receivable (%)	Closing balance of bad debt provision
Winshare Online	Subsidiary	417,260,761.31	Within 1 year	53.83	–
Beijing Winshare Commercial	Subsidiary	101,752,114.99	Within 1 year	13.12	–
Winshare Education Technology	Subsidiary	23,883,468.96	Within 1 year	3.08	–
Beijing Jinhuanxuan Culture Development Co., Ltd.	Third party	7,860,893.20	3-4 years	1.01	7,860,893.20
Pingchang Bureau for Education, Science & Technology and Sports	Third party	7,143,589.74	Within 1 year	0.92	–
Total		557,900,828.20		71.96	7,860,893.20

3. Prepayments

(1) Aging analysis of prepayments is as follow:

RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	25,553,344.71	96.94	14,927,872.66	98.05
1-2 years	617,620.96	2.34	91,652.83	0.60
2-3 years	–	–	–	–
More than 3 years	190,909.74	0.72	204,788.00	1.35
Total	26,361,875.41	100.00	15,224,313.49	100.00

Prepayment amounts aged more than one year are mainly prepayments for goods that are not settled by the suppliers.

Notes to the Financial Statements

For the year ended 31 December 2016

(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

3. Prepayments (Continued)

(2) Entities of top five prepayments

RMB

Name of entity	Relationship with the Company	Closing balance	Period	Reasons for unsettlement
Wenchuan Logistics	Subsidiary	10,000,000.00	Within 1 year	Services not yet rendered
Guangdong Meika Cultural Music Video Co., Ltd.	Third party	617,620.96	1-2 years	Goods not yet received
Xinhua Bookstore Capital Distribution Agency	Third party	369,467.78	Within 1 year	Goods not yet received
Zhuhai Qiyu Software Technology Co., Ltd.	Third party	317,692.31	Within 1 year	Goods not yet received
Cultural Development Press Co., Ltd.	Third party	261,218.53	Within 1 year	Goods not yet received
Total		11,565,999.58		

4. Other receivables

(1) Disclosure of other receivables by categories:

RMB

Category	Closing balance					Opening balance				
	Carrying amount		Bad debt provision			Carrying amount		Bad debt provision		
	Proportion		Proportion			Proportion		Proportion		
	Amount	(%)	Amount	(%)	Net carrying amount	Amount	(%)	Amount	(%)	Net carrying amount
Other receivables that are individually significant and for which bad debt provision has been assessed individually	283,674,717.50	90.40	(5,269,196.00)	1.86	278,405,521.50	622,006,881.68	93.35	(5,269,196.00)	0.85	616,737,685.68
Other receivables for which bad debt provision has been assessed by portfolios	10,545,730.02	3.36	(681,446.47)	6.46	9,864,283.55	13,207,604.12	1.98	(690,024.62)	5.22	12,517,579.50
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	19,569,872.53	6.24	-	-	19,569,872.53	31,107,378.30	4.67	-	-	31,107,378.30
Total	313,790,320.05	100.00	(5,950,642.47)	1.90	307,839,677.58	666,321,864.10	100.00	(5,959,220.62)	0.89	660,362,643.48

Notes to the Financial Statements

For the year ended 31 December 2016

(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

4. Other receivables (Continued)

(1) Disclosure of other receivables by categories: (Continued)

Other receivables that are individually significant and for which bad debt provision has been assessed individually at the end of the year:

RMB

Category	Closing balance				Opening balance			
	Other receivables	Bad debt provision	Proportion of provision (%)	Reasons for the provision	Other receivables	Bad debt provision	Proportion of provision (%)	Reasons for the provision
Anhui Sihe Digital Technology Development Co., Ltd	5,269,196.00	(5,269,196.00)	100.00	Assuming that all accounts receivable cannot be recovered	5,269,196.00	(5,269,196.00)	100.00	Assuming that all accounts receivable cannot be recovered
Others	278,405,521.50	-	-	-	616,737,685.68	-	-	-
Total	283,674,717.50	(5,269,196.00)	1.86		622,006,881.68	(5,269,196.00)	0.85	

Among the portfolios, other receivables for which bad debt provision has been assessed using the aging analysis approach:

RMB

Aging	Closing balance			Opening balance		
	Other receivables	Bad debt provision	Proportion of provision (%)	Other receivables	Bad debt provision	Proportion of provision (%)
Within 1 year	10,066,968.35	(346,100.45)	3.44	12,762,877.23	(398,858.69)	3.13
More than 1 year but not exceeding 2 years	144,292.78	(90,000.00)	62.37	120,548.62	(78,166.00)	64.84
More than 2 years but not exceeding 3 years	117,083.38	(82,500.00)	70.46	233,227.61	(141,787.83)	60.79
More than 3 years	217,385.51	(162,846.02)	74.91	90,950.66	(71,212.10)	78.30
Total	10,545,730.02	(681,446.47)	6.46	13,207,604.12	(690,024.62)	5.22

(2) Bad debt provision for the year

The amount of bad debt provision for the year is RMB29,434.66 of which the amount of reversal is RMB38,012.81.

Notes to the Financial Statements

For the year ended 31 December 2016

(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

4. Other receivables (Continued)

(3) Other receivables written off in the current year

The Group has no other receivables written off in the current year.

(4) Other receivables disclosed by their nature

RMB		
Nature of other receivables	Closing balance	Opening balance
Other receivables from related parties	292,531,474.97	635,450,112.10
Deposit/security deposit	5,334,081.56	6,482,480.37
Petty cash	2,913,250.70	2,817,684.12
Others	13,011,512.82	21,571,587.51
Total	313,790,320.05	666,321,864.10

(5) Top five entities with the largest balances of other receivables

RMB					
Name of entity	Nature	Closing balance	Aging	Proportion of the amount to the total other receivables (%)	Closing balance of bad debt provision
Printing Materials	Receivables from subsidiaries	59,708,418.05	3-4 years	19.03	–
Sichuan Xinhua Printing	Receivables from subsidiaries	46,376,042.05	Within 1 year	14.78	–
Reader's Journal Press	Receivables from subsidiaries	33,637,733.49	Within 1 year	10.72	–
Winshare Investment	Receivables from subsidiaries	20,614,614.18	Within 1 year	6.57	–
Beijing Winshare Commercial	Receivables from subsidiaries	20,266,215.65	3-4 years	6.46	–
Total		180,603,023.42		57.56	–

Notes to the Financial Statements

For the year ended 31 December 2016

(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

5. Dividends receivable

RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance	Whether the amount is impaired
Dividends receivable aged within 1 year	50,000,000.00	336,203,200.00	(86,203,200.00)	300,000,000.00	
Including: Wan Xin Media	-	16,203,200.00	(16,203,200.00)	-	
Bank of Chengdu Co., Ltd	-	20,000,000.00	(20,000,000.00)	-	
Publication Printing	50,000,000.00	70,000,000.00	(50,000,000.00)	70,000,000.00	No
Education Publishing House		230,000,000.00		230,000,000.00	No
Dividends payable aged more than 1 year	200,000,000.00	-	-	200,000,000.00	
Including: Education Publishing House	200,000,000.00	-	-	200,000,000.00	No
Total	250,000,000.00	336,203,200.00	(86,203,200.00)	500,000,000.00	

6. Inventories

(1) Categories of inventories

RMB

Item	Closing balance			Opening balance		
	Gross carrying amount	Provision for decline in value of inventories	Net carrying amount	Gross carrying amount	Provision for decline in value of inventories	Net carrying amount
Goods on hand	1,354,275,119.58	(62,480,169.96)	1,291,794,949.62	1,239,025,624.05	(48,142,379.75)	1,190,883,244.30
Work-in-progress	-	-	-	2,190,043.26	-	2,190,043.26
Raw materials	2,181,688.28	-	2,181,688.28	2,652,950.15	-	2,652,950.15
Total	1,356,456,807.86	(62,480,169.96)	1,293,976,637.90	1,243,868,617.46	(48,142,379.75)	1,195,726,237.71

The Group has no inventories pledged as collaterals in the current year.

Notes to the Financial Statements

For the year ended 31 December 2016

(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

6. Inventories (Continued)

(2) Provision for decline in value of inventories

RMB

Category of inventories	Opening balance	Increase in the current year	Decrease in the current year		Closing balance
			Reversals	Write-off	
Goods on hand	48,142,379.75	32,568,826.85	-	(18,231,036.64)	62,480,169.96

7. Other current assets

RMB

Item	Closing balance	Opening balance
Deductible VAT input tax	14,160,785.87	-
Bank wealth management products	866,000,000.00	-
Entrusted loan (Note)	300,217,776.45	-
Total	1,180,378,562.32	-

Note: At the end of the year, the entrusted loan was a loan of RMB300,217,776.45 granted to Wenchuan Logistics by China Minsheng Bank Co., Ltd. Chengdu Branch entrusted by the Company, for the period from 21 October 2016 to 20 October 2017, at an annual interest rate of 4.35%.

8. Non-current assets due within one year

RMB

Item	Closing balance	Opening balance
Entrusted loan (Note)	120,000,000.00	120,000,000.00

Note: Please refer to Note (VI) 8 for details.

Notes to the Financial Statements

For the year ended 31 December 2016

(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

9. Available-for-sale financial assets

(1) Available-for-sale financial assets

RMB

Item	Closing balance			Opening balance		
	Carrying amount	Provision for impairment	Book value	Carrying amount	Provision for impairment	Book value
Measured at fair value	2,292,897,201.83	-	2,292,897,201.83	2,113,696,639.66	-	2,113,696,639.66
Measured at cost	241,311,665.90	(1,311,665.90)	240,000,000.00	501,311,665.90	(1,311,665.90)	500,000,000.00
Total	2,534,208,867.73	(1,311,665.90)	2,532,897,201.83	2,615,008,305.56	(1,311,665.90)	2,613,696,639.66

(2) Available-for-sale financial assets measured at fair value at the year end

RMB

	Closing balance		Accumulated changes of fair value included in other comprehensive income
	Investment cost	Fair value	
Wan Xin Media CITIC Buyout Investment Fund (Shenzhen) (Limited Partnership)	186,415,328.00	2,189,924,800.00	2,003,509,472.00
	98,083,837.00	102,972,401.83	4,888,564.83
Total	284,499,165.00	2,292,897,201.83	2,008,398,036.83

Notes to the Financial Statements

For the year ended 31 December 2016

(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

10. Long-term equity investment

(1) Investment in subsidiaries

RMB

Investee	Opening balance	Addition in investment	Reduction in investment	Closing balance	Closing balance of provision for impairment
Xinhua Online	30,000,000.00	10,000,000.00	-	40,000,000.00	(2,072,032.00)
Beijing Shu Chuan	1,805,060.86	-	-	1,805,060.86	-
People's Education Times	2,106,941.60	-	-	2,106,941.60	-
Winshare Media	3,990,000.00	-	-	3,990,000.00	-
Wenxuan Advertising	10,600,000.00	-	-	10,600,000.00	-
Huaxia Shengxuan	21,227,900.00	-	-	21,227,900.00	-
Xinhua Colour Printing	55,644,135.82	-	-	55,644,135.82	-
Winshare Education Technology	43,840,776.30	290,000,000.00	-	333,840,776.30	-
Huaying Winshare	149,316,346.00	-	-	149,316,346.00	-
Xinhua Shang	12,396,162.00	-	-	12,396,162.00	-
Arts Investment	20,680,000.00	-	-	20,680,000.00	-
Winshare Online	22,500,000.00	22,500,000.00	-	45,000,000.00	-
Beijing Winshare Commercial	91,800,000.00	-	-	91,800,000.00	-
Wenchuan Logistics	100,000,000.00	-	-	100,000,000.00	-
Washington Winshare Media (Note)	1,719,387.00	-	(1,719,387.00)	-	-
VIVI Bride	2,000,000.00	-	-	2,000,000.00	-
VIVI Advertising	4,000,000.00	-	-	4,000,000.00	-
Winshare Cloud Image	2,800,400.00	13,000,000.00	-	15,800,400.00	-
Publication Printing	598,185,830.79	-	-	598,185,830.79	-
Printing Materials	40,944,463.95	-	-	40,944,463.95	-
People's Publishing House	18,189,167.92	-	-	18,189,167.92	-
Education Publishing House	211,321,291.49	-	-	211,321,291.49	-
Youth and Children's Publishing House	285,039,941.53	-	-	285,039,941.53	-
Digital Publishing & Media	5,605,427.63	-	-	5,605,427.63	-
Literature & Art Publishing House	20,731,819.65	30,000,000.00	-	50,731,819.65	-
Fine Arts Publishing House	5,559,756.46	-	-	5,559,756.46	-
Science & Technology Publishing House	15,294,897.94	-	-	15,294,897.94	-
Lexicographical Publishing House	9,809,021.68	-	-	9,809,021.68	-
Bashu Publishing House	5,244,860.20	-	-	5,244,860.20	-
Tiandi Publishing House	10,744,350.03	-	-	10,744,350.03	-

Notes to the Financial Statements

For the year ended 31 December 2016

(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

10. Long-term equity investment (Continued)

(1) Investment in subsidiaries (Continued)

RMB

Investee	Opening balance	Addition in investment	Reduction in investment	Closing balance	Closing balance of provision for impairment
Reader's Journal Press	866,830.73	-	-	866,830.73	-
Pictorial	7,521,475.38	-	-	7,521,475.38	-
Winshare Investment	100,000,000.00	100,000,000.00	-	200,000,000.00	-
Sichuan Xinhua Printing	248,599,490.28	-	-	248,599,490.28	-
Beijing Aerospace Cloud	10,500,000.00	-	-	10,500,000.00	-
Winshare International	20,000,000.00	-	-	20,000,000.00	-
Winshare Quan Media	10,000,000.00	-	-	10,000,000.00	-
Winshare Music	10,000,000.00	-	-	10,000,000.00	-
Sichuan Culture Communication	30,710,006.28	-	-	30,710,006.28	-
Total	2,241,295,741.52	465,500,000.00	(1,719,387.00)	2,705,076,354.52	(2,072,032.00)

Note: In January 2016, the Company transferred its 90% equity in Washington Winshare Media to Winshare International, a fully owned subsidiary of the Company.

Notes to the Financial Statements

For the year ended 31 December 2016

(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

10. Long-term equity investment (Continued)

(2) Investment in joint ventures or associates

RMB

Investee	Opening balance	Increase in investment	Decrease in investment	Changes for the year				Others	Closing balance	Closing balance of provision for impairment
				Investment profit or loss under equity method	Adjustment of other comprehensive income	Changes in other equity	Distribution of cash dividends or profits declared			
I. Joint Ventures										
Hainan Publishing	117,338,938.83	-	-	6,352,772.93	-	-	-	-	123,691,711.76	-
Wenzhuo	300,608,879.43	-	-	424,259.54	-	-	-	-	301,033,138.97	-
Subtotal	417,947,818.26	-	-	6,777,032.47	-	-	-	-	424,724,850.73	-
II. Associates										
The Commercial Press (Chengdu) Co., Ltd.	2,078,723.24	-	-	169,124.86	-	-	-	-	2,247,848.10	-
Ren Min Eastern (Beijing) Book Industry Co., Ltd.	10,477,959.96	-	-	2,995,666.74	-	-	(3,333,281.09)	-	10,140,345.61	-
Guizhou Winshare	-	-	-	-	-	-	-	-	-	-
Ming Bo Education Technology Holdings Co., Ltd.	22,361,459.43	-	-	6,392,918.14	-	-	-	-	28,754,377.57	-
Chengdu Xinhui	23,788,085.06	-	-	(1,175,653.81)	-	-	-	-	22,612,431.25	-
Winshare Preschool	5,988,873.12	-	-	(4,309,930.42)	-	-	-	-	1,678,942.70	-
Subtotal	64,695,100.81	-	-	4,072,125.51	-	-	(3,333,281.09)	-	65,433,945.23	-
Total	482,642,919.07	-	-	10,849,157.98	-	-	(3,333,281.09)	-	490,158,795.96	-

Notes to the Financial Statements

For the year ended 31 December 2016

(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

11. Investment properties

Investment properties measured at cost

Item	Buildings
RMB	
I. Original carrying amount	
1. Opening & closing balance	33,651,290.75
II. Accumulated depreciation	
1. Opening balance	(10,162,021.38)
2. Increase in the year	(900,190.02)
(1) Provision	(900,190.02)
3. Closing balance	(11,062,211.40)
III. Net book value of investment properties:	
1. Net carrying amount at the end of the year	22,589,079.35
2. Net carrying amount at the beginning of the year	23,489,269.37

12. Fixed assets

Item					Total
	Buildings	Machinery and equipment	Electronic equipment and others	Transportation vehicles	
RMB					
I. Total original carrying amount:					
1. Opening balance	1,095,307,362.38	72,049,685.54	113,862,653.32	92,006,712.96	1,373,226,414.20
2. Increase in the year	22,288,126.78	6,603,170.98	10,174,858.02	1,415,824.99	40,481,980.77
(1) Acquisition	5,985,596.78	6,603,170.98	10,174,858.02	1,415,824.99	24,179,450.77
(2) Transfer from construction in progress	16,302,530.00	-	-	-	16,302,530.00
3. Decrease in the year	-	(86,207.46)	(3,506,613.85)	(4,217,328.55)	(7,810,149.86)
(1) Disposal	-	(86,207.46)	(3,506,613.85)	(4,217,328.55)	(7,810,149.86)
4. Closing balance	1,117,595,489.16	78,566,649.06	120,530,897.49	89,205,209.40	1,405,898,245.11
II. Total accumulated depreciation:					
1. Opening balance	(272,288,479.95)	(58,472,693.78)	(86,015,517.22)	(58,146,055.06)	(474,922,746.01)
2. Increase in the year	(37,665,307.11)	(2,666,777.39)	(11,077,764.91)	(10,100,923.66)	(61,510,773.07)
(1) Provision	(37,665,307.11)	(2,666,777.39)	(11,077,764.91)	(10,100,923.66)	(61,510,773.07)
3. Decrease in the year	-	82,392.39	3,063,977.68	3,949,282.14	7,095,652.21
(1) Disposal	-	82,392.39	3,063,977.68	3,949,282.14	7,095,652.21
4. Closing balance	(309,953,787.06)	(61,057,078.78)	(94,029,304.45)	(64,297,696.58)	(529,337,866.87)
III. Total net book value of fixed assets:					
1. Net carrying amount at the end of the year	807,641,702.10	17,509,570.28	26,501,593.04	24,907,512.82	876,560,378.24
2. Net carrying amount at the beginning of the year	823,018,882.43	13,576,991.76	27,847,136.10	33,860,657.90	898,303,668.19

Notes to the Financial Statements

For the year ended 31 December 2016

(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

13. Intangible assets

Intangible assets are as follows:

Item	RMB			
	land use rights	Software	Others	Total
I. Total original carrying amount:				
1. Opening balance	187,639,336.30	58,034,407.36	167,700.00	245,841,443.66
2. Increase in the year	–	3,228,513.17	–	3,228,513.17
(1) Acquisition	–	3,228,513.17	–	3,228,513.17
3. Closing balance	187,639,336.30	61,262,920.53	167,700.00	249,069,956.83
II. Total accumulated amortisation:				
1. Opening balance	(48,657,586.21)	(41,830,945.42)	(160,712.50)	(90,649,244.13)
2. Increase in the year	(5,007,894.03)	(6,102,452.43)	(6,987.50)	(11,117,333.96)
(1) Provision	(5,007,894.03)	(6,102,452.43)	(6,987.50)	(11,117,333.96)
3. Closing balance	(53,665,480.24)	(47,933,397.85)	(167,700.00)	(101,766,578.09)
III. Total net book value of intangible assets				
1. Net carrying amount at the end of the year	133,973,856.06	13,329,522.68	–	147,303,378.74
2. Net carrying amount at the beginning of the year	138,981,750.09	16,203,461.94	6,987.50	155,192,199.53

14. Long-term prepaid expenses

Item	RMB			
	Opening balance	Increase in the current year	Amortisation in the current year	Closing balance
Leasehold Improvement	14,923,931.98	3,530,107.51	(7,938,106.73)	10,515,932.76
Rent	240,123.55	–	(48,024.60)	192,098.95
Total	15,164,055.53	3,530,107.51	(7,986,131.33)	10,708,031.71

Notes to the Financial Statements

For the year ended 31 December 2016

(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

15 Other non-current assets

<i>RMB</i>		
Item	Closing balance	Opening balance
Receivables from subsidiaries	307,037,299.99	357,037,299.99
Deductible VAT input tax (Note)	60,104,189.59	65,618,314.45
Time deposit	280,000,000.00	–
Total	647,141,489.58	422,655,614.44

Note: Please refer to Note (VI) 19 for details of deductible VAT input tax.

16. Accounts payable

<i>RMB</i>		
Item	Closing balance	Opening balance
Within 1 year	2,528,883,450.58	2,016,142,973.24
More than 1 year but not exceeding 2 years	802,712,353.39	763,129,932.20
More than 2 years but not exceeding 3 years	361,776,937.15	320,812,136.62
More than 3 years	196,915,387.38	175,572,690.66
Total	3,890,288,128.50	3,275,657,732.72

17. Advance from customers

Details of advance from customers are as followings:

<i>RMB</i>		
Item	Closing balance	Opening balance
Within 1 year	204,532,004.08	190,524,830.34
More than 1 year but not exceeding 2 years	1,876,274.87	2,907,808.23
More than 2 year but not exceeding 3 years	2,187,620.53	2,887,547.26
More than 3 years	3,542,936.83	2,679,433.92
Total	212,138,836.31	198,999,619.75

Advance from customers aged more than 1 year are mainly outstanding payment due from customer in previous years.

Notes to the Financial Statements

For the year ended 31 December 2016

(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

18. Employee benefits payable

(1) Disclosure of employee benefits payable

RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
I. Short-term benefits	164,333,701.84	469,680,043.29	(463,572,853.76)	170,440,891.37
II. Post-employment benefit – defined contribution plan	72,845.91	77,950,081.12	(77,547,351.97)	475,575.06
Total	164,406,547.75	547,630,124.41	(541,120,205.73)	170,916,466.43

(2) Short-term benefits

RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
I. Wages or salaries, bonuses, allowances and subsidies	131,963,103.54	385,595,529.86	(383,128,560.10)	134,430,073.30
II. Staff welfare	258.55	4,343,356.98	(4,339,556.98)	4,058.55
III. Social security contributions	391,282.20	25,831,465.91	(26,173,592.28)	49,155.83
Including: Medical insurance	20,417.41	22,873,372.37	(22,854,622.92)	39,166.86
Work-related injury insurance	5,274.56	1,484,786.90	(1,483,452.35)	6,609.11
Maternity insurance	16,232.74	1,470,906.64	(1,483,759.52)	3,379.86
Other insurances	349,357.49	2,400.00	(351,757.49)	–
IV. Housing funds	1,256,632.89	35,123,677.47	(35,187,575.31)	1,192,735.05
V. Union running costs and employee education costs	30,510,508.94	13,495,437.24	(9,448,993.26)	34,556,952.92
VI. Others	211,915.72	5,290,575.83	(5,294,575.83)	207,915.72
Total	164,333,701.84	469,680,043.29	(463,572,853.76)	170,440,891.37

Notes to the Financial Statements

For the year ended 31 December 2016

(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

18. Employee benefits payable (Continued)

(3) Defined benefit plans

RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
I. Basic pension insurance	72,845.91	57,595,359.08	(57,560,561.41)	107,643.58
II. Unemployment insurance	-	2,711,221.72	(2,696,719.47)	14,502.25
III. Enterprise annuity	-	17,643,500.32	(17,290,071.09)	353,429.23
Total	72,845.91	77,950,081.12	(77,547,351.97)	475,575.06

19. Taxes payable

RMB

Item	Closing balance	Opening balance
VAT	-	(18,079,923.66)
Business tax	-	1,090,425.86
City construction and maintenance tax	47,999.42	24,979.84
Education surcharges	30,846.85	31,159.03
Others	18,390,360.42	18,128,393.42
Total	18,469,206.69	1,195,034.49

20. Other payables

RMB

Item	Closing balance	Opening balance
Amounts due to related parties	343,100,577.96	343,896,577.96
Security deposit/deposit/quality warranty/performance security	72,423,669.76	49,420,454.71
Construction and infrastructure construction expenses	16,860,787.22	47,938,906.32
Others	34,129,599.01	32,918,790.28
Total	466,514,633.95	474,174,729.27

Other payables of large amount and aged more than 1 year are mainly deposits and outstanding payments for constructions.

Notes to the Financial Statements

For the year ended 31 December 2016

(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

21. Capital reserve

For the current year

RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
Share capital premium				
Including: Capital contributed by investors	2,075,162,519.91	546,465,098.06	–	2,621,627,617.97
Effects of business combination involving enterprises under common control (Note)	(14,325,593.72)	–	–	(14,325,593.72)
Other capital reserve				
Including: Transfer from capital reserve under the previous accounting system	23,349,059.67	–	–	23,349,059.67
Total	2,084,185,985.86	546,465,098.06	–	2,630,651,083.92

For the prior year

RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
Share capital premium				
Including: Capital contributed by investors	2,075,162,519.91	–	(14,325,593.72)	2,060,836,926.19
Other capital reserve				
Including: Transfer from capital reserve under the previous accounting system	23,349,059.67	–	–	23,349,059.67
Total	2,098,511,579.58	–	(14,325,593.72)	2,084,185,985.86

Note: As a result of the business combination involving with enterprises under common control, the Company offsets the capital reserve with the difference amounting to RMB14,325,593.72 between the sum of original investment cost and combination consideration paid and the net assets of Sichuan Culture Communication at the acquisition date.

Notes to the Financial Statements

For the year ended 31 December 2016

(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

22. Other comprehensive income

RMB

Item	Opening balance	Changes in the year					Closing balance
		Amount for the current year before income tax	Less: Amount included in other comprehensive income in the prior periods that is transferred to profit or loss for the period	Less: Income tax expenses	Post-tax amount attributable to owners of the Company	Post-tax amount attributable to non-controlling interests	
Current year							
Other comprehensive income that will be subsequently reclassified into profit or loss	1,848,957,511.66	159,440,525.17	-	-	159,440,525.17	-	2,008,398,036.83
Gains or losses arising from changes in fair value of available-for-sale financial assets	1,848,957,511.66	159,440,525.17	-	-	159,440,525.17	-	2,008,398,036.83
Prior year							
Other comprehensive income that will be subsequently reclassified into profit or loss	849,438,518.85	999,518,992.81	-	-	999,518,992.81	-	1,848,957,511.66
Gains or losses arising from changes in fair value of available-for-sale financial assets	849,438,518.85	999,518,992.81	-	-	999,518,992.81	-	1,848,957,511.66

23. Surplus reserve

RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
For the current year				
Statutory surplus reserve	475,598,986.38	63,131,230.83	-	538,730,217.21
For the prior year				
Statutory surplus reserve	407,378,467.91	68,220,518.47	-	475,598,986.38

According to *the Company Law of the People's Republic of China* and *Articles of Association*, the Company is required to transfer 10% of its net profit to the statutory surplus reserve. The transfer may be ceased if the balance of the statutory surplus reserve has reached 50% of the Company's registered capital.

The statutory surplus reserve may be used for making up the losses of the Company and expanding the production operation or increasing the registered share capital of the Company.

Notes to the Financial Statements

For the year ended 31 December 2016

(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

24. Retained profits

			RMB
Item	Current year	Prior year	Proportion of appropriation
Retained profits at beginning of year	1,449,303,189.07	1,175,857,822.81	
Add: Net profit for the year	631,312,308.32	682,205,184.73	
Less: Appropriation to statutory surplus reserve	(63,131,230.83)	(68,220,518.47)	
Declaration of dividends on ordinary shares	(370,152,300.00)	(340,539,300.00)	Note (VI) 33(2)
Retained profits at the end of the year	1,647,331,966.56	1,449,303,189.07	

25. Operating income and operating costs

			RMB
Item	Amount recognised in the current year	Amount recognised in the prior year	
Principal operating income	5,050,447,199.75	4,606,230,646.15	
Including: Textbooks and student reading materials	3,315,531,959.85	3,164,882,141.30	
Other operating income	100,405,083.84	120,745,560.25	
Including: Associated goods income	322,989,829.28	327,730,787.40	
Associated goods cost	(273,618,726.23)	(276,443,738.12)	
Net income from associated goods	49,371,103.05	51,287,049.28	
Operating costs	3,527,484,418.78	3,154,173,569.71	

26. Taxes and levies

			RMB
Item	Amount incurred in the current year	Amount incurred in the prior year	
Business tax	418,036.54	3,249,251.18	
City construction and maintenance tax	106,848.49	(415,729.19)	
Education surcharges	65,398.89	(296,324.17)	
Property tax (Note)	7,974,711.36	–	
Urban land use tax (Note)	2,114,332.97	–	
Stamp duty (Note)	301,781.28	–	
Travel tax (Note)	196,963.60	–	
Disabled person security fund (Note)	2,959,478.95	–	
Others	69,648.61	231,814.70	
Total	14,207,200.69	2,769,012.52	

Note: See Note (VI) 35.

Notes to the Financial Statements

For the year ended 31 December 2016

(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

27. Selling expenses

Item	RMB	
	Amount incurred in the current year	Amount incurred in the prior year
Wages or salaries and welfares	239,107,198.02	242,824,670.26
Transportation costs	122,703,226.59	113,452,591.50
Business conference fees	37,684,355.24	34,552,543.77
Vehicle fees	27,475,563.92	28,226,993.46
Travel expenses	13,259,713.43	15,438,872.50
Issuing commission	16,682,828.24	11,987,443.34
Advertising and promotion fees	4,422,520.17	9,173,777.62
Packing expenses	13,491,599.57	17,823,796.81
Others	83,277,029.77	40,622,592.74
Total	558,104,034.95	514,103,282.00

28. Administrative expenses

Item	RMB	
	Amount incurred in the current year	Amount incurred in the prior year
Wages or salaries and welfares	308,522,926.39	283,495,811.11
Business entertainment	99,605,439.98	85,117,632.82
Lease payments	89,055,678.88	80,968,629.66
Depreciation and amortisation expenses	80,614,238.36	85,735,938.41
Conference fees	21,389,466.29	15,108,441.39
Energy costs	17,141,839.44	16,739,963.06
Taxes	4,513,441.67	16,458,146.63
Property management fees	20,874,698.05	19,111,084.11
Travel expenses	7,664,837.92	6,404,476.80
Repair charge	17,658,806.27	17,866,313.51
Office allowance	5,884,457.18	5,408,547.35
Audit and other non-audit service fees	3,700,000.00	4,546,092.00
Others	57,964,941.14	57,115,292.50
Total	734,590,771.57	694,076,369.35

Notes to the Financial Statements

For the year ended 31 December 2016

(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

29. Financial expenses

Item	Amount incurred in the current year	Amount incurred in the prior year
Interest expenses	2,080,000.00	2,080,001.73
Interest income	(7,805,970.23)	(8,148,583.47)
Interest income from long-term receivables	(1,317,992.31)	(1,714,461.54)
Fees	1,615,781.54	1,672,654.90
Foreign exchange gains or losses and others	785,962.63	2,680,223.28
Total	(4,642,218.37)	(3,430,165.10)

RMB

30. Impairment losses of assets

Item	Amount incurred in the current year	Amount incurred in the prior year
Bad debt provision	18,743,647.41	(1,446,270.32)
Written-down of inventories	32,568,826.85	13,598,657.23
Total	51,312,474.26	12,152,386.91

RMB

31. Investment income

Item	Amount incurred in the current year	Amount incurred in the prior year
Income from long-term equity investments		
Including: Investment income under cost method	300,000,000.00	250,000,000.00
Investment income under equity method	10,849,157.98	12,463,984.25
Investment income on disposal of long-term equity investments	(1,655,127.00)	36,841.33
Investment income from holding available-for-sale financial assets		
Including: Investment income from available-for-sale financial assets that are subsequently measured at cost.	20,000,000.00	46,000,000.00
Investment income from available-for-sale financial assets that are subsequently measured at fair value.	16,203,200.00	14,333,600.00
Investment income from disposal of available-for-sale financial assets	250,000.00	–
Investment income from disposal of investments in available-for-sale financial assets measured at fair value	7,913,185.97	–
Total	353,560,416.95	322,834,425.58

RMB

Notes to the Financial Statements

For the year ended 31 December 2016

(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

32. Non-operating income

(1) Details of non-operating income are as follows:

Item	<i>RMB</i>	
	Amount incurred in the current year	Amount incurred in the prior year
Total gains on disposal of non-current assets	110,746.68	13,383,029.18
Including: Gains on disposal of fixed assets	110,746.68	13,383,029.18
Government grants	22,437,886.28	5,096,108.54
Others	6,744,390.93	2,243,036.00
Total	29,293,023.89	20,722,173.72

(2) Details of government grants:

Item	<i>RMB</i>	
	Amount incurred in the current year	Amount incurred in the prior year
Refund of VAT levies	17,254,510.54	–
Other fiscal subsidies	5,183,375.74	5,096,108.54
Total	22,437,886.28	5,096,108.54

33. Non-operating expenses

Item	<i>RMB</i>	
	Amount incurred in the current year	Amount incurred in the prior year
Total losses on disposal of non-current assets	22,019.22	316,198.49
Including: Losses on disposal of fixed assets	22,019.22	316,198.49
Donations	21,293,299.32	14,033,200.01
Penalty cost	46.91	2,645.55
Others	21,368.78	131,121.53
Total	21,336,734.23	14,483,165.58

Notes to the Financial Statements

For the year ended 31 December 2016

(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

34. Notes to items in the cash flow statement

(1) Other cash receipts relating to operating activities

Item	RMB	
	Amount incurred in the current year	Amount incurred in the prior year
Interests	7,410,881.01	7,995,445.88
Government grants	2,331,793.03	1,781,000.00
Recovery of deposit and petty cash	24,151,613.86	28,950.14
Others	22,186,419.16	5,100,616.90
Total	56,080,707.06	14,906,012.92

(2) Other cash payments relating to operating activities

Item	RMB	
	Amount incurred in the current year	Amount incurred in the prior year
Selling expenses	318,996,836.93	271,278,611.74
Administrative expenses (exclusive of lease payment)	241,334,725.17	227,282,590.71
Lease payment	99,605,439.98	80,968,629.66
Amount due/from subsidiaries	9,877,780.87	269,730,591.85
Others	27,666,591.67	40,927,786.03
Total	697,481,374.62	890,188,209.99

Notes to the Financial Statements

For the year ended 31 December 2016

(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

35. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

	RMB	
Supplementary information	Current year	Prior year
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	631,312,308.32	682,205,184.73
Add: Provision for impairment losses of assets	51,312,474.26	12,152,386.91
Depreciation of fixed assets,	61,510,773.07	66,013,236.74
Depreciation of investment properties	900,190.02	900,190.03
Amortisation of intangible assets	11,117,333.96	11,356,149.12
Amortisation of long-term prepaid expenses	7,986,131.33	10,438,765.21
Net gains on disposal of fixed assets,		
intangible assets and other long-term assets	(88,727.46)	(13,066,830.69)
Financial expenses	762,007.69	365,540.19
Interest income from loans	(7,183,426.01)	(17,691,083.75)
Investment income	(353,560,416.95)	(322,834,425.58)
Increase in inventories	(130,819,227.04)	(280,772,085.26)
Increase in receivables from operating activities	(119,878,939.27)	(144,915,127.24)
Increase in payables from operating activities	720,753,436.02	882,691,214.90
Net cash flow from operating activities	874,123,917.94	886,843,115.31
2. Net changes in cash and cash equivalents:		
Closing balance of cash	915,684,202.39	1,125,067,860.80
Less: Opening balance of cash	1,125,067,860.80	752,418,376.61
Net increase (decrease) in cash and cash equivalents	(209,383,658.41)	372,649,484.19

(2) Cash and cash equivalents

	RMB	
Item	Closing balance	Opening balance
Cash	915,684,202.39	1,125,067,860.80
Including: Cash on hand	1,785,174.50	2,181,318.22
Bank deposits	913,899,027.89	1,122,886,542.58
Balance of cash and cash equivalents	915,684,202.39	1,125,067,860.80

Notes to the Financial Statements

For the year ended 31 December 2016

(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

36. Related party relationship and transactions

(1) Sales and purchase of goods, provision and receipt of services

Purchase of goods/receipt of services

RMB

Related party	Type of related party transaction	Details of related party transaction	Pricing and decision-making procedures of related party transactions	Amount incurred in the current year	Amount incurred in the prior year
Sichuan Xinhua International Hotel Co., Ltd.	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	268,908.61	200,140.00
Sichuan Guanghan Sanxingdui Qushanyuan Cultural Ltd.	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	272,211.30	486,201.00
Chengdu Huang Peng Property Co., Ltd.	Receipt of services	Payments for property management fees	Price negotiated by both parties	4,974,751.52	5,079,829.50
Sichuan Xinhua Haiyi Cultural Development Co., Ltd.	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	183,543.00	-
Sichuan Xinhua Publishing Group Co., Ltd. Huadao Holiday Hotel	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	165,973.00	-
The Commercial Press (Chengdu) Co., Ltd.	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	16,483,185.66	16,166,368.03
Hainan Publishing	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	2,543,154.53	2,584,708.73
Shanghai Jingjie Information Technology Co., Ltd.	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	96,960.00	771,351.36
Bashu Publishing House	Purchase of goods	Payments for goods purchased and receiving service	Price negotiated by both parties	9,365,388.04	-
Huaxia Shengxuan Education Publishing House	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	-	2,610,003.99
Publication Printing	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	608,126,361.63	648,546,396.80
Printing Materials	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	217,481,432.14	313,497,462.10
Lexicographical Publishing House	Purchase of goods	Payments for goods purchased and receiving service	Price negotiated by both parties	6,733,946.73	5,294,796.78
Science & Technology Publishing House	Purchase of goods	Payments for goods purchased and receiving service	Price negotiated by both parties	6,234,443.89	5,105,125.38
Fine Arts Publishing House	Purchase of goods	Payments for goods purchased and receiving service	Price negotiated by both parties	3,240,724.10	-
People's Publishing House	Purchase of goods	Payments for goods purchased and receiving service	Price negotiated by both parties	25,542,247.88	16,957,040.45
Youth and Children's Publishing House	Purchase of goods	Payments for goods purchased and receiving service	Price negotiated by both parties	17,798,933.27	23,989,505.78
Tiandi Publishing House	Purchase of goods	Payments for goods purchased and receiving service	Price negotiated by both parties	9,889,999.46	2,696,717.18
Literature & Art Publishing House	Purchase of goods	Payments for goods purchased and receiving service	Price negotiated by both parties	37,436,908.22	18,620,440.73
Digital Publishing	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	22,848,874.66	127,384.93
Xinhua Online	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	133,901.93	154,202.82
Education Technology	Receipt of services	Payments for goods purchased	Price negotiated by both parties	40,440,397.51	53,980,568.19
Wenchuan Logistics	Receipt of services	Commissioned logistics cost/transportation cost	Price negotiated by both parties	13,243,295.85	2,348,399.07
Winshare Online	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	42,476,912.22	-
Sichuan Culture Communication	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	280,217.40	591,893.50
Sichuan Chongwenju Forest Hotel Co., Ltd.	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	1,180,803.40	1,368,543.20
				-	309,194.60
Total				1,087,443,475.95	1,121,486,274.12

Notes to the Financial Statements

For the year ended 31 December 2016

(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

36. Related party relationship and transactions (Continued)

(1) Sales and purchase of goods, provision and receipt of services (Continued)

Sales of goods/receipt of services

RMB

Related party	Type of related party transaction	Details of related party transaction	Pricing and decision-making procedures of related party transactions	Amount incurred in the current year	Amount incurred in the prior year
Sichuan Xinhua Publishing Group	Sales of goods	Receipts for goods sold	Price negotiated by both parties	16,902.51	197,077.85
Winshare Online	Sales of goods	Receipts for goods sold	Price negotiated by both parties	818,272,147.42	632,594,443.42
Xinhua Online	Sales of goods	Receipts for goods sold	Price negotiated by both parties	41,231,657.62	11,457,312.59
Beijing Winshare Commercial	Sales of goods	Receipts for goods sold and transportation service rendered	Price negotiated by both parties	785,454.08	22,609,293.68
Sichuan Culture Communication	Sales of goods	Receipts for goods sold	Price negotiated by both parties	43,632.58	–
Winshare Education Technology	Sales of goods	Receipts for goods sold	Price negotiated by both parties	20,413,221.33	956,101.34
Total				880,763,015.54	667,814,228.88

(2) Guarantees for subsidiaries

The Company has not provided any guarantee for subsidiaries for the current year.

(3) Leases with related parties

The Company as lessor:

RMB

Name of lessor	Name of lessee	Type of leased assets	Commencement date of leases	Expiration date of leases	Basis of determining the lease income	Lease income recognised in the current year	Lease income recognised in the prior year
The Company	Sichuan Xinhua Publishing Group	Buildings	2016.1.1	2018.12.31	Contractual price negotiated by both parties	1,279,575.78	N/A
The Company	Sichuan Xinhua Publishing Group	Buildings	2010.1.1	2015.12.31	Contractual price negotiated by both parties	N/A	1,343,554.56

Notes to the Financial Statements

For the year ended 31 December 2016

(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

36. Related party relationship and transactions (Continued)

(3) Leases with related parties (Continued)

The Company as lessee:

RMB

Name of lessor	Name of lessee	Type of leased assets	Commencement date of leases	Expiration date of leases	Basis of determining the lease income	Lease income recognised in the current year	Lease income recognised in the prior year
Sichuan Xinhua Publishing Group	The Company	Buildings	2016.1.1	2018.12.31	Contractual price negotiated by both parties	39,828,465.19	-
Sichuan Xinhua Publishing Group	The Company	Buildings	2013.1.1	2015.12.31	Contractual price negotiated by both parties	N/A	35,515,550.04
Sichuan Publication Group	The Company	Buildings	2014.1.1	2016.12.31	Contractual price negotiated by both parties	2,218,128.88	3,068,508.36
Sichuan Xinhua Printing Co., Ltd	The Company	Buildings	2014.1.1	2015.12.31	Contractual price negotiated by both parties	N/A	413,028.00
Sichuan Hengxi Property Management Co., Ltd.	The Company	Buildings	2015.1.1	2016.12.31	Contractual price negotiated by both parties	578,639.38	252,732.28

(4) Borrowings/loans with related parties

RMB

Related party	2016	Balance at the end of the current year	2015	Balance at the end of the prior year
Borrowings				
Youth and Children's Publishing House	-	60,000,000.00	-	60,000,000.00
Loans				
Wenzhuo	-	120,000,000.00	-	120,000,000.00
Chengdu Xinhui	-	-	10,200,000.00	-
Sichuan Xinhua Printing	44,791,600.00	46,376,000.00	-	291,100.00
Printing Materials	1,538,600.00	59,708,400.00	30,000,000.00	98,009,200.00
Winshare Investment	100,000,000.00	220,614,600.00	100,000,000.00	211,914,600.00
Reader's Journal Press	53,800.00	33,637,800.00	9,500,000.00	32,688,100.00
Winshare Cloud Image	-	-	2,000,000.00	2,000,000.00
Winshare Education Technology	100,000,000.00	30,000,000.00	20,000,000.00	160,000,000.00
Wenchuan Logistics (Note)	300,217,776.45	377,255,076.44	8,200,000.00	357,037,300.00

Note: See Note (XV) 7.

Notes to the Financial Statements

For the year ended 31 December 2016

(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

36. Related party relationship and transactions (Continued)

(5) Payments for interest

The Company's payments for interest of the borrowings from related parties are as follows:

RMB

Name of entity	Accumulated in the current year		Accumulated in the prior year	
	Amount	Proportion (%)	Amount	Proportion (%)
Youth and Children's Publishing House	2,080,000.00	100.00	2,080,001.73	100.00

(6) Receipts of interest

Interest received from the Company's borrowings/loans with related parties is as follows:

RMB

Name the entity	Accumulated in the current year	Accumulated in the prior year
Chengdu Xinhui	–	3,176,674.48
Wenzhuo	7,183,426.01	7,482,520.37
Xinhua Printing	1,293,250.84	7,031,888.90
Printing Materials	3,629,149.42	3,887,762.07
Winshare Investment	10,191,974.66	9,445,573.08
Reader's Journal Press	895,868.76	746,219.28
Winshare Cloud Image	80,388.99	10,633.33
Total	23,274,058.68	31,781,271.51

Notes to the Financial Statements

For the year ended 31 December 2016

(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY *(Continued)*

36. Related party relationship and transactions *(Continued)*

(7) Amounts due from/to related parties

		<i>RMB</i>	
	Related party	Closing balance	Opening balance
Accounts receivable	Winshare Online	417,260,761.31	380,569,823.19
	Sichuan Xinhua Publishing Group	4,133.75	–
	Xinhua Online	4,610,950.98	2,951,806.11
	Beijing Winshare Commercial	101,752,114.99	101,576,979.16
	Education Technology	24,963,862.69	1,080,393.73
Total		548,591,823.72	486,179,002.19
Prepayments	Wenchuan Logistics	10,000,000.00	–
	Xinhua Shang	6,051.33	41,647.19
	Tiandi Publishing House	–	151.27
Total		10,006,051.33	41,798.46
Dividends receivable	Publication Printing	70,000,000.00	50,000,000.00
	Education Publishing House	430,000,000.00	200,000,000.00
Total		500,000,000.00	250,000,000.00

Notes to the Financial Statements

For the year ended 31 December 2016

(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

36. Related party relationship and transactions (Continued)

(7) Amounts due from/to related parties (Continued)

		RMB	
	Related party	Closing balance	Opening balance
Other receivables	Printing Materials	59,708,418.05	98,009,191.24
	Winshare Education Technology	20,000,000.00	172,000,000.00
	Beijing Shu Chuan	10,235,415.56	10,235,415.56
	Bashu Publishing House	17,170,327.03	16,283,371.24
	Xinhua Shang	2,500,000.00	2,500,000.00
	Reader's Journal Press	33,637,733.49	32,688,112.61
	Digital Publishing	17,935,711.48	17,935,711.48
	Xinhua Colour Printing	3,357,255.44	3,357,255.44
	Arts Investment	27,803,930.13	28,604,576.13
	Winshare Online	–	42,953.55
	Wenxuan Advertising	–	397,810.00
	Beijing Winshare Commercial	20,266,215.65	20,492,089.88
	VIVI Advertising	–	1,631.37
	Winshare Investment	20,614,614.18	211,914,614.18
	Literature & Art Publishing House	3,235,340.74	9,512,685.74
	People's Publishing House	5,599,974.42	3,836,337.21
	Education Publishing House	–	1,883,414.68
	Youth and Children's Publishing House	–	1,150,742.01
	Fine Arts Publishing House	993,275.44	993,275.44
	Science & Technology Publishing House	2,223,296.47	1,308,259.46
	Winshare Music	–	11,520.00
	Sichuan Xinhua Printing	46,376,042.05	291,144.88
	Winshare Cloud Image	–	2,000,000.00
	Publication Printing	123,069.88	–
	Lexicographical Publishing House	697,569.71	–
	Xinhua Online	42,953.55	–
	Sichuan Xinhua Publishing Group	10,331.70	–
Total		292,531,474.97	635,450,112.10
Non-current assets			
due within one year	Wenzhuo	120,000,000.00	120,000,000.00
Total		120,000,000.00	120,000,000.00

Notes to the Financial Statements

For the year ended 31 December 2016

(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

36. Related party relationship and transactions (Continued)

(7) Amounts due from/to related parties (Continued)

		RMB	
Item name	Related party	Closing balance	Opening balance
Other non-current assets	Wenchuan Logistics	77,037,299.99	357,037,299.99
	Winshare Education Technology	30,000,000.00	–
	Winshare Investment	200,000,000.00	–
Total		307,037,299.99	357,037,299.99
Other current assets	Wenchuan Logistics	300,217,776.45	–
	Total	300,217,776.45	–
Accounts payable	The Commercial Press (Chengdu) Co., Ltd.	11,200,299.19	9,174,190.56
	Hainan Publishing	122,481.66	2,007,028.28
	Shanghai Jingjie Information Technology Co., Ltd.	18,941.36	18,941.36
	Huaxia Shengxuan	8,823.00	8,823.00
	Xinhua Shang Publication Printing	–	35,595.86
	Education Publishing House	397,473,677.01	411,217,353.45
	People's Publishing House	1,024,789,251.40	821,473,584.90
	Youth and Children's Publishing House	34,919,125.50	31,811,220.88
	Winshare Education Technology Digital Publishing	29,029,233.53	35,957,415.49
	Lexicographical Publishing House	4,210,394.21	1,992,307.69
	Tiandi Publishing House	203,929.37	69,500.16
	Literature & Art Publishing House Science & Technology Publishing House	7,304,830.88	8,885,960.95
	Fine Arts Publishing House	16,508,539.92	23,640,848.12
	Bashu Publishing House	26,481,453.45	17,203,367.38
	Xinhua Colour Printing	12,433,929.81	12,251,725.48
	Xinhua Online	21,686,915.04	24,035,725.66
	Printing Materials	5,432,118.65	5,642,762.59
		43,158.09	43,158.09
		51,957,772.30	55,566,647.81
		1,143,276.05	–
Total		1,644,968,150.42	1,461,036,157.71

Notes to the Financial Statements

For the year ended 31 December 2016

(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY *(Continued)*

36. Related party relationship and transactions *(Continued)*

(7) Amounts due from/to related parties *(Continued)*

			<i>RMB</i>
Item name	Related party	Closing balance	Opening balance
Other payables	Youth and Children's Publishing House	84,201,400.00	85,241,400.00
	Xinhua Shang	200,000.00	200,000.00
	Sichuan Xinhua Printing	200,000.00	–
	People's Publishing House	–	3,000.00
	Publication Printing	258,449,177.96	258,449,177.96
	Fine Arts Publishing House	–	3,000.00
	Digital Publishing & Media	50,000.00	–
Total		343,100,577.96	343,896,577.96

(XVI) APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated and the Company's financial statements were approved by the board of directors on 29 March 2017.

Supplementary Information

1. BREAKDOWN OF NON-RECURRING PROFIT OR LOSS

<i>RMB</i>		
Item	Current year	Prior year
Profit (loss) on disposal of non-current assets	(879,957.69)	18,447,463.79
Net profit or loss on disposal of long-term equity investments (including the amount considered as profit or loss on disposal)	–	36,841.33
Government grants recognised in profit or loss (other than grants which are closely related to the Company's business and are either in fixed amounts or determined under quantitative methods in accordance with the national standard)	32,991,583.75	29,296,238.72
Losses of acquisition before business combination involving enterprises under common control	–	(2,294,018.60)
Income from purchase of wealth management products	–	5,952,903.56
Profit or loss on entrusted loans	7,183,426.01	10,659,194.85
Investment income from disposal of available-for-sale financial assets at FVTPL	11,055,165.50	1,408,904.11
Investment income from disposal of available-for-sale financial assets (Note)	250,000.00	–
Other non-operating income and expenses besides the aforesaid items.	(14,942,825.06)	(10,713,990.94)
Tax effects	(223,296.70)	(252,291.27)
Effects attributable to non-controlling interests (after tax)	(2,541,097.96)	(4,299,391.10)
Total	32,892,997.85	48,241,854.45

Note: The principal business of Winshare Investment Co., Ltd., which is a subsidiary of the Group, is investment. Its investment income from holding available-for-sale financial assets and investment income from disposal of available-for-sale financial assets are not recognised as non-recurring profit or loss. The investment income of such investments for the year is RMB5,358,943.45 and RMB2,170,215.05 respectively.



Supplementary Information

2. RETURN ON NET ASSETS AND EARNINGS PER SHARE (“EPS”)

The return on net assets and EPS have been prepared by the Company in accordance with *Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revised 2010)* issued by China Securities Regulatory Commission.

Current year

Profit for the reporting period	Weighted average return on net assets (%)	EPS	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	8.22	0.55	N/A
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	7.80	0.53	N/A

Prior year

Profit for the reporting period	Weighted average return on net assets (%)	EPS	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	9.83	0.57	N/A
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	9.10	0.53	N/A

The Company has no dilutive potential ordinary shares.





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