



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)



2017 Annual Report 年度報告

* For identification purposes only
僅供識別



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Definitions

In this report (excluding the section of the auditor's report), the following expressions shall have the meanings stated below unless the context otherwise requires:

2017 AGM	the annual general meeting to be held by the Company on 30 May 2018
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
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.
BLOGIS Company	Sichuan Winshare BLOGIS Supply Chain 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 Longchuang	Chengdu Longchuang Investment Management Centre LLP
Chengdu Xinhui	Chengdu Xinhui Industrial Co., Ltd.
Companies Ordinance	the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
Company Law	the Company Law of the People's Republic of China
Company or Listed Company	Xinhua Winshare Publishing and Media Co., Ltd.* (新華文軒出版傳媒股份有限公司)
Consolidated Statement of Changes in Shareholders' 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	11 June 2018
Dividend for 2017	the payment of dividend for the year ended 31 December 2017 of RMB0.30 (tax inclusive) per share recommended by the Board
Education House	Sichuan Education Publishing House Co., Ltd.
ESG	environmental, social and governance
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

Definitions

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
Hagong Intelligent	Jiangsu Hagong Intelligent Robot Co., Ltd., formerly known as Jiangsu Youli Investment Holding Co., Ltd.
Hua Sheng Group	Chengdu Hua Sheng (Group) Industry Co., Ltd.
Huang Peng Property	Chengdu Huang Peng Property Co., Ltd.
Huaying Winshare or Xinhua Yingxuan	Xinhua Yingxuan (Beijing) Screen Culture Co., Ltd. (formerly known as 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
September Online	the digital content push platform under Winshare Online
Shareholder(s)	H shareholder(s) and A shareholder(s) of the Company
Sichuan Daily Group	Sichuan Daily Newspaper Group
Sichuan Development	Sichuan Development (Holding) Co., Ltd.
Sichuan Wenzhuo	Sichuan Wenxuan Zhuotai Investment Co., Ltd.
Sichuan Xinhua Printing	Sichuan Xinhua Printing Co., Ltd.
SPG	Sichuan Publication Group Co., Ltd
SSE	Shanghai Stock Exchange

Definitions

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
Tiandi Publishing House	Sichuan Tiandi Publishing House Co., Ltd.
Wan Xin Media	Anhui Xinhua Media Co., Ltd.
Wenchuan Logistics	Sichuan Wenchuan Logistics Co., Ltd.
Winshare Education Technology	Sichuan Winshare Education Technology 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., renamed to Winshare Sports Culture Development Co., Ltd. in February 2018
Year, Period or Reporting Period	the period from 1 January 2017 to 31 December 2017
Youth and Children's Publishing House	Sichuan Youth and Children's Publishing House 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 2018 second Board meeting for the fourth session of the Board held on 28 March 2018 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 2017 amounted to RMB923,844,500. For the profit distribution proposal for 2017, 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) (i.e. RMB0.30 per share (tax inclusive)) will be distributed to the Shareholders, with total cash dividend amounting to RMB370,152,300 (tax inclusive).

The above profit distribution proposal is subject to the approval by the Shareholders at the 2017 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. The Company has not provided any external guarantees in violation of the prescribed decision-making procedures during the Reporting Period.
- VIII. During the Reporting Period, there were no major risks that would have a material impact on the production and operations of the Company. Please read the section headed "Management Discussion and Analysis" of this report for details of the risk factors that may be involved are set out 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. Chen Yunhua (*Vice chairman*)
Mr. Yang Miao

Non-Executive Directors

Mr. Luo Jun
Mr. Zhang Peng
Mr. Han Xiaoming

Independent Non-Executive Directors

Mr. Chan Yuk Tong
Ms. Xiao Liping
Mr. Fang Bingxi

BOARD COMMITTEES

Strategy and Investment Planning Committee

Mr. Han Xiaoming (*Chairman*)
Mr. Fang Bingxi
Mr. Yang Miao

Audit Committee

Mr. Chan Yuk Tong (*Chairman*)
Mr. Fang Bingxi
Mr. Zhang Peng

Remuneration and Review Committee

Mr. Chan Yuk Tong (*Chairman*)
Ms. Xiao Liping
Mr. Luo Jun

Nomination Committee

Ms. Xiao Liping (*Chairlady*)
Mr. Chan Yuk Tong
Mr. Luo Jun

SUPERVISORY COMMITTEE

Supervisors

Mr. Tang Xiongxing (*Chairman*)
Mr. Chao Hsun
Ms. Lan Hong
Ms. Wang Yan

Independent Supervisors

Mr. Li Xu
Ms. Liu Mixia

* For identification purpose only

Corporate Information

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	2017	2016	2015	2014	2013
Operating income	734,588.30	635,616.81	573,269.31	541,570.43	529,826.23
Total profit	91,704.03	63,571.61	61,770.97	61,269.20	59,444.88
Net profit attributable to shareholders of the Company	92,384.45	64,746.23	64,726.95	63,278.74	62,288.18
Net profit attributable to shareholders of the Company after non-recurring profits or losses	72,610.53	61,456.93	59,902.77	61,467.79	58,671.09
Net cash flow from operating activities	34,562.19	68,342.73	101,665.02	87,598.40	26,893.92
Net assets attributable to shareholders of the Company	802,730.17	833,569.04	727,067.09	595,805.99	541,066.12
Total assets	1,228,670.56	1,225,517.66	1,074,328.91	904,600.56	837,328.65
Total liabilities	432,988.34	396,069.93	350,377.59	308,063.09	292,879.35
Basic earnings per share (RMB)	0.75	0.55	0.57	0.56	0.55
Diluted earnings per share (RMB)	N/A	N/A	N/A	N/A	N/A
Basic earnings per share after non-recurring profits or losses (RMB)	0.59	0.53	0.53	0.54	0.52
Weighted average return on net assets (%)	11.29	8.22	9.83	11.19	12.03
Weighted average return on net assets after non-recurring profits or losses (%)	8.87	7.80	9.10	10.87	11.34

Chairman's Statement

DEAR SHAREHOLDERS,

On behalf of the Board of Xinhua Winshare Publishing and Media Co., Ltd., I am pleased to present to the Shareholders the annual results of the Company and its subsidiaries for the year ended 31 December 2017.

He Zhiyong
Chairman



In 2017, 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 took the market-oriented approach, continued to step up innovation, vertically pushed ahead the work to revitalise publishing, created new model of bookstore operations, drove industry transformation and upgrade, and injected vitality to corporate development, thus forming a coordinated development layout of product+channel, online+offline and industry+capital, alongside with steadily growing operating benefits and enhancing market competitiveness and social influence. In 2017, the Group recorded revenue of RMB7,346 million, representing an increase of 15.57% over 2016, with net profit of RMB916 million, representing an increase of 45.46% over 2016. Net profit attributable to shareholders of the Listed Company was RMB924 million. Excluding non-recurring gain or loss, net profit attributable to shareholders of the Listed Company increased by 18.15% from that in the same period last year. Basic earnings per share amounted to RMB0.75, which increased by 36.36% from that in the same period last year.

I. EFFORTS TO REVITALISE PUBLISHING SAW SIGNIFICANT RESULTS WITH PUBLISHING AND MEDIA BECOMING THE NEW GROWTH ENGINE

In 2017, the Company vigorously pushed ahead various works to revitalise publishing by promoting the integration of publishing resources and synergistic development between publishing and distribution and strengthening the development of publishing talents. As a result, the Company's publication segment saw significant results. First, the publishing capabilities and influence grew quickly. All publishing houses of the Company recorded earnings. Based on the statistics of Beijing Open-Book Information Technology Co., Ltd., the Company's publication segment was ranked 15th in the overall PRC market, up by 4 places and 11 places respectively from 2016 and 2015, representing the fastest growing group among the 35 publishing groups nationwide in terms of ranking. The national rankings of its publishing houses of the Company continued to climb. Of which, Youth and Children's Publishing House and Tiandi Publishing House were among the top 100 publishing houses, ranking 47th and 83th respectively. There were increasingly more books gaining market influence. 34 genres of books recorded annual sales volume of more than 100,000 copies and 6 genres of books recorded annual sales volume of more than 500,000 copies. A number of books topped the chart of best selling books nationwide.

Chairman's Statement

Second, the number of state-level awards received by the Company set a record high with significant social benefits. The Company had a total of twelve projects nominated for subsidy projects of National Publication Foundation for 2017, eight projects honoured with the 4th China Publication Government Awards and three projects honoured with the Chinese Best Publications Award. The number of awards the Company received came out top among the publishing and media groups across the nation. Third, the "going out" of the publishing business saw fruitful results. In 2017, the Company was, for the first time, among top 10 publishers in terms of overall annual ranking in the "Chinese Book Promotion Plan" where the Company successfully exported 175 copyrights, up by 28.68% as compared with that in the same period last year, to 20 countries and regions including the US and Russia. Fourth, the publishing and distribution industry chain was more balanced. Driven by the efforts to revitalise the publishing industry in Sichuan, the Company's publication segment emerged unexpectedly and became a new growth pole in the publishing industry, which was enhanced as the new growth engine for industry development. The Company saw substantial changes in the layout of its strong distribution segment and weak publication segment, alongside with a clearer whole industry chain model of "content+channel".

II. BUILT A READING SERVICE NETWORK AND THE DEVELOPMENT OF PHYSICAL BOOKSTORES WAS SPEEDING UP AT FULL SCALE

In 2017, while actively promoting the "revitalisation of physical bookstores" which states the strategic positioning of physical bookstores as a reading service provider, the Company drove the innovation of operating systems to stimulate the vitality of physical bookstores, implemented the multi-brand development strategy among physical bookstores

and pushed ahead the transformation and upgrade of physical bookstores. Significant results were achieved. First, the Company commenced multi-brand operations and innovated the business model as part of its active efforts to explore the niche market of reading service. After years of operation, the Company has been operating physical bookstores under multiple brands including "Xinhua Winshare", "Winshare Bookstore", "Winshare BOOKS", "Kids Winshare", "Go Go Reading", "Winshare Yuntu" and "Winshare Commercial Supermarket". As a result, a vertically integrated modern reading service network from provinces, municipalities to counties and from shopping malls to urban communities has been formed. Its new bookstore brand "Winshare BOOKS" Jiufang Bookstore (九方書店), which adopts the business model "commercial real estate+cultural operations", has become a cultural landmark in Chengdu. Second, the Company continued to optimise the reading service experience by upgrading the quality of existing stores. In 2017, a total of 23 physical bookstores were newly constructed and renovated, occupying an area of approximately 22,000 square metres. Third, the Company developed the new business segment of reading service through technology innovation to promote the transformation and upgrade of physical bookstores. By developing "Winshare Yuntu Smart Bookstore", the Company vigorously developed digitalised reading service. The Company have 216 outlets that have already completed construction and been put into operation, including 13 smart reading book houses for community, 151 digitalised reading service outlets for township, 19 smart reading service outlets for enterprises and institutions as well as 33 smart reading service outlets for academic institutions. "Xinhua Winshare Yuntu Smart Bookstore" was nominated to participate in the exhibition of major achievements in the State's "Five Years of Sheer Endeavours", which is well recognised by the central leader and reading public.



"Winshare BOOKS" Jiufang Bookstore



III. OPTIMISED THE OPERATING SYSTEM OF THE EDUCATION SERVICE BUSINESS WITH GROWING OPERATING RESULTS

In 2017, to better serve the development of the education industry in Sichuan and satisfy the education needs of primary and secondary schools, the Company stepped up the comprehensive education service transformation of the traditional textbook distribution business through marketised operation, refined management and digitalised transformation. The textbook business, digitalised education business and education equipment business continued to grow. As a result, the operating results continued to grow steadily. First, the Company introduced the market mechanism in the textbook business and, by fortifying user awareness and market awareness, enhanced the marketised channel operation capabilities with focus on products and services instead of demand. Therefore, the operating results recorded steady growth. Revenue from the sales of textbooks increased by RMB375 million as compared with that in the same period last year. Second, the Company optimised the system of specialisation and developed the education publishing and distribution supply chain service capabilities. The Company implemented strict planning management of the entire process of the textbook business to ensure that “everyone has a textbook in hand ready before class” (“課前到書，人手一冊”). Third, the Company captured the opportunities arising from the transformation of digitalised education service and created a new driver for the education service business. With respect to the area of digitalised education service and education equipment, the Company fully capitalised on the strengths of content resources and marketing network and promoted the market expansion of integrated media and supplementary materials – Winshare “Learn Together” (文軒“一起教”), AR supplementary materials, AR Wonderful Class Toolbox (AR妙懂課堂工具箱) and other innovative and digitalised products. Among which, more than 450 sets of

AR Wonderful Class Toolbox have been sold after only two months from its launch. Revenue from the sales of digitalised education and equipment business of the Company amounted to RMB611 million for the year, up by 69.45% from that in the same period last year.

IV. STRENGTHENED THE DEVELOPMENT OF SUPPLY CHAIN SERVICE CAPABILITIES AND MARKETING CAPABILITIES, ACHIEVING ONGOING GROWTH OF ONLINE SALES REVENUE

In 2017, the Company greatly expanded the development of online sales channels while persistently enhancing merchandise organisation, channel operations, logistics and distribution as well as technical support. As a result, the standard of operations of the publication supply chain was enhanced significantly. Through expanding the width and breadth of marketing efforts, the Company ploughed deeply in channel operations and merchandise operations. During the year, sales value of online books amounted to RMB2,172 million, up by 17% from that in the same period last year. Based on the Annual Verification Report of Publication Distributors Nationwide for 2016 issued by the State Administration of Radio, Film and Television in October 2017, Winshare Online was among top 5 in terms of sales amount of publications sold via online bookstores for 2016 and surpassed amazon.cn to become the third largest online book provider in China.

In addition, the Company strengthened the promotion and application of the publications synergistic trading platform, endeavoured to enhance the entire process supply chain service capabilities including publishing R&D, production and sales, and provided four major services namely information exchange and sharing, merchandise trading, inter-enterprise business synergy and inter-industry integrated innovation. In 2017, more than 1,400 publishing units, privately-owned workshops and Xinhua Bookstores covering six provinces

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and municipalities including Tibet, Guangdong Province, Shenzhen and Inner Mongolia as well as privately-owned bookstores in some regions of China carried out information exchange and purchasing activities via the platform. The development and application of the publication synergistic trading platform was conducive to regulating the order of industry transactions, enhancing the overall efficiency of supply chain in the publishing and distribution industry and driving the overall upgrade of the publishing industry.

V. ENHANCED LOGISTICS OPERATION CAPABILITIES AND EXPLORED NEW MODELS OF LOGISTICS OPERATION

In 2017, leveraging on the nationwide logistics and distribution network based in Chengdu, Tianjin and Wuxi, the Company strengthened the logistics refined management and resources integration, which effectively enhanced the logistics and distribution support of the Company's online sales and own publications and efficiently accomplished the key distribution missions including "textbooks ready before class", "19th CPC National Congress documents and learning aid reading materials subscription and distribution" and "winxuan.com November 11 shopping day". By optimising operational flow and expanding capacity, the Company enhanced the warehouse service capabilities and logistics marketised organisation and management capabilities. TGP trial was implemented in 11 key cities outside Sichuan Province to further strengthen the dynamic tracking and monitoring of goods in transit such that all the timely freight rate, shipping deviation, damage rate and complaint rate saw a decrease. While strengthening internal control, the labour productivity per capita continued to increase. As such, the purchase costs of packaging materials were effectively controlled. In addition to providing logistics service internally, the Company also actively extended to third-party logistics providers to develop from a single warehousing service provider to a third-party logistics provider

with integrated warehouse distribution service. Throughout the year, revenue from third-party logistics business amounted to RMB108 million, up by 133.05% as compared with that in the same period of 2016.

VI. LEVERAGED ON THE STRENGTHS OF THE LISTING STATUS TO FACILITATE SYNERGISTIC DEVELOPMENT OF "INDUSTRY+CAPITAL"

In 2017, the Company made use of the strengths of the dual listing status to facilitate industrial development with capital on the one hand. By introducing significant measures such as capital increase in its publishing houses and creating a new reading service brand, the Company strongly supported the development of the publishing houses and physical bookstores, devoted fully to enhancing the influence of Sichuan's publications and the Group's marketised operation capabilities. At the same time, the Company accelerated the development of education service business with the funding support provided by the digitalised education business. On the other hand, the Company steadily commenced its capital operations. Capitalising on the benefits of the investing and financing platform of "Winshare Investment", the Company activated the existing assets, expanded new growth points and commenced the capital operations business through direct investments, M&A funds and venture funds. So far, eight funds have been set up with assets under management amounting to RMB1,100 million. Winshare's funds have tracked more than 10 quality enterprises engaging in niche cultural areas, incubated cultural industry projects and integrated external resources with Winshare's segments in an effort to grow and optimise Winshare's principal businesses.

VII. INNOVATION AND SHARING TO DRIVE THE DEVELOPMENT OF THE PUBLIC CULTURAL SERVICE SYSTEM

Innovative development and reward sharing are core values the Group adheres to. While growing its business, the Group bears in mind its responsibility to serve the scholarly community and the education sector. In 2017, the Company endeavoured to introduce an innovative national reading model. By sending books to grassroots and organising cultural activities for grassroots including "Scholarly paradise – Farmer reading month" (書香天府農民讀書月), "National reading at campus" (全民閱讀進學校), "Reading programme in armed forces: Sending books to military camps" (文化進部隊·書香滿軍營), the Company attracted the grassroots to actively take part and promoted the development of public cultural service system with a view to achieving the goal of cultivating reading as a habit.

Looking ahead, holding on to its principal businesses of publishing and media, the Company will capture the growth momentum of the international cultural industry and centre around the big culture consumption service as driven by the "Internet+capital" transformation. With the goal of becoming an internationally influential comprehensive cultural service group, the Company will, through adopting the all-variety, all-customer service and all-channel coverage, endeavour to refine the development of its content resources product line, optimise the integrated education service industry chain and build a big culture consumption eco-circle to develop itself into the most innovative and fast-growing publishing and media enterprise in China.

In 2018, the Group will step up its efforts to implement various tasks to "revitalise the publishing industry in Sichuan" and "revitalise physical bookstores", plan and implement effective development strategies, accelerate the pace of industry upgrade and push ahead the ongoing and steady growth of operating results.

The Group will focus its efforts in the following areas:

1. Continue to "revitalise the publishing sector in Sichuan" as its core and principal business, encourage the publishing community to hold on to the "three key publishing" concepts of targeted publishing, refined publishing and quality publishing, seize content resources, plan key publishing projects and build a famous publishing brand. At the same time, it will enhance the publishing resource utilisation rate and improve the incentive system and talent training system to ensure the high quality development of the book publishing business. It will promote the integrated development between traditional publishing and emerging publishing to build a modern publishing system.
2. Optimise the integration between new outlets and existing network, push ahead multi-brand operation of reading service and implement key projects including the reform and upgrade of Tian Fu Book City and the development of Kids Winshare global centre outlet; continue to improve the development of the e-commerce platform and supply chain synergistic platform to better enhance user shopping experience and industry information exchange service; continue to expand the digitalised development of channels and build an online-offline integrated development system based on the Internet and Internet of Things.
3. Strengthen the publication and distribution business of textbooks to consolidate the traditional principal business; accelerate the development of digitalised education and promote co-development and sharing of education resources by capitalising on the development trends of the education service industry after

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the 19th CPC National Congress; step up efforts to develop new businesses including education equipment and subject classroom and innovate the product dynamics and service model of online education.

4. Continue to enhance the internal logistics service capabilities and support the rapid development of the publication business and channel business; further improve the third-party logistics operation system, focus on key industries to steadily commence the third-party business.
5. Adjust the supply chain structure of printing and supplies, avoid systematic risks of paper platform and minimise the cost risks associated with rising paper price.
6. Fully capitalise on the capital operations platform to seek social resources and promote development of principal businesses by grafting and integration of the external resources and business segments; build a fund base and nurture cultural industry projects with comparative advantages to achieve synergistic development between industrial operations and capital operations.

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

He Zhiyong

Chairman

28 March 2018

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	Tiandi Publishing House owns 51% equity interest in such company.
14-2	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	Tiandi Publishing House owns 100% equity interest in such company.
14-3	Beijing Huaxia Shengxuan Books Co., Ltd. (北京華夏盛軒圖書有限公司)	100.00	Tiandi Publishing House owns 100% 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 Watch Panda Magazine Co., Ltd. (四川看熊貓雜誌有限公司)	100.00	Formerly known as Sichuan VIVI Bride Magazine Co., Ltd. (四川薇薇新娘雜誌有限公司)
19	Sichuan Xinhua Printing Co., Ltd. (四川新華印刷有限責任公司)	100.00	
20	Winshare Investment Co., Ltd. (文軒投資有限公司)	100.00	
21	Winshare International Cultural Communication Co., Ltd. (文軒國際文化傳播有限公司)	100.00	
21-1	Washington Winshare Media, Inc. (華盛頓文軒媒體發展有限公司)	90.00	Winshare International Cultural Communication Co., Ltd. owns 90% equity interest in such company.

Corporate Structure of the Group

No.	Company Name	Interests attributable to the Group (%)	Remarks
22	Winshare Quan Media (Beijing) Culture Communication Co., Ltd. (文軒全媒(北京)文化傳播有限公司)	100.00	
23	Sichuan Winshare Music Culture Communication Co., Ltd. (四川文軒音樂文化傳播有限公司)	100.00	
24	Beijing Aerospace Cloud Education Technology Co., Ltd. (北京航天雲教育科技有限公司)	70.00	
25	Sichuan Xinhua Culture Communication Co., Ltd. (四川新華文化傳播有限責任公司)	100.00	
26	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	
27	Sichuan Winshare Yuntu Wenchuang Technology Co., Ltd. (四川文軒雲圖文創科技有限公司)	100.00	
28	Sichuan People's Education Times Xinhua Audio and Video Co., Ltd. (四川人教時代新華音像有限責任公司)	80.00	
29	Sichuan Winshare Online E-commerce Co., Ltd. (四川文軒在線電子商務有限公司)	75.00	
30	Sichuan Xinhua Winshare Media Co., Ltd. (四川新華文軒傳媒有限公司)	70.00	
31	Sichuan Xinhua Colour Printing Co., Ltd. (四川新華彩色印務有限公司)	100.00	In July 2017, the shareholding of the Company in such company increased from 65% to 100% via equity acquisition. Such company was renamed as Winshare Sports Culture Development Co., Ltd (文軒體育文化發展有限公司).
32	Winshare VIVI Advertising Media (Chengdu) Co., Ltd. (文軒薇薇廣告傳媒(成都)有限公司)	53.00	
33	Sichuan Xinhua Shang Paper Co., Ltd. (四川新華商紙業有限公司)	51.00	
34	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 Fudou Technology Co., Ltd. (四川福豆科技有限公司)	38.50	Winshare Investment owns 38.50% equity interest in such company.
3	Tibet Winshare Equity Investment Co., Ltd. (西藏文軒股權投資有限公司)	40.00	Winshare Investment owns 40% equity interest in such company.
4	Shenzhen Xuan Cai Equity Venture Capital Fund Management Co., Ltd. (深圳軒彩創業投資基金管理有限公司)	40.00	Winshare Investment owns 40% equity interest in such company.
5	Liangshan Xinhua Winshare Education Technology Co., Ltd. (涼山新華文軒教育科技有限公司)	49.00	Established in March 2017 by investment.

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	Tibet Winshare Venture Investment Fund Partnership (Limited Partnership) (西藏文軒創業投資基金合夥企業(有限合夥))	56.34	Winshare Investment owns 56.34% equity interest in such company.
4	Sichuan Winshare Preschool Educational Management Co., Ltd. (四川文軒幼兒教育管理有限責任公司)	34.00	
5	Ming Bo Education Technology Holdings Co., Ltd. (明博教育科技股份有限責任公司)	20.40	In September 2017, the shareholding of the Company in such company diluted from 27.2% to 20.4% via capital increase.
6	Ren Min Eastern (Beijing) Book Industry Co., Ltd. (人民東方(北京)書業有限責任公司)	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責任公司)	45.45	Winshare Investment owns 45.45% equity interest in such company.
8	Sichuan Winshare BLOGIS Supply Chain Co., Ltd. (四川文軒寶灣供應鏈有限責任公司)	45.00	The company was established in June 2017. Wenchuan Logistics owns 45% equity interest in such company.
9	Sichuan Winshare Lezhi Chinese Language Education Technology Co., Ltd. (四川文軒樂知漢語教育科技有限責任公司)	36.00	The company was established in March 2017.
10	Xinhua Yingxuan (Beijing) Screen Culture Co., Ltd. (新華影軒(北京)影視文化有限責任公司)	15.00	Formerly known as Beijing Huaying Winshare Movie & TV Culture Co., Ltd. (北京華影文軒影視文化有限責任公司). In December 2017, the Company disposed of 85% equity interest in such company to Sichuan Xinhua Publishing Group and the shareholding of the Company in such company diluted from 100% to 15%.
11	Shanghai JINGJIE Information Technology Co., Ltd. (上海景界信息科技有限責任公司)	42.00	Winshare Education Technology owns 42% equity interest in such company.
12	Chongqing Yunhan Internet and Media Co., Ltd. (重慶雲漢網絡傳媒有限責任公司)	50.00	Winshare Online owns 50% 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責任公司)	10.00	
2	Anhui Xinhua Media Co., Ltd. (安徽新華傳媒股份有限責任公司)	6.27	
3	Bank of Chengdu Co., Ltd. (成都銀行股份有限責任公司)	2.46	

Management Discussion and Analysis

INDUSTRY OVERVIEW

In recent years, as supported by a series of national policies, the press and publishing sector has actively pushed ahead the supply-side structural reform and further promoted the industry upgrade and integrated development. In 2017, the Office of the CPC Central Committee, the Office of the State Council of the PRC, the Ministry of Culture and the State Administration of Press, Publication, Radio, Film and Television of the PRC successively promulgated a series of supportive policies including the *Outline of the Cultural Development and Reform Plan of the National 13th Five-Year Period* and the *Opinions on Implementing the Work of Inheriting and Developing China's Outstanding Traditional Culture*, clearly stating the directions on strengthening cultural confidence, flourishing the development of the cultural industry and stepping up the digitalised transformation and upgrade of the news and publishing sector; as well as inheriting China's outstanding traditional culture. Under such policy backdrop, the news and publishing industry in China continued to maintain steady growth momentum. Following the listing of a number of national publishing groups and privately-owned enterprises, the marketisation and industrialisation of the publishing and distribution industry in China accelerated and entered a new phase of orderly competition and prosperous development.

First, the competition for quality content resources in the publishing industry intensified. Content resources is the fundamental basis of the development of the publishing industry. To fight for content resources, increasingly more publishers open up branches and conduct M&A to capture quality publishing resources. Internet companies, in particular, have made use of their own platform strengths and technology expertise in the fight for content resources, thus resulting in intensifying competition for content resources requisition.

Second, the transformation and upgrade of the traditional physical bookstores accelerated. Due to the changes in consumer behaviour and means of consumption, it is more difficult for the traditional physical bookstores to survive. Coupled with the involvement of online bookstores in offline physical bookstores in the recent two years, traditional physical bookstores were faced with intensifying pressure on operations. As a result, the publishing and distribution groups successively kicked off transformation and upgrade of physical bookstores.

Third, e-commerce of publications entered a new phase. In recent years, due to the changes in technology and consumption demand, emerging e-commerce models such as e-commerce book community have arisen. Existing large-scale online bookstores, professional online shops and third-party online platforms of bookstores started to adopt the whole-channel and all-region marketing means and restructure the pop-up stores in response to this new retail model. The Company followed the new trends of e-commerce development and explored a business innovation model that is in line with the new retail model.

Fourth, the digitalised education service market flourished. Digitalisation is inevitable to education development. Internet and software companies such as BAT, NetEase and iFLYTEK have expanded their foothold in the digitalised education service market. Traditional education publishing enterprises followed the development trends of digitalised education, made use of their own strengths of education content resources and successively increased the investment in the digitalised education service market.

Despite the pressure from peer competition and industry transformation and upgrade, under the guidance of the PRC government to “strengthen cultural confidence and drive socialism and cultural prosperity” and the “cultural industry as a pillar industry supporting the domestic economy”, the news and publishing industry as the major driver of the cultural industry, is set to enter a new phase of development.

Management Discussion and Analysis

RESULTS

During 2017, overall operating results of the Group grew steadily. Revenue of the Group amounted to RMB7,346 million, up by 15.57% as compared with that in the same period last year; net profit amounted to RMB916 million, up by 45.46% as compared with that in the same period last year; and net profit attributable to shareholders of the Company amounted to RMB924 million, up by 42.69% as compared with that in the same period of last year. Excluding the gain on disposal of equity assets of RMB170 million, net profit grew by 18.42% as compared with that in the same period last year. During the Reporting Period, the publishing business of the Company grew steadily and the education service and online sales businesses further expanded.

Revenue

During the Year, the Group recorded revenue of RMB7,346 million, up by 15.57% as compared with RMB6,356 million in the same period last year, which was mainly attributable to the growth of sales from the education service business, online sales business, general book publication business and third-party logistics business.

Gross profit margin

During the Year, the gross profit margin of the Group's principal businesses was 35.16%, down by 1.26 percentage points as compared with 36.42% in the same period last year, which was primarily due to the change in sales structure.

Principal business analysis

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

Management Discussion and Analysis

RMB

Segment and Product	Principal business segment and by product			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 (%)
	Revenue	Operating costs	Gross profit margin (%)			
I. Publication	2,070,212,232.82	1,433,191,057.30	30.77	18.93	24.19	Decreased by 2.93 ppts
Textbooks and supplementary materials	1,172,894,868.57	762,010,153.65	35.03	2.95	10.92	Decreased by 4.67 ppts
General books	576,355,384.61	389,827,557.63	32.36	94.20	88.20	Increased by 2.15 ppts
Printing and supplies	281,928,317.31	264,390,854.55	6.22	4.80	6.84	Decreased by 1.79 ppts
Others	39,033,662.33	16,962,491.47	56.54	9.53	35.58	Decreased by 8.35 ppts
II. Distribution	6,452,362,218.55	4,596,590,524.63	28.76	13.14	15.41	Decreased by 1.41 ppts
Education service	4,301,711,418.08	2,800,422,693.93	34.90	15.38	18.93	Decreased by 1.94 ppts
Of which:						
Textbooks and supplementary materials	3,690,378,349.61	2,263,749,308.30	38.66	11.31	13.20	Decreased by 1.03 ppts
Digitalised education service and equipment business	611,333,068.47	536,673,385.63	12.21	69.45	66.40	Increased by 1.61 ppts
Online sales	1,233,750,213.85	1,147,120,250.02	7.02	14.71	14.43	Increased by 0.23 ppt
Retailing	612,697,048.86	401,583,134.58	34.46	4.17	5.90	Decreased by 1.07 ppts
Others	304,203,537.76	247,464,446.10	18.65	(2.26)	0.51	Decreased by 2.24 ppts
III. Others	196,395,867.07	171,694,390.58	12.58	97.73	134.72	Decreased by 13.78 ppts
Inter-segment elimination total	(1,520,719,117.87)	(1,533,779,071.85)				
Total	7,198,251,200.57	4,667,696,900.66	35.16	15.56	17.86	Decreased by 1.26 ppts

Management Discussion and Analysis

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	5,482,122,013.15	3,194,249,479.83	41.73	13.78	15.87	Decreased by 1.05 pts
Outside Sichuan Province	1,716,129,187.42	1,473,447,420.83	14.14	21.62	22.41	Decreased by 0.55 ppt
Total	7,198,251,200.57	4,667,696,900.66	35.16	15.56	17.86	Decreased by 1.26 pts

Description of the principal businesses by segment, production and region:

During the Year, the sales revenue from general books under the publication segment amounted to RMB576 million (including domestic sales), up by 94.20% as compared with that in the same period last year. The substantial growth in sales revenue was mainly attributable to the Company's efforts to vigorously strengthen the general book publication business under its guiding concept of "revitalising the publishing industry in Sichuan".

The sales revenue from digitalised education service and equipment business under the distribution segment amounted to RMB611 million, up by 69.45% as compared with that in the same period last year, which was mainly attributable to education service ecosystem established by the Company with focus on the stage of basic education to provide digitalised resources, education hardwares and softwares, digitalised science tools and online service, and the Company's efforts to facilitate growth of sales revenue by fully capitalising on the strengths of its content resources and sales network.

The sales revenue from other businesses grew by 97.73%, which was mainly attributable to the growth of revenue from third-party logistics business.

Management Discussion and Analysis

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 businesses 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 digitalised education 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	11,272.36	10,972.03	(2.66)	107,118.90	105,048.45	(1.93)	54,636.56	54,369.55	(0.49)	28,163.70	30,600.32	8.65	48.45	43.72	Decreased by 4.73 pts
Plate-leased textbooks and supplementary materials	11,914.74	12,170.81	2.15	91,646.59	96,178.71	4.95	51,822.44	55,570.74	7.23	34,167.88	39,421.17	15.37	34.07	29.06	Decreased by 5.01 pts
General books	3,258.88	6,190.02	89.94	79,698.29	156,056.49	95.81	29,678.31	57,635.54	94.20	20,713.12	38,982.76	88.20	30.21	32.36	Increased by 2.15 pts
Printing of textbooks and supplementary materials on behalf of others	1,487.29	1,600.71	7.63	11,634.80	11,290.82	(2.96)	7,472.02	7,349.20	(1.64)	6,364.86	6,179.53	(2.91)	14.82	15.92	Increased by 1.10 pts
Distribution segment:															
Textbooks and supplementary materials	36,788.50	40,341.49	9.66	347,723.64	389,409.74	11.99	331,553.20	369,037.83	11.31	199,970.18	226,374.93	13.20	39.69	38.66	Decreased by 1.03 pts
General books	9,384.78	10,221.22	8.91	300,131.98	338,211.79	12.69	197,494.47	215,065.08	8.90	162,790.48	179,616.78	10.34	17.57	16.48	Decreased by 1.09 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	3,556.53	7,160.22	101.33	–	–	–
Copyright fee	2,361.56	2,961.82	25.42	–	–	–
Author's remuneration	2,693.21	2,645.29	(1.78)	3,955.67	6,711.15	69.66
Printing costs	40,717.84	54,517.01	33.89	15,208.48	25,075.17	64.88
Documentation fee	785.16	724.30	(7.75)	1,910.14	1,962.96	2.77
Others	1,904.80	3,130.03	64.32	1,204.24	1,384.40	14.96

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

In 2017, the Company continued to strengthen the three major business segments namely textbooks, digitalised education service and education equipment and continued to enhance the market competitiveness and profitability of the Company. On the one hand, the Company actively developed local textbooks and school-based textbooks with distinctive R&D features as well as new categories of supplementary materials to generally cover a full range of categories, subjects, semesters and editions of supplementary materials for compulsory education. On the other hand, the Company actively established the "+Internet" thinking and

capitalised on "content+technology" to explore the "integrated publishing" of textbooks and supplementary materials.

During the Year, the value from the sales of textbooks and supplementary materials under the publication segment of the Company amounted to RMB2,125 million. The sales revenue amounted to RMB1,173 million, up by 2.95% as compared with that in the same period last year. The cost of sales amounted to RMB762 million, up by 10.92% as compared with that in the same period last year. The gross profit margin was 35.03%, down by 4.67 percentage points from the same period last year, mainly due to the rising cost of paper.

Management Discussion and Analysis

General books publication business

In 2017, adhering to the three-step development strategy of “enhancing its own capabilities, integrating internal and external resources and tackling market bottlenecks”, the Company continued to push ahead the project to revitalise the publishing industry in Sichuan. Through working relentlessly, the publication business of the Company extended the good momentum of rapid growth from 2016 and made significant achievements in the areas of publishing capabilities, profitability and industry influence. As to market sales in 2017, the Company sold more than 100,000 copies under 34 genres of books, up by 183% as compared with that in the same period last year. Among which, more than 26 million copies of “Hilarious School Diaries” series published by Youth and Children’s Publishing House and more than 2 million copies of “PAW Patrol” series published by Tiandi Publishing House were sold cumulatively.

During the Year, the value from the sales of general books under the publication segment amounted to RMB1,561 million. The sales revenue amounted to RMB576 million, up by 94.20% as compared with that in the same period last year. The cost of sales amounted to RMB390 million, up by 88.20% as compared with that in the same period last year. The gross profit margin was 32.36%, up by 2.15 percentage points from the same period last year.

(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, has been entering 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 each year with respect to the details of single source purchase.

In 2017, 403,414,900 copies of textbooks and supplementary materials with sales value of RMB3,894 million were sold. The sales revenue amounted to RMB3,690 million, up by 11.31% as compared with that in the same period last year. The operating costs amounted to RMB2,264 million, up by 13.20% as compared with that in the same period last year. The gross profit margin was 38.66%, down by 1.03 percentage points from the same period last year.

Management Discussion and Analysis

General books distribution business

Currently, the overall general book market environment has been undergoing some changes. Given the technological changes, online-offline purchase experience is possible everywhere. A multi-segment scenario that features consumers has taken shape. The Company devoted proactive efforts to explore and innovate while achieving upgrade and transformation of business segments as well as enhancing operating results.

During the Reporting Period, 102,212,200 copies of general books with sales value of RMB3,382 million were sold by the Company. The sales revenue amounted to RMB2,151 million, up by 8.90% as compared with that in the same period last year. The operating costs amounted to RMB1,796 million, up by 10.34% as compared with that in the same period last year. The gross profit margin was 16.48%, down by 1.09 percentage points from the same period last year. The increase in sales revenue was mainly due to the ongoing growth of online sales.

With respect to online sales, the Group continued to optimise the multi-channel sales model in an effort to extend the supply chain. In 2017, the Company newly introduced nine online bookstores. Based on its existing product supply and marketing strengths in the online business, the Company actively carried out the

online B2B sales. At present, the online B2B business covers most of the regions nationwide and has maintained business relationship with 78 customers. During the Year, the Company stepped up marketing efforts horizontally and vertically. Through initiating events such as Spring and Autumn School Semesters, Reading Festival, 1 June, Summer Holidays and 11 November, seasonal sales promotion grew by over 20%. At the same time, the Company adopted the integrated business model of Weibo, WeChat, Live and Group to push the online-offline integrated marketing to achieve complementary strengths between online shops and offline outlets.

Based on the relevant information published by the State Administration of Radio, Film and Television in 2017, Winshare Online, for the first time, surpassed Amazon to become the third largest online book provider in China following Dangdang and Jingdong and was named among the “Top 10 Online Brands in Sichuan for 2017” by Sichuan E-Business Association.

During the Year, revenue from online sales amounted to RMB1,234 million. Among which, sales revenue secured through third-party e-commerce platforms amounted to RMB910 million, accounting for 73.73% of the total revenue of online sales business.



Management Discussion and Analysis

EXPENSES

During 2017, the selling expenses of the Company amounted to RMB893 million, which increased by 10.92% as compared with that in the same period last year but was lower than the growth of revenue. The expenses margin decreased by 0.51 percentage point as compared with that in the same period last year. The increase in total selling expenses was mainly due to the increase in handling fees as a result of the change in settlement method between the Company and Sanzhou Xinhua Bookstores, increase in advertising and promotion expenses as a result of increased marketing efforts and the increase in labour costs of sales personnel during the Year.

During 2017, the administrative expenses of the Company amounted to RMB1,071 million, which increased by 7.49% as compared with that in the same period last year but was lower than the growth of revenue. The expenses margin decreased by 1.10 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 labour costs and lease expenses.

During 2017, the finance cost of the Company amounted to RMB(24,360,300), as compared with RMB(8,948,700) in the same period last year, which was mainly due to the continued efforts of the Company to centralise funds and the increase in interest income from capital funds.

R&D COMMITMENTS

Breakdown of R&D commitments

	<i>RMB</i>
R&D expenses for the current period	4,762,048.88
R&D commitments capitalised for the current period	19,050,512.42
Total R&D commitments	23,812,561.30
Total R&D commitments as a percentage of revenue (%)	0.32
Total no. of R&D personnel of the Company	110
No. of R&D personnel as a percentage of total no. of personnel of the Company (%)	1.44
Percentage of R&D commitments capitalised (%)	80.00

The R&D expenses of the Company amounted to RMB23.81 million, up by 32.14% as compared with that in the same period last year, mainly due to the fact that the Company increased the R&D commitments in the digitalised education related products during the Year.

Management Discussion and Analysis

CASH FLOW

RMB

Item	2017	2016	Change (%)	Analysis of major changes
Refund of taxes	29,900,529.02	57,323,319.75	(47.84)	Mainly due to the refund of value-added tax paid amounting to RMB17.25 million in prior years received by the Company in the prior year and the value-added tax under the levy first and refund later policy yet to be received by some general book publishing units in 2017
Other cash receipts relating to operating activities	57,301,876.32	96,352,312.32	(40.53)	Mainly due to the decrease in government grants received by the Company and current accounts from last year
Cash received from recovery of investments	2,834,752,682.94	1,851,710,332.00	53.09	Mainly due to the increase in recovery of capital-guaranteed banking and wealth management products due during the Year as compared with the same period last year, and the increase in cash flow from the subsequent disposal of 34% equity interest in Chengdu Xinhui (an associate) and 48% equity interest in Sichuan Wenzhuo (a joint venture)
Cash received from investment income	92,781,341.62	58,370,805.09	58.95	Mainly due to the increase in dividend from investees and revenue from capital-guaranteed banking and wealth management products during the Year as compared with the same period last year
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	948,697.97	1,538,222.04	(38.33)	Mainly due to the increase in cash inflow arising from disposal of fixed assets in the prior year by Xinhua Colour Printing, a subsidiary of the Company

Management Discussion and Analysis

RMB

Item	2017	2016	Change (%)	Analysis of major changes
Net cash received from disposal of subsidiaries and other business units	66,946,783.23	–	N/A	Mainly due to the increase in net cash flow from the disposal of 85% equity interest in Huaying Winshare, a subsidiary of the Company, during the Year
Other cash receipts relating to investment activities	151,392,643.48	84,513,400.50	79.13	Mainly due to the recovery of entrustment loans of RMB120 million from Sichuan Wenzhuo during the Year
Cash received from capital contribution	–	662,315,200.00	N/A	Mainly due to the net proceeds of RMB645 million from the listing of A Shares of the Company in the prior year
Other cash payments relating to investment activities	–	313,828,538.98	N/A	Mainly due to the additional term deposits of three months or above in the prior year
Other cash receipts relating to financing activities	10,423,573.81	18,962,050.26	(45.03)	Mainly due to the decrease in government grants received by the Company in relation to assets from last year
Cash paid for distribution of dividend or profit and for interest expense	502,733,430.03	237,702,136.60	111.50	Mainly due to the payment of part of the dividend declared by the Company in December 2016 during the Year
Other cash payments relating to financing activities	69,271,000.00	8,640,101.94	701.74	Mainly due to the payment of RMB69,271,000 with respect to the acquisition of 35% minority interest in Xinhua Colour Printing, a subsidiary of the Company, during the Year

Management Discussion and Analysis

INVESTMENT INCOME

During the Year, the investment income of the Group amounted to RMB272 million, up by 319.56% from RMB65 million in the same period last year, mainly due to the increase in net gain on disposal of 48% equity interest in Sichuan Wenzhuo (a joint venture), 34% equity interest in Chengdu Xinhui (an associate) and 85% equity interest in Huaying Winshare (a subsidiary) during the Year.

OTHER INCOME AND NON-OPERATING INCOME

Pursuant to the revised Accounting Standards for Business Enterprises (“ASBE”) 16 – Government Grants, with effect from 1 January 2017, the accounting treatment for government grants relating to the daily operating activities of the Company is changed from “non-operating income” to “other income”. During the Year, other income amounted to RMB65,255,200 and non-operating income amounted to RMB8,691,700. The aggregate amount decreased by 38.67% from RMB120,568,600 in the same period last year, mainly due to the refund of value-added tax paid amounting to approximately RMB17,250,000 in prior years received by the Company in the prior year and the decrease in the amount of value-added tax under the levy first and refund later policy received and the book subsidy income carried forward for the year as compared to the prior year.

PROFIT

Net profit for the Year of the Group amounted to RMB916 million, up by 45.46% from that in the same period last year. Net profit attributable to the shareholders of the Company amounted to RMB924 million, up by 42.69% from that in the same period last year. Excluding non-recurring gain or loss, net profit attributable to the shareholders of the Company amounted to RMB726 million, up by 18.15% from that in the same period of last year.

EARNINGS PER SHARE

Earnings per share is calculated based on the net profit attributable to the shareholders of the Company 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 RMB0.75, which increased by 36.36% as compared with RMB0.55 in the same period last year. For details regarding the calculation of earnings per share, please refer to note (VI) 45 to the financial statements in this annual 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
Receivables	1,278,160,854.76	10.40	801,178,862.51	6.54	59.54	Mainly due to the increase in receivables from the digitalised education service and equipment business, general book publication business and library distribution business from the beginning of the Year
Interest receivables	10,789,780.86	0.09	714,789.56	0.01	1,409.50	Mainly due to the increase in interest accrued on the lump sum fixed deposits repayment
Other receivables	98,565,134.63	0.80	70,041,693.67	0.57	40.72	Mainly due to the increase in security deposit paid in the tender for projects under the digitalised education service business
Non-current assets due within one year	280,000,000.00	2.28	120,000,000.00	0.98	133.33	Closing balance amounting to RMB280 million refers to the two-year bank deposits; whereas opening balance amounting to RMB120 million refers to the entrustment loans to Sichuan Wenzhuo, both were recovered during the Year
Long-term receivables	194,801,883.56	1.59	134,581,582.86	1.10	44.75	Mainly due to increase in the receivables that are settled by instalment payment as a result of the expansion of the education equipment business and digitalised education service business
Long-term equity investments	356,585,702.56	2.90	685,192,748.42	5.59	(47.96)	Mainly due to the disposal of 34% equity interest in Chengdu Xinhui (an associate) and 48% equity interest in Sichuan Wenzhuo (a joint venture) during the Year
Construction in progress	622,149,298.16	5.06	460,203,701.05	3.76	35.19	Mainly due to the increase in investment in infrastructure projects such as the publishing and media creativity centre

Management Discussion and Analysis

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
Development cost	44,550,953.70	0.36	10,944,702.55	0.09	307.05	Mainly due to the Company's increase in R&D investment in the digitalised education service business
Other non-current assets	133,503,704.60	1.09	413,198,913.58	3.37	(67.69)	Mainly due to the re-classification of the fixed bank deposits amounting to RMB280 million included in the opening balance to non-current assets due within one year
Notes payable	60,855,873.00	0.50	12,584,784.00	0.10	383.57	Mainly due to the increase in settlement by notes in the digitalised education service business
Dividends payable	202,228.29	0.00	132,581,130.00	1.08	(99.85)	Mainly due to the payment of dividend declared at the beginning of the Year but not yet paid during the Year
Deferred income tax liabilities	43,830,724.30	0.36	33,722,112.47	0.28	29.98	Mainly due to the increase in fair value change of available-for-sale financial assets
Other comprehensive income	1,230,619,792.07	10.02	2,045,820,792.23	16.69	(39.85)	Mainly due to the fair value change of shares held in Wan Xin Media by the Company amounting to RMB871,233,600
Minority interests	(70,479,484.72)	(0.57)	(41,213,009.74)	(0.34)	71.01	Mainly due to the acquisition of 35% equity interest in Xinhua Colour Printing from the minority shareholders during the Year

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the Group had cash and short-term deposits of approximately RMB1,886 million (31 December 2016: RMB1,695 million). The Group did not have any interest-bearing bank and other borrowings.

As at 31 December 2017, the gearing ratio (calculated by dividing total liabilities by total assets) of the Group was 35.24%, as compared with 32.32% as at 31 December 2016. The Group's overall financial structure remained relatively stable.

General particulars of entrusted wealth management

On 26 October 2017, the 10th meeting of the fourth session of the Board in 2017 was convened by the Company at which the Resolution regarding the Grant of Authorisation to Use Idle Funds to Purchase Wealth Management Products was considered and approved, pursuant to which the Group is authorised to use idle funds of no more than RMB1,300 million to purchase wealth management products. On 31 December 2017, all of the bank wealth management products purchased by the Group amounting to RMB1,203,600,000 were bank guaranteed wealth management products due within one year.

RMB

Type	Source of funding	Amount incurred	Balance not yet due	Amount due but not yet recovered
Wealth management	Internal funding	1,203,600,000.00	1,157,800,000.00	0

CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any material contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2017, the Group's pledged deposit balance amounted to RMB18,634,800 (31 December 2016: RMB6,815,900) as security deposits placed with the bank for the issuance of the bank's acceptance bill. Save as the above assets, 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.

Management Discussion and Analysis

WORKING CAPITAL MANAGEMENT

	31 December 2017	31 December 2016
Current ratio	1.6	1.4
Inventory turnover days	127.6 days	136.6 days
Trade receivables turnover days	51.7 days	42.0 days
Trade payables turnover days	225.8 days	241.0 days

As at 31 December 2017, the current ratio of the Group was 1.6. During the Year, inventory turnover days were 127.6 days; trade payables turnover days were 225.8 days; which remained basically the same as those as at 31 December 2016. Trade receivables turnover days were 51.7 days, up by 9.7 days from trade receivables turnover days of 42.0 days as at 31 December 2016, mainly due to the increase in trade receivables from the digitalised education service and equipment business, library distribution business and general book publication business. The above indicators reflect that the operations of the Company are relatively stable. The turnover days of inventory, trade receivables and trade payables are in line with the publication and distribution business and the industry features.

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.

To explore the supply chain finance business, Wenchuan Logistics, a wholly-owned subsidiary of the Company, worked with BLOGIS Holdings Limited and Chengdu Longchuang to jointly establish BLOGIS Company, having a registered capital of RMB100 million. Wenchuan Logistics proposed to contribute land and cash totalling RMB45 million for the acquisition of 45% equity interest. During the Year, Wenchuan Logistics completed all the contribution.

To smoothly push ahead the operation of the “Western Logistics Network Development” project of Wenchuan Logistics, a wholly-owned subsidiary of the Company, the Company decided to increase the capital of Wenchuan Logistics by RMB250 million in cash. As at 31 December 2017, the Company completed the transfer of investment capital. Upon completion of capital increase, the registered capital of Wenchuan Logistics changed to RMB350 million.

To revitalise the publishing business, during the Year, the Company made capital increase totalling RMB157,634,700 to its publishing houses. Of which, the Company made capital increase of RMB128,634,700 to Tiandi Publishing House.

Given the favourable location of the land owned by Xinhua Colour Printing with greater development value and expected appreciation potential, the Company decided to acquire 35% equity interest in Xinhua Colour Printing held by Chengdu Junqu Printing Co., Ltd. at RMB69,271,000 as financed by internal funds. On 25 July 2017, the Company completed the procedures for change of registration in relation to the acquisition of equity interest. Therefore, Xinhua Colour Printing becomes a wholly-owned subsidiary of the Company.

During the Year, to optimise the resource allocation of the Company, the Company transferred 48% equity interest in Sichuan Wenzhuo by way of public listing at the transfer price of RMB423,529,400 and recognised a gain of RMB118,588,600. The transfer related procedures have been completed.

Management Discussion and Analysis

To focus on the development of the principal businesses of publishing and media, the Company proposed to transfer 85% equity interest in Huaying Winshare to Sichuan Xinhua Publishing Group, the controlling shareholder of the Company at the consideration of RMB115,803,300. Upon completion of transfer, the equity interest held by the Company in Huaying Winshare will decrease from 100% to 15%. The transfer related procedures have been completed.

In addition, the Company also disposed of 34% equity interest in Chengdu Xinhui by way of public listing at the consideration of RMB141,920,700 and recognised a gain of RMB18,165,000. The transfer related procedures have been completed.

The Company subscribed 80,000,000 additional shares of Bank of Chengdu at the consideration of RMB240,000,000 in cash in December 2007. As at 31 December 2017, the shareholding of the Company in Bank of Chengdu was 2.46%. During the Year, a dividend amounting to RMB20,000,000 was received from Bank of Chengdu. On 31 January 2018, Bank of Chengdu was listed on the Shanghai Stock Exchange at the offer price of RMB6.99 per share. Upon listing, the shareholding of the Company has changed from 2.46%

to 2.21% with lock-up period until 31 January 2019. On 27 March 2018, the closing price of the shares of Bank of Chengdu was RMB10.89 per share.

During the Year, the Company received a dividend of RMB19,942,400 from Wan Xin Media, an investee of the Company. The Company was interested in 6.27% shares of Wan Xin Media. As at 31 December 2017, the market capitalisation of RMB1,319,000,000 decreased by approximately RMB871,000,000 from that as at 31 December 2016.

In addition, the Company also received a dividend for 2016 of RMB2,560,000, RMB5,085,500 and RMB7,192,700 respectively from Ren Min Eastern (Beijing) Book Industry Co., Ltd., CITIC Buyout Fund and Qingdao Jinshi Fund.

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 in notes (VI) 9 and 10 to the financial statements in this annual report.

Information of the major subsidiaries

RMB10,000

Name of subsidiary	Nature of business	Shareholding percentage (%)	Registered capital	2017	As at 31 December 2017		
				Revenue	Net profit	Total assets	Net assets
Sichuan Education Publishing House Co., Ltd.	Publishing and wholesaling of publications and related publications	100	1,000.00	63,208.69	25,545.61	99,012.45	58,871.93
Sichuan Publication Printing Co., Ltd.	Publishing and wholesaling of publications and related publications	100	5,000.00	26,873.29	8,320.68	71,833.58	56,113.93
Sichuan Printing Materials Co., Ltd.	Provision of printing related materials	100	3,000.00	47,388.01	101.66	37,402.01	3,968.81
Sichuan Winshare Education Technology Co., Ltd.	Software development and sales of electronic equipment	100	33,000.00	55,326.27	231.98	88,111.93	33,549.83
Sichuan Winshare Online E-commerce Co., Ltd.	Online sales of various products	75	6,000.00	118,236.55	(1,407.20)	40,842.97	(8,314.44)

Management Discussion and Analysis

FUTURE PROSPECTS

Looking ahead, holding on to its principal business of publishing and media, the Company will capitalise on the growth trends of the international cultural industry and centre around the big culture consumption service as driven by the “Internet+capital” transformation. With the goal of becoming an internationally influential comprehensive cultural service group, the Company will, through adopting the all-variety, all-customer service and all-channel coverage, endeavour to refine the development of its content resources product line, enhance the integrated education service industry chain and build a big culture consumption eco-circle to develop itself into the most innovative and fast growing publishing and media enterprise in China.

In 2018, the Group will accelerate the pace of industry upgrade and push ahead the steady growth of operating results with focus on the following areas:

1. Continue to “revitalise the publishing sector in Sichuan” as its core and principal business, encourage the publishing community to seize content resources, plan key publishing projects and build a famous publishing brand. At the same time, it will step up the external investment in publishing resources, enhance the publishing resource utilisation rate and improve the incentive system and talent training system to ensure the high quality development of the book publishing business. It will promote the integrated development between traditional publishing and emerging publishing to build a modern publishing system.
2. Optimise the integration between new outlets and existing network, continue to set up a layout as a multi-brand operator and implement key projects including the reform and upgrade of Tian Fu Book City and the development of Kids Winshare global centre outlet; continue to improve the development of the e-commerce platform and supply chain synergistic platform to better enhance user shopping experience and industry information exchange service; continue to expand the digitalised development of channels and build an online-offline integrated development system based on the Internet and Internet of Things.
3. Strengthen the publication and distribution business of textbooks and supplementary materials to consolidate the traditional principal business; accelerate the development of digitalised education and promote co-development and sharing of education resources by capitalising on the development trends of the education service industry after the 19th National Congress; step up efforts to develop new businesses including education equipment and subject classroom and innovate the product dynamics and service model of online education.
4. Continue enhance the internal logistics service capabilities and support the rapid development of the publication business and channel business; further improve the third-party logistics operation system, adjust the third-party business structure, focus on key industries to steadily commence the third-party business.
5. Adjust the supply chain structure of printing and supplies, avoid systematic risks of paper platform and minimise the cost risks associated with rising paper price.
6. Fully capitalise on the capital operations platform to seek social resources and promote development of principal businesses by grafting and integration of the external resources and business segments; build a fund base and nurture cultural industry projects with comparative advantages to achieve synergistic development between industrial operations and capital operations.

Management Discussion and Analysis

Principal risks and uncertainties

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 operating conditions of the Company will be adversely affected. For example, pursuant to the Notice of Continuing Preferential Policies for Value-Added Tax and Business Tax on Cultural Promotion (Cai Shui [2013] No.87) issued by the Ministry of Finance and the State Administration of Taxation, the policy on preferential value-added tax was expired on 31 December 2017. Currently, no new preferential tax policy has been issued by the State.

Since October 2016, paper price has soared rapidly. In 2017, paper price increased by approximately 50% and the average price of the consumables such as ink and board materials increased by approximately 10%. If such trend is not reversed in the future, the operating costs of the publication and distribution business as well as the printing business of the Company will increase, which continue to increase the pressure on the cash flow and thus affecting the profitability and cash flow of the Company.

To accelerate its development, the Company has formulated sound business objectives and optimised the operating plans, as well as structured a strict 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.

In addition, the Group's major financial instruments consist of cash and bank balances, financial assets at fair value through profit or loss, available-for-sale financial assets, receivables and payables. These financial instruments may be associated with market risks, credit risks and liquidity risks. The management manages and monitors the risk exposure to ensure these risks are controlled at a limited level.

The Group's businesses are mainly located in China. Almost all of its assets, liabilities, revenues, costs and expenses were denominated in RMB. As a result, the management believes that there is no material impact of the RMB exchange rate movement on the net profit and shareholders' equity of the Group. The foreign exchange exposure of the Group is minimal and no foreign exchange hedging arrangement has been made. As at the end of the Reporting Period, the Group had no interest-bearing borrowings. Accordingly, the Group did not have material interest rate risks.

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 2017, 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 in this annual report.

FINANCIAL POSITION AND RESULTS

The financial position of the Group as at 31 December 2017 and the results of the Group for the year ended 31 December 2017 are set out on pages 98 to 103 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

The Board has proposed the distribution of dividend for the year ended 31 December 2017 of RMB0.30 (tax inclusive) per share (2016: RMB0.30 (tax inclusive)), totalling RMB370 million (tax inclusive). 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 2017 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 H shareholders 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.

Report of the Directors

The proposed Dividend for 2017 is subject to the approval by Shareholders at the forthcoming 2017 AGM of the Company. In order to ascertain the H shareholders who are entitled to attend 2017 AGM and to receive the Dividend for 2017 (if approved by the Shareholders), the register of members for H Shares will be closed during the following periods:

To ascertain the H shareholders who are qualified to attend and vote at the 2017 AGM:

Latest time for lodging transfers of H Shares	4:30 p.m., Friday, 27 April 2018
Closure of register of members for H Shares	from Monday, 30 April 2018 to Wednesday, 30 May 2018 (both days inclusive)
Date for the 2017 AGM	Wednesday, 30 May 2018

To ascertain the H shareholders who are entitled to the proposed Dividend for 2017:

Latest time for lodging transfers of H Shares	4:30 p.m., Tuesday, 5 June 2018
Closure of register of members for H Shares	from Wednesday, 6 June 2018 to Monday, 11 June 2018 (both days inclusive)
Dividend Entitlement Date	Monday, 11 June 2018

In order for the H shareholders to qualify to attend and vote at the 2017 AGM and to receive the Dividend for 2017 proposed by the Company (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 27 April 2018 are entitled to attend and vote at the 2017 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 2017 proposed by 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

Report of the Directors

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 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 Shareholders' Equity" in this annual report. Details of the Group's reserves available for distribution to Shareholders as at 31 December 2017 are set out in note (VI) 33 to the financial statements in this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2017, 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 2017, 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 and provides products and services to customers in good quality. 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 note (VIII) to the financial statements in this annual report.

ANALYSIS OF CORE COMPETITIVENESS

- The publication development capabilities have greatly increased.** Since 2016, capitalising on the strategic deployment of the Sichuan provincial government to "revitalise Sichuan's publishing industry", the Group dedicated to promoting the publication development in Sichuan by leveraging on its existing publication resources to formulate the "implementation proposal to revitalise the Company's publishing business". Through a series of new initiatives such as building a dynamic operational management system, increasing the investments in the publication segment, introducing the horseracing mechanism and integrating both the internal and external resources, the Company has gradually formed a dynamic operating system. The market competitiveness and social influence of the Company's publication business have continued to increase and reveal fast growth momentum. In 2017, the Company was ranked 15th in the overall market nationwide, up by four places and eleven places as compared with the same period of 2016 and 2015 respectively (Source: openbookdata.com.cn).
- The innovation capabilities of physical bookstore reading service have continued to strengthen.** In recent years, in addition to the physical bookstores across Sichuan Province, the Group has endeavoured to cater for the needs of existing online reading culture through upgrading business segments, introducing innovative business models and enhancing reading service experience to establish a vertically integrated reading service network based in Sichuan Province with nationwide coverage. The Group operates unique physical bookstore brands including "Xinhua Winshare" (新華文軒), "Winshare Bookstore" (軒客會•格調書店), "Go Go Reading" (讀讀書吧), "Winshare BOOKS" (文軒BOOKS), "Kids Winshare", "Winshare Yuntu" (文軒雲圖) and "Winshare Commercial Supermarket" (文軒商超), which cover business segments from cultural mall, mid- to large-size bookstore, professional bookstore, community bookstore, commercial supermarket bookstore and smart bookstore to provide consumers with convenient, comfortable, smart and personalised reading service, and has become the most influential reading service provider in Sichuan Province.

- Leading online sales nationwide.** The Company has captured the opportunities arising from the development of e-commerce in the publishing industry and established B2C platforms such as winxuan.com and September Online as well as B2B platform such as the “publication synergistic trade platform”. To further capture the online sales market, the Company has structured a nationwide logistics and distribution system based in Chengdu, Tianjin and Wuxi with focus on the development of four major capabilities including merchandise organisation, channel operation, logistics distribution and commercial technology development, which fully capitalises on the overall strength of supply chain. As a result, the scale of sales continues to grow rapidly. The Company has been ranked No.3 and No.1 respectively in terms of e-book sales nationwide and online sales of books via Xinhua bookstore system.
- The education service capability has comprehensively enhanced.** The Company is the only enterprise in Sichuan Province that is approved by the State Administration of Press, Publication, Radio, Film and Television of The People’s Republic of China to engage in the distribution of primary to secondary textbooks. The Company has taken the lead to explore the digitalised education business and has built an education service ecosystem targeting at fundamental education to provide digitalised resources, education hardwares and softwares, digitalised subject tools and online service. The Company also introduces innovative education equipment projects such as professional subject classroom and innovative education equipment by centering around the subject contents and class teaching scenarios. The Company’s products and services fully satisfy the needs of the classroom teaching oriented education system, achieving transformation and upgrade from being a “product provider” to a “service operator”.

CONNECTED TRANSACTIONS

Non-Exempted Connected Transactions

During the Year, the Company has strictly complied with the requirements specified under Chapter 14A of the Listing Rules in respect of its connected transactions. Details of the relevant connected transactions are as follows:

- Establishment of BLOGIS Company**

On 10 May 2017, to explore the supply chain finance business, Wenchuan Logistics, a wholly-

owned subsidiary of the Company, entered into the investment agreement with BLOGIS Holdings Limited and Chengdu Longchuang, to jointly establish BLOGIS Company. The company, principally engaged in logistics and supply chain management business, has a registered capital of RMB100,000,000. Wenchuan Logistics injected a total of RMB45,000,000 in the form of land and cash, whereas BLOGIS Holdings Limited and Chengdu Longchuang injected RMB40,000,000 and RMB15,000,000 respectively. BLOGIS Company will be held as to 45%, 40% and 15% respectively. On the date of the investment agreement, Mr. Zhao Junhuai (who served as the non-executive Director of the Company from 16 October 2007 to 30 March 2017), former non-executive Director who resigned from the Company for less than 12 months was executive partner of Chengdu Longchuang. Mr. Zhao Junhuai is also a general partner who is interested in 53.33% equity interest in Chengdu Longchuang. As such, Chengdu Longchuang is an associate of Mr. Zhao Junhuai and therefore a connected person of the Company. Please refer to the announcement of the Company dated 10 May 2017 for details of the establishment of BLOGIS Company.

- Disposal of 85% equity interest in Huaying Winshare**

On 13 September 2017, to focus on the development of the principal business of publishing and media, the Company entered into the equity transfer agreement with Sichuan Xinhua Publishing Group, the controlling shareholder of the Company, to dispose of 85% equity interest in Huaying Winshare to Sichuan Xinhua Publishing Group at a consideration of RMB115,803,300.00. Sichuan Xinhua Publishing Group is the controlling shareholder (as defined in the Listing Rules) and the promoter of the Company, holding 49.11% equity interest in the Company as at the date of entering into the equity transfer agreement. Under Chapter 14A of the Listing Rules, Sichuan Xinhua Publishing Group and its subsidiaries are connected persons of the Company. The disposal was approved by SASAC of Sichuan and/or other statutory authorities and was conducted by means of transfer pursuant to the PRC laws and regulations in relation to the transfer of state-owned equity interests. The transfer of equity interest was completed. Please refer to the announcement of the Company dated 13 September 2017 for details of the disposal of equity interest.

Report of the Directors

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 49.11% 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 2017, the rental payment made by the Group to Sichuan Xinhua Publishing Group pursuant to the above leasing agreement amounted to RMB38.53 million.

(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 2017, RMB7.49 million 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, the 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 27 October 2016, the Company and SPG entered into the lease framework (renewal) agreement, pursuant to which SPG shall lease certain buildings and warehouses legally owned by it and/or its subsidiaries to the Group as offices and warehouses as well as shall provide ancillary property management services to the Group for the period from 1 January 2017 to 31 December 2019. Please refer to the announcement of the Company dated 27 October 2016 for details of the above lease framework (renewal) agreement.

For the year ended 31 December 2017, the rental and property management fees paid by the Group to SPG according to the above lease framework (renewal) agreement amounted to RMB16.36 million 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, winxuan.com. 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 2017, the payment made by Winshare Online to the Company according to the above publications purchase agreement amounted to RMB1,031,565,000 (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 Shareholders of the Company 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.

Report of the Directors

The above disclosures are made in accordance with the relevant requirements of Chapter 14A of the Listing Rules.

During the Reporting Period, save as disclosed above, the related party transactions set out in note (XI) 5 to the financial statements of this annual report did not constitute connected transactions or continuing connected transactions, nor exempt connected transactions or continuing connected transactions under the Listing Rules. The Company confirms that with respect to the above transactions, the Company has complied with the disclosure requirements of Chapter 14A of the Listing Rules.

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 RMB32.15 million (2016: RMB21.93 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, engage in public welfare activities and act in an environmentally responsible way in addition to striving for good performance to foster credibility and build a good corporate image. Details of the environmental policies and performance of the Group are set out in the “Environmental, Social and Governance Report” 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

As at 31 December 2017, 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:

Report of the Directors

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>)	13,133,000	1.06%
(ii) Other promoter (<i>note 6</i>)	1,396,000	0.11%
(iii) Public investors of H Shares	427,408,100	34.64%
Total share capital	1,233,841,000	100%

Notes:

1. 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.
2. Other promoters include SPG, Sichuan Daily Group and Liaoning Publication Group.
3. Upon the issuance and listing of A Shares, 479,034 shares, 145,162 shares and 101,613 shares held respectively by SPG, Sichuan Daily Group and Liaoning Publication Group will be transferred to the National Council for Social Security Fund.
4. Social Legal Person Shares are held by Hua Sheng Group, a promoter of the Company.
5. 13,133,000 H Shares of the Company are held by Sichuan Xinhua Publishing Group, a controlling shareholder of the Company, through its subsidiary.
6. SPG, a promoter of the Company, is interested in 1,396,000 H Shares of the Company via its subsidiary.

Report of the Directors

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

On 31 December 2017, 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 and 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
	14,529,000 (note 1)	Interests in controlled corporation	H Shares	3.29%	1.18%	Long position
Sichuan Xinhua Publishing Group	592,809,525	Beneficial owner	A Shares	74.86%	48.05%	Long position
	13,133,000 (note 2)	Interests in controlled corporation	H Shares	2.97%	1.06%	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	35,607,000	Investment manager	H Shares	8.06%	2.89%	Long position
Seafarer Capital Partners, LLC	31,200,500	Investment manager	H Shares	7.06%	2.53%	Long position
Edgbaston Asian Equity Trust	26,908,000	Beneficial owner	H Shares	6.09%	2.18%	Long position

Report of the Directors

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 13,133,000 H Shares of the Company through a wholly-owned subsidiary of Sichuan Xinhua Publishing Group and indirectly hold 1,396,000 H Shares of the Company through a wholly-owned subsidiary of SPG, totalling 14,529,000 H Shares.
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 13,133,000 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. On 11 January 2018, Hua Sheng Group has pledged all the shares in the Company held by it.

Save as disclosed above, as at 31 December 2017, 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. Chao Hsun, Supervisor, who is the director of investment and operations of Hua Sheng Group, as at 31 December 2017, none of the Directors and Supervisors of the Company held any positions as directors or employed as employees in any company having interests or short positions which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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

So far as is known to the Directors, as at 31 December 2017, the Directors, Supervisors and chief executives of the Company who 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 are as follows:

Name of Supervisor	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
Chao Hsun	53,336,000 (note)	Spouse interest	A Shares	6.74%	4.32%	Long position

Note: Mr. Chao Hsun is the spouse of Ms. Wu Wenqian who is indirectly interested in 53,336,000 A Shares through Hua Sheng Group. According to the SFO, Mr. Chao Hsun is deemed to be interested in 53,336,000 A Shares of the Company indirectly held by Ms. Wu Wenqian.

Report of the Directors

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 (resigned on 21 December 2017)
Mr. Chen Yunhua (appointed on 21 December 2017)
Mr. Yang Miao

Non-Executive Directors

Mr. Luo Jun
Mr. Zhang Peng
Mr. Zhao Junhuai (resigned on 30 March 2017)
Mr. Han Xiaoming (appointed on 25 May 2017)

Independent Non-Executive Directors

Mr. Chan Yuk Tong
Mr. Han Liyan (resigned on 26 October 2017)
Mr. Fang Bingxi (appointed on 26 October 2017)
Ms. Xiao Liping

Supervisors

Mr. Xu Ping (resigned on 21 December 2017)
Mr. Tang Xiongxing (appointed on 21 December 2017)
Mr. Xu Yuzheng (resigned on 29 March 2017)
Mr. Chao Hsun (appointed on 25 May 2017)
Ms. Lan Hong
Ms. Wang Yan

INDEPENDENT SUPERVISORS

Mr. Li Xu
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. Zhao Junhuai resigned as non-executive Director and the chairman and a member of the Strategy and Investment Planning Committee of the Company as he needed to devote more time to his other business and personal engagements with effect from 30 March 2017. On 25 May 2017, Mr. Han Xiaoming was appointed as a non-executive Director of the Company as passed at the annual general meeting of the Company for 2016 by way of resolution for a term commencing on 25 May 2017 and ending upon the expiry of the current session of the Board.

Pursuant to the relevant requirements under the Company Law, CSRC’s Guidelines on the Establishment of Independent Directorship of Listed Companies and the Articles of Association, an independent Director shall not consecutively serve for a term exceeding six years. Mr. Han Liyan resigned as independent non-executive Director, chairman and member of the Remuneration and Review Committee, member of the Audit Committee, member of the Nomination Committee and member of the Strategy and Investment Planning Committee of the Company with effect from 26 October 2017. On the same date, Mr. Fang Bingxi 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 26 October 2017 and ending upon the expiry of the current session of the Board.

Mr. Luo Yong resigned as executive Director of the Company as he needed to devote more time to his other business engagements with effect from 21 December 2017. On the same date, Mr. Chen Yunhua was appointed as an executive Director as passed at the extraordinary general meeting of the Company by way of resolution and was elected as the Vice Chairman of the Company by the Board for a term commencing on 21 December 2017 and ending upon the expiry of the current session of the Board.

B. Change of Supervisors

Mr. Xu Yuzheng resigned as Supervisor of the Company due to advancing age with effect from 29 March 2017. On 25 May 2017, Mr. Chao Hsun was appointed as a Supervisor of the Company as passed at the annual general meeting of the Company for 2016 by way of resolution for a term commencing on 25 May 2017 and ending upon the expiry of the current session of the Supervisory Committee.

Mr. Xu Ping resigned as Supervisor and chairman of the Supervisory Committee of the Company as he needed to devote more time to his other business engagements with effect from 21 December 2017. On the same date, Mr. Tang Xiongxing was appointed as a Supervisor of the Company as passed at the extraordinary general meeting of the Company by way of resolution and was elected as the chairman of the Supervisory Committee of the Company for a term commencing on 21 December 2017 and ending upon the expiry of the current session of the Supervisory Committee.

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.

Report of the Directors

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 25 May 2017, the Board unanimously agreed to appoint Mr. Han Xiaoming as chairman of the Strategy and Investment Planning Committee under the fourth session of the Board of the Company for a term commencing on 25 May 2017 and ending upon the expiry of the current session of the Board.

On 26 October 2017, the Board unanimously agreed to appoint Mr. Fang Bingxi as member of the Strategy and Investment Planning Committee and the Audit Committee respectively under the fourth session of the Board of the Company, and to appoint Mr. Chan Yuk Tong as the chairman and member of the Remuneration and Review Committee and member of the Nomination Committee under the fourth session of the Board of the Company for a term commencing on 26 October 2017 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 (XI) 5(6) to the financial statements in this annual report.

During the Year, there were a total of 5 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	1
1,000,001-1,500,000	4

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 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.

AUDITORS

At the annual general meeting of the Company for 2016 held on 25 May 2017, it was approved that Deloitte Touche Tohmatsu CPA was re-appointed as the sole auditor of the Company for the year 2017, and the Board was authorised to determine and approve its remunerations.

The consolidated financial statements for 2017 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 2017 AGM of the Company, and shall be eligible for re-appointment at the 2017 AGM. Deloitte Touche Tohmatsu CPA is also the PRC auditor of the Company for 2015 and the sole auditor of the Company for 2016 since 15 December 2016 and Deloitte Touche Tohmatsu has ceased to be the international auditor of the Company on the same date.

By order of the Board
He Zhiyong
Chairman

28 March 2018

Corporate Governance Report

The Company has all along been striving to establish a corporate governance system which is in compliance with the PRC laws and supervisory regulations of the listing places 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 the dual listing 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.

Corporate Governance Report

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. Chen Yunhua (appointed on 21 December 2017 to replace Mr. Luo Yong who resigned on 21 December 2017) and Mr. Yang Miao, 3 non-executive Directors, Mr. Luo Jun, Mr. Zhang Peng and Mr. Han Xiaoming (appointed on 25 May 2017 to replace Mr. Zhao Junhuai who resigned on 30 March 2017) and 3 independent non-executive Directors, Mr. Chan Yuk Tong, Mr. Fang Bingxi (appointed on 26 October 2017 to replace Mr. Han Liyan who resigned on 26 October 2017) 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 learn about 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 fulfill their duties as directors. After due and careful review, the Board considers that the Directors dedicated sufficient time and efforts to fulfill 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 to better fulfill their duties as directors.

Corporate Governance Report

During the Year, 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 for its Directors, Supervisors and other related personnel. At the same time, it arranged the Chairman and some independent non-executive Directors to attend the training of Sichuan Regulatory Bureau of CSRC and SSE so that they understand and are familiarised 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>)	Y	✓
Luo Yong <i>Note 1</i>	N	✓
Chen Yunhua (<i>Vice Chairman</i>) <i>Note 2</i>	N	✓
Yang Miao	N	✓
Luo Jun	Y	✓
Zhang Peng	N	✓
Zhao Junhuai <i>Note 3</i>	N	✓
Han Xiaoming <i>Note 4</i>	N	✓
Chan Yuk Tong	Y	✓
Xiao Liping	Y	✓
Han Liyan <i>Note 5</i>	N	✓
Fang Bingxi <i>Note 6</i>	Y	✓

Notes:

1. Mr. Luo Yong resigned as executive Director and relevant positions of the Company on 21 December 2017.
2. Mr. Chen Yunhua was appointed as an executive Director and Vice Chairman of the Company on 21 December 2017.

3. Mr. Zhao Junhuai resigned as non-executive Director and relevant positions of the Company on 30 March 2017.
4. Mr. Han Xiaoming was appointed as a non-executive Director and chairman of the Strategy and Investment Planning Committee of the Company on 25 May 2017.
5. Mr. Han Liyan resigned as independent non-executive Director and relevant positions of the Company on 26 October 2017.
6. Mr. Fang Bingxi was appointed as an independent non-executive Director and members of the Audit Committee and Strategy and Investment Planning Committee of the Company on 26 October 2017.

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 fourth session of the Board convened a total of 14 Board meetings, of which seven were held on site and seven were held by way of written resolutions. The Board meetings reviewed resolutions regarding the external investment and transfer projects, change of Directors and Supervisors, engagement of auditors, 2016 annual results, 2017 interim results and 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 Rules of Procedure for Board Meeting 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 (<i>Chairman</i>)	13/14	1	92.86%
Luo Yong <i>Note 1</i>	10/13	3	76.92%
Chen Yunhua (<i>Vice Chairman</i>) <i>Note 2</i>	1/1	0	100%
Yang Miao	14/14	0	100%
<i>Non-Executive Directors</i>			
Luo Jun	13/14	1	92.86%
Zhang Peng	14/14	0	100%
Zhao Junhuai <i>Note 3</i>	2/2	0	100%
Han Xiaoming <i>Note 4</i>	8/8	0	100%
<i>Independent Non-executive Directors</i>			
Chan Yuk Tong	13/13	0	100%
Xiao Liping	13/13	0	100%
Han Liyan <i>Note 5</i>	9/9	0	100%
Fang Bingxi <i>Note 6</i>	4/4	0	100%

Notes:

1. Mr. Luo Yong resigned as executive Director and relevant positions of the Company on 21 December 2017.
2. Mr. Chen Yunhua was appointed as an executive Director and Vice Chairman of the Company on 21 December 2017.
3. Mr. Zhao Junhuai resigned as non-executive Director and relevant positions of the Company on 30 March 2017.
4. Mr. Han Xiaoming was appointed as a non-executive Director and chairman of the Strategy and Investment Planning Committee of the Company on 25 May 2017.
5. Mr. Han Liyan resigned as independent non-executive Director and relevant positions of the Company on 26 October 2017.
6. Mr. Fang Bingxi was appointed as an independent non-executive Director and members of the Audit Committee and Strategy and Investment Planning Committee of the Company on 26 October 2017.

Corporate Governance Report

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)	4/4	100%
Luo Yong <i>Note 1</i>	1/4	25%
Chen Yunhua (Vice Chairman) <i>Note 2</i>	0/0	N/A
Yang Miao	4/4	100%
<i>Non-Executive Directors</i>		
Luo Jun	4/4	100%
Zhang Peng	4/4	100%
Zhao Junhuai <i>Note 3</i>	0/0	N/A
Han Xiaoming <i>Note 4</i>	3/3	100%
<i>Independent Non-executive Directors</i>		
Chan Yuk Tong	3/4	75%
Xiao Liping	4/4	100%
Han Liyan <i>Note 5</i>	3/3	100%
Fang Bingxi <i>Note 6</i>	1/1	100%

Notes:

1. Mr. Luo Yong resigned as executive Director and relevant positions of the Company on 21 December 2017.
2. Mr. Chen Yunhua was appointed as an executive Director and Vice Chairman of the Company on 21 December 2017.
3. Mr. Zhao Junhuai resigned as non-executive Director and relevant positions of the Company on 30 March 2017.
4. Mr. Han Xiaoming was appointed as a non-executive Director and chairman of the Strategy and Investment Planning Committee of the Company on 25 May 2017.
5. Mr. Han Liyan resigned as independent non-executive Director and relevant positions of the Company on 26 October 2017.
6. Mr. Fang Bingxi was appointed as an independent non-executive Director and members of the Audit Committee and Strategy and Investment Planning Committee of the Company on 26 October 2017.

Corporate Governance Report

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, five meetings of the Audit Committee, three meetings of the Remuneration and Review Committee and three meetings of the Nomination Committee were convened. The attendance of the members of individual committees under the Board during the Year is as follows:

Name	Audit Committee	Remuneration and Review Committee	Nomination Committee
<i>Executive Directors</i>			
He Zhiyong (Chairman)	N/A	N/A	N/A
Luo Yong	N/A	N/A	N/A
Chen Yunhua (Vice Chairman)	N/A	N/A	N/A
Yang Miao	N/A	N/A	N/A
<i>Non-Executive Directors</i>			
Luo Jun	N/A	3/3	3/3
Zhang Peng	5/5	N/A	N/A
Zhao Junhuai	N/A	N/A	N/A
Han Xiaoming	N/A	N/A	N/A
<i>Independent Non-executive Directors</i>			
Chan Yuk Tong <i>Note 1</i>	5/5	N/A	1/1
Xiao Liping	N/A	3/3	3/3
Han Liyan <i>Note 2</i>	4/4	3/3	2/2
Fang Bingxi <i>Note 3</i>	1/1	N/A	N/A

Notes:

1. Mr. Chan Yuk Tong was appointed as the chairman of the Remuneration and Review Committee and a member of the Nomination Committee on 26 October 2017.
2. Mr. Han Liyan resigned as an independent non-executive Director and relevant positions of the Company on 26 October 2017.
3. Mr. Fang Bingxi was appointed as an independent non-executive Director and members of the Audit Committee and Strategy and Investment Planning Committee of the Company on 26 October 2017.

Corporate Governance Report

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 fourth session of the Board comprises 3 Directors, members being Mr. Han Xiaoming, Mr. Fang Bingxi and Mr. Yang Miao. Mr. Han Xiaoming, a non-executive Director, is the chairman of the committee.

During the Year, no meeting of the Strategy and Investment Planning Committee of the Board was convened.

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 fourth session of the Board comprises 3 Directors, current members being Mr. Chan Yuk Tong, Mr. Fang Bingxi 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. Fang Bingxi 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 five meetings. All committee members attended all the meetings in person and signed all written resolutions to consider the various resolutions including 2016 annual results, 2017 interim results and quarterly results, internal control and risk management 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 2017, 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 fourth session of the Board comprises 3 Directors, current members being Mr. Chan Yuk Tong, Ms. Xiao Liping and Mr. Luo Jun. Mr. Chan Yuk Tong, 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. Chan Yuk Tong and Ms. Xiao Liping are independent non-executive Directors.

During the Year, the Remuneration and Review Committee of the fourth session of the Board convened a total of three meetings. All committee members signed all written resolutions. The meetings mainly considered the resolutions regarding the remuneration of operating management team for 2016, remuneration appraisal proposal for 2017 and amendment to the Corporate Annuity Proposal of the Company.

Nomination Committee

The main responsibilities of the Nomination Committee include: (1) to examine the standards and procedures for selecting the Company's Directors and senior management, and make its recommendations to the Board; (2) to seek comprehensively qualified candidates for Directors and senior management; (3) to examine and make recommendations regarding the candidates for Directors and senior management who are to be engaged by the Board; and (4) to assess the independence of independent non-executive Directors, etc.

The Nomination Committee of the fourth session of the Board comprises three Directors, members being Ms. Xiao Liping, Mr. Chan Yuk Tong 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. Chan Yuk Tong are independent non-executive Directors.

During the Year, the Nomination Committee of the fourth session of the Board convened a total of three meetings. All committee members signed all written resolutions. The meetings mainly considered the resolution regarding the nomination of candidates for directorship 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 and further improved 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.

Corporate Governance Report

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 asset appraisal and have met the qualifications of independent non-executive directorship of the A Share listed companies who are familiar with the rights and obligations of directors and independent non-executive directors of listed companies.

Mr. Chan Yuk Tong, Ms. Xiao Liping and Mr. Fang Bingxi, 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.

Corporate Governance 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 and three extraordinary general meetings. The meetings considered and passed many important resolutions such as the 2016 annual report, profit distribution proposal, engagement of auditors and internal audit functions, amendments to the Articles of Association, and appointment of Directors and Supervisors, 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. Tang Xiongxing is currently 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 six meetings. Details of work of the Supervisory Committee are set out in the section "Report of the Supervisory Committee" in this annual report.

Corporate Governance 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 authorised 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 when disputes arise, respectively. The Company has separately set up an internal audit department – Audit Department to audit and monitor the above matters. Apart from these, the Company has engaged an intermediary to carry out internal audit of the Company to ensure the truthfulness, effectiveness and completeness of the internal control conditions of the Company.

During the Year, the Company further enhanced the internal control capability of the enterprise and continued to engage consulting companies to assist the Company in the optimisation and improvement of the internal control system, to carry out evaluations and follow-ups on the effectiveness of internal control every half year, and to 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 continued to expand the breadth and depth of self-assessment of internal control among relevant entities. The Company continued to engage consultancy firms to assist the Company to carry out risk assessment and review the risks of the Company. Through determining risks and preferences, the nature and extent of risks that the Company is willing to take were identified. The Company updated and improved its risk database through identification and analysis. Through assessing the Company's degree of monitoring of relevant risks, the risk management person-in-charge would monitor the risks and actively take measures to deal

with them. The Company's risk prevention capabilities continued to increase. Driven by demand for external regulations and internal management of operations, the Company has built a solid "risk-oriented" internal control system which is running effectively. 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. While the management has actively fulfilled the dual responsibilities of "operation + control", the Company has established good risk awareness and culture and the management internally. The Company continued to enhance 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 examined the legality and validity of economic contracts to safeguard the legal interests of the Company. The internal audit department acted independently and objectively, which fully demonstrated its role of supervision. During the Year, no risks that will materially affect the operations of the Company were identified. The Company's overall risks remained under control and risk management was effective.

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.

Corporate Governance Report

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 2016 annual general meeting held on 25 May 2017, the shareholders of the Company approved the re-engagement of Deloitte Touche Tohmatsu CPA as the Company's auditor for 2017. At the extraordinary general meeting held on 26 October 2017, the shareholders of the Company approved the appointment of Deloitte Touche Tohmatsu CPA as the Company's internal control auditor. Their engagements shall continue until the conclusion of the forthcoming annual general meeting of the Company. The Board was authorised to determine the auditors' remunerations through individual negotiation in accordance with market practice.

During the Year, Deloitte Touche Tohmatsu CPA provided the following audit services to the Group: 1) professional audit services in respect of the annual report; 2) review procedures services on interim report; and 3) verification services on continuing connected transactions. The fees payable to the auditor in respect of the above services provided by the Group was RMB2.86 million (2016: RMB2.86 million). In addition, the auditor also provided audit services for internal control of the Group. The fees payable by the Group to the auditor amounted to RMB400,000 (2016: nil).

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 service fee for the profit forecast on the transfer of equity interests held in the joint venture amounting to RMB480,000; the service fee for assurance on the use of proceeds amounting to RMB60,000; and the service fee for the consulting services in accordance with the ESG Reporting Guide amounting to RMB100,000.

Save as disclosed above, during the Year, the Group had not paid any other audit or non-audit service fees to Deloitte Touche Tohmatsu 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 2017.

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.

Corporate Governance Report

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.

Corporate Governance Report

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

During the Year, the Company amended the Articles of Association twice to cope with the needs of business development of the Company. The amendments were mainly related to the expansion of the scope of operation of the Company. The amendments were as considered and approved at the extraordinary general meeting of the Company held on 13 July 2017 and 21 December 2017 respectively, and approved or authorised by the relevant regulatory authorities or registration with the relevant regulatory authorities. Please refer to the circulars of the Company dated 29 May 2017 and 6 November 2017 respectively 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 regularly and provisional announcements of the Company in a timely manner in accordance with the regulatory requirements of the listing places 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;

Corporate Governance Report

- one-on-one communication with investors, analysts and financial media through analyst meetings, results presentations, strategic meetings of securities firms 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.

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.

The Company fulfills its continuing disclosure obligations and responsibilities pursuant to the regulatory requirements of the listing places 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 2017, 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 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.

Profile of Directors, Supervisors, Senior Management and Employees

I. BASIC PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at 31 December 2017, 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		Total remuneration before tax received from the Company for the reporting period (RMB10,000)	Remuneration from related parties of the Company
				of term	End date of term		
He Zhiyong	Executive Director and Chairman	Male	57	29 December 2015	5 March 2018	0	Yes
Luo Yong	Executive Director	Male	54	29 September 2011	21 December 2017	0	Yes
Chen Yunhua	Executive Director and Vice Chairman	Male	56	21 December 2017	5 March 2018	0	Yes
Yang Miao	Executive Director and General Manager	Male	47	6 March 2015	5 March 2018	142.01	No
Luo Jun	Non-executive Director	Male	51	30 July 2008	5 March 2018	0	Yes
Zhao Junhuai	Non-executive Director	Male	50	16 October 2007	30 March 2017	2.55	No
Han Xiaoming	Non-executive Director	Male	64	25 May 2017	5 March 2018	6.45	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	26 October 2017	19.00	No
Fang Bingxi	Independent Non-executive Director	Male	55	26 October 2017	5 March 2018	2.97	No
Xiao Liping	Independent Non-executive Director	Female	61	6 March 2015	5 March 2018	0	No
Chan Yuk Tong	Independent Non-executive Director	Male	55	18 February 2016	5 March 2018	25.33	No
Xu Ping	Chairman of Supervisory Committee	Male	59	29 September 2011	21 December 2017	0	Yes
Tang Xiongxing	Chairman of Supervisory Committee	Male	51	21 December 2017	5 March 2018	0	Yes
Xu Yuzheng	Supervisor	Male	61	30 July 2008	29 March 2017	0	Yes
Chao Hsun	Supervisor	Male	29	25 May 2017	5 March 2018	4.42	No
Lan Hong	Supervisor	Female	50	11 June 2005	5 March 2018	39.96	No
Wang Yan	Supervisor	Female	39	6 March 2015	5 March 2018	36.93	No
Li Xu	Independent Supervisor	Male	55	18 February 2016	5 March 2018	7.90	No
Liu Mixia	Independent Supervisor	Female	59	6 March 2015	5 March 2018	9.10	No
Chen Dali	Deputy General Manager	Male	55	11 June 2005	5 March 2018	100.88	No
An Qingguo	Deputy General Manager	Male	62	1 December 2010	5 March 2018	78.34	No
Li Qiang	Deputy General Manager	Male	44	6 March 2015	5 March 2018	144.27	No
You Zugang	Secretary to the Board	Male	55	11 June 2005	5 March 2018	100.94	No
Zhu Zaixiang	Chief Financial Officer	Male	56	11 June 2005	5 March 2018	97.82	No
Total	/	/	/	/	/	818.87	/

Profile of Directors, Supervisors, Senior Management and Employees

II. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Reason(s) for the change
Han Liyan	Independent non-executive Director	Pursuant to the relevant requirements under the Company Law, CSRC's Guidelines on the Establishment of Independent Directorship of Listed Companies and the Articles of Association, an independent Director shall not consecutively serve for a term exceeding six years. Mr. Han Liyan resigned as independent non-executive Director, chairman and member of the Remuneration and Review Committee, member of the Audit Committee, member of the Nomination Committee and member of the Strategy and Investment Planning Committee of the Company with effect from 26 October 2017.
Fang Bingxi	Independent non-executive Director	On 26 October 2017, Mr. Fang Bingxi was appointed as independent non-executive Director of the Company as passed at the extraordinary general meeting by way of resolution.
Zhao Junhuai	Non-executive Director	On 30 March 2017, Mr. Zhao Junhuai resigned as non-executive Director and the chairman and a member of the Strategy and Investment Planning Committee of the Company as he needed to devote more time to his other business and personal engagements.
Han Xiaoming	Non-executive Director	On 25 May 2017, Mr. Han Xiaoming was appointed as non-executive Director of the Company as passed at the annual general meeting of the Company for 2016 by way of resolution.
Luo Yong	Executive Director	On 21 December 2017, Mr. Luo Yong resigned as executive Director of the Company as he needed to devote more time to his other business engagements.
Chen Yunhua	Executive Director, Vice Chairman	On 21 December 2017, Mr. Chen Yunhua was appointed as executive Director of the Company as passed at the extraordinary general meeting of the Company by way of resolution and was elected as Vice Chairman of the Company by the Board.
Xu Ping	Chairman of the Supervisory Committee	On 21 December 2017, Mr. Xu Ping resigned as Supervisor and chairman of the Supervisory Committee of the Company as he needed to devote more time to his other business engagements.
Tang Xiongxing	Chairman of the Supervisory Committee	On 21 December 2017, Mr. Tang Xiongxing was appointed as Supervisor of the Company as passed at the extraordinary general meeting of the Company by way of resolution and was elected as chairman of the Supervisory Committee of the Company by the Supervisory Committee.
Xu Yuzheng	Supervisor	On 29 March 2017, Mr. Xu Yuzheng resigned as Supervisor of the Company due to advancing age.
Chao Hsun	Supervisor	On 25 May 2017, Mr. Chao Hsun was appointed as Supervisor of the Company as passed at the annual general meeting of the Company for 2016.

Profile of Directors, Supervisors, Senior Management and Employees

III. 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. Since 29 December 2015, he has been appointed as Chairman 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.

Chen Yunhua (陳雲華), born in May 1961, currently Vice Chairman and executive Director of the Company; the president and a member of the party committee of SPG. He previously served as a senior staff member of Sichuan Provincial Administration of Traditional Chinese Medicine (四川省中醫管理局), the executive director of the publicity division of the propaganda department of the Sichuan provincial party committee (四川省委宣傳部), the deputy office director of the cadres division of the propaganda department of the Sichuan provincial party committee, the deputy office director and the chairman of the trade union, the head of the press department and the chairman of the trade union; and the deputy editor-in-chief and a member of the CPC party committee of Sichuan Daily Group. He has been serving as the president and a member of the CPC party committee of SPG since December 2015. He has been Vice Chairman and executive Director of the Company since 21 December 2017. Mr. Chen graduated from Chengdu University of Traditional Chinese Medicine and subsequently completed the graduate courses of the Specialised Historical Studies of the College of History and Culture at Sichuan University.

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; and director of Sichuan Yaxinshengxiang Education Technology Co., Ltd. He held the positions of deputy sales manager and sales manager and deputy manager of Sichuan Province Xinhua Bookstore Textbook Company; deputy manager of Sichuan Xinhua Book & Trading Co., Ltd.; manager of the textbook distribution company of Sichuan Xinhua Publishing Group. From June 2005 to July 2008, Mr. Yang successively served as deputy general manager of the Company and general manager of textbook 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 has been appointed as executive Director of the fourth session of the Board of the Company since 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. and Shudian Investment Co., Ltd. He held the positions of secretary of the directly administered entities youth league committee (直屬機關團委書記), deputy head and head of the personnel education department (人事教育處) 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

Han Xiaoming (韓小明), born in February 1953, currently non-executive Director of the Company, a professor (doctoral supervisor) in the department of Economics in Renmin University of China, a member of the Expert Committee on Telecommunication Economic and Management of the Ministry of Industry and Information Technology (工業和信息化部信息通信經濟專家委員會), and the standing council member of China Information Economics Society. Mr. Han was the associate dean of the China Economic Reform and Development Research Institute (中國經濟改革與發展研究院). Mr. Han was involved in several research projects organised by the Department of Propaganda of China, General Administration of Press and Publication, the Joint Research and Study Committee for Higher Education Press Reform of the Ministry of Education (教育部高校出版社改革聯合調研組) and General Administration of Press and Publication's Publication System Reform Research and Study Group (新聞出版總署發行體制改革調研組) and has published a number of related research reports or papers. Mr. Han was a panel member of the State Review Committee for Major Publication Projects (國家重大出版工程評審組) and the State Review Committee for Science and Technology Fundamental Platform Projects of the Ministry of Science and Technology (科技部國家科技基礎條件平台項目評審組). He was a project consultant involved in a number of corporate development strategies, asset reorganisation and corporate governance. He took charge of or participated in the formulation of development plans for certain provinces/municipalities and state-level development zones. Mr. Han served as independent non-executive Director of the Company between June 2005 and July 2013; and the strategic consultant of the Board of the Company between August 2013 and August 2016. On 25 May 2017, he was re-appointed as non-executive Director of the Company. Mr. Han graduated from Renmin University of China majoring in Politics and Economics.

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 2017. 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

Fang Bingxi (方炳希), born in June 1962, currently independent non-executive Director of the Company; executive deputy general manager of the southwest branch of China United Assets Appraisal Group. Mr. Fang was a workshop officer and the head of production division of the Shaanxi No.1 Thermal Generator Accessories Factory (陝西省內燃機配件一廠) and served as the deputy general manager of Oriental Asset Appraisal Limited (東方資產評估事務所). Mr. Fang has extensive practical experience in asset valuation and capital operation, having participated in approximately one thousand asset valuation projects and performed asset valuation for IPO of over 30 companies since he entered the business of asset valuation over twenty years ago. Mr. Fang is currently the vice chairman of the Appraisal Standard Committee of Sichuan Appraisal Society (四川省資產評估協會懲戒委員會), an expert of the Expert Base of Sichuan Appraisal Society (四川資產評估協會專家庫) and the deputy director of the Expert Committee of the Listed Companies Association of Sichuan (四川省上市公司協會專家委員會). On 26 October 2017, he was appointed as the independent non-executive Director of the Company. Mr. Fang completed an advanced post-graduate programme in Accounting at the Southwestern University of Finance and Economics (西南財經大學) and is currently a China Certified Public Valuer.

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 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 (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), Daisho Microline Holdings Limited (stock code: 567.HK) and Global Sweeteners Holdings Limited (stock code: 3889.HK). Mr. Chan was an independent non-executive Director of the Company, chairman of the Audit Committee and a member of the Remuneration and Review Committee from April 2006 to July 2013. He was re-appointed as independent non-executive Director of the Company from 18 February 2017. 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

Tang Xiongxing (唐雄興), born in November 1966, currently Supervisor and chairman of the Supervisory Committee of the Company; and the vice secretary of the party committee of SPG. He previously served as a principal staff member of the spiritual civilisation construction office of Sichuan Province, the deputy secretary-general and secretary-general of the law research office and secretary of the party committee of the propaganda department of the Sichuan provincial party committee, and a member of the party committee and the director of the propaganda department of Guang'an City, Sichuan Province. He has been serving as the deputy secretary of the party committee of SPG since November 2016. On 21 December 2017, he was appointed as Supervisor and chairman of the Supervisory Committee of the Company. Mr. Tang holds a bachelor's degree in Political Education from Sichuan Normal University and a master's degree in History from Yunnan University.

Chao Hsun (趙洵), born in April 1988, currently Supervisor of the Company and the director of investment and operations of Hua Sheng Group. He served as an officer and head of operations in MICON Precise Corporation. Since April 2015, he has been the director of investment and operations of Hua Sheng Group. He has been Supervisor of the Company since 25 May 2017. Mr. Chao obtained a bachelor's degree in social sciences from Tamkang University in Taiwan and a master's degree in public affairs from Indiana University of Pennsylvania.

Profile of Directors, Supervisors, Senior Management and Employees

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 Wenchuan Logistics 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 Jiuhua 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. 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.

Profile of Directors, Supervisors, Senior Management and Employees

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., 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. He possesses the professional qualification as an editor.

An Qingguo (安慶國), born in October 1955, currently deputy general manager of the Company; and director of Xinhua Winshare Commercial Chain (Beijing) Co., Ltd. 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 Beijing Huaxia Shengxuan Book Co., Ltd. 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 centre 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 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 Sichuan Xinhua Publishing Group; head of Guangyuan City Management Centre; and director of Chengdu Xinhui. 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.

Profile of Directors, Supervisors, Senior Management and Employees

Zhu Zaixiang (朱在祥), born in March 1961, currently chief financial officer of the Company; director of Sichuan Xinhua Shang Paper Co., Ltd. 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.

IV. PARTICULARS OF EMPLOYEES

1. Particulars of Employees

As at 31 December 2017, the Group has a total of 7,642 (31 December 2016: 7,743) 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 2017, the total contributions made by the Group for its employees pursuant to the pension plan and annuity plan amounted to RMB116.08 million (2016: RMB112.79 million). For details of these plans, please refer to note (VI) 23 to the 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 begins with the key positions and strengthens the training of its talent reserve pool. In 2017, the Company successfully filed the application for the establishment of the base for post-doctoral innovation practice, thus building a platform for introducing and training talents. The framework of staff training sets out how the management team can expand their business horizon and enhance their capabilities of business operation. At the same time, the Company strategically implements staff development activities with different themes based on the requirements of business development for the capabilities and quality of staff of various levels so as to drive business development with the staff capabilities and quality. During the Year, the Company organised more than 120 training sessions including the training on enhancement of management skills, Winshare Big Lecture and various business skills training 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.

Environmental, Social and Governance Report

ABOUT THIS REPORT

The Company considers that sound environmental, social and governance performance is crucial to maintaining the Company's future sustainability, achieving long-term objectives and creating long-term value for shareholders.

The Board is responsible for the environmental, social and governance strategies and report of the Company. The ESG report is prepared by the Company in accordance with the ESG Reporting Guide as well as the Notice of Strengthening the Listed Companies' Assumption of Social Responsibility, Guidelines on the Preparation of Corporate Social Responsibility Report and the Guidelines on Disclosing Environmental Information of Companies Listed on the Shanghai Stock Exchange issued by the SSE, which covers the period from 1 January 2017 to 31 December 2017.

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 and its subsidiaries. Details of corporate governance of the Company for the Year are set out in the section headed "Corporate Governance Report" in this annual report.

I. RESPONSIBILITY MANAGEMENT

1. CORPORATE MISSION

Being a cultural media enterprise, 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.

In the future, the Company wishes to integrate various related resources and firmly uphold the spirit of innovation and professional capabilities. While exploring and discovering the possibilities in the course of cultural development, it will endeavour to undertake social responsibilities, commit to public welfare, care for the needs of various parties and create a sound environment so as to provide a higher standard of service for the spiritual civilisation living demanded by various parties and enjoyed by the mass public as well as to share the achievements of innovation.

2. IDENTIFICATION OF ESG MATERIAL ISSUES

To systematically identify the key areas of ESG management, the Company, after taking into account the corporate development strategy, national policies, development trends of the publishing and media enterprises, has carried out a materiality assessment on the relevant ESG issues of the Company from two perspectives, namely, its own development and the external stakeholders, and formed the materiality matrix for the ESG issues of the Company in 2017 as basis for the content selection of the ESG report and the relevant ESG works to be carried out subsequently by the Company.



3. COMPLIANCE MANAGEMENT

The Company has been consistently upholding and implementing a high standard of business ethics and strictly implemented the existing corporate governance policies to actively strengthen information disclosure such that decisions are made under the principle of trust and fairness and information disclosure is made in an open and transparent manner so as to safeguard the interest of all stakeholders.

The Company is in strict compliance with the Company Law and the relevant laws and regulations relating to anti-corruption and bribery. Through building a comprehensive internal control system, the Company endeavours to push ahead the compliance management and operations of the Company at various levels. In accordance with the Measures for the Evaluation of Cadres' Clean Practice and the Complaint Reporting System formulated internally, the Company endeavours to strengthen the development of the integrity system, set up a smooth complaint reporting platform and resolutely resist business bribery, corruption and frauds. At the same time, it actively organises clean practice featured seminars. During the Reporting Period, there were more than 1,200 participants. The Company has a disciplinary monitoring office to take charge of the complaints filed based on the requirements of the system and carry out corresponding investigation, verification and punishment.

II. HERITAGE INNOVATION

Aiming to become the explorer in the course of development of the Chinese cultural industry, the Company bears in mind the mission of inheriting the Chinese civilisation and guiding the industry's innovation development. Guided by the branding concept of "innovative" enterprise, the Company strives to explore and implement the transformation and upgrade of digitalised education, industry chain extension and integrated media development. Inheriting quality culture and stepping up the innovative and integrated development of the traditional publication and emerging media businesses, this provides new growth momentum for the Company's business expansion and offers the latest products and services to various parties.

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While in pursuit of proactive innovation, the Company attaches great importance to intellectual property rights protection and continues to strengthen the awareness and learning of the employees of the Company on intellectual property rights in an effort to enhance respect and raise the awareness on protecting intellectual property rights to achieve value appreciation. The Company is a model enterprise of intellectual property rights in Sichuan Province. As at the end of the Reporting Period, the Company had 208 trademarks. During the Reporting Period, the Company applied for four new trademarks and successfully renewed eight trademarks and had 895 copyrights, 3,243 publishing rights and 2,681 book binding and design rights.

1. PROMOTING THE CHINESE CULTURE

The Chinese culture is the essence of intelligence of the Chinese nationality which extends the spirit of our country and nationality. It is necessary to pass the flame and protect it from generation to generation. At the same time, the Chinese culture needs to keep pace with the times and innovate. The publishing industry plays a significant role in the course of inheriting and promoting the Chinese culture. During the Reporting Period, the Company published the *A Great Dictionary of Chinese Culture* 《中華大典》 volume, *Book of Appreciation of the Chinese Classics series* 《國學經典鑑賞書系》, *A Collection of Literature on Qiang Stone Inscription* 《羌族石刻文獻集成》, *A Collection of Literature on Turpan: Confucian Classics* 《吐魯番文獻合集·儒家經典卷》 and other outstanding books. As the key origin of Chinese culture, Sichuan Province has a rich historical literature collection with very strong publishing potential and publishing value. During the Reporting Period, the Company centered around Bashu cultural resources and published the *Catalogue of Sichuan Folk Songs* 《四川民歌採風錄》, *A Collection of Chorography in China: Chorography of Sichuan's Prefectures*

and Counties 《中國地方志集成·四川府縣志》 and other quality publications. During the Reporting Period, 12 key book projects were selected as national publishing fund subsidy projects for 2017. Three projects including the *Edit of the Old History of the Five Dynasties* 《輯補舊五代史》 of Bashu Publishing House were selected as national ancient book preparation and publication projects for 2017.

In addition, the Company pushed ahead the creativity transformation and innovation development of the traditional culture under the advanced publishing concept and by utilising the state-of-the-art information technology, and published a VR publication – *Face Changing in Sichuan Opera* 《川劇變臉》 in an effort to inherit and promote the quality traditional cultural in a digitalised manner.

In response to the State's efforts to expand the influence of the Chinese culture, the Company has been focusing on the "going global" of the Chinese culture in recent years. Through organising a team to participate in the Abu Dhabi Book Fair, Hong Kong Book Fair, Beijing International Book Fair and other large-scale international book fairs, the Company has strengthened the connection and exchange between the Chinese culture and other cultures by capitalising on the opportunities from copyright trades. While introducing some quality publishers to the domestic market, the Company also spreads the Chinese culture and the national spirit so as to achieve the best results of social benefits and economic benefits. During the Reporting Period, the Company was named the "Key Unit of Chinese Culture Export" by the Ministry of Commerce, which successfully exported 175 publishing rights to 20 countries and regions including the US and Russia, up by 28.68% on a year-on-year basis.

2. EXPLORING THE FUTURE OF EDUCATION

Adhering to the principle of “future success comes from the heart”, the Company makes use of the development of new technology to serve the education sector in a comprehensive manner from a multi-angle perspective under the State’s strong support of education digitalisation and as guided by the “innovation and sharing” core brand values.

On the one hand, the Company comprehensively enhances the quality and service standards of textbooks and supplementary materials by leveraging on the strengths of the principal business of publishing. On the other hand, faced with the tremendous changes brought by the modern information technologies such as the Internet, big data and artificial intelligence on the organisational

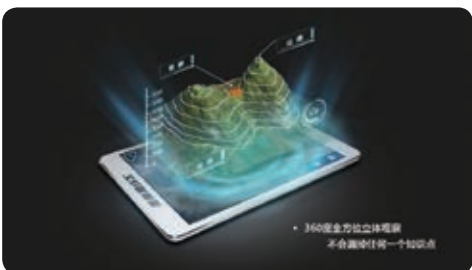
structure, resource matrix and tools presentation of education, and based on the State’s development strategy of digitalised education, the Company actively enhances the “software and hardware” capabilities, achieve breakthroughs in a number of areas including education digitalisation, explore new model of future education, develop and promote education digitalisation and education equipment products including intelligence all-in-one, e-schoolbag, cloud platform, digitalised school and AR geography classes, set up the education service ecosystem and expand into the new areas of the education service market. During the Reporting Period, the Company launched the entertaining and educational interactive product “Winshare AR Easy to Learn Classroom – Junior Secondary Geography Resources Pack” which is well received by teachers and students.



Group photo of Sino-foreign guests at the Abu Dhabi International Book Fair



Regional Historical Sources – Tibet Archaeology 《中國藏地考古》



Winshare Intelligence (文軒智慧星)



Sichuan education training titled Kindergarten Integrated Class in Shifang

Environmental, Social and Governance Report

3. START A NEW TREND OF READING

Fully utilising its own strengths in product organisation, supply and service, the Company endeavours to build a diversified and reader-friendly reading service project and national reading base. While making use of the online and offline resources, the Company improves and innovates the service method to start a new trend of reading.

With strong support of the State on “Internet+” policy, the Company vigorously develops businesses in the Internet area including e-commerce, digitalised reading and publication supply chain service and has established the paper book online sales platform “winxuan.com”, the digitalised content pushing platform “September Online” and the publication industry third party network collaboration platform-publication collaboration and trading platform. Through stepping up the logistics potential and enhancing warehousing efficiency, the Company strives to enhance the standard of service of online sales.



The first Yang Hong Ying Children's Book House in China had its opening

Meanwhile, in face of the impacts of the rapid development of the Internet and e-books on physical bookstores, the Company carries out upgrade and innovation of its physical bookstores centering around a wide range of audience from youngsters, children to parents. During the Reporting Period, the Company set up emerging offline book cities including “Winshare Books” and “Yang Hong Ying Children's Book House”. At the same time, the Company continues to throw in “self-help bookstores” in public places to create a “1km radius reading circle”, thus providing convenient public reading service for the community.

III. VALUE CHAIN MANAGEMENT

Planning of layout and meticulous design of the whole industry chain is inseparable from the development of the Company. With thorough analysis on and strict control of the publishing, printing, logistics and other segments, the overall capabilities of the Company's industry chain are guaranteed and products that meet the cultural demands of the mass public are launched to provide consumers with safe, convenient and comprehensive services.



Winshare Go Go Reading

Environmental, Social and Governance Report

While strengthening the control over its own industry chain segments, the Company also applies such requirements on supplier management by monitoring the environmental, social and governance related performance of suppliers, strengthening the qualifications management, ensuring that the product procurement is compliant and fair and the product quality meets the standards, and strengthening the communication with suppliers with a view to accomplishing the common targets. As at the end of the Reporting Period, the Company primarily maintained sound business relationship with 96 printing equipment and supplies suppliers, 960 publication suppliers and 56 printers.

The Company takes customer service as top priority in the value chain. While enhancing its own whole industry chain and the supply chain quality control system, the Company provides complete consumer protection services to ensure that consumers are provided with a tailored and comfortable reading experience. Consumer data are encrypted and the accountability system is implemented on the sales and quality of publications. Advertisements published on the platform of the Company must go through strict assessment to ensure that the interests of consumers are protected in all respects.

1. STRICT CONTROL OVER PUBLISHING

Focusing on publishing good books and adhering to the target of “two efficiencies”, the Company has set up a flexible and effective system which exercises strict control over the quality of publications and unifies social benefits and economic benefits. While providing high quality publications to the community, the Company expands the brand influence of Winshare Publishing.

To exercise strict control over the quality of publications, the Company has seriously assessed the annual topics and supplementary topics of the publishing units. During the Reporting Period, the Company evaluated the editing process of nine book publishing houses and supervised the publishing houses to establish and improve the publishing quality control system in strict compliance with the publishing procedures of “review thrice and proofread thrice” in the course of publishing.

The Company has actively facilitated the smooth implementation of the State-level projects that are already established, expanded key topic reserves, meticulously organised the participating books awards and introduced a wide range of featured publications, quality books and best-selling books. During the Reporting Period, the Company had a total 139 publications granted with various awards.

2. HIGH QUALITY PRINTING

The Company's printing business is primarily based on the printing of textbooks and supplementary materials. To enhance the quality control of the printing of textbooks and supplementary materials and to ensure that “textbooks are ready before class”, the Company has formulated a number of management systems on the qualifications requirements of printers and production requirements in accordance with the relevant laws and regulations to set strict requirements on its own printers and suppliers. Among which, it is required that enterprises undertaking the printing of nine-year compulsory education textbooks must obtain the certification on China Environmental Labelling. In addition, printers are ranked in a three-year period where the printing of textbooks and supplementary materials is awarded by hierarchical management. Screening of qualified printers is conducted to maintain quality control of printing products.

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To strengthen the management of raw materials of printing products, the Company has standardised the management of printers' procurement of raw and supplementary materials such as paper and ink and formulated the Measures for the Administration of Paper Suppliers and the Measures for the Administration of Paper Quality Control. A mechanism on the quality assessment of paper procurement has been set up to compare the quality of paper and ink and carry out random sample checks. The enterprise which the Company purchases paper and ink from is identified through open comparison regularly. At the same time, the Company adopts an open and transparent system of bulletin regarding the printing of textbooks to ensure that the manufacturing of printing products is open and transparent.

In addition to strict quality control of printing products, the Company has established a sound system for tackling quality issues. The Company has a complaint hotline which is printed on the copyright page in every book where readers may directly call to file their complaints and feedbacks. To step up efforts of after-sales services, the Company implements the first inquiry accountability system for readers to feedback on quality issues. The Company also provides on-site service and guarantees that substandard products are exchanged in a timely manner so as to provide quality services to the readers. Meanwhile, the Company carries out a comprehensive appraisal on the undertaking printers in accordance with the Measures on Printing Quality Control and strengthens its system of rewards and punishments to effectively maintain the quality of printing products.

3. EFFICIENT LOGISTICS

Capitalising on the information technology development, the Company integrates the logistics system, optimises the business procedures and expands the distribution space with focus on building an efficient and modern logistics platform to achieve effective flow and storage benefits of publications and information from supply to consumption.

The Company integrates existing logistics resources and effectively releases the quality resources in various regions to provide speedy and quality services that cater for the needs of various parties through expanding its loading capacity and expanding its inventory base. The Company endeavours to optimise and enhance its logistics service capabilities to achieve specialisation. During the Reporting Period, the timely freight rate of the Company's logistics increased by 13%; shipping difference and damages decreased by 0.2%; and complaint rate decreased to 0.4%. Total logistics flow and inventory throughout the Year set another new high.

Case Study

Successful completion of “Textbooks are ready before class” project

Due to various special factors such as environmental protection and delay in delivery of textbooks of three subjects, the actual cycle of distribution of textbooks for the Spring semester and the Autumn semester drastically decreased during the Reporting Period. In this regard, the Company proactively coordinated the logistics supply chain and formulated emergency measures. During peak season, the centre deployed cadres to station in the operations site and broke the historical records of single day packaging of 67,000 units and single day shipping of 68,000 units. During the Spring semester, the Company distributed 179 million copies in only 54 days; during the Autumn semester, the Company distributed 209 million copies in only 35 days, demonstrating Winshare’s speedy logistics and achieving the target of “textbooks are ready before class”. During the Reporting Period, the Company was named the “Advanced Collective of Publishing, Printing and Distribution of Textbooks of Three Subjects for the Autumn Semester of 2017” by the State Administration of Press, Publication, Radio, Film and Television.



The Company’s logistics employees worked relentlessly in spite of the hot weather in summer



Children who received their textbooks before class

Looking ahead, the Company will endeavour to enhance the logistics standard and quality in an effort to satisfy the logistics needs of various parties, and will strive to enhance the utilisation rate and efficiency of logistics resources based on the increase in business volume and changes in demand for various businesses as part of its efforts to improve its logistics service capabilities so as to provide timely and targeted services to customers.

IV. 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 actively facilitates employee development, safeguard the

employee interest, physical and mental health as part of its efforts to care for the employees with a view to achieving the target of co-development between employees and the enterprise.

1. Employee rights

The Company perseveres in equal employment and prohibits employment discrimination and forced labour in strict compliance with the Labour Law, Labour Contract Law, Law on the Protection of Minors, Provisions on the Prohibition of Using Child Labour and other relevant laws and regulations. Child labour is strictly prohibited. The Company respects the feedbacks of employees and the union and listens to the employee requests. A formal supervision and management channel is established to clearly state the matters

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that affect the interest of employees. The Company has in place a sound labour contract system to safeguard the interest of employees. During the Reporting Period, no incident of irregular employment or forced labour was identified.

The Company has built a mechanism for talent selection, training, incentive and elimination to provide open and fair employment opportunities. Based on the job requirements, the Company will carry out recruitment according to the recruitment procedures and then enter into the labour contract in writing with employees under the principles of fairness, willingness and unanimous agreement. The Employee Manual allows employees to understand the fundamental particulars of the Company including the operational and management models, values and concepts, at the same time guides

and regulates the work behaviours of employees.

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.

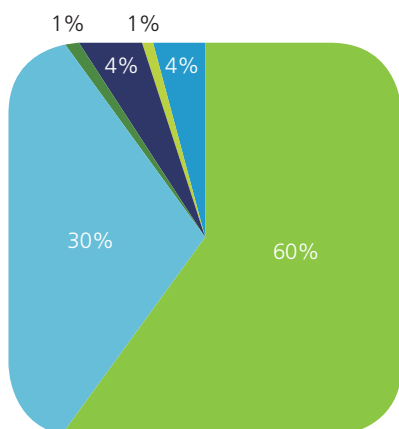
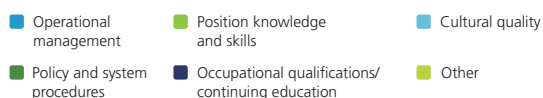
As at the end of the Reporting Period, the employee composition of the Company was set out below:

Classification	No. of employees
Total no. of existing employees	7,642
No. of employees by gender	
Male	3,234
Female	4,408
No. of employees by profession	
Operations	500
Sales	3,696
Technical	648
Finance	402
Others	1,719
Management	677
No. of employees by education level	
Master's degree and above	306
Bachelor's degree	1,874
Diploma	2,848
Senior high and below	2,614
No. of employees by age	
Aged 30 and below	1,613
31-40	2,376
41-50	2,674
Aged 51 and above	979

2. Training development

Adhering to the career development plan, the Company has built a diversified training mechanism for its talent pool. In addition to building a talent pool for key positions, the Company also formulates the echelon cultivation plan which prioritises training followed by progressive selection and engagement of quality personnel according to the “echelon” system. The Company has set up a training-centred internal platform for talent demonstration and exchange, adopted a standardised management and hierarchical implementation approach, and built a multi-level and multi-form training system. The training 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 professional capabilities and individual qualities of employees, thus providing tremendous room for career development of the employees.

During the Reporting Period, with respect to the training of talents of publication profession, the Company set up a mentoring system, organised the first youth editing and proofreading contest of the Company and continued to work with Sichuan University to explore and train professional talents. As to senior-level and inter-disciplinary talent team training, the Company organised featured seminars including Winshare Big Lecture through organising training activities for mid management personnel and mid management personnel of the publishing units to help the management expand their business horizon and grasp the latest industry updates while enhancing their business management capabilities and building a high quality management team. The Company has won the bid for the construction of the post-doctoral innovation practice base to plan the layout for carrying out further researches on the publishing industry and introducing high-end talents.



Percentage of training participants by training content



Winshare Big Lecture – Publishing and Winshare Publishing Based on Book Data

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3. Health and safety

Abiding by the Law of on Prevention and Control of Occupational Diseases, Provisions on the Supervision and Administration of Occupational Health at Work Sites, Regulation on Work-Related Injury Insurances and other relevant laws and regulations, the Company cares for the mental and physical health of employees and is concerned about the prevention of occupational diseases. Through employee body check, distribution of protective supplies and safety patrol, the Company protects the health and safety of its employees in a diverse manner. During the Reporting Period, the Company organised featured training courses and drills on fire safety and safe driving. While raising the awareness of the employees on safety, these courses and drills also strengthened the employees' understanding of the safety and emergency skills. During the Reporting Period, no incident of material health and safety was identified.

4. Employee benefits

The Company pays great attention to caring for its employees and has established a system to care for those employees in distress and sickness, helping those in need to get rid of distress and achieve value. During the Reporting Period, the Company assisted 84 employees in distress.

At the same time, the Company cares for the mental and physical health of its employees and regularly organises employee body checks and a range of recreational activities for its employees to satisfy their needs for spiritual culture, providing them with a healthy and safe working environment and enhancing their sense of work with pleasure at full scale. During the Reporting Period, the Company organised a myriad of activities including the "Xinhua Affection" photography, painting and calligraphy contest, "Winshare's Voice" top 10 singers contest, "Reading a good book and write your own chapter of youth" reading campaign and building the new employee bookstore to enrich the cultural life of its employees.

Case Study

"2nd Cultural and Art Festival"

In celebration of the 80th anniversary of Xinhua Bookstore and the upcoming 19th National Congress of the Communist Party of China, the Company organised the "2nd Cultural and Art Festival". At the art festival, key activities such as "Xinhua Affection" photography, painting and calligraphy contest and "Create Beauty" artwork exhibition featuring female employees were well received by the employees and hundreds of entries were received for the contests. These activities effectively promoted the development of the corporate culture and strengthened solidarity of the enterprise.



"Go Run! Winshare Bros"



"Xinhua Soul" speech contest

V. WIN-WIN COMMUNITY

The Company attaches great importance to the social benefits generated from the place of operation. Bearing in mind its corporate social responsibilities and putting them into practice, the Company, on the one hand, endeavours to promote the harmonious development in the community and carry out public welfare work by fully capitalising on the strengths of its principal business of publishing and distribution as well as the positive influence of the cultural industry in an effort to drive the popularisation of national reading and enjoy the innovation achievements of the community. On the other hand, the Company places great emphasis on its impacts on the community and focuses on energy saving and emission reduction in line with the development of a conservation conscious community.



The “Scholarly paradise – National reading” campaign for 2017 had its kickoff ceremony in Deyang, Sichuan province

1. National reading

Centering around the theme of “national reading”, the Company endeavours to build itself into a “scholarly paradise”. During the Reporting Period, the Company organised more than 7,000 activities on a range of featured reading brands to push ahead “national reading” at full scale, allowing more people to enjoy the fun of reading, such as “Campus reading campaign”, “I’m a reader”, “Sister Winshare storytelling”, “Winshare weekend reading club” and other reading activities.

Meanwhile, the Company attracts the grassroots to actively participate in national reading through delivery books to the



“Read good books and be an outstanding person” – famous writers visited schools



“Sending books to prison to build knowledge in the new shore” – “Future of reading toward new shore” large-scale reading presentation



Reading creates a wonderful life; Journals for children throughout their childhood – Sichuan young children journal reading season kickoff ceremony for 2017 and Winshare Tibetan Canon-Chinese bilingual publications donation campaign

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grassroots and organising cultural activities targeting at the grassroots and continues to launch the “Seven Scholarly Entrance” reading programme such as “Scholarly paradise – Farmer reading month”, “National reading at schools” and “Culture at army – Sending books to military bases” to promote the development the public cultural service system and achieve the target of developing the trend of reading.

2. Public welfare

Driven by the State’s efforts to develop education and support the digitalised education strategy, the Company has carried out a series of cultural assistance public welfare activities backed by the popular demand from the audience. The Company has been engaging in the “Sun Star Public Welfare Campaign” rural education dream programme since 2013. During the Reporting Period, the Company organised many assistance activities such as the “Most Beautiful Rural School” and

“Most Beautiful Rural Teacher” micro video contests, “Sending books to rural areas by famous teachers” and “A trip to explore the outstanding traditional culture” winter camp to facilitate the cultural development of mountain areas, promote reading among children and disseminate scientific knowledge. Leveraging on the characteristics of its own culture industry, the Company fulfills its corporate social responsibilities through cultural dissemination to accomplish the target of promoting national reading and serving the education industry. During the Reporting Period, the “Beautiful education: Sichuan with love – ‘Sun Star Public Welfare Campaign’ rural primary school dream programme” planned by the Company won the gold prize of the publishing and media group brand communication project for 2016-2017. During the Reporting Period, the Company donated more than 75,000 copies of books to the community and the public welfare expenses amounted to RMB12.25 million.



Sending books to rural areas by famous teachers under “Sun Star Public Welfare Campaign”

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3. Green development

Being an enterprise primarily engaging in publishing and distribution with low energy consumption and low-level pollution, the Company is not involved in mass production and is not engaged in businesses that have a material impact on the environment and natural resources apart from a small portion of its own printing business. The Company insists on applying the green strategy throughout its businesses in strict compliance with the Environmental Protection Law, Law on Promoting Clean Production and other laws and regulations. While regulating the impacts of its own operations and office business on the environment, the Company actively disseminates the concept of green civilisation to the employees and the community to achieve green operations. During the Reporting Period, no material

incident that affects the environment and natural resources nor punishment or litigation in relation to the environment was identified.

The energy consumed in the course of operations of the Company mainly includes office related electricity consumption, gasoline of company vehicles, canteen and printing related natural gas consumption; the resources consumed include office related water consumption and logistics related packaging materials, which mainly include packaging paper, packing tape, express envelopes and etc. During the Reporting Period, the Company established a resource utilisation statistics system based on the Company's ESG management system. The Company can make use of the utilisation data of various resources to increase the management efficiency at the company level and plan its own resources utilisation management based on the resource utilisation plan formulated by the local government. During the Reporting Period, the utilisation of major resources is as follows:

Indicator	Unit	2017
Electricity consumption	10,000 kWh	2,357.76
Gasoline consumption	10,000 L	124.50
Diesel consumption	10,000 L	9.40
Natural gas consumption	10,000 cubic metres	29.54
Gross comprehensive energy consumption	tonnes of standard coal equivalent	4,746
Comprehensive energy consumption per capita	tonnes of standard coal equivalent/person	0.62
Gross water consumption	10,000 tonnes	22.32
Gross water consumption per capita	tonne/person	29.08
Packaging materials consumption	tonne	1,746

As to resources saving, the Company has comprehensively adopted the information technology management platform to reduce printing and promote a paperless office. The Company facilitates the recycling of scrap packaging materials by using the scrap packaging materials as the packaging materials of the products to be sent back from the stores. By launching e-publications, the Company can satisfy readers' growing

demand for culture and reduce paper consumption. The Company also gradually replaces existing lighting facilities in the business units by the energy-saving LED lights; puts on "save water" poster in the toilets and washrooms in the place of business and office; develops and promotes fully biodegradable and easy to recycle "stone paper" notebooks; and repairs old and damaged pipes and wires to minimise wastage of resources.

Environmental, Social and Governance Report

The Company is practically not involved with hazardous wastes. Emissions of the Company are mainly the packaging waste, domestic waste and domestic sewage arising from logistics and daily office business, which are treated by the municipal government. At the same time, the Company promotes recycling of resources and uses paper and packaging materials repeatedly to achieve consumption reduction. Apart from its principal business in the office, the only production unit, Sichuan Xinhua Printing Co., Ltd. which is mainly engaged in the printing of books and periodicals, emits volatile organic compounds (VOCs) including NMHC in the course of printing production. The company has taken measures to strictly control its own emissions by equipping with cell hoods and dust removal facilities and using low-volatile ink and hot melt glue to reduce the production and emission of wastes. At the same time, the company strictly complies with the procedures and channels stated in the national environmental related systems to recycle and reuse wastes as well as centralise waste treatment in a safe manner. In 2018, the company will improve

the VOCs channel collection system and treatment facilities such that the relevant waste gas emission after improvement will reach Sichuan Emission Control Standard for Volatile Organic Compounds (《四川省固定污染源大氣揮發性有機物排放標準》) (DB51/2377/2017). During the Reporting Period, the printer produced 27.9 tonnes of scrap printing boards, 4.1 tonnes of scrap ink cartridges and 18.8 tonnes of other hazardous wastes.

In addition, the publication and printing segments of the Company strictly require the downstream printing enterprises and raw and supplementary materials providers to obtain the green printing qualifications or certifications and inspect them. On the one hand, this provides consumers with healthy and safe printing products. On the other hand, it pushes the downstream printing enterprises to develop toward green operations in a proactive and voluntary manner.

During the Reporting Period, major discharges and greenhouse gas emission of the Company are as follows:

Indicator	Unit	2017
Gross office and domestic waste produced ¹	tonne	533
Gross domestic sewage discharge ²	10,000 tonnes	3.17
Printer scrap paper	tonne	3,053
Scrap packaging materials produced by the logistics department	tonne	60
Gross direct greenhouse gas emissions	tonnes of carbon dioxide equivalent	3,625
Indirect greenhouse gas emissions	tonnes of carbon dioxide equivalent	15,447
Gross greenhouse gas emissions	tonnes of carbon dioxide equivalent	19,073
Gross greenhouse gas emissions per capita	tonnes of carbon dioxide equivalent/person	2.50

Notes:

- 1 Estimated based on the domestic wastes produced per capita nationwide
- 2 Estimated based on the sewage discharge per capita nationwide

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 six 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. 18 resolutions including the resolutions regarding the Company's Report of Supervisory Committee for 2016, the Audited Consolidated Financial Report for 2016, the Internal Control Evaluation and Risk Management Report for 2016, the Profit Distribution Proposal for 2016, the Annual Report for 2016, the First Quarterly Report for 2017, the Half-Yearly Report for 2017, the Third Quarterly Report for 2017, the Special Report on the Placement and Actual Use of Proceeds for 2016 as well as the change in accounting policies of the Company, nomination of Mr. Chao Hsun and Mr. Tang Xiongxing as candidates for supervisorship of the Company and election of Mr. Tang Xiongxing as chairman of the fourth session of the Supervisory Committee of the Company were considered and approved at the meetings of the Supervisory Committee. In addition, the Supervisory Committee also reviewed and discussed the agenda on external investments and purchase of wealth management products by means of unofficial meetings, and constructive advice and recommendations in respect of such matters were made to the Board, by which the supervisory function of the Supervisory Committee was effectively exercised.

2. SUPERVISION AND INSPECTION CONDUCTED BY THE SUPERVISORY COMMITTEE

During the Year, the Supervisory Committee duly carried out its supervisory duties and gave full play to the supervision functions with compliance and financial control as the focus of supervision in accordance with the laws 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.

Report of the Supervisory Committee

3. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON CERTAIN MATTERS OF THE COMPANY IN 2017

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

During the year 2017, 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 2017 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 2017, 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.

Report of the Supervisory Committee

(3) Connected transactions of the Company

The Supervisory Committee sat in on the meetings of the Board to consider the Company's connected transactions, and monitored the approval procedures, abstention, disclosure and implementation of the Board. It was confirmed that, upon approving the connected transactions by the Board, the connected Directors had abstained from voting according to the rules and the approval procedures were legitimate. 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) Internal control work report of the Company

The Supervisory Committee considered and reviewed the Internal Control Evaluation and Risk Management Report for 2017. The Supervisory Board considered that the Company has built an effective internal control system based on its own actual conditions and pursuant to the requirements of relevant laws and the report has objectively reflected the internal control of the Company.

(5) Actual use of proceeds of the Company

The Supervisory Committee monitored the placement and use of proceeds of the Company. It was confirmed that the placement of proceeds was compliant and 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.

Based on the foregoing, the Supervisory Committee seriously performed its duties as ascribed to the Supervisory Committee by the laws and regulations and the Articles of Association during the reporting period. In 2018, the Supervisory Committee will continue to supervise the daily duties of the Directors and senior management officers and examine the finance of the Company 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

Tang Xiongxing

Chairman

28 March 2018

Auditor's Report

De Shi Bao (Shen) Zi (18) No. P02163
(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 2017, 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 is prepared and present fairly, in all material respects, the consolidated and Company's financial position as of 31 December 2017, 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 ("CSA"). 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 (XVI) 24 to the financial statements, the revenue generated from the sales of textbooks and supplementary materials for the current year is RMB3,690.38 million, accounting for a proportion of 50 % and 63% of Xinhua Winshare's consolidated and the Company's operating income 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 frequently occurred 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, conduct sampling test by selecting samples from the sales revenue records to check supporting documents, such as goods delivery notes.

4. OTHER INFORMATION

The management of Xinhua Winshare is responsible for other information. The other information comprises the information included in the annual report 2017 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 (18) No. P02163
(Page 3 of 4)

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

The 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 consolidated 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 the 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 is 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 financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's Report

De Shi Bao (Shen) Zi (18) No. P02163
(Page 4 of 4)

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

Xie Yanfeng
(Engagement Partner)

Li Yangang

28 March 2018

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 2017

RMB

ITEM	Notes	Closing balance	Opening balance
Current Assets:			
Cash and bank balances	(VI)1	1,885,682,217.83	1,695,414,090.58
Notes receivable	(VI)2	2,060,000.00	2,170,000.00
Accounts receivable	(VI)3	1,278,160,854.76	801,178,862.51
Prepayments	(VI)4	79,865,675.12	92,509,488.32
Interest receivable		10,789,780.86	714,789.56
Other receivables	(VI)5	98,565,134.63	70,041,693.67
Inventories	(VI)6	1,764,445,460.22	1,512,550,560.26
Other current assets	(VI)7	1,184,329,531.05	974,629,765.89
Non-current assets due within one year	(VI)8	280,000,000.00	120,000,000.00
Total Current Assets		6,583,898,654.47	5,269,209,250.79
Non-current Assets:			
Available-for-sale financial assets	(VI)9	2,116,088,000.42	2,933,130,717.43
Long-term equity investments	(VI)10	356,585,702.56	685,192,748.42
Long-term receivables	(VI)11	194,801,883.56	134,581,582.86
Investment properties	(VI)12	70,688,502.05	68,671,687.82
Fixed assets	(VI)13	1,293,739,079.58	1,358,740,899.48
Construction in progress	(VI)14	622,149,298.16	460,203,701.05
Intangible assets	(VI)15	340,754,220.83	397,038,235.41
Development cost		44,550,953.70	10,944,702.55
Goodwill	(VI)16	500,590,036.14	500,590,036.14
Long-term prepaid expenses	(VI)17	19,098,549.65	14,846,016.36
Deferred tax assets	(VI)18	10,257,055.60	8,828,117.50
Other non-current assets	(VI)19	133,503,704.60	413,198,913.58
Total Non-current Assets		5,702,806,986.85	6,985,967,358.60
TOTAL ASSETS		12,286,705,641.32	12,255,176,609.39
Current Liabilities:			
Notes payable	(VI)20	60,855,873.00	12,584,784.00
Accounts payable	(VI)21	3,083,435,509.23	2,715,003,443.35
Advance from customers	(VI)22	310,646,140.33	309,946,513.41
Employee benefits payable	(VI)23	322,778,103.03	251,796,187.52
Taxes payable	(VI)24	42,878,058.50	38,956,867.75
Dividends payable		202,228.29	132,581,130.00
Other payables	(VI)25	264,167,715.75	270,461,490.08
Deferred income	(VI)26	102,969,706.98	99,576,587.05
Provisions	(VI)27	11,891,779.02	8,834,463.43

Consolidated Balance Sheet

At 31 December 2017

ITEM	Notes	Closing balance	Opening balance
Total Current Liabilities		4,199,825,114.13	3,839,741,466.59
Non-current Liabilities:			
Deferred tax liabilities	(VI)18	43,830,724.30	33,722,112.47
Deferred income	(VI)28	86,227,572.50	87,235,679.55
Total Non-current Liabilities		130,058,296.80	120,957,792.02
TOTAL LIABILITIES		4,329,883,410.93	3,960,699,258.61
Shareholders' Equity:			
Share capital	(VI)29	1,233,841,000.00	1,233,841,000.00
Capital reserve	(VI)30	2,572,587,684.82	2,619,467,530.11
Other comprehensive income	(VI)31	1,230,619,792.07	2,045,820,792.23
Surplus reserve	(VI)32	625,743,635.42	539,564,967.34
Retained profits	(VI)33	2,364,509,602.80	1,896,996,070.84
Total Shareholder's Equity Attributable to equity holders of the Company		8,027,301,715.11	8,335,690,360.52
Non-controlling Interests		(70,479,484.72)	(41,213,009.74)
TOTAL SHAREHOLDERS' EQUITY		7,956,822,230.39	8,294,477,350.78
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		12,286,705,641.32	12,255,176,609.39

The accompanying notes form part of the financial statements.

The financial statements on pages 98 to 272 were signed by the following:

Legal Representative

Chief Accountant

Person in Charge of the Accounting Body

The Company's Balance Sheet

At 31 December 2017

RMB

ITEM	Notes	Closing balance	Opening balance
Current Assets:			
Cash and bank balances	(XVI)1	1,107,004,995.34	945,896,827.77
Accounts receivable	(XVI)2	977,264,568.14	698,485,863.00
Prepayments	(XVI)3	38,146,741.68	26,361,875.41
Interest receivable		10,789,780.86	561,664.56
Other receivables	(XVI)4	478,467,828.87	307,839,677.58
Dividends receivable	(XVI)5	260,000,000.00	500,000,000.00
Inventories	(XVI)6	1,267,888,034.33	1,293,976,637.90
Other current assets	(XVI)7	1,156,865,130.99	1,180,378,562.32
Non-current assets due within one year	(XVI)8	280,000,000.00	120,000,000.00
Total Current Assets		5,576,427,080.21	5,073,501,108.54
Non-current Assets:			
Available-for-sale financial assets		1,655,576,832.80	2,532,897,201.83
Long-term equity investments	(XVI)9	3,206,109,361.15	3,195,235,150.48
Long-term receivables		57,782,527.52	18,651,257.27
Investment properties	(XVI)10	21,688,889.32	22,589,079.35
Fixed assets	(XVI)11	842,948,046.79	876,560,378.24
Construction in progress		621,339,829.29	458,006,194.05
Intangible assets	(XVI)12	144,677,299.19	147,303,378.74
Long-term prepaid expenses	(XVI)13	12,832,910.42	10,708,031.71
Other non-current assets	(XVI)14	596,408,980.60	647,141,489.58
Total Non-current Assets		7,159,364,677.08	7,909,092,161.25
TOTAL ASSETS		12,735,791,757.29	12,982,593,269.79

The Company's Balance Sheet

At 31 December 2017

ITEM	Notes	Closing balance	Opening balance
Current Liabilities:			
Accounts payable	(XVI)15	4,150,733,662.61	3,890,288,128.50
Advance from customers	(XVI)16	229,900,017.25	212,138,836.31
Employee benefits payable	(XVI)17	212,907,765.25	170,916,466.43
Taxes payable	(XVI)18	18,382,724.24	18,469,206.69
Dividends payable		–	132,581,130.00
Other payables	(XVI)19	419,773,590.84	466,514,633.95
Deferred income		10,797,781.88	10,057,076.69
Provisions		3,826,315.05	3,747,680.35
Total Current Liabilities		5,046,321,857.12	4,904,713,158.92
Deferred income		17,250,635.60	18,927,806.35
Total Non-current Liabilities		17,250,635.60	18,927,806.35
TOTAL LIABILITIES		5,063,572,492.72	4,923,640,965.27
Shareholders' Equity:			
Share capital	(VI)29	1,233,841,000.00	1,233,841,000.00
Capital reserve	(XVI)20	2,631,057,328.10	2,630,651,083.92
Other comprehensive income	(XVI)21	1,136,163,193.05	2,008,398,036.83
Surplus reserve	(XVI)22	624,908,885.29	538,730,217.21
Retained profits	(XVI)23	2,046,248,858.13	1,647,331,966.56
TOTAL SHAREHOLDERS' EQUITY		7,672,219,264.57	8,058,952,304.52
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		12,735,791,757.29	12,982,593,269.79

The accompanying notes form part of the financial statements.

Consolidated Income Statement

For the year ended 31 December 2017

RMB

ITEM	Notes	Amount recognized in the current period	Amount recognized in the prior period
I. Total operating income	(VI)34	7,345,882,957.66	6,356,168,113.43
Less: Total operating costs		6,744,471,812.86	5,882,301,254.56
Including: Operating costs	(VI)34	4,686,978,912.13	3,977,341,759.38
Taxes and levies	(VI)35	37,577,186.66	32,271,503.31
Selling expenses	(VI)36	892,516,374.83	804,634,976.55
Administrative expenses	(VI)37	1,071,006,550.56	996,340,516.83
Finance expenses	(VI)38	(24,360,291.07)	(8,948,732.34)
Impairment losses of assets	(VI)39	80,753,079.75	80,661,230.83
Add: Gains from changes in fair values		10,279.16	–
Investment income	(VI)40	272,154,816.43	64,865,975.99
Including: Income from investments in associates and joint ventures		10,286,556.13	9,828,451.99
Gains (losses) from disposal of assets		2,837,854.36	(879,957.69)
Other income	(VI)41	65,255,198.89	–
II. Operating profit		941,669,293.64	537,852,877.17
Add: Non-operating income	(VI)42	8,691,686.24	120,568,599.41
Less: Non-operating expenses	(VI)43	33,320,723.97	22,705,416.86
III. Total profit		917,040,255.91	635,716,059.72
Less: Income tax expenses	(VI)44	559,885.21	5,678,065.63
IV. Net profit		916,480,370.70	630,037,994.09
(I) Categorized by the nature of continuing operation			
1. Net profit (loss) from continuing operations		916,480,370.70	630,037,994.09
(II) Categorized by ownership:			
Net profit attributable to shareholders of the Company		923,844,500.04	647,462,291.44
Profit or loss attributable to non-controlling interests		(7,364,129.34)	(17,424,297.35)
V. Other comprehensive income, net of tax	(VI)31	(815,201,000.16)	142,534,341.13
Total comprehensive income attributable to shareholders of the Company		(815,201,000.16)	142,534,341.13
Other comprehensive income that will be subsequently reclassified to profit or loss		(815,201,000.16)	142,534,341.13
Share of other comprehensive income of the investee that will be subsequently reclassified into profit or loss under the equity method		21,163,104.62	412,151.06
Profit or loss on changes in fair value of available-for-sale financial assets	(VI)31	(836,364,104.78)	142,122,190.07
Other comprehensive income attributable to non-controlling interests, net of tax		–	–
VI. Total comprehensive income:		101,279,370.54	772,572,335.22
Total comprehensive income attributable to shareholders of the Company		108,643,499.88	789,996,632.57
Total comprehensive income attributable to non-controlling interests		(7,364,129.34)	(17,424,297.35)
VII. Earnings per share			
Basic earnings per share	(VI)45	0.75	0.55
Diluted earnings per share		N/A	N/A

The accompanying notes form part of the financial statements.

The Company's Income Statement

For the year ended 31 December 2017

RMB

ITEM	Notes	Amount recognized in the current period	Amount for recognized In the prior period
I. Total operating income	(XVI)24	5,887,412,464.66	5,150,852,283.59
Less: Total operating costs	(XVI)24	4,108,017,831.24	3,527,484,418.78
Taxes and levies	(XVI)25	16,169,783.20	14,207,200.69
Selling expenses	(XVI)26	649,227,085.01	558,104,034.95
Administrative expenses	(XVI)27	767,637,306.59	734,590,771.57
Finance expenses	(XVI)28	(16,731,359.91)	(4,642,218.37)
Impairment losses of assets	(XVI)29	53,779,949.61	51,312,474.26
Add: Gains from changes in fair values		10,279.16	–
Investment income	(XVI)30	570,288,952.02	353,560,416.95
Including: Income from investments in associates and joint ventures		13,423,993.37	10,849,157.98
Gains from disposal of assets		69,682.81	88,727.46
Other income	(XVI)31	6,007,170.75	–
II. Operating profit		885,687,953.66	623,444,746.12
Add: Non-operating income	(XVI)32	7,092,349.04	29,182,277.21
Less: Non-operating expenses	(XVI)33	30,993,621.95	21,314,715.01
III. Total profit		861,786,680.75	631,312,308.32
Less: Income tax expenses		–	–
IV. Net profit		861,786,680.75	631,312,308.32
(I) Net profit from continuing operations		861,786,680.75	631,312,308.32
V. Other comprehensive income, net of tax		(872,234,843.78)	159,440,525.17
Other comprehensive income that will be subsequently reclassified to profit or loss		(872,234,843.78)	159,440,525.17
Profit or loss on changes in fair value of available-for-sale financial assets	(XVI)21	(872,234,843.78)	159,440,525.17
VI. Total comprehensive income:		(10,448,163.03)	790,752,833.49

The accompanying notes form part of the financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2017

RMB

ITEM	Notes	Amount recognized in the current period	Amount recognized in the prior period
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		7,429,249,050.43	6,663,029,048.32
Receipts of tax refunds		29,900,529.02	57,323,319.75
Other cash receipts relating to operating activities	(VI)46(1)	57,301,876.32	96,352,312.32
Sub-total of cash inflows from operating activities		7,516,451,455.77	6,816,704,680.39
Cash payments for goods purchased and services received		5,111,264,615.40	4,261,241,599.98
Cash payments to and on behalf of employees		862,234,494.55	833,079,163.49
Payments of various types of taxes		118,673,819.23	145,619,786.24
Other cash payments relating to operating activities	(VI)46(2)	1,078,656,656.15	893,336,852.35
Sub-total of cash outflows from operating activities		7,170,829,585.33	6,133,277,402.06
Net Cash Flow from Operating Activities	(VI)47(1)	345,621,870.44	683,427,278.33
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		2,834,752,682.94	1,851,710,332.00
Cash receipts from investment income		92,781,341.62	58,370,805.09
Cash receipts from interest of entrusted loans		1,180,018.10	7,183,426.01
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		948,697.97	1,538,222.04
Net cash receipts from disposals of subsidiaries and other business units	(VI)47(2)	66,946,783.23	–
Other cash receipts relating to investing activities	(VI)46(3)	150,212,625.38	77,329,974.49
Sub-total of cash inflows from investing activities		3,146,822,149.24	1,996,132,759.63
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		245,938,614.43	341,657,330.79
Cash payments to acquire investments		2,493,519,157.58	2,649,200,169.84
Other cash payments relating to investing activities	(VI)46(4)	–	313,828,538.98
Sub-total of cash outflows from investing activities		2,739,457,772.01	3,304,686,039.61
Net Cash Flow from Investing Activities		407,364,377.23	(1,308,553,279.98)

Consolidated Cash Flow Statement

For the year ended 31 December 2017

ITEM	Notes	Amount recognized in the current period	Amount recognized in the prior period
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		–	662,315,200.00
Including: cash receipts from capital contributions from non-controlling shareholders of subsidiaries		–	7,500,000.00
Other cash receipts relating to financing activities	(VI)46(5)	10,423,573.81	18,962,050.26
Sub-total of cash inflows from financing activities		10,423,573.81	681,277,250.26
Cash payments for distribution of dividends or settlement of interest expenses		502,733,430.03	237,702,136.60
Including: payments for distribution of dividends to non-controlling shareholders of subsidiaries		202,228.29	130,966.60
Other cash payments relating to financing activities	(VI)46(6)	69,271,000.00	8,640,101.94
Sub-total of cash outflows from financing activities		572,004,430.03	246,342,238.54
Net Cash Flow from Financing Activities		(561,580,856.22)	434,935,011.72
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents			
		–	–
V. Net Increase (decrease) in Cash and Cash Equivalents			
	(VI)47(1)	191,405,391.45	(190,190,989.93)
Add: Opening balance of Cash and Cash Equivalents	(VI)47(3)	1,634,167,257.70	1,824,358,247.63
VI. Closing Balance of Cash and Cash Equivalents	(VI)47(3)	1,825,572,649.15	1,634,167,257.70

The accompanying notes form part of the financial statements.

The Company's Cash Flow Statement

For the year ended 31 December 2017

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		5,786,776,405.78	5,185,623,375.17
Receipts of tax refunds		–	17,683,816.54
Other cash receipts relating to operating activities	(XVI)34(1)	24,618,272.21	56,080,707.06
Sub-total of cash inflows from operating activities		5,811,394,677.99	5,259,387,898.77
Cash payments for goods purchased and services received		3,623,733,193.55	3,126,871,813.29
Cash payments to and on behalf of employees		552,083,662.37	541,120,205.73
Payments of various types of taxes		17,351,481.50	19,790,587.19
Other cash payments relating to operating activities	(XVI)34(2)	827,332,785.10	697,481,374.62
Sub-total of cash outflows from operating activities		5,020,501,122.52	4,385,263,980.83
Net Cash Flow from Operating Activities	(XVI)35(1)	790,893,555.47	874,123,917.94
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		2,455,808,196.56	1,060,000,000.00
Cash receipts from investment income		80,576,357.77	47,699,667.06
Cash receipts from interest of entrusted loans		11,549,730.42	7,183,426.01
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		559,565.43	803,225.11
Net cash receipts from disposals of subsidiaries and other business units		134,319,106.68	64,260.00
Other cash receipts relating to investing activities		648,700,901.83	697,040,900.00
Sub-total of cash inflows from investing activities		3,331,513,858.69	1,812,791,478.18
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		213,517,979.95	307,078,543.76
Cash payments to acquire investments		2,641,353,925.31	2,151,260,037.00
Cash payments of entrusted loans		–	300,217,776.45
Other cash payments relating to investing activities		531,000,000.00	556,596,625.38
Sub-total of cash outflows from investing activities		3,385,871,905.26	3,315,152,982.59
Net Cash Flow from Investing Activities		(54,358,046.57)	(1,502,361,504.41)

The Company's Cash Flow Statement

For the year ended 31 December 2017

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		48,200,000.00	10,250,000.00
Sub-total of cash inflows from financing activities		48,200,000.00	665,065,200.00
Cash payments for distribution of dividends or settlement of interest expenses		504,414,715.95	237,571,170.00
Other cash payments relating to financing activities		91,000,000.00	8,640,101.94
Sub-total of cash outflows from financing activities		595,414,715.95	246,211,271.94
Net Cash Flow from Financing Activities		(547,214,715.95)	418,853,928.06
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents			
		–	–
V. Net Increase (decrease) in Cash and Cash Equivalents			
	(XVI)35(1)	189,320,792.95	(209,383,658.41)
Add: Opening balance of Cash and Cash Equivalents	(XVI)35(2)	915,684,202.39	1,125,067,860.80
VI. Closing Balance of Cash and Cash Equivalents	(XVI)35(2)	1,105,004,995.34	915,684,202.39

The accompanying notes form part of the financial statements.

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2017

RMB

ITEM	The current year						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	1,233,841,000.00	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
Changes for the year							
(I) Total comprehensive income	-	-	(815,201,000.16)	-	923,844,500.04	(7,364,129.34)	101,279,370.54
(II) Shareholders' contributions and reduction in capital							
1. Equity transactions with non-controlling shareholders	-	(47,286,089.47)	-	-	-	(21,984,910.53)	(69,271,000.00)
2. Liquidation of subsidiaries	-	-	-	-	-	284,793.18	284,793.18
3. Others	-	406,244.18	-	-	-	-	406,244.18
(III) Profit distribution							
1. Transfer to surplus reserve	-	-	-	86,178,668.08	(86,178,668.08)	-	-
2. Distributions to shareholders	-	-	-	-	(370,152,300.00)	(202,228.29)	(370,354,528.29)
Closing balance	1,233,841,000.00	2,572,587,684.82	1,230,619,792.07	625,743,635.42	2,364,509,602.80	(70,479,484.72)	7,956,822,230.39

RMB

ITEM	The prior year						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. Distributions 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

The accompanying notes form part of the financial statements.

The Company's Statement of Changes in Shareholders' Equity

For the year ended 31 December 2017

RMB

Item	Share capital	Capital reserve	The current year			Total shareholders' equity
			Other comprehensive income	Surplus reserve	Retained profits	
Opening 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
Changes for the year						
(I) Total comprehensive income	-	-	(872,234,843.78)	-	861,786,680.75	(10,448,163.03)
(II) Shareholders' contributions and reduction in capital						
1. Others	-	406,244.18	-	-	-	406,244.18
(III) Profit distribution						
1. Transfer to surplus reserve	-	-	-	86,178,668.08	(86,178,668.08)	-
2. Distributions to shareholders	-	-	-	-	(370,152,300.00)	(370,152,300.00)
The effect of transferring cost method to equity method for accounting of long-term equity investment due to disposal of equity in subsidiary	-	-	-	-	(6,538,821.10)	(6,538,821.10)
Closing balance	1,233,841,000.00	2,631,057,328.10	1,136,163,193.05	624,908,885.29	2,046,248,858.13	7,672,219,264.57

RMB

Item	Share capital	Capital reserve	The prior year			Total shareholders' equity
			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. Distributions 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

The accompanying notes form part of the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2017

(I) BASIC INFORMATION ABOUT THE COMPANY

Upon approvals of *Reply on State-owned Equity Management of Sichuan Xinhua Winshare Chain Co., Ltd.* (Preparing for Establishment) (Filed as Chuan Guo Zi Wei [2005] No. 81) issued by the State-owned Assets Supervision and Administration Commission of Sichuan Province, and *Reply on Reply on Incorporating 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) Industry Co., Ltd. ("Chengdu Huasheng"), Sichuan Daily Newspaper 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 at Sichuan Provincial Administration for Industry and Commerce. In compliance with the above documents of replies, the registered capital of the Company is RMB733.37 million, including RMB945.00 million contributed by the principal sponsor Sichuan Xinhua Publishing Group, which represents 630.0315 million shares of the Company, accounting for 85.909% of the registered capital. These shares are defined as state-owned 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 bookstores 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 registered capital. Its contribution represents 25.66795 million shares of state-owned legal person shares in the Company; Sichuan Daily Newspaper 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 401,761,000 shares of overseas listed foreign shares (including overallotment) ("H Shares") at Hong Kong Stock Exchange on 30 May 2007. The share's par value was RMB1.00 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 held 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 are totally transferred) had been completed.

Notes to the Financial Statements

For the year ended 31 December 2017

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

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. to Xinhua Winshare Publishing and Media Co., Ltd.

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 Sichuan Provincial Administration for Industry and Commerce, registration procedures for renewal of Business License had been completed, and the new Business License issued by Sichuan Provincial Administration for Industry and Commerce had been obtained. The headquarters is located at No.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 (for exclusive purpose of chain store); 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, solely operated by 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 licenses). 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 exclude pre-licensing items while the post-licensing items are subject to the approval of licenses and shall be operated according to the licenses).

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

The parent of the Company is Sichuan Xinhua Publishing Group. The State-owned Assets Supervision and Administration Commission of Sichuan Province ("Sichuan SASAC"), in compliance with instructions of Sichuan Provincial People's Government, incorporated 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 2017

(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 Companies Ordinance and Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited*.

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 measurement and/or disclosure purposes in the financial statements are determined on such a basis.

Fair value measurements are categorized 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.
- * 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 2017, and found no events or circumstances that may cast significant doubts upon it. Hence the financial statements have been prepared on going concern basis.

Notes to the Financial Statements

For the year ended 31 December 2017

(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 2017, 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

An operating cycle refers to the period since when an enterprise purchases assets for processing purpose until the realization of those assets in cash or 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 2017

(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 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 recognized 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 recognized 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 recognized 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 recognizes 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 2017

(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 are 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.

Notes to the Financial Statements

For the year ended 31 December 2017

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

6. Preparation of consolidated financial statements *(Continued)*

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.

When the Group loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognized as investment income in the period in which control is lost. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

7. Classification of joint arrangements

A joint arrangement is classified into joint operation and joint venture, depending on the rights and obligations of the parties to the arrangement, which is assessed by considering the structure and the legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. The Group accounts for investments in joint ventures using equity method. Refer to Note (III) 13.3.2 "Long-term equity investments accounted for using the equity method" for details.

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.

Notes to the Financial Statements

For the year ended 31 December 2017

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

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 recognized 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.

Notes to the Financial Statements

For the year ended 31 December 2017

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

10. Financial instruments

Financial assets and financial liabilities are recognized 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 recognized in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognized 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 recognized and derecognized 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.

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 recognized in profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2017

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

10. Financial instruments *(Continued)*

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

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 amortisation is recognized 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 recognized as other comprehensive income, except that impairment losses are recognized in profit or loss, until the financial assets are derecognized, at which time the gains or losses are released and recognized 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 recognized 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.

Notes to the Financial Statements

For the year ended 31 December 2017

(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 2017

(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 recognized 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 recognized, the previously recognized 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 recognized.

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 recognized 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 recognized 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 recognized 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 recognized, the previously recognized impairment loss is reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognized as other comprehensive income.

Notes to the Financial Statements

For the year ended 31 December 2017

(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 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 recognized as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognized.

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 the carrying amount of the financial asset transferred and the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized in other comprehensive income, is recognized 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, including notes payable, account payable, dividends payable and other payables.

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

Notes to the Financial Statements

For the year ended 31 December 2017

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

10. Financial instruments *(Continued)*

10.6 Derecognition of financial liabilities *(Continued)*

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) derecognized and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

10.7 Offsetting financial assets and financial liabilities

Where the Group has a legal right that is currently enforceable to set off the recognized 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 recognized are not included in a collective assessment of impairment.

Notes to the Financial Statements

For the year ended 31 December 2017

(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 2017

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

12. Inventories

12.1 Categories of inventories

The Group's inventories mainly include raw materials, packaging materials, low cost and short-lived 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 recognized 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.

Notes to the Financial Statements

For the year ended 31 December 2017

(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 provision for outsourcing (for returnable part) general books is made at 3% of actual costs of book inventories at the year end.

The Group makes provisions for textbooks and supplementary materials purchased or produced for teaching in prior years in full amount; For those purchased or produced for current period'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.

Notes to the Financial Statements

For the year ended 31 December 2017

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

12. Inventories *(Continued)*

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.

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.

Notes to the Financial Statements

For the year ended 31 December 2017

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

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

13.2 Determination of initial investment cost *(Continued)*

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 recognized 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.

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 recognized 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 recognized in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Notes to the Financial Statements

For the year ended 31 December 2017

(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)*

13.3.2 Long-term equity investment accounted for using the equity method *(Continued)*

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. Unrealized profits or losses resulting from the Group's transactions with its associates and joint ventures are recognized as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated. However, unrealized losses resulting from the Group's transactions with its investees which represent impairment losses on the transferred assets are not eliminated. Changes in owners' equity of the investee other than net profit or loss, other comprehensive income and profit distribution are correspondingly adjusted to the carrying amount of the long-term equity investment, and is included in the capital reserve.

The Group discontinues recognizing 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. In addition, if the Group has incurred obligations to assume additional losses of the investee, a provision is recognized 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 recognizing its share of those profits only after its share of the profits exceeds the share of losses previously not recognized.

13.3.3 Disposal of long-term equity investments

On disposal of a long-term equity investment, the difference between its carrying amount and the proceeds actually received is recognized in profit or loss for the period. For a long-term equity investment accounted for using the equity method, upon disposal, the amount which is originally included in other comprehensive income will be dealt with in corresponding proportion and on the same basis as the assets or liabilities directly disposed of by the investees.

The Group loses control on investee due to disposal of part of shares, during preparing separate financial statement, remaining shares after disposal can make joint control or significant influence on investee, are accounted under equity method, and adjusted as they are accounted under equity method since the acquisition date.

Notes to the Financial Statements

For the year ended 31 December 2017

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

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 recognized 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 2017

(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 recognized 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 derecognized. Other subsequent expenditures are recognized 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

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 derecognized. 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 recognized in profit or loss for the period.

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.

Notes to the Financial Statements

For the year ended 31 December 2017

(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 recognized 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 recognized as intangible asset. Expenditure during development phase that does not meet the following conditions is recognized 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;

Notes to the Financial Statements

For the year ended 31 December 2017

(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, 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 recognized 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 recognized if the recoverable amount of the assets group or sets of assets groups (including goodwill) is less than its carrying amount. If the impairment loss is recognized, it is first deducted from the carrying amount of goodwill allocated to the asset group or sets of asset groups, and then deducted from the carrying amount of the remaining assets of the asset group or sets of asset groups excluding goodwill on a pro-rata basis.

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

Notes to the Financial Statements

For the year ended 31 December 2017

(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 profit or loss for the period in which they are incurred or cost of related assets. The Group recognises the employee welfare as profit or loss for the period in which they are incurred or a cost of related assets. The non-monetary employee welfare shall be measured at fair value.

Payment made by the Group of social security contributions for employees such as premiums or contributions on medical insurance, work injury insurance and maternity insurance, etc. and payments of housing funds, as well as union running costs and employee education costs provided in accordance with relevant requirements, are calculated according to prescribed bases and percentages in determining the amount of employee benefits and recognized as relevant liabilities, with a corresponding charge to the profit or loss for the period or the costs of relevant assets in the accounting period in which employees provide services.

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

Notes to the Financial Statements

For the year ended 31 December 2017

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

21. Provisions

Provisions are recognized 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 recognized 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 recognized as a separate asset only when it is virtually certain that reimbursement will be received, and the amount of reimbursement recognized does not exceed the carrying amount of the provision.

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

22. Revenue

22.1 Revenue from the sales of goods

Revenue from sale of goods is recognized 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 realization 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 recognized 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 recognized upon delivery of goods and acquisition of acceptance receipts; for the sales of remaining returnable goods, the revenue is recognized by the Group upon expiry of return date or agreed settlement date after delivery through reconciliation with customers and upon obtaining the sales statement.

Notes to the Financial Statements

For the year ended 31 December 2017

(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 recognized 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 recognized as revenue, and the fair value of reward credits is recognized 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 realization of revenue from the sales of goods is recognized 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 sold on a buyout basis, revenue from the sales of goods is recognized upon delivery of such publications.
- C. For publications sold on a commission basis, revenue from the sales of goods is recognized 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 recognized when copies, broadcasting tapes or other carriers of films and teleplays are transferred to purchaser, and relevant economic benefits will flow to the Group and the revenue can be measured reliably.

Notes to the Financial Statements

For the year ended 31 December 2017

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

22. Revenue *(Continued)*

22.3 Revenue from rendering of services

Revenue from rendering of services is recognized 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. Revenue from rendering of services is recognized using the percentage of completion method at the balance sheet date. The stage of completion of a transaction for rendering for services is determined based on services performed to date as a percentage of total services to be performed.

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

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 recognized 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.

23.1 Basis for determination and accounting method of asset-related government grant

Included in the Group's government grants, as the government grants other than the book subsidy obtained by the Group are used in acquisition and construction of long-term assets, or to form long-term assets in other ways, such government grants are asset-related government grants.

A government grant related to an asset is recognized as deferred income, and evenly amortized to profit or loss over the useful life of the related asset.

Notes to the Financial Statements

For the year ended 31 December 2017

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

23. Government grants *(Continued)*

23.2 Basis for determination and accounting method of income-related government grant

Included in the Group's government grants, as the book subsidy is mainly used by the press to publish special books, such government grants are income-related government grants.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized. If the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the period.

Government grants related to the Group's daily activities, based on the economic substance, are included in other income. Government grants not related to the Group's daily activities are included in non-operating income.

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

Deferred tax is generally recognized for all temporary differences. Deferred tax assets for deductible temporary differences are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. 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 recognized.

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

Notes to the Financial Statements

For the year ended 31 December 2017

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

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

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

Deferred tax liabilities are recognized 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 recognized to the extent that it is probable that there will be taxable profits against which to utilize 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 realized or the liability is settled.

Current and deferred tax expenses or income are recognized in profit or loss for the period, except when they arise from transactions or events that are directly recognized in other comprehensive income or in shareholders equity, in which case they are recognized 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 utilized. 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.

Notes to the Financial Statements

For the year ended 31 December 2017

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

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 recognized on a straight-line basis over the term of the relevant lease, and are 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 recognized 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 capitalized when incurred, and are recognized 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 2017

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

26. Changes in significant accounting policies

Reason and content of changes in accounting policies	Approval procedure	Remark
<p>The Group started to adopt the "Accounting Standards for Business Enterprise 16 – Government Grants" as revised by MoF in 2017 since 12 June 2017. In addition, the financial statements have been prepared in accordance with the "Notice on Revision of Format of Printing and Distribution of Financial Statements of General Enterprises" (Cai Kuai (2017) No. 30, the "Cai Kuai No.30 Doc.") issued by MoF on 25 December 2017.</p> <p>Held-for-sale Non-current Assets and Disposal Groups and Discontinued Operations</p> <p><i>Accounting Standards for Business Enterprises No.42 Held-for-sale Non-current Assets and Disposal Groups and Discontinued Operations</i> specifies regulations for classifications and measurement of held-for-sale non-current assets or disposal group, requiring separately present profit or loss arising from continued operations or discontinued operations in the income statement with detailed disclosures about information of the held-for-sale non-current assets or disposal group and discontinued operations. The accounting standard puts no impact on the financial statement.</p> <p>Government grants</p> <p>Prior to the implementation of "Accounting Standards for Business Enterprise No.16 – Government Grants" (revision), the Group accounted the government grants into non-operating income no matter it is related to daily activities or not; After the implementation of "Accounting Standards for Business Enterprise 16 – Government Grants" (revision), the Group's asset-related government grants are offset against the carrying amount of related assets or recognized as deferred income. Government grants related to the daily activities, based on the economic substance, are included in other income; Government grants not related to the daily activities are included in non-operating income.</p> <p>The Group has accounted for the above changes in accounting policies prospectively. Such changes in accounting policies have no impact on the financial statements for the comparable years.</p>	<p>Such changes in accounting policies have been approved at the board meetings of the Company on 29 August 2017 and 28 March 2018</p>	<p>N/A</p>

Notes to the Financial Statements

For the year ended 31 December 2017

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

26. Changes in significant accounting policies *(Continued)*

Reason and content of changes in accounting policies	Approval procedure	Remark
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Presentation of gains or losses from disposal of assets

Prior to the release of the Cai Kuai No. 30 Document, the gains or losses recognized from sales of held-for-sale non-current assets (excluding financial instruments, long-term equity investment or investment properties) or disposal group, and gains or losses arising from disposal of fixed assets, construction in progress, and intangible assets not classified as held-for-sale are presented under the item of "non-operating income" or "non-operating expenses". After the release of the Cai Kuai No.30 Document, gains or losses recognized from sales of above-said assets are presented under the item of "income from disposal of assets". The Group has accounted for the above change in presenting accounts retrospectively, and adjusted comparable data for prior year.

(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 recognized in the period of the change, if the change affects that period only; or recognized in the period of the change and future periods, if the change affects both.

Notes to the Financial Statements

For the year ended 31 December 2017

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

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 separate disposal is not allowed, 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.

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.

Notes to the Financial Statements

For the year ended 31 December 2017

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

Key assumptions and uncertainties in accounting estimates *(Continued)*

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 and measuring bad debts provisions. If the re-assessment results differ from the existing estimates, the difference shall affect carrying amount of accounts receivable and profit or loss for the period when estimates change.

Provisions for decline in value of inventories

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

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 recognized in profit or loss for the period.

Notes to the Financial Statements

For the year ended 31 December 2017

(V) TAXES

1. Major categories of taxes and tax rates

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

Note: 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.

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 Xinhua Culture Communication Co., Ltd. ("Sichuan Culture Communication") and the Company's thirteen publishing units enjoy income tax exemption until 31 December 2018.

The Company's subsidiary, Sichuan Winshare Education Technology Co., Ltd. ("Winshare Education Technology"), falls within the encouraged industries included in the *Notice to the Enterprise Income Tax on the Implementation of the Catalogue of Encouraged Industries in the Western Region* (Guo Shui [2015] No.14), which has also been confirmed by *Chengdu National Development and Reform Commission's Government Approval Letter* [2016] No.38. 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 2017

(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 incentive; (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's book wholesale and retail business is entitled to this tax incentive.

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

Item	Closing balance			Opening balance		
	Amounts of	Exchange	Amount	Amounts of	Exchange	Amount
	the original	rate	in RMB	the original	rate	in RMB
						<i>RMB</i>
Cash:						
RMB	2,497,605.27	1.0000	2,497,605.27	2,523,554.78	1.0000	2,523,554.78
Bank balances:						
RMB (Note 1)	1,822,902,944.82	1.0000	1,822,902,944.82	1,661,374,451.48	1.0000	1,661,374,451.48
USD	24,279.01	6.5342	158,643.93	68,693.41	6.9370	476,526.18
EUR	85.41	7.8023	666.43	91.21	7.3068	666.43
HKD	15,299.32	0.8359	12,788.70	5,236.68	0.8945	4,684.21
Other currency funds						
RMB (Note 2)	60,109,568.68	1.0000	60,109,568.68	31,034,207.50	1.0000	31,034,207.50
Total			1,885,682,217.83			1,695,414,090.58

Note 1: At the end of the period, the bank balances include 3-month time deposits amounting RMB327,000,000.00, with an interest rate of 1.54% to 3.65%.

Note 2: Restricted currency funds are set out in Note (VI), 48.

Notes to the Financial Statements

For the year ended 31 December 2017

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

2. Notes receivable

(1) Disclosure of accounts receivable by categories:

<i>RMB</i>		
Category	Closing balance	Opening balance
Bank acceptances	60,000.00	2,170,000.00
Commercial acceptances	2,000,000.00	–
Total	2,060,000.00	2,170,000.00

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

<i>RMB</i>		
Item	Amount derecognized at the end of the year	Amount not derecognized at the end of the year
Bank acceptances	21,048,232.73	–

Note: At the end of the period, the Group's endorsed but not yet due bank acceptance bills were RMB21,048,232.73. (at the end of prior period: RMB3,140,797.50). The Group derecognized the endorsed but not yet due bank acceptance bills at the balance sheet date. See Note (IX) 2 for details.

Notes to the Financial Statements

For the year ended 31 December 2017

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

3. Accounts receivable

(1) Disclosure of accounts receivable by aging:

RMB

Aging	Closing balance				Opening balance			
	Amount	Proportion (%)	Bad debt provision	Carrying amount	Amount	Proportion (%)	Bad debt provision	Carrying amount
Within 1 year	1,262,843,425.53	87.26	(31,780,178.64)	1,231,063,246.89	766,513,066.93	80.78	(20,333,478.42)	746,179,588.51
More than 1 year but not exceeding 2 years	95,540,246.76	6.60	(54,195,743.78)	41,344,502.98	93,127,665.32	9.81	(45,972,380.06)	47,155,285.26
More than 2 years but not exceeding 3 years	18,051,674.54	1.25	(14,690,372.23)	3,361,302.31	17,939,631.56	1.89	(12,100,005.54)	5,839,626.02
More than 3 years	70,815,456.09	4.89	(68,423,653.51)	2,391,802.58	71,382,825.85	7.52	(69,378,463.13)	2,004,362.72
Total	1,447,250,802.92	100.00	(169,089,948.16)	1,278,160,854.76	948,963,189.66	100.00	(147,784,327.15)	801,178,862.51

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

(2) Disclosure of accounts receivable by categories:

RMB

Category	Closing balance					Opening balance				
	Carrying amount	Proportion (%)	Bad debt provision	Proportion of provision (%)	Net carrying amount	Carrying amount	Proportion (%)	Bad debt provision	Proportion of provision (%)	Net carrying amount
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually	551,434,585.69	38.10	(26,010,037.42)	4.72	525,424,548.27	334,849,963.67	35.29	(17,949,061.22)	5.36	316,900,902.45
Accounts receivable for which bad debt provision has been assessed by portfolios	895,816,217.23	61.90	(143,079,910.74)	15.97	752,736,306.49	614,113,225.99	64.71	(129,835,265.93)	21.14	484,277,960.06
Total	1,447,250,802.92	100.00	(169,089,948.16)	11.68	1,278,160,854.76	948,963,189.66	100.00	(147,784,327.15)	15.57	801,178,862.51

Notes to the Financial Statements

For the year ended 31 December 2017

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

3. Accounts receivable (Continued)

(2) Disclosure of accounts receivable by categories: (Continued)

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
Chengdu Pinglong Advertisement Co., Ltd.	8,383,200.00	(8,383,200.00)	100.00	Fully unrecoverable	8,383,200.00	(2,133,000.00)	25.44	Partly unrecoverable
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	535,190,492.49	(9,765,944.22)	1.82	Partly unrecoverable	318,605,870.47	(7,955,168.02)	2.50	Partly unrecoverable
Total	551,434,585.69	(26,010,037.42)	4.72		334,849,963.67	(17,949,061.22)	5.36	

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	728,305,761.49	(22,363,342.27)	3.07	459,959,925.92	(14,191,028.80)	3.09
More than 1 year but not exceeding 2 years	86,549,605.57	(45,508,823.19)	52.58	72,707,243.20	(42,042,169.00)	57.82
More than 2 years but not exceeding 3 years	18,045,914.54	(14,684,612.23)	81.37	17,936,928.69	(12,097,302.67)	67.44
More than 3 years	62,914,935.63	(60,523,133.05)	96.20	63,509,128.18	(61,504,765.46)	96.84
Total	895,816,217.23	(143,079,910.74)	15.97	614,113,225.99	(129,835,265.93)	21.14

Notes to the Financial Statements

For the year ended 31 December 2017

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

3. Accounts receivable *(Continued)*

(3) Bad debt provision made or reversed in the current period.

The bad debt provision for the current period is RMB27,704,360.59, and the reversal of bad debt provision is RMB4,578,739.58. The decrease in bad debt provision due to disposal of subsidiary is RMB1,820,000.00.

(4) Accounts receivable written off for the current period

No accounts receivable has been written off for the current period.

(5) 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	94,774,065.84	Within 1 year	6.55	(2,732,544.81)
Bazhong City Enyang District Educational Technology & Equipment Institute	Third party	36,544,694.00	Within 1 year	2.53	(426,536.33)
Anyue Education Bureau	Third party	32,668,273.80	Within 1 year	2.26	-
Amazon (China) Investment Co., Ltd.	Third party	30,785,131.13	Within 1 year	2.13	(632,220.23)
Educational Science Publishing House	Third party	24,271,437.63	Within 1 year	1.68	(728,143.13)
Total		219,043,602.40		15.15	(4,519,444.50)

Notes to the Financial Statements

For the year ended 31 December 2017

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

4. Prepayments

(1) Aging analysis of prepayments is as follows:

RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	71,069,967.04	88.99	80,833,093.00	87.38
More than 1 year but not exceeding 2 years	2,280,866.33	2.86	3,754,848.16	4.06
More than 2 years but not exceeding 3 years	429,647.47	0.54	660,533.80	0.71
More than 3 years	6,085,194.28	7.61	7,261,013.36	7.85
Total	79,865,675.12	100.00	92,509,488.32	100.00

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

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

RMB

Name of entity	Relationship with the Company	Closing balance		Reasons for unsettlement
		Amount	Aging	
OpenVox Communication Co Ltd	Third party	7,245,316.54	Within 1 year	Goods not yet received
Chengdu Zeshun Science And Technology Co., Ltd	Third party	5,428,973.60	Within 1 year	Goods not yet received
Lianyi Science & Technology Co., Ltd.	Third party	5,159,004.00	Within 1 year	Goods not yet received
Beijing Shangpin Weiye Trade Co., Ltd.	Third party	3,816,000.00	5-6 years	Transaction price not yet confirmed
Haoyigou Home Shopping Co., Ltd.	Third party	3,630,920.00	Within 1 year	Goods not yet received
Total		25,280,214.14		

Notes to the Financial Statements

For the year ended 31 December 2017

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

5. Other receivables

(1) Disclosure of other receivables by aging:

RMB

Aging	Closing balance				Opening balance			
	Amount	Proportion (%)	Bad debt provision	Carrying amount	Amount	Proportion (%)	Bad debt provision	Carrying amount
Within 1 year	74,433,831.94	67.93	(848,099.55)	73,585,732.39	48,243,508.21	60.56	(520,250.79)	47,723,257.42
More than 1 year but not exceeding 2 years	19,359,318.17	17.67	(1,732,198.73)	17,627,119.44	19,348,916.48	24.29	(1,781,993.56)	17,566,922.92
More than 2 years but not exceeding 3 years	4,402,651.13	4.02	(752,283.27)	3,650,367.86	3,810,331.96	4.78	(771,906.76)	3,038,425.20
More than 3 years	11,367,446.83	10.38	(7,665,531.89)	3,701,914.94	8,264,171.88	10.37	(6,551,083.75)	1,713,088.13
Total	109,563,248.07	100.00	(10,998,113.44)	98,565,134.63	79,666,928.53	100.00	(9,625,234.86)	70,041,693.67

(2) Disclosure of other receivables by categories:

RMB

Category	Closing balance					Opening balance				
	Carrying amount		Bad debt provision		Net carrying amount	Carrying amount		Bad debt provision		Net carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	amount	Amount	Proportion (%)	Amount	Proportion (%)	amount
Other receivables that are individually significant and for which bad debt provision has been assessed individually	5,269,196.00	4.81	(5,269,196.00)	100.00	-	12,269,196.00	15.40	(5,269,196.00)	42.95	7,000,000.00
Other receivables for which bad debt provision has been assessed by portfolios	34,442,156.03	31.44	(5,728,917.44)	16.63	28,713,238.59	19,903,332.67	24.98	(4,356,038.86)	21.89	15,547,293.81
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	69,851,896.04	63.75	-	-	69,851,896.04	47,494,399.86	59.62	-	-	47,494,399.86
Total	109,563,248.07	100.00	(10,998,113.44)	10.04	98,565,134.63	79,666,928.53	100.00	(9,625,234.86)	12.08	70,041,693.67

Notes to the Financial Statements

For the year ended 31 December 2017

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

5. Other receivables (Continued)

(2) 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				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	Fully unrecoverable	5,269,196.00	(5,269,196.00)	100.00	Fully unrecoverable
Ming Yang Pictures (Beijing) Culture Media Co., Ltd	-	-	-	-	7,000,000.00	-	-	-
Total	5,269,196.00	(5,269,196.00)	100.00		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			Opening balance		
	Other receivables	Bad debt provision	Proportion of provision (%)	Other receivables	Bad debt provision	Proportion of provision (%)
Within 1 year	27,194,274.74	(848,099.55)	3.12	14,461,597.15	(520,250.79)	3.60
More than 1 year but not exceeding 2 years	3,362,036.74	(1,732,198.73)	51.52	2,721,463.32	(1,781,993.56)	65.48
More than 2 years but not exceeding 3 years	1,209,183.26	(752,283.28)	62.21	1,150,059.76	(771,906.76)	67.12
More than 3 years	2,676,661.29	(2,396,335.88)	89.53	1,570,212.44	(1,281,887.75)	81.64
Total	34,442,156.03	(5,728,917.44)	16.63	19,903,332.67	(4,356,038.86)	21.89

(3) Bad debt provision made or reversed for the current period

The bad debt provision for the current year is RMB1,867,624.68, and the reversed amount of bad debt provision is RMB494,746.10.

(4) Other accounts receivable written off for the current period

No accounts receivable has been written off for the current period.

Notes to the Financial Statements

For the year ended 31 December 2017

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

5. Other receivables (Continued)

(5) Other receivable presented by nature

RMB

Nature of other receivables	Closing balance	Opening balance
Accounts receivable from related parties	–	10,331.70
Deposit/security deposit	53,206,907.36	20,494,693.25
Petty cash	5,594,669.27	4,274,057.78
Relocation compensation	–	4,000,000.00
Others	50,761,671.44	50,887,845.80
Total	109,563,248.07	79,666,928.53

(6) 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
Anhui Sihe Digital Technology Development Co., Ltd	Others	5,269,196.00	6-7 years	4.81	(5,269,196.00)
Chengdu Zhonghang Real Estate Development Co., Ltd.	Deposit/ guarantee deposit	3,020,214.00	Within 1 year	2.76	–
People's Education Press Co., Ltd.	Others	2,909,436.00	Within 1 year	2.66	–
Finance Bureau of Hejiang County	Deposit/ guarantee deposit	2,610,521.63	Within 1 year	2.38	–
Yibin Finance and Accounting Education Management Center	Deposit/ guarantee deposit	2,487,288.63	Within 1 year	2.27	–
Total		16,296,656.26		14.88	(5,269,196.00)

Notes to the Financial Statements

For the year ended 31 December 2017

(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	1,747,020,907.57	(160,116,806.30)	1,586,904,101.27	1,443,799,278.49	(131,009,239.32)	1,312,790,039.17
Work-in-progress	118,847,540.30	-	118,847,540.30	136,293,718.21	-	136,293,718.21
Raw materials	61,965,619.86	(3,271,801.21)	58,693,818.65	40,797,180.42	(3,293,163.33)	37,504,017.09
Films and teleplays	-	-	-	62,868,099.46	(36,905,313.67)	25,962,785.79
Total	1,927,834,067.73	(163,388,607.51)	1,764,445,460.22	1,683,758,276.58	(171,207,716.32)	1,512,550,560.26

(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	Disposal of subsidiary	
Goods on hand	131,009,239.32	57,942,791.41	(2,692,924.84)	(26,142,299.59)	-	160,116,806.30
Raw materials	3,293,163.33	-	-	-	(21,362.12)	3,271,801.21
Films and teleplays	36,905,313.67	-	-	-	(36,905,313.67)	-
Total	171,207,716.32	57,942,791.41	(2,692,924.84)	(26,142,299.59)	(36,926,675.79)	163,388,607.51

Note: As the expected net realisable value is below the cost of inventories at the end of the reporting period, a provision for decline in value of inventories amount RMB57,942,791.41 is made.

The provision for decline in value of goods on hand amount RMB2,692,924.84 is reversed as the expected net realisable value are higher than the cost of such inventories at the end of the reporting period; the provision for decline in value of goods on hand amount RMB12,095,757.66 is written off as such inventories are retired; for commodities that have charged for provision for decline in value of inventories have been sold, the provision for decline in value amount RMB14,046,541.93 is written off; the provision for decline in value of goods amount RMB36,926,675.79 is decreased due to disposal of subsidiaries during the reporting period.

Notes to the Financial Statements

For the year ended 31 December 2017

(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)	1,157,800,000.00	936,000,000.00
Available-for-sale financial assets		
– Trust Products Investments	–	17,176,654.12
VAT input tax to be deducted (Note 2)	26,501,297.91	21,453,111.77
Stock in investment in listed companies (Note 1)	28,233.14	–
Total	1,184,329,531.05	974,629,765.89

Note 1: The investment is recognized as financial assets at fair value through profit or loss, for fair value details please refer to Note (X).

Note 2: VAT input tax to be deducted is the amount of VAT input tax to be deducted by the Group within one year in the future.

8. Non-current assets due within one year

<i>RMB</i>		
Item	Closing balance	Opening balance
Entrusted loans (Note 1)	–	120,000,000.00
Time deposit (Note 2)	280,000,000.00	–
Total	280,000,000.00	120,000,000.00

Note 1: Entrusted by the Company, the loan to Sichuan Wenxuan Zhuotai Investment Co., Ltd. (“Sichuan Wenzhuo”) was granted by China Construction Bank Chengdu Xinhua Branch. The entrusted loan was recovered on 20 February 2017 when it was mature.

Note 2: The time deposit represent the certificate of time deposit with a term from 12 December 2016 to 12 December 2018 and interest rate of 2.98%.

Notes to the Financial Statements

For the year ended 31 December 2017

(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	1,875,859,185.09	-	1,875,859,185.09	2,692,901,902.10	-	2,692,901,902.10
Measured at cost	243,187,180.82	(2,958,365.49)	240,228,815.33	243,187,180.82	(2,958,365.49)	240,228,815.33
Total	2,119,046,365.91	(2,958,365.49)	2,116,088,000.42	2,936,089,082.92	(2,958,365.49)	2,933,130,717.43

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

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	1,318,691,200.00	1,132,275,872.00
Jiangsu Hagong Intelligent Robot Co., Ltd. ("HGZN") (Note 2)	783,556.84	1,979,726.73	1,196,169.89
CITIC Buyout Investment Fund (Shenzhen) Partnership (Limited Partnership) (Note 3)	92,998,311.75	96,885,632.80	3,887,321.05
Winshare Hengxin (Shenzhen) Equity Investment Fund Partnership (Limited Partnership) (Note 4)	200,000,000.00	269,424,584.74	69,424,584.74
Qingdao Jinshi Zhixin Investment Center (Limited Partnership) (Note 5)	152,117,500.00	153,252,074.60	1,134,574.60
Taizhou Xinheng Zhongrun Fund (Limited Partnership) (Note 6)	10,206,171.29	35,625,966.22	25,419,794.93
Total	642,520,867.88	1,875,859,185.09	1,233,338,317.21

Notes to the Financial Statements

For the year ended 31 December 2017

(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 period *(Continued)*

Note: The above available-for-sale financial assets marked with * also represent the available-for-sale financial assets measured at fair value by the Company.

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 period resulted in the loss of RMB871,233,600.00, have been included in other comprehensive income. In February 2017, the Company transferred 5,400,000 shares of Wanxin Media Co. Ltd to participate in primary market share subscription.

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 HGZN (formerly called Jiangsu Youli Holding Co., Ltd.) and the fair value at the acquisition date is RMB783,556.84. The subsequent fair value changes for the current period resulted in the income of RMB387,074.88, which have been included in other comprehensive income.

Note 3: The Company, as a limited partner, invested RMB100,000,000.00 in CITIC Buyout Investment Fund (Shenzhen) Partnership (Limited Partnership). The Company's subscribed capital accounted for 1% of the total capital contribution in accordance with the partnership agreement. The Company recovered investment of RMB239,963.00 and RMB5,085,525.25 for the year 2016 and 2017 respectively.

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.

For the current year, the changes in fair value resulted in the loss of RMB1,001,243.79, which have been included in other comprehensive income.

Note 4: Winshare Investment, a subsidiary of the Company, as a limited partner, invested RMB200,000,000.00 in Winshare Hengxin (Shenzhen) Equity Investment Fund (Limited Partnership), including RMB12,000,000.00 paid for complementing the capital contribution which has not been fully paid. Pursuant to the partnership agreement, the proportion of capital contribution subscribed by the Group is 62.30% 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.

For the current year, the changes in fair value resulted in income of RMB36,481,062.46, which have been included in other comprehensive income.

Notes to the Financial Statements

For the year ended 31 December 2017

(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 period (Continued)

Note 5: Winshare Investment, a subsidiary of the Company, as a limited partner, invested RMB152,117,500.00 in Qingdao Jinshi Zhixin Investment Center (Limited Partnership), including RMB450,000.00 paid for complementing the capital contribution which has not been fully paid. Pursuant to the partnership agreement, the proportion of capital contribution subscribed by the Group is 10.05% of its total subscribed capital. During the year, Winshare Investment has received bonus of RMB7,192,654.44 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.

For the current year, the changes in fair value resulted in income of RMB1,134,574.60, which has been included in other comprehensive income.

Note 6: 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 RMB10,206,171.29. The investment is subsequently measured at fair value.

For the current year, the changes in fair value resulted in income of RMB9,824,940.08, which has been included in other comprehensive income.

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

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

RMB

Investee	Opening balance	Carrying amount		Closing balance	Opening balance	Provision for impairment		Closing balance	Proportion of ownership interest in the investee (%)	Cash dividends for the year
		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	-
Bank of Chengdu Co., Ltd. ("Bank of Chengdu")	240,000,000.00	-	-	240,000,000.00	-	-	-	-	2.46	20,000,000.00
Others	1,875,514.92	-	-	1,875,514.92	(1,646,699.59)	-	-	(1,646,699.59)	--	26,709.60
Total	243,187,180.82	-	-	243,187,180.82	(2,958,365.49)	-	-	(2,958,365.49)	--	20,026,709.60

Note: 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 2017

(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 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	
I. Joint Ventures									
Hainan Publishing House Co., Ltd. ("Hainan Publishing")	123,691,711.76	-	-	7,951,208.34	-	-	-	-	131,622,920.10
Sichuan Wenzhuo (Note 1)	308,683,138.97	-	(308,683,138.97)	-	-	-	-	-	-
Sichuan Fudou Technology Co., Ltd. (Note 2)	1,936,016.54	-	-	(1,800,431.84)	-	-	-	-	135,584.70
Tibet Winshare Equity Investment (Note 3)	394,085.78	-	-	(149.82)	-	-	-	-	393,935.96
Shenzhen Xuancai Venture Capital Investment Fund Management Co., Ltd. (Note 4)	611,648.94	-	-	702.84	-	-	-	-	612,351.78
Liangshan Xinhua Winshare Education Technology Co. Ltd. (Note 5)	-	4,900,000.00	-	(748,741.35)	-	-	-	-	4,151,258.65
Subtotal	435,316,601.99	4,900,000.00	(308,683,138.97)	5,382,588.17	-	-	-	-	136,916,051.19
II. Associates									
Sichuan Winshare BLOGIS Supply Chain Co., Ltd. (Note 6)	-	45,000,000.00	-	14,743.75	-	-	-	-	45,014,743.75
Commercial Press (Chengdu) Co., Ltd.	2,247,848.10	-	-	187,193.97	-	-	-	-	2,435,042.07
Ren Min Eastern (Beijing) Book Industry Co., Ltd.	10,140,345.61	-	-	3,040,004.69	-	(2,560,000.00)	-	-	10,620,350.30
Guizhou Xinhua Winshare Book Audio-Visual Product Chainstore Co., Ltd. ("Guizhou Winshare")	-	-	-	-	-	-	-	-	-
Ming Bo Education Technology Holdings Co., Ltd. (Note 7)	28,754,377.57	-	-	2,847,144.38	-	406,244.18	-	-	32,007,766.13
Shanghai Jingjie Information Technology Co., Ltd.	2,414,391.24	-	-	(430,622.60)	-	-	-	-	1,983,768.64
Chengdu Xinhui Industrial Co., Ltd. ("Chengdu Xinhui") (Note 8)	123,755,888.29	-	(123,755,888.29)	-	-	-	-	-	-
Sichuan Winshare Preschool Educational Management Co., Ltd. ("Winshare Preschool") (Note 9)	3,283,562.00	-	-	685,363.78	-	-	-	-	3,968,925.78
Chongqing Yunhan Internet and Media Co., Ltd.	46,121,487.19	-	-	(360,704.57)	-	-	-	-	45,760,782.62
Chengdu Winshare Venture Capital Investment Fund Management Co., Ltd.	8,535,571.90	-	-	318,473.15	21,163,104.62	-	-	-	30,017,149.67
Sichuan Education and Science Forum Magazine Press Co., Ltd. (Education and Science Forum)	-	-	-	-	-	-	-	-	-
Sichuan Tianhe Culture Co., Ltd.	207,739.54	-	-	(61,161.06)	-	-	-	-	146,578.48
Tibet Winshare Venture Capital Investment Fund Partnership (Limited Partnership) (Note 10)	24,415,134.99	4,200,000.00	-	(852,332.64)	-	-	-	-	27,762,802.35
Sichuan Jiaoyang Sihu Film Co., Ltd.	-	-	-	34,045.55	-	-	-	-	34,045.55
Xinhua Yingxuan (Beijing) Screen Culture Co., Ltd. (formerly known as China Wenxuan Movie & TV Culture Co., Ltd.) ("Xinhua Yingxuan") (Note 11)	249,876,146.43	20,435,876.47	-	(518,180.44)	-	-	-	-	19,917,696.03
Subtotal	685,192,748.42	69,635,876.47	(123,755,688.29)	4,903,967.96	21,163,104.62	406,244.18	(2,560,000.00)	-	219,669,651.37
Total	685,192,748.42	74,535,876.47	(432,438,827.26)	10,286,556.13	21,163,104.62	406,244.18	(2,560,000.00)	-	356,585,702.56

RMB

Notes to the Financial Statements

For the year ended 31 December 2017

(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 Sichuan Wenzhuo held by the Company by way of public listing at the reserve price of RMB423,529,400. In April 2017, the Company transferred the equity at the above price to Sichuan Taihe Group Co., Ltd., an independent third party and obtained investment income of RMB118,588,561.01.

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 shareholder have joint control over Sichuan Fudou Technology Co., Ltd., who accordingly became a joint venture of the Company. Winshare Education Technology transferred all of its equity to Winshare Investment, another subsidiary of the Company in April 2017 and therefore, the later inherited all the rights of Winshare Education Technology in Sichuan Fudou Technology Co., Ltd.

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. The cancellation registration of Tibet Wenxuan Equity Investment Co., Ltd. was done at industrial and commercial administration in March 2018.

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: In March 2017, the Company and Xichang Xinhua Bookstore entered into an investment agreement, jointly establishing Liangshan Xinhua Winshare Education Technology Co. Ltd., with proportion of shareholding of 49% and 51% respectively. According to the articles of association, the resolution of Liangshan Xinhua Winshare Education Technology Co. Ltd. on the events such as annual financial budget plan, final accounting plan, profit distribution and making up losses etc. must be approved by the shareholders representing 2/3 of the voting power. Therefore, the Company and the other shareholder have common control over the Liangshan Xinhua Winshare Education Technology Co. Ltd. So that Liangshan Xinhua Winshare Education Technology Co. Ltd. is a joint venture of the Group.

Note 6: In June 2017, Sichuan Wenchuan Logistics Co., Ltd. ("Wenchuan Logistics"), a subsidiary of the Company, entered into the Investment Agreement with BLOGIS Holdings Limited and Chengdu Longchuang Investment Management Center (Limited Partnership) to jointly establish Sichuan Winshare BLOGIS Supply Chain Co., Ltd. with the shareholding of 45%, 40% and 15%, respectively. According to the Articles of Association, it takes over 50% of the voting to adopt the resolution on the annual financial budget plan, final accounting plan, profit distribution and loss make-up. Therefore, Sichuan Winshare BLOGIS Supply Chain Co., Ltd. is an associate of the Group.

Note 7: RMB406,244.18 of Capital reserve was affected in June 2017, due to passive dilution of equity of Ming Bo Education Technology Holdings Co., Ltd.

Notes to the Financial Statements

For the year ended 31 December 2017

(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 8: As discussed in the 10th meeting of the 4th session of the Company's Board of Directors in 2015, the Company was agreed to transfer the 34% equity interest in Chengdu Xinhui by way of public listing at the floor price of RMB141,920,700. In May 2017, the Company transferred the equity to Zhongtian Chengtou (Guizhou) Urban Investment and Development Co., Ltd., an independent third party at the above price and obtained investment income of RMB18,165,011.70.

Note 9: 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 floor price of RMB15,454,500.00. As of the date of approval of this report, the transfer has not yet been done.

Note 10: As a limited partner, Winshare Investment, a subsidiary of the Company, invested RMB28,600,000.00 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. Winshare Investment has paid the residual capital contributions of RMB4,200,000.00. 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.

Note 11: In September 2017, the Company and Sichuan Xinhua Publishing Group entered into equity transfer agreement, according to which the Company transferred its 85% equity in China Wenxuan Movie & TV Culture Co., Ltd. to Sichuan Xinhua Publishing Group at the consideration of RMB115,803,300. For details of disposal of the equity in Beijing China Wenxuan Movie & TV Culture Co., Ltd., refer to Note VII,1. In December 2017, China Wenxuan Movie & TV Culture Co., Ltd. changed the name to Xinhua Yingxuan (Beijing) Screen Culture Co., Ltd. As the Company assigned directors in Xinhua Yingxuan, it is an associate of the Group.

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

RMB

Item	Current year/End of the year		Prior year/End of the prior year	
	Reversed but unrecognized investment losses for the year	Accumulated unrecognized investment losses	Unrecognized investment losses for the prior year	Accumulated unrecognized investment losses
Guizhou Winshare Education Forum	–	5,557,990.70	–	5,557,990.70
Sichuan Jiaoyang Sihuo Film Co., Ltd.	(92,013.30)	106,711.55	(35,659.71)	198,724.85
	(82,198.49)	–	82,198.49	82,198.49
Total	(174,211.79)	5,664,702.25	46,538.78	5,838,914.04

Notes to the Financial Statements

For the year ended 31 December 2017

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

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)	194,801,883.56	-	194,801,883.56	134,581,582.86	-	134,581,582.86

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%.

12. Investment properties

Investment properties measured at cost

RMB

Item	Buildings
I. Cost	
1. Opening balance	98,777,184.81
2. Additions for the year	14,070,696.35
(1) Transfer from fixed assets	14,070,696.35
3. Disposals for the year	(787,206.09)
(1) Transfer to fixed assets	(787,206.09)
4. Closing balance	112,060,675.07
II. Accumulated depreciation	
1. Opening balance	(30,105,496.99)
2. Increase in the year	(11,459,628.48)
(1) Provision	(4,396,390.86)
(2) Transfer from fixed assets	(7,063,237.62)
3. Decrease in the year	192,952.45
(1) Transfer to fixed assets	192,952.45
4. Closing balance	(41,372,173.02)
III. Net book value	
1. Net book value at the end of the year	70,688,502.05
2. Net book value at the beginning of the year	68,671,687.82

Notes to the Financial Statements

For the year ended 31 December 2017

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

13. Fixed assets

(1) Fixed assets

Item					RMB
	Buildings	Machinery and equipment	Electronic equipment and others	Transportation vehicles	Total
I. Cost					
1. Opening balance	1,566,448,607.66	275,998,383.74	156,524,028.66	113,299,529.42	2,112,270,549.48
2. Increase in the year	10,009,304.85	6,026,249.16	15,625,025.51	2,071,126.94	33,731,706.46
(1) Acquisition	631,389.10	4,826,105.92	15,625,025.51	2,071,126.94	23,153,647.47
(2) Transfer from construction in progress	8,590,709.66	1,200,143.24	-	-	9,790,852.90
(3) Transfer from investment property	787,206.09	-	-	-	787,206.09
3. Decrease in the year	(14,070,696.35)	(2,771,003.32)	(7,408,076.64)	(4,733,734.92)	(28,983,511.23)
(1) Disposal	-	(2,771,003.32)	(6,707,666.80)	(3,989,943.09)	(13,468,613.21)
(2) Transfer to investment property	(14,070,696.35)	-	-	-	(14,070,696.35)
(3) Disposal of subsidiaries	-	-	(700,409.84)	(743,791.83)	(1,444,201.67)
4. Closing balance	1,562,387,216.16	279,253,629.58	164,740,977.53	110,636,921.44	2,117,018,744.71
II. Accumulated depreciation					
1. Opening balance	(364,824,298.30)	(182,407,743.42)	(124,980,111.03)	(81,317,497.25)	(753,529,650.00)
2. Increase in the year	(48,842,805.07)	(16,445,473.59)	(14,034,065.83)	(10,309,893.87)	(89,632,238.36)
(1) Provision	(48,649,852.62)	(16,445,473.59)	(14,034,065.83)	(10,309,893.87)	(89,439,285.91)
(2) Transfer from investment property	(192,952.45)	-	-	-	(192,952.45)
3. Decrease in the year	7,063,237.62	2,675,177.56	7,143,120.17	4,005,401.47	20,886,936.82
(1) Disposal	-	2,675,177.56	6,513,540.41	3,539,506.87	12,728,224.84
(2) Transfer to investment property	7,063,237.62	-	-	-	7,063,237.62
(3) Disposal of subsidiaries	-	-	629,579.76	465,894.60	1,095,474.36
4. Closing balance	(406,603,865.75)	(196,178,039.45)	(131,871,056.69)	(87,621,989.65)	(822,274,951.54)
III. Provision for impairment of fixed assets					
1. Opening balance	-	-	-	-	-
2. Increase in the year	-	-	(1,004,713.59)	-	(1,004,713.59)
(1) Provision	-	-	(1,004,713.59)	-	(1,004,713.59)
3. Closing balance	-	-	(1,004,713.59)	-	(1,004,713.59)
IV. Net carrying amount					
1. Net book value at the end of the year	1,155,783,350.41	83,075,590.13	31,865,207.25	23,014,931.79	1,293,739,079.58
2. Net book value at the beginning 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

Notes to the Financial Statements

For the year ended 31 December 2017

(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

Item	Net carrying amount	Reasons why certificates of title have not been obtained
Office building (Beijing Branch)	65,203,602.23	In processing
Warehouse and office building(Sichuan Jiange)	5,975,572.33	In processing
Warehouse and office building(Sichuan Peng'an)	5,093,284.59	In processing
Warehouse and office building(Sichuan Longquan)	8,358,164.78	In processing
Warehouse and office building(Sichuan Wusheng)	7,699,297.73	In processing
Warehouse and office building(Sichuan Xindu)	6,049,476.56	In processing
Warehouse and office building(Sichuan Xichong)	6,936,125.52	In processing
Warehouse and office building(Sichuan Nanchong)	17,029,767.26	In processing
Business Building (Guang'an Bookstore)	19,808,501.02	In processing
Total	142,153,792.02	

The above fixed assets of which certificates of title have not been obtained have no significant influence on the Group's operations.

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

Notes to the Financial Statements

For the year ended 31 December 2017

(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
Publishing Media Creation Center*	514,035,070.57	-	514,035,070.57	365,607,570.37	-	365,607,570.37
Bazhong warehouse and office building*	11,395,765.67	-	11,395,765.67	7,976,000.00	-	7,976,000.00
Quxian library warehouse and office building*	290,000.00	-	290,000.00	-	-	-
Yilong textbook distribution center project*	13,071,297.31	-	13,071,297.31	9,835,113.32	-	9,835,113.32
Ziyang textbooks transfer station project*	20,787,545.27	-	20,787,545.27	19,122,881.51	-	19,122,881.51
Anyue branch-office building and warehouse*	-	-	-	4,306,875.96	-	4,306,875.96
Lezhi textbook distribution center*	9,937,771.68	-	9,937,771.68	5,288,482.89	-	5,288,482.89
Mianyang textbook warehouse*	45,953,382.79	-	45,953,382.79	39,933,952.00	-	39,933,952.00
Yuechi warehouse and office building*	5,868,996.00	-	5,868,996.00	5,935,318.00	-	5,935,318.00
Others	809,468.87	-	809,468.87	55,177.39	-	55,177.39
Total	622,149,298.16	-	622,149,298.16	460,203,701.05	-	460,203,701.05

Notes to the Financial Statements

For the year ended 31 December 2017

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

14. Construction in progress (Continued)

(2) Changes in construction in progress

Item name	Budget amount	Opening balance	Increase in the current period	Transfer to fixed assets	Transfer to others	Closing balance	Amount injected as a proportion of budget amount (%)	Construction progress (%)	Amount of accumulated capitalised interest	Including capitalised interest for the year	Interest capitalisation rate for the year (%)	Source of funds	RMB	
Western culture logistics distribution base	598,000,000.00	2,142,329.61	-	-	(2,142,329.61)	-	61.00	61.00	-	-	-	-	self-financing	
Publishing media creation center*	736,000,000.00	365,607,570.37	148,427,500.20	-	-	514,035,070.57	70.07	70.07	-	-	-	-	self-financing	
Bazhong warehouse and office building*	21,200,000.00	7,976,000.00	3,419,765.67	-	-	11,395,765.67	57.13	57.13	-	-	-	-	self-financing	
Deyang textbook warehouse*	19,000,000.00	-	1,042,655.57	(1,042,655.57)	-	-	91.49	91.49	-	-	-	-	self-financing	
Quxian library warehouse and office building*	11,800,000.00	-	290,000.00	-	-	290,000.00	2.46	2.46	-	-	-	-	self-financing	
Yilong textbook distribution center project*	21,900,000.00	9,835,113.32	3,236,183.99	-	-	13,071,297.31	75.78	75.78	-	-	-	-	self-financing	
Ziyang textbooks transfer station project*	30,000,000.00	19,122,881.51	1,664,663.76	-	-	20,787,545.27	69.29	69.29	-	-	-	-	self-financing	
Wusheng subsidiary base project*	3,000,000.00	-	1,336,646.93	(1,336,646.93)	-	-	44.55	44.55	-	-	-	-	self-financing	
Anyue Branch-office building and warehouse*	13,600,000.00	4,306,875.96	557,902.91	(4,864,778.87)	-	-	36.10	36.10	-	-	-	-	self-financing	
Xindu textbook warehouse*	7,800,000.00	-	7,167.17	(7,167.17)	-	-	0.09	0.09	-	-	-	-	self-financing	
Lezhi textbook distribution center*	31,000,000.00	5,288,482.89	4,649,288.79	-	-	9,937,771.68	32.00	32.00	-	-	-	-	self-financing	
Renshou warehouse and office building*	17,500,000.00	-	79,382.53	(79,382.53)	-	-	0.45	0.45	-	-	-	-	self-financing	
Mianyang textbook warehouse*	52,700,000.00	39,933,952.00	6,019,430.79	-	-	45,953,382.79	87.20	87.20	-	-	-	-	self-financing	
Yuechi warehouse and office building*	11,120,000.00	5,935,318.00	1,164,630.38	(1,230,952.38)	-	5,868,996.00	63.47	63.47	-	-	-	-	self-financing	
Nanchong Northeast Sichuan Delivery Center*	18,500,000.00	-	29,126.21	(29,126.21)	-	-	0.16	0.16	-	-	-	-	self-financing	
Others	-	55,177.39	1,954,434.72	(1,200,143.24)	-	809,468.87	-	-	-	-	-	-	self-financing	
Total	1,593,120,000.00	460,203,701.05	173,878,779.62	(9,790,852.90)	(2,142,329.61)	622,149,298.16	-	-	-	-	-	-	-	

* It is also the construction in progress of the Company

Notes to the Financial Statements

For the year ended 31 December 2017

(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. Cost						
1. Opening 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
2. Increase in the year	-	164,782.46	21,761,181.50	-	-	21,925,963.96
(1) Acquisition	-	149,782.46	12,686,075.46	-	-	12,835,857.92
(2) Transfer from development expenses	-	15,000.00	9,075,106.04	-	-	9,090,106.04
3. Decrease in the year	(35,661,649.44)	-	(23,645,844.77)	-	(179,943.94)	(59,487,438.15)
(1) Capital contribution to establish associates	(35,661,649.44)	-	-	-	-	(35,661,649.44)
(2) Disposal of subsidiaries	-	-	-	-	(179,943.94)	(179,943.94)
(3) Other reductions	-	-	(23,645,844.77)	-	-	(23,645,844.77)
4. Closing balance	355,882,770.99	5,464,483.80	111,325,060.98	44,944,000.00	4,850,056.44	522,466,372.21
II. Total accumulated amortization						
1. Opening 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)
2. Increase in the period	(8,982,476.11)	(545,475.77)	(8,555,097.27)	(3,161,066.64)	(116,118.04)	(21,360,233.83)
(1) Provision	(8,982,476.11)	(545,475.77)	(8,555,097.27)	(3,161,066.64)	(116,118.04)	(21,360,233.83)
3. Decrease in the year	2,470,283.44	-	-	-	167,410.00	2,637,693.44
(1) Capital contribution to establish associates	2,470,283.44	-	-	-	-	2,470,283.44
(2) Disposal of subsidiaries	-	-	-	-	167,410.00	167,410.00
4. Closing balance	(75,575,693.88)	(2,643,685.17)	(68,668,565.24)	(20,299,733.20)	(2,524,473.89)	(169,712,151.38)
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 book value						
1. Net book value at the end of the year	280,307,077.11	2,820,798.63	42,656,495.74	12,644,266.80	2,325,582.55	340,754,220.83
2. Net book value at the beginning 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

Notes to the Financial Statements

For the year ended 31 December 2017

(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 period	Decrease in the current period	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 related asset groups, including 3 of the 15 publishing entities of the publishing segment.

The recoverable amount of these asset groups are 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 nil to 2% (at the end of prior period: 2%). Discount rate of 15% (at the end of prior period: 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 2017

(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 period	Decrease in the current period	Closing balance
Others	(3,851,606.53)	–	–	(3,851,606.53)

17. Long-term prepaid expenses

RMB

Item	Opening balance	Increase in the current period	Amortisation for the period	Closing balance
Leasehold improvement	14,653,917.42	19,604,505.92	17,526,141.18	16,732,282.16
Rent	192,098.94	2,758,584.60	584,416.05	2,366,267.49
Total	14,846,016.36	22,363,090.52	18,110,557.23	19,098,549.65

Notes to the Financial Statements

For the year ended 31 December 2017

(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	23,064,198.00	5,766,049.50	20,797,374.92	5,199,343.73
Employee benefits payable	17,964,024.40	4,491,006.10	14,515,095.08	3,628,773.77
Total	41,028,222.40	10,257,055.60	35,312,470.00	8,828,117.50

(2) Deferred tax liabilities

RMB

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax liabilities	Deductible temporary differences	Deferred tax liabilities
Differences between carrying amount and fair value in acquisitions of subsidiary	40,234,758.64	10,058,689.66	43,627,963.36	10,906,990.84
Relocation compensation	37,428,724.80	9,357,181.20	41,428,724.80	10,357,181.20
Changes in the fair value of available-for-sale financial assets	97,659,413.76	24,414,853.44	49,831,761.72	12,457,940.43
Total	175,322,897.20	43,830,724.30	134,888,449.88	33,722,112.47

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

Notes to the Financial Statements

For the year ended 31 December 2017

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

18. Deferred tax assets (liabilities) (Continued)

- (3) The following deductible temporary difference and deductible taxable losses are not recognized as deferred tax assets

<i>RMB</i>		
Item	Closing balance	Opening balance
Deductible temporary differences	95,718,796.75	92,901,973.99
Deductible taxable losses	365,361,371.55	426,772,258.67
Total	461,080,168.30	519,674,232.66

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 recognized on above items.

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

<i>RMB</i>		
Year	Closing balance	Opening balance
2017	–	83,879,851.12
2018	71,455,722.52	78,105,186.70
2019	72,221,359.17	81,243,283.59
2020	116,214,195.66	121,900,969.19
2021	60,238,737.55	61,642,968.07
2022	45,231,356.65	–
Total	365,361,371.55	426,772,258.67

Notes to the Financial Statements

For the year ended 31 December 2017

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

19. Other non-current assets

<i>RMB</i>		
Item	Closing balance	Opening balance
Prepaid land funds	35,355,837.99	35,355,837.99
VAT input tax to be deducted (Note 1)	60,408,980.61	60,104,189.59
Relocation compensation (Note 2)	37,738,886.00	37,738,886.00
Time deposit	–	280,000,000.00
Total	133,503,704.60	413,198,913.58

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

Note 2: Sichuan Xinhua Printing, a subsidiary of the Company, 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 2017, Sichuan Xinhua Printing has received all cash compensation of RMB199,925,770.00 and the remaining compensation will be received in 2018.

In May 2015, Sichuan Printing Materials Co., Ltd. ("Printing Materials"), 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.

Notes to the Financial Statements

For the year ended 31 December 2017

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

20. Notes payable

<i>RMB</i>		
Item	Closing balance	Opening balance
Bank acceptances	60,855,873.00	12,584,784.00

At the end of the year, the Group's deposit for the above-mentioned bank acceptance bills was RMB 18,634,761.90.

All of the Group's bank acceptance bills are due within 3 months.

21. Accounts payable

Details of aging analysis of accounts payable is as follows:

<i>RMB</i>		
Item	Closing balance	Opening balance
Within 1 year	1,994,936,298.10	1,951,342,495.62
More than 1 year but not exceeding 2 years	739,468,072.03	502,756,239.78
More than 2 years but not exceeding 3 years	219,192,756.38	147,358,941.28
More than 3 years	129,838,382.72	113,545,766.67
Total	3,083,435,509.23	2,715,003,443.35

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 2017

(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	279,571,605.11	285,643,576.28
More than 1 year but not exceeding 2 years	15,377,917.23	13,202,730.15
More than 2 years but not exceeding 3 years	6,802,553.95	3,750,103.96
More than 3 years	8,894,064.04	7,350,103.02
Total	310,646,140.33	309,946,513.41

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

Advances from customers aged more than 1 year are mainly outstanding payments due from customers.

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	250,958,571.57	817,133,622.57	(746,611,317.64)	321,480,876.50
II. Post-employment benefit – defined contribution plan	837,615.95	116,082,787.49	(115,623,176.91)	1,297,226.53
Total	251,796,187.52	933,216,410.06	(862,234,494.55)	322,778,103.03

Notes to the Financial Statements

For the year ended 31 December 2017

(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 period	Decrease in the current period	Closing balance
I. Wages or salaries, bonuses, allowances and subsidies	201,977,193.54	682,049,113.83	(617,540,211.77)	266,486,095.60
II. Staff welfare	4,058.55	8,788,766.82	(8,788,946.82)	3,878.55
III. Social security contributions	327,259.27	42,360,181.78	(42,152,646.87)	534,794.18
Including: Medical insurance	265,092.10	37,795,884.62	(37,607,828.09)	453,148.63
Work injury insurance	36,194.33	1,833,093.79	(1,828,625.97)	40,662.15
Maternity insurance	22,171.20	2,618,279.73	(2,603,619.43)	36,831.50
Other insurances	3,801.64	112,923.64	(112,573.38)	4,151.90
IV. Housing funds	1,327,027.16	57,158,721.71	(56,823,214.02)	1,662,534.85
V. Union running costs and employee education costs	47,115,117.33	23,582,752.89	(18,112,212.62)	52,585,657.60
VI. Others	207,915.72	3,194,085.54	(3,194,085.54)	207,915.72
Total	250,958,571.57	817,133,622.57	(746,611,317.64)	321,480,876.50

(3) Defined contribution plan

RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Basic pension insurance	436,111.96	90,173,336.26	(89,695,067.02)	914,381.20
II. Unemployment insurance expense	48,074.76	2,885,325.46	(2,868,822.44)	64,577.78
III. Enterprise annuity	353,429.23	23,024,125.77	(23,059,287.45)	318,267.55
Total	837,615.95	116,082,787.49	(115,623,176.91)	1,297,226.53

Notes to the Financial Statements

For the year ended 31 December 2017

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

24. Taxes payable

<i>RMB</i>		
Item	Closing balance	Opening balance
Income tax	3,838,352.86	1,764,930.97
Value added tax	17,644,303.85	16,207,327.07
Business tax	11,593.02	11,593.02
City construction and maintenance tax	704,739.47	445,266.91
Education surcharges	498,872.93	313,775.70
Housing property tax	2,541.43	26,305.07
Others	20,177,654.94	20,187,669.01
Total	42,878,058.50	38,956,867.75

25. Other Payables

<i>RMB</i>		
Item	Closing balance	Opening balance
Amounts due to related parties	1,424,969.89	2,972,709.57
Security deposit/deposit/quality warranty/performance security	84,046,594.06	86,068,756.41
Construction and infrastructure construction expenses	22,661,563.29	17,318,289.77
Amounts due to/from other entities	52,565,352.62	62,362,569.77
Others	103,469,235.89	101,739,164.56
Total	264,167,715.75	270,461,490.08

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

Notes to the Financial Statements

For the year ended 31 December 2017

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

26. Deferred income

RMB		
Item	Closing balance	Opening balance
Government grants (Note 1)	92,171,925.10	89,519,510.36
Membership card points (Note 2)	10,797,781.88	10,057,076.69
Total	102,969,706.98	99,576,587.05

Items involving with government subsidies:

RMB						
Item	Opening balance	New grants for the current period	Amount accounted into other income for the current period	Amount of other reduction for the current period	Closing balance	Related to an asset/ related to income
Books subsidies	79,042,632.97	30,562,800.42	(14,170,235.94)	(3,263,272.35)	92,171,925.10	related to income
Films and television work subsidies	10,476,877.39	-	(1,939,582.50)	(8,537,294.89)	-	related to income
Other subsidies	-	700,569.89	(700,569.89)	-	-	Related to income
Total	89,519,510.36	31,263,370.31	(16,810,388.33)	(11,800,567.24)	92,171,925.10	

Note 1: For the publication of certain topics, the publishing units 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 other income, and the government subsidies that have been acquired but not yet implemented of the relevant issuing business will be shown under deferred income.

Note 2: The Group's retail outlets offer a membership card to the customers, and the points for customers who earn a certain amount of points can be converted to cash upon purchase. 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 recognized as deferred income and recognized as income when the reward points are redeemed.

27. Provisions

RMB		
Item	Closing balance	Opening balance
Provisions for sales return	11,891,779.02	8,834,463.43

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

Notes to the Financial Statements

For the year ended 31 December 2017

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

28. Deferred income

RMB

Item	Closing balance	Opening balance
Government grants	86,227,572.50	87,235,679.55

Items related to government grants:

RMB

Item	Opening balance	New grants for the current year	Other transfer-in	Amount recognized in other 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	-	-	(1,635,097.14)	1,364,902.86	related to an asset
Integration and Application Demonstration of Key Technology in Digital Education	5,887,600.00	-	-	(601,719.11)	5,285,880.89	related to an asset
Construction of Full Media Center of "Tibetan-Chinese Bilingual Language"	669,471.96	-	-	(308,459.46)	361,012.50	related to an asset
Western Culture Logistics and Distribution Base	1,956,765.44	-	-	(256,236.24)	1,700,529.20	related to an asset
CNONIX National Standard Application Promotion Demonstration – Based on Supply Chain Collaborative E – Commerce Platform	7,715,604.65	-	-	(4,785,339.32)	2,930,265.33	related to an asset
Special funds for technological transformation	24,036,502.24	-	-	(4,213,472.91)	19,823,029.33	related to an asset
R&D and industrialization project of rich media digital resources online edit system	4,000,000.00	-	-	(289,409.82)	3,710,590.18	related to an asset
Wisdom Bookstore Project	6,000,000.00	-	-	(481,105.07)	5,518,894.93	related to an asset
UClass Digital Teaching Application System	1,000,000.00	-	-	(6,700.09)	993,299.91	related to an asset
Winshare Cloud Digital Campus Development and Application Promotion	922,000.00	-	-	(94,995.20)	827,004.80	related to an asset
Special fund for Winshare Bookstores	4,000,000.00	-	-	-	4,000,000.00	related to an asset
Network Construction of Shuxiang Tianfu, Wisdom Xinhua Physical Bookstore – finance	-	3,000,000.00	-	-	3,000,000.00	related to an asset
Xinhua Winshare Longquan Bookstore Construction Project	-	500,000.00	-	-	500,000.00	related to an asset
Digital Media Education Service System Construction	-	1,050,000.00	-	-	1,050,000.00	related to an asset
Digital Evaluation Platform	-	-	3,263,272.35	(271,939.36)	2,991,332.99	related to an asset
Establishment of Big data based Math Analysis Model which is published on demand and Key Technology Research Project	-	5,000,000.00	-	-	5,000,000.00	related to an asset
Model project of semantics-based content resources linking technology and education compound application system R&D and application	-	550,000.00	-	-	550,000.00	related to an asset
Others	28,047,735.26	323,573.81	-	(1,750,479.49)	26,620,829.58	related to an asset
Total	87,235,679.55	10,423,573.81	3,263,272.35	(14,694,953.21)	86,227,572.50	

Notes to the Financial Statements

For the year ended 31 December 2017

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

29. Share capital

Items	Opening balance	Issue of new shares	Changes for the year			Subtotal	Closing balance
			Bonus issue	Capitalisation of surplus reserve	Others		
<i>RMB</i>							
For the current period:							
Promoter's shares	692,468,091.00	-	-	-	-	-	692,468,091.00
National Council for Social Security Fund	725,809.00	-	-	-	-	-	725,809.00
Foreign shares listed overseas	441,937,100.00	-	-	-	-	-	441,937,100.00
Domestically-listed RMB ordinary shares	98,710,000.00	-	-	-	-	-	98,710,000.00
Total	1,233,841,000.00	-	-	-	-	-	1,233,841,000.00
For the prior period:							
Promoter's shares	693,193,900.00	-	-	-	(725,809.00)	(725,809.00)	692,468,091.00
National Council for Social Security Fund, PRC	-	-	-	-	725,809.00	725,809.00	725,809.00
Overseas listed foreign shares	441,937,100.00	-	-	-	-	-	441,937,100.00
Domestic listed ordinary share of RMB	-	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

Notes to the Financial Statements

For the year ended 31 December 2017

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

30. Capital reserve

For the current period

RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Share capital premium				
Including: Capital contributed by investors	2,622,807,793.67	406,244.18	–	2,623,214,037.85
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)	–	(47,286,089.47)	(55,352,491.06)
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
Conversion of appreciation of net assets arising from associates to subsidiaries on pro-rata basis	9,820,616.03	–	–	9,820,616.03
Treasury shares	(998,378.51)	–	–	(998,378.51)
Total	2,619,467,530.11	406,244.18	(47,286,089.47)	2,572,587,684.82

Notes to the Financial Statements

For the year ended 31 December 2017

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

30. Capital reserve *(Continued)*

For the prior year

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
<i>RMB</i>				
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 of 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
Conversion of appreciation of net assets arising from associated companies to 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 2017

(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 period	Changes for the period				Closing balance
			Less: amount included in other comprehensive income in the prior period that is transferred to profit or loss for the period	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 that will be reclassified in profit or loss in the subsequent years	2,045,820,792.23	(802,650,953.30)	(593,133.85)	(11,956,913.01)	(815,201,000.16)	-	1,230,619,792.07
Share of other comprehensive income of the investee that will be subsequently reclassified into profit or loss under equity method	412,151.06	21,163,104.62	-	-	21,163,104.62	-	21,575,255.68
Profit or loss arising from changes in fair value of available-for-sale financial assets	2,045,408,641.17	(823,814,057.92)	(593,133.85)	(11,956,913.01)	(836,364,104.78)	-	1,209,044,536.39
For the prior year:							
Other comprehensive income that 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

Notes to the Financial Statements

For the year ended 31 December 2017

(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 period:				
Statutory surplus reserve	539,564,967.34	86,178,668.08	–	625,743,635.42
For the prior period:				
Statutory surplus reserve	476,433,736.51	63,131,230.83	–	539,564,967.34

33. Retained profits

RMB

Item	Current year	Prior year	Proportion of appropriation or distribution
Retained profits at beginning of year	1,896,996,070.84	1,682,817,310.23	
Add: Net profit attributable to shareholders of the Company for the year	923,844,500.04	647,462,291.44	
Less: Appropriation to statutory surplus reserve	(86,178,668.08)	(63,131,230.83)	(1)
Dividends payable on ordinary shares	(370,152,300.00)	(370,152,300.00)	(2)
Retained profits at the end of the year	2,364,509,602.80	1,896,996,070.84	

(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 25 May 2017, the resolution regarding the Company's 2016 Annual Profit Distribution Proposal was approved at 2016 annual general meeting of the Company. The profit distribution was based on the Company's total share capital of 1,233,841,000 shares before the implementation of the proposal. The cash dividend per share was RMB0.30 (tax-inclusive) (Prior period: RMB0.30) and the total cash dividends of RMB370,152,300.00 (tax-inclusive) (Prior period: RMB370,152,300.00) 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 RMB73,622,609.60 (at the end of prior year: RMB58,528,898.05) appropriated to subsidiaries.

Notes to the Financial Statements

For the year ended 31 December 2017

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

34. Operating income and operating costs

(1) Operating income and operating costs

Item	RMB	
	Amount recognized in the current year	Amount recognized in the prior year
Principal operating income	7,198,251,200.57	6,229,128,447.36
Other operating income	147,631,757.09	127,039,666.07
Including: Gross revenue from concessionaire sales	345,054,551.69	322,989,829.28
Gross cost from concessionaire sales	(293,807,996.13)	(273,618,726.23)
Commissions from concessionaire sales	51,246,555.56	49,371,103.05
Operating costs	4,686,978,912.13	3,977,341,759.38

(2) Details of operating income and operating costs are as follows:

Item	Operating income		Operating costs	
	Current year	Prior year	Current year	Prior year
Publishing segment				
Textbooks and supplementary materials	1,172,894,868.57	1,139,310,169.92	762,010,153.65	686,964,459.09
General books	577,749,851.37	296,783,115.19	389,827,557.63	207,131,222.87
Printing and supplies	281,968,891.26	267,933,641.03	264,390,854.55	247,460,395.95
Others	70,761,979.98	65,052,834.73	28,650,067.14	25,357,376.53
Subtotal	2,103,375,591.18	1,769,079,760.87	1,444,878,632.97	1,166,913,454.44
Distribution segment				
Education services	4,301,711,418.08	3,728,171,732.24	2,800,422,693.93	2,354,765,505.52
Including: Textbooks and supplementary materials	3,690,378,349.61	3,315,531,959.85	2,263,749,308.30	1,999,701,835.92
Educational informatization and equipment business	611,333,068.47	360,783,201.34	536,673,385.63	322,513,454.38
Retailing	663,943,796.06	637,537,195.19	401,583,134.58	379,217,561.98
Online Sales	1,233,750,213.85	1,075,548,017.43	1,147,120,250.02	1,002,486,069.18
Others	367,293,786.32	362,672,591.77	255,289,842.26	250,653,550.81
Subtotal	6,566,699,214.31	5,803,929,536.63	4,604,415,920.79	3,987,122,687.49
Others	204,925,712.87	101,517,572.95	171,953,989.91	73,767,870.92
Less: inter-segment elimination	(1,529,117,560.70)	(1,318,358,757.02)	(1,534,269,631.54)	(1,250,462,253.47)
Total	7,345,882,957.66	6,356,168,113.43	4,686,978,912.13	3,977,341,759.38

Details of publishing segment and distribution segment and other details are set out in Note (XV) 2.

Notes to the Financial Statements

For the year ended 31 December 2017

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

35. Taxes and levies

Item	RMB	
	Amount incurred in the current year	Amount incurred in the prior year
Business tax	–	724,677.48
City construction and maintenance tax	5,313,179.38	5,248,930.60
Education surcharges	3,791,848.05	3,736,650.26
Property tax	16,242,072.80	12,262,120.63
Urban land use tax	3,253,236.44	4,493,305.35
Stamp duty	2,501,640.32	731,813.75
Vessel and vehicle tax	342,282.60	219,212.80
Disabled Person Security Fund	5,886,722.37	4,158,190.36
Others	246,204.70	696,602.08
Total	37,577,186.66	32,271,503.31

36. Selling expenses

Item	RMB	
	Amount incurred in the current year	Amount incurred in the prior year
Wages and other human costs	342,080,752.79	302,925,635.17
Transportation costs	212,218,146.06	244,639,858.41
Business conference fees	40,491,419.39	38,686,964.04
Vehicle fees	32,249,027.31	31,711,984.27
Travel expenses	22,303,159.47	17,834,830.54
Advertising and promotion fees	82,666,157.89	60,802,219.78
Distribution commission	24,297,382.93	4,422,520.17
Packing expenses	13,557,268.31	15,118,991.49
Others	122,653,060.68	88,491,972.68
Total	892,516,374.83	804,634,976.55

Notes to the Financial Statements

For the year ended 31 December 2017

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

37. Administrative expenses

Item	RMB	
	Amount incurred in the current year	Amount incurred in the prior year
Wages and other human costs	527,669,106.52	490,774,973.29
Business entertainment fees	105,376,744.30	105,464,955.04
Lease payments	107,852,458.11	98,567,108.34
Depreciation and amortisation expenses	106,292,508.31	103,462,672.84
Conference fees	21,498,296.16	22,887,258.89
Taxes	–	7,510,940.14
Property management fees	28,820,703.37	27,331,341.20
Travelling expenses	9,960,268.97	11,111,535.18
Energy costs	19,519,887.95	20,310,206.33
Office expenses	8,020,849.05	8,634,575.44
Repair charges	15,883,396.32	20,122,560.50
Audit and other non-audit service fees	3,670,000.00	3,700,000.00
Research and development expenditures	5,820,875.63	3,931,024.80
Others	110,621,455.87	72,531,364.84
Total	1,071,006,550.56	996,340,516.83

38. Finance expenses

Item	RMB	
	Amount incurred in the current year	Amount incurred in the prior year
Interest income	(21,976,422.91)	(12,134,615.94)
Interest income of long-term receivables	(6,216,780.55)	(1,717,719.73)
Bank charges	4,795,450.04	4,116,097.69
Exchange gains or losses and others	(962,537.65)	787,505.64
Total	(24,360,291.07)	(8,948,732.34)

Notes to the Financial Statements

For the year ended 31 December 2017

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

39. Impairment losses of assets

Item	<i>RMB</i>	
	Amount incurred in the current year	Amount incurred in the prior year
Bad debt losses	24,498,499.59	19,749,411.51
Losses of decline in value of inventories	55,249,866.57	60,911,819.32
Impairment losses of fixed assets	1,004,713.59	–
Total	80,753,079.75	80,661,230.83

40. Investment income

Item	<i>RMB</i>	
	Amount incurred in the current year	Amount incurred in the prior year
Income from long-term equity investments		
Income from investments under equity method	10,286,556.13	9,828,451.99
Investment income on disposal of long-term equity investments	166,604,192.41	–
Investment income from disposal of available-for-sale financial assets		
Investment income from available-for-sale financial assets measured at cost	20,026,709.60	20,000,000.00
Investment income from available-for-sale financial assets measured at fair value	29,832,588.02	21,562,143.45
Investment income from disposal of available-for-sale financial assets	593,133.85	2,420,215.05
Investment income from disposal of FVTPL	26,768,910.15	11,055,165.50
Gains from any retained interest is re-measured at its fair value after control is lost	5,042,726.27	–
Others	13,000,000.00	–
Total	272,154,816.43	64,865,975.99

Notes to the Financial Statements

For the year ended 31 December 2017

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

41. Other income

Item	RMB	
	Amount incurred in the current year	Amount incurred in the prior year
Book publishing subsidies	14,170,235.94	–
VAT first levied then returned	29,900,529.02	–
Other financial subsidies	21,184,433.93	–
Total	65,255,198.89	–

42. Non-operating income

(1) Details of non-operating income is 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
Government grants	–	112,806,007.61	–
Others	8,691,686.24	7,762,591.80	8,691,686.24
Total	8,691,686.24	120,568,599.41	8,691,686.24

(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
VAT first levied then returned	–	40,068,809.21
Refunds of VAT surcharges	–	17,254,510.54
Other financial subsidies	–	32,991,583.75
Total	–	112,806,007.61

Notes to the Financial Statements

For the year ended 31 December 2017

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

43. Non-operating expenses

RMB

Item	Amount incurred in the current year	Amount incurred in the prior year	Amount included in non-recurring profit and loss for the current year
Donations	32,148,012.97	21,934,426.75	32,148,012.97
Penalty cost	17,974.25	33,092.03	17,974.25
Others	1,154,736.75	737,898.08	1,154,736.75
Total	33,320,723.97	22,705,416.86	33,320,723.97

44. Income tax

RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Current tax expense calculated according to tax laws and relevant requirements	3,837,124.49	7,011,459.25
Deferred tax expenses	(3,277,239.28)	(1,333,393.62)
Total	559,885.21	5,678,065.63

Reconciliation of income tax expenses to the accounting profit is as follows:

RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Accounting profit	917,040,255.91	635,716,059.72
Income tax expenses calculated at 25%	229,260,063.98	158,929,014.93
Tax concessions	(248,488,081.74)	(191,818,631.33)
Effect of expenses that are not deductible for tax purposes	23,906,432.06	24,180,159.59
Effect of tax-free income	(13,411,909.75)	(9,050,800.00)
Effect of unrecognized (using previously unrecognized) deductible temporary differences	704,205.69	7,366,916.82
Effect of unrecognized deductible losses	8,064,021.17	12,417,029.20
Payment for income tax of prior years	525,153.80	3,654,376.42
Total	559,885.21	5,678,065.63

Notes to the Financial Statements

For the year ended 31 December 2017

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

45. Calculation process of basic earnings per share

For the purpose of calculating basic earnings per share, net profit for the current period attributable to ordinary shareholders is as follows:

	<i>RMB</i>	
	2017	2016
Net profit for the current period attributable to ordinary shareholders	923,844,500.04	647,462,291.44
Including: Net profit from continuing operations	923,844,500.04	647,462,291.44

For the purpose of calculating basic earnings per share, the denominator is the weighted average number of outstanding ordinary shares and its calculation process is as follows:

	<i>Shares</i>	
	2017	2016
Number of ordinary shares outstanding at the beginning of year	1,233,841,000	1,135,131,000
Add: Weighted average number of ordinary shares issued during the period	–	32,903,333
Number of ordinary shares outstanding at the end of year	1,233,841,000	1,168,034,333

Earnings per share:

	<i>RMB</i>	
	2017	2016
Number of ordinary shares outstanding at the end of year divided by net profit for the current period attributable to ordinary shareholders	0.75	0.55
Number of ordinary shares outstanding at the end of year divided by net profit for the current period attributable to ordinary shareholders and attributable to continuing operation	0.75	0.55

The Company has no dilutive potential ordinary shares.

Notes to the Financial Statements

For the year ended 31 December 2017

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

46. Notes to items in the cash flow statement

(1) Other cash receipts relating to operating activities

Item	<i>RMB</i>	
	Amount incurred in the current year	Amount incurred in the prior year
Interests	11,901,431.61	11,586,401.72
Government grants	35,112,698.64	66,659,072.56
Recovery of amounts due to/from other entities	10,287,746.07	18,106,838.04
Total	57,301,876.32	96,352,312.32

(2) Other cash payments relating to operating activities

Item	<i>RMB</i>	
	Amount incurred in the current year	Amount incurred in the prior year
Selling expenses	550,435,622.04	501,709,341.38
Administrative expenses (excluding lease payment)	299,722,544.70	287,583,461.94
Lease payment	107,852,458.11	60,853,757.28
Others	120,646,031.30	43,190,291.75
Total	1,078,656,656.15	893,336,852.35

(3) Other cash receipts relating to investing activities

Item	<i>RMB</i>	
	Amount incurred in the current year	Amount incurred in the prior year
Receipt of time deposit over 3 months	30,212,625.38	77,329,974.49
Recovery of entrusted loans	120,000,000.00	–
Total	150,212,625.38	77,329,974.49

Notes to the Financial Statements

For the year ended 31 December 2017

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

46. 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
Increase in pledged time deposit	–	3,615,913.60
Total	–	313,828,538.98

(5) Other cash receipts relating to financing activities

Item	RMB	
	Amount incurred in the current year	Amount incurred in the prior year
Government grants	10,423,573.81	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
Acquisition of equity of Winshare Physical Education held by non-controlling shareholders	69,271,000.00	–
Charges for IPO	–	8,640,101.94
Total	69,271,000.00	8,640,101.94

Notes to the Financial Statements

For the year ended 31 December 2017

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

47. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Supplementary information	Amount incurred in the current year	Amount incurred in the prior year
<i>RMB</i>		
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	916,480,370.70	630,037,994.09
Add: Provision for impairment losses of assets	80,753,079.75	80,661,230.83
Depreciation of fixed assets	89,439,285.91	95,861,191.19
Depreciation of investment properties	4,396,390.86	3,190,969.45
Amortisation of intangible assets	21,360,233.83	22,778,906.51
Amortisation of long-term prepaid expenses	18,110,557.23	9,668,340.06
Losses on disposal of fixed assets, intangible assets and other long-term assets (Less: income)	(208,309.60)	879,957.69
Differences between fair value and book value arising from establishing an associate by contributing capitals in form of intangible assets and construction in progress	(2,629,544.76)	–
Gains from changes in fair value	(10,279.16)	–
Finance expenses	(13,760,088.56)	(1,717,719.73)
Interest income of entrusted loans	(1,180,018.10)	(7,183,426.01)
Investment income	(272,154,816.43)	(64,865,975.99)
Increase in deferred tax assets	(1,428,938.10)	(482,752.04)
Decrease in deferred tax liabilities	(1,848,301.18)	(850,641.58)
Increase in inventories	(383,785,190.49)	(109,282,558.63)
Increase in receivables from operating activities	(634,686,473.66)	(324,051,130.22)
Increase in payables from operating activities	526,773,912.20	348,782,892.71
Net cash flow from operating activities	345,621,870.44	683,427,278.33
2. Net changes in cash and cash equivalents:		
Closing balance of cash	1,825,572,649.15	1,634,167,257.70
Less: Opening balance of cash	1,634,167,257.70	1,824,358,247.63
Net increase(decrease) in cash and cash equivalents	191,405,391.45	(190,190,989.93)

Notes to the Financial Statements

For the year ended 31 December 2017

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

47. Supplementary information to the cash flow statement (Continued)

(2) Net cash receipt from disposal of subsidiaries for the current year

	RMB Amount
Cash or cash equivalents received from disposal of subsidiaries for the current year	115,803,300.00
Less: Cash or cash equivalents held by subsidiaries at the date on which the control is lost	(48,856,516.77)
Net cash receipt from disposal of subsidiaries	66,946,783.23

(3) Cash and cash equivalents

	RMB	
Item	Closing balance	Opening balance
Cash	1,825,572,649.15	1,634,167,257.70
Including: Cash on hand	2,497,605.27	2,523,554.78
Bank deposits readily available for payment	1,823,075,043.88	1,631,643,702.92
Balance of cash and cash equivalents	1,825,572,649.15	1,634,167,257.70

48. Assets with restricted ownership

	RMB	
Assets with restricted ownership	Closing balance	Opening balance
Cash and bank balances (Note)	60,109,568.68	31,034,207.50

Note: At the end of the period, the Group's cash and bank balances with limited ownership consist of security deposit for the issuance of bank acceptance bills of 18,634,761.90 (at the end of prior year: RMB6,815,913.60); the special fund for housing reform and housing repair of RMB24,474,806.78 (at the end of prior year: RMB24,218,293.90). Other deposit is RMB17,000,000.00 (at the end of prior year: nil).

Notes to the Financial Statements

For the year ended 31 December 2017

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

49. Net current assets

<i>RMB</i>		
Item	Closing balance	Opening balance
Current assets	6,583,898,654.47	5,269,209,250.79
Less: Current liabilities	(4,199,825,114.13)	(3,839,741,466.59)
Net current assets	2,384,073,540.34	1,429,467,784.20

50. Total assets less current liabilities

<i>RMB</i>		
Item	Closing balance	Opening balance
Total assets	12,286,705,641.32	12,255,176,609.39
Less: Current liabilities	(4,199,825,114.13)	(3,839,741,466.59)
Total assets less current liabilities	8,086,880,527.19	8,415,435,142.80

Notes to the Financial Statements

For the year ended 31 December 2017

(VII) CHANGES IN SCOPE OF CONSOLIDATION

1. Circumstance that the control over subsidiary is lost upon a single disposal of investment in the subsidiary

Name of subsidiary	Price of disposal of equity	Proportion of equity disposed (%)	Method of disposal of equity	Time point when the control is lost	Basis for determination of the time point when the control is lost	Difference between the disposal price and the share of the net assets of the subsidiary consolidated financial statements that is corresponding to the disposal of the investment	Proportion of retained equity at the date on which the control is lost	Carrying amount of retained equity at the date on which the control is lost	Fair value of retained equity at the date on which the control is lost	Gains from re-measurement of retained equity at fair value	Method of determining the fair value of retained equity at the date on which the control is lost and major assumptions	Amount of other comprehensive income relating to the equity investment in original subsidiary transferred to investment income or loss
Xinhua Yingxuan	115,803,300.00	85%	Sale	September 2017	Completion of equity transfer	28,575,448.84	15%	15,393,150.20	20,435,876.47	5,042,726.27	Determined based on selling price	-

2. Changes in scope of consolidation due to other reasons

In October 2017, Beijing Xinhua Winshare Advertisement Co., Ltd. ("Winshare Advertisement"), the subsidiary of the Company, completed the liquidation and no longer included in the scope of consolidation of the Group.

Notes to the Financial Statements

For the year ended 31 December 2017

(VIII) 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 statements or not
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	Periodicals	5,700,000.00	Sales of books and periodicals, etc.	70.00	70.00	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
Wenchuan Logistics	LLC	Chengdu	Storage and distribution	350,000,000.00	Storage and distribution of goods	100.00	100.00	Y
Xinhua Winshare Commercial Chain (Beijing) Co., Ltd. ("Beijing Winshare Commercial ")	LLC	Beijing	Sales of publications	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 publications	60,000,000.00	Online sales of various products	75.00	75.00	Y
Washington Winshare Media, Inc. ("Washington Winshare Media ")	LLC	US	Distribution of publications	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	Periodicals	2,000,000.00	Sales of periodicals	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
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

Notes to the Financial Statements

For the year ended 31 December 2017

(VIII) 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 statements or not
Winshare Investment	LLC	Chengdu	Investment	200,000,000.00	Venture investment, business investment	100.00	100.00	Y
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 art 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 2017

(VIII) 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 statements or not
Xinhua Online	LLC	Chengdu	Sales of publications	50,000,000.00	Internet Publishing	100.00	100.00	Y
Beijing Shuchuan	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

(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 statements or not
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
Winshare Sports Culture Development Co., Ltd. ("Winshare Sports Culture")	LLC	Chengdu	Printing	100,000,000.00	Printing of publications	65.00	65.00	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

Notes to the Financial Statements

For the year ended 31 December 2017

(VIII) INTERESTS IN OTHER ENTITIES *(Continued)*

1. Subsidiaries: *(Continued)*

(3) Subsidiaries acquired in business combination not involving enterprises under common control *(Continued)*

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 (%)	<i>RMB</i>
								Consolidated statements or not
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
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
Sichuan Tiandi Publishing House Co., Ltd. ("Tiandi Publishing House ")	LLC	Chengdu	Publication	130,634,700.00	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	31,000,000.00	Publication of books	100.00	100.00	Y
Printing Materials	LLC	Chengdu	Retail and wholesale	30,000,000.00	Provision of printing related supplies	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

Notes to the Financial Statements

For the year ended 31 December 2017

(VIII) INTERESTS IN OTHER ENTITIES (Continued)

2. Key financial information of the Group's significant 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 attributable to non-controlling shareholders		Non-controlling interests	
			Current year	Prior year	End of current year	End of prior year
Beijing Winshare Commercial	49.00	49.00	(4,530,799.27)	(6,176,585.10)	(51,451,382.14)	(46,920,582.86)
Winshare Online	25.00	25.00	(3,518,003.51)	(8,471,860.62)	(20,786,098.38)	(17,268,094.87)

a. Beijing Winshare Commercial

RMB

	Closing balance	Opening balance
Current assets	142,526,596.98	154,823,446.58
Non-current assets	14,691,052.80	18,743,653.97
Current liabilities	209,451,082.71	216,554,004.35

	Amount in the current year	Amount in the prior year
Operating income	169,369,393.98	177,385,149.60
Operating costs and expenses	178,615,923.12	189,990,425.32
Total loss, net loss	(9,246,529.14)	(12,605,275.72)
Net cash flow from operating activities	(2,666,392.61)	5,638,019.10
Net cash flow from investing activities	(481,299.24)	(701,481.01)
Net cash flow from financing activities	–	–

Notes to the Financial Statements

For the year ended 31 December 2017

(VIII) INTERESTS IN OTHER ENTITIES *(Continued)*

2. Key financial information of the Group's significant non-wholly owned subsidiaries is as follows: *(Continued)*

b. Winshare Online

	<i>RMB</i>	
	Closing balance	Opening balance
Current assets	358,281,419.34	364,444,456.07
Non-current assets	50,148,254.20	50,992,544.58
Current liabilities	490,945,067.06	483,880,380.12
Non-current liabilities	629,000.00	629,000.00

	Amount in the current year	Amount in the prior year
Operating income	1,182,365,468.47	1,066,262,151.97
Operating costs and expenses	1,196,437,482.52	1,100,149,594.46
Total loss, net loss	(14,072,014.05)	(33,887,442.49)
Net cash flow from operating activities	(110,461,860.22)	8,963,385.96
Net cash flow from investing activities	71,121,674.28	(70,039,713.65)
Net cash flow from financing activities	–	30,000,000.00

3. Transactions resulting in changes in the share of equity in subsidiary but remained with control over the subsidiary

(1) Effect of the transaction on non-controlling interests and owners' equity attributable to owners of the Company

	<i>RMB</i>
	Winshare Sports Culture (Note)
Cost of acquisition	
– Cash	69,271,000.00
Less: share of net assets of subsidiary calculated in proportion to the equity obtained	21,984,910.53
Difference	47,286,089.47
Including: adjustment of capital reserve	47,286,089.47

Note: Winshare Sports Culture is originally a subsidiary held by the Company with a share-holding proportion of 65%, the other 35% share-holding proportion is held by Chengdu Junqu Printing Co., Ltd. The Company purchased 35% equity right held by non-controlling interests at the consideration of RMB69,271,000.00 in July 2017. After the acquisition, Winshare Sports Culture has become a wholly owned subsidiary of the Company.

Notes to the Financial Statements

For the year ended 31 December 2017

(VIII) INTERESTS IN OTHER ENTITIES *(Continued)*

4. Interests in joint ventures or associates

(1) Significant joint ventures or associates

RMB

Name of joint ventures or associates	Principle place of operation	Place of incorporation	Nature of business	Proportion of ownership interests in investee (%)	Accounting method used in joint ventures or associates investments
Joint ventures					
Hainan Publishing	Haikou	Haikou	Publication	50	Equity method
Associates					
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	20.4	Equity method
Chongqing Yunhan Internet and Media Co., Ltd. (Note)	Chongqing	Chongqing	Online Wholesale of publications	50	Equity method
Sichuan Winshare Baowan Supply Chains Co., Ltd.	Chengdu	Chengdu	Logistics transportation	45	Equity method

Note: 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 2017

(VIII) INTERESTS IN OTHER ENTITIES (Continued)

4. 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	159,022,014.28	224,056,779.70
Including: cash and cash equivalents	26,717,240.75	36,436,620.62
Non-current assets	172,574,248.26	122,661,681.12
Total assets	331,596,262.54	346,718,460.82
Current liabilities	110,281,572.05	143,809,873.26
Non-current liabilities	17,496,226.00	16,996,226.00
Total liabilities	127,777,798.05	160,806,099.26
Equity attributable to the Company's shareholders	201,774,778.25	185,912,361.56
Non-controlling interests	2,043,686.24	–
Net assets calculated on pro-rata basis of shareholding	100,887,389.12	92,956,180.78
Adjustments		
Goodwill	30,735,530.98	30,735,530.98
Carrying amount of equity investments in joint ventures	131,622,920.10	123,691,711.76
Operating income	139,353,106.89	156,518,444.11
Net profit and total comprehensive income	17,906,102.93	12,705,545.86
Profit or loss attributable to non-controlling shareholders	2,043,686.24	–
Interest income	88,082.91	78,721.55
Interest expense	21,965.72	1,162,371.94
Income tax	192,783.47	342,915.09
Dividends receipts from joint ventures for the current period	–	–

Notes to the Financial Statements

For the year ended 31 December 2017

(VIII) INTERESTS IN OTHER ENTITIES (Continued)

4. 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
		RMB
Current assets	80,576,300.70	78,081,481.00
Non-current assets	5,948,661.03	5,715,787.33
Total assets	86,524,961.73	83,797,268.33
Current liabilities and total liabilities	33,423,210.24	33,095,540.30
Net assets calculated on pro-rata basis of shareholding	10,620,350.30	10,140,345.61
Carrying amount of equity investments in joint ventures	10,620,350.30	10,140,345.61
Operating income	61,792,606.30	62,308,605.15
Net profit and total comprehensive income	15,200,023.46	14,978,333.70
Dividends receipts from associates for the current period	2,560,000.00	3,333,281.09

b. Ming Bo Education Technology Holdings Co., Ltd.

	End of current year/ current year	End of prior year/ prior year
		RMB
Current assets	123,439,751.08	73,744,481.62
Non-current assets	70,132,240.85	65,634,619.49
Total assets	193,571,991.93	139,379,101.11
Current liabilities	28,310,035.96	18,488,434.79
Non-current liabilities	8,361,141.60	15,176,042.90
Total liabilities	36,671,177.56	33,664,477.69
Net assets calculated on pro-rata basis of shareholding	32,007,766.13	28,754,377.57
Carrying amount of equity investments in associates	32,007,766.13	28,754,377.57
Operating income	64,740,452.77	55,140,407.63
Net profit and total comprehensive income	15,197,039.97	23,503,375.52
Dividends receipts from associates for the current period	-	-

Notes to the Financial Statements

For the year ended 31 December 2017

(VIII) INTERESTS IN OTHER ENTITIES *(Continued)*

4. 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	18,977,146.98	9,360,724.89
Non-current assets	66,711,578.40	77,895,005.52
Total assets	85,688,725.38	87,255,730.41
Current liabilities	7,224,350.16	8,069,946.05
Non-current liabilities	20,000,000.00	20,000,000.00
Total liabilities	27,224,350.16	28,069,946.05
Net assets calculated on pro-rata basis of shareholding	29,232,187.61	29,592,892.18
Adjustments		
Goodwill	16,528,595.01	16,528,595.01
Carrying amount of equity investments in associates	45,760,782.62	46,121,487.19
Operating income	3,145,902.60	1,044,372.75
Net loss and total comprehensive income	(721,409.13)	(706,318.86)
Dividends receipts from associates for the current period	-	-

Notes to the Financial Statements

For the year ended 31 December 2017

(VIII) INTERESTS IN OTHER ENTITIES *(Continued)*

4. Interests in joint ventures or associates *(Continued)*

(3) Key financial information of significant associates *(Continued)*

d. Sichuan Winshare Chain Supply BLOGIS Co., Ltd.

	Closing balance/amount incurred in the current year	Opening balance/amount incurred in the prior year
Current assets	67,528,616.30	–
Non-current assets	38,993,845.79	–
Total assets	106,522,462.09	–
Current liabilities	6,489,698.20	–
Non-current liabilities	–	–
Total liabilities	6,489,698.20	–
Share of net assets calculated based on proportion of shareholding	45,014,743.75	–
Carrying amount of equity investment in associates	45,014,743.75	–
Operating income	12,948,025.77	–
Net loss and total other comprehensive income	32,763.89	–
Dividends received from associates in the current year	–	–

(4) Summarized financial information of insignificant joint ventures and associates

	End of current year/ current year	End of prior year/ prior year
Insignificant joint ventures		
Total carrying amount of investments	5,293,131.09	2,941,751.26
Sum of net loss and total comprehensive income calculated according to proportion of investment	(2,548,620.17)	(645,537.67)
Insignificant associates		
Total carrying amount of investments	86,266,008.57	164,859,936.06
Sum of net loss and total comprehensive income calculated according to proportion of investment	(637,220.29)	(5,338,468.26)
Total other comprehensive income	21,163,104.62	412,151.06
Total comprehensive income calculated based on proportion of investment	20,525,884.33	(4,926,317.20)

Notes to the Financial Statements

For the year ended 31 December 2017

(IX) RISK EXPOSURES ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Group's major financial instruments consist of cash and bank balances, FVTPL, available-for-sale financial assets, receivables and payables. Risk exposures associated with these financial instruments and the risk management strategy to reduce the risk is set out below. The management of the Group manages and monitors 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 monitor 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, and the sales and purchases of the Group are mainly 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	158,643.93	476,526.18
EUR	666.43	666.43
HKD	12,788.70	4,684.21

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 period.

Notes to the Financial Statements

For the year ended 31 December 2017

(IX) 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 period, the direct investments in Wan Xin Media and Youli Holdings equity recognized in other comprehensive income by the Group resulted in loss of RMB871,223,600 and an income of RMB387,074.88, respectively.

Assuming that other variables remain constant, 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 on other comprehensive income and shareholders' equity	
		Current year	Prior year
Available-for-sale financial assets			
Wan Xin Media	Stock prices rise 5%	65,934,560.00	109,496,240.00
Youli Holdings	Stock prices rise 5%	98,986.34	59,724.44
Available-for-sale financial assets			
Wan Xin Media	Stock prices fall 5%	(65,934,560.00)	(109,496,240.00)
Youli Holdings	Stock prices fall 5%	(98,986.34)	(59,724.44)

Notes to the Financial Statements

For the year ended 31 December 2017

(IX) 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, other current assets (bank wealth management products and trust product investments) and long-term receivables.

In order to minimize 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.

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 maintaining 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 2017

(IX) 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	60,855,873.00	–	60,855,873.00
Accounts payable	3,083,435,509.23	–	3,083,435,509.23
Dividends payable	202,228.29	–	202,228.29
Other payables	264,167,715.75	–	264,167,715.75
Total	3,408,661,326.27	–	3,408,661,326.27

End of the prior 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

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 RMB21,048,232.73 (at the end of prior year: RMB3,140,797.50), which was the accounts payable to the suppliers. The Group believes that substantially all the risks and rewards of the endorsed notes receivable have been transferred to the suppliers. Therefore, these endorsed notes receivable were derecognized. 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 considers that the accepting bank is of sound reputation and the risk of non-payment by the accepting bank on due date is remote.

At the end of the period, 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 endorsed notes.

At the end of the period, all notes receivable endorsed to suppliers will be due within six months.

Notes to the Financial Statements

For the year ended 31 December 2017

(X) 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 wealth management 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 – shares of A share listed company – Wan Xin Media	1,318,691,200.00	2,189,924,800.00	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	1,979,726.73	1,592,651.85	Level 1	Quoted prices in active markets	N/A	N/A
Financial assets at FVTPL – shares of A share listed companies	28,233.14	–	Level 1	Quoted prices in active markets	N/A	N/A
Financial assets at fair value through profit or loss – bank wealth management products	755,000,000.00	560,000,000.00	Level 2	Calculated based on a discounted cash flow model, the input values are 3-month USD LIBOR and 3-month RMB SHIBOR, final exchange rate of conversion of USD to HKD on observation date, spot exchange rate of conversion of AUD to USD, the fixing price of London Bullion Market	N/A	N/A

RMB

Notes to the Financial Statements

For the year ended 31 December 2017

(X) 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 – CITIC Buyout Investment Fund (Shenzhen) (Limited Partnership) (“CITIC Buyout Fund”)	96,885,632.80	102,972,401.83	Level 3 Market approach, method of discounted future cash flow	<ul style="list-style-type: none"> Price earnings ratio, liquidity discount, price sales ratio Discount rate in line with expected risk level 	<ul style="list-style-type: none"> The higher the price earnings ratio and price sales ratio, the higher the fair value; The lower the liquidity discount, the higher the fair value
Available-for-sale financial assets – Winshare Hengxin (Shenzhen) Equity Investment Fund (Limited Partnership) (“Winshare Hengxin”)	269,424,584.74	220,943,522.28	Level 3 Adjusted quoted prices in active markets, method of discounted future cash flow	<ul style="list-style-type: none"> Liquidity discount Discount rate in line with expected risk level 	<ul style="list-style-type: none"> The lower the liquidity discount, the higher the fair value The lower the discount rate, the higher the fair value
Available-for-sale financial assets – Taizhou Xinheng Zhongrun Investment Fund (Limited Partnership)	35,625,966.22	25,801,026.14	Level 3 Adjusted quoted prices in active markets	Liquidity discount	The lower the liquidity discount, the higher the fair value
Available-for-sale financial assets – Qingdao Jinshi Zhixin Investment Center (Limited Partnership)	153,252,074.60	151,667,500.00	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 in line with expected risk level 	<ul style="list-style-type: none"> The higher the expected recoverable amount, the higher the fair value; The lower the discount rate, the higher the fair value

Notes to the Financial Statements

For the year ended 31 December 2017

(X) 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 – trust products investments	-	17,176,654.12	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 in line with expected risk level. 	<ul style="list-style-type: none"> The higher the expected recoverable amount, the higher the fair value; The lower the discount rate, the higher the fair value
Financial assets at fair value through profit or loss – bank wealth management products	402,800,000.00	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 in line with expected risk level 	<ul style="list-style-type: none"> The higher the expected recoverable amount, the higher the fair value; The lower the discount rate, the higher the fair value

Notes to the Financial Statements

For the year ended 31 December 2017

(X) 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	894,561,104.37	441,401,155.40
Included in other comprehensive income of the current year	47,032,467.21	(14,614,173.82)
Purchases in the current year	1,153,017,832.26	1,337,154,669.84
Reclassified to investment income from other comprehensive income upon disposal of available-for-sale financial assets	(593,133.85)	(2,170,215.05)
Disposals in the current year	(1,136,030,011.63)	(867,210,332.00)
Closing balance	957,988,258.36	894,561,104.37

1.2 Financial assets and financial liabilities not measured at fair value on a recurring basis:

The management of the Group considers that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the financial statements approximate their fair values.

(XI) 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
Sichuan Xinhua Publishing Group	LLC	Chengdu	Zhu Danfeng	Goods wholesale and retail, house lease, real estate, project investment	59,382.20	49.11 (Note)	49.11 (Note)	SASAC of Sichuan

Note: Sichuan Xinhua Publishing Group holds 592,809,525 promoter's shares of the Company, accounting for 48.05% of the total share capital of the Company. Sichuan Xinhua Publishing Group acquired 13,133,000 additional H shares of the Company via its wholly-owned subsidiary, Shudian Investment Co., Ltd. (Hong Kong), accounting for 1.06% of the total share capital of the Company, resulting in a total shareholding of 49.11% of the total share capital of the Company.

Notes to the Financial Statements

For the year ended 31 December 2017

(XI) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

2. Subsidiaries of the Company

Please refer to Notes VIII Interests in Other Entities for details of the subsidiaries of the Company.

3. Joint ventures and associates

Please refer to Notes VIII for details of the significant joint ventures or associates of the Company.

Information of joint ventures or associates which have had balances through related party transactions with the Group for the current year or for the prior year is as follows:

RMB

Name of other related party	Relationship between other related parties and the Company
The Commercial Press (Chengdu) Co., Ltd.	Associates
Shanghai Jingjie Information Technology Co., Ltd.	Associates
Sichuan Jiaoyang Sihuo Film Co., Ltd.	Associates
Chengdu Winshare Equity Investment Funds Management Co., Ltd.	Associates
Liangshan Xinhua Winshare Education Technology Co. Ltd.	Joint ventures
Sichuan Wenzhuo	Notes (VI), 10 Note 1

4. Other related parties of the Company

Name of other related party	Relationship between other related parties and the Company
Sichuan Xinhua International Hotel Co., Ltd.	Controlling shareholder's subsidiary
Sichuan Guanghan Sanxingdui Qushanyuan Cultural Ltd.	Controlling shareholder's subsidiary
Chengdu Huang Peng Property Co., Ltd.	Controlling shareholder's subsidiary
Sichuan Xinhua Haiyi Cultural Development Co., Ltd.	Controlling shareholder's subsidiary
Sichuan Xinhua Haiyi Hotel Co., Ltd.	Controlling shareholder's subsidiary
Chengdu Xinhua Chuangzhi Culture Industry Investment Co., Ltd.	Controlling shareholder's subsidiary
Sichuan Xinhua Publishing Group Co., Ltd Huadao Resort Hotel	Controlling shareholder's branch
Sichuan Publication Group	Other enterprises over which the directors of the Company have significant influence
Sichuan Hengxi Property Management Co., Ltd.	Other enterprises over which the directors of the Company have significant influence
Sichuan Chongwenju Forest Hotel Co., Ltd	Other enterprises over which the directors of the Company have significant influence

Notes to the Financial Statements

For the year ended 31 December 2017

(XI) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

5. 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	328,486.07	281,368.61
Sichuan Guanghan Sanxingdui Qushanyuan Cultural Ltd.	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	615,656.00	272,211.30
Chengdu Huang Peng Property Co., Ltd.	Receipt of services	Payments for property management service fees	Price negotiated by both parties	7,490,235.38	7,671,454.61
Sichuan Xinhua Publishing Group Co., Ltd Huadao Resort Hotel	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	209,729.00	211,516.40
Ming Bo Education Technology Holdings Co., Ltd.	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	16,828,239.37	20,512,800.00
The Commercial Press (Chengdu) Co., Ltd.	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	-	16,483,185.66
Ren Min Eastern (Beijing) Book Industry Co., Ltd.	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	3,066,037.75	3,066,037.62
Hainan Publishing House	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	3,425,374.02	2,543,154.53
Shanghai Jingjie Information Technology Co., Ltd.	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	-	96,960.00
Sichuan Chongwenju Forest Hotel Co., Ltd.	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	23,782.11	5,960.00
Sichuan Xinhua Haiyi Cultural Development Co., Ltd.	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	471,135.98	183,543.00
Sichuan Xinhua Haiyi Hotel Co., Ltd.	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	23,113.96	-
Sichuan Jiaoyang Sihuo Film Co., Ltd.	Purchase of goods	Payment of royalty	Price negotiated by both parties	762,410.72	-
Total				33,244,200.36	51,328,191.73

Notes to the Financial Statements

For the year ended 31 December 2017

(XI) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

5. Related party transactions *(Continued)*

(1) Sales and purchase of goods, provision and receipt of services *(Continued)*

Sales of goods/provision 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	719,620.00	120,090.25
Sichuan Publication Group	Sales of goods	Payment of royalty	Price negotiated by both parties	264,150.94	10,451.95
Sichuan Jiaoyang Sihuo Film Co., Ltd.	Sales of goods	Sales of publications	Price negotiated by both parties	-	176,991.15
Chengdu Xinhua Chuangzhi Culture Industry Investment Co., Ltd.	Provision of services	Provision of advertisement design and production service	Price negotiated by both parties	-	10,859.43
Sichuan Xinhua Publishing Group Co., Ltd Huadao Resort Hotel	Provision of services	Provision of advertisement design and production service	Price negotiated by both parties	3,264.15	26,426.42
Sichuan Guanghan Sanxingdui Qushanyuan Cultural Ltd.	Provision of services	Provision of post-sale service	Price negotiated by both parties	2,018.87	-
Liangshan Xinhua Winshare Education Technology Co. Ltd.	Sales of goods	Sales of goods	Price negotiated by both parties	158,717.94	-
Sichuan Xinhua Haiyi Cultural Development Co., Ltd.	Provision of services	Provision of promotion Service	Price negotiated by both parties	6,977.50	-
Sichuan Xinhua Haiyi Hotel Co., Ltd.	Provision of services	Provision of promotion Service	Price negotiated by both parties	150,000.00	-
Total				1,304,749.40	344,819.20

Notes to the Financial Statements

For the year ended 31 December 2017

(XI) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

5. 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 recognized in the current year	Lease income recognized 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	1,279,575.78

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 recognized in the current year	Lease payment recognized in the prior year
Sichuan Xinhua Publishing Group	The Group	Buildings	2016.1.1	2018.12.31	Contractual price negotiated by both parties	38,529,905.09	40,104,373.77
Sichuan Publication Group	The Group	Buildings	2017.1.1	2019.12.31	Contractual price negotiated by both parties	13,336,427.32	N/A
Sichuan Publication Group	The Group	Buildings	2014.1.1	2016.12.31	Contractual price negotiated by both parties	N/A	11,096,987.67
Sichuan Hengxi Property Management Co., Ltd.	The Group	Buildings	2017.1.1	2019.12.31	Contractual price negotiated by both parties	3,023,132.35	N/A
Sichuan Hengxi Property Management Co., Ltd.	The Group	Buildings	2014.1.1	2016.12.31	Contractual price negotiated by both parties	N/A	3,110,091.56
Chengdu Winshare Venture Capital Investment Fund Management Co., Ltd.	The Group	Buildings	2017.6.1	2020.5.31	Contractual price negotiated by both parties	536,391.45	N/A

Notes to the Financial Statements

For the year ended 31 December 2017

(XI) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

5. Related party transactions *(Continued)*

(3) Receipts of interest

The Group's receipts of interest of the borrowings/loans with related parties are as follows:

<i>RMB</i>		
Name of the entity	Current year Amount	Prior year Amount
Sichuan Wenzhuo	1,180,018.10	7,183,426.01
Total	1,180,018.10	7,183,426.01

(4) Disposal of 85% equity right of Xinhua Yingxuan

In September 2017, the Group sold 85% equity right in Xinhua Yingxuan to Sichuan Xinhua Publishing Group. See Note (VII) for details.

(5) Compensation for key management personnel

<i>RMB</i>		
Item	Amount incurred in the current year	Amount incurred in the prior year
Compensation for key management personnel	8,188,653.86	7,794,739.86

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.

Notes to the Financial Statements

For the year ended 31 December 2017

(XI) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

5. Related party transactions *(Continued)*

(6) Remuneration for directors and supervisors and staff of top five remunerations

Details of remunerations for directors and supervisors for the current period are as follows:

RMB'000

	Director		Supervisor	
	Current year	Prior year	Current year	Prior year
Emoluments	515	530	169	140
Other remunerations:				
Salaries and allowances	489	472	416	460
Performance linked bonus	929	661	299	223
Retirement benefit contribution	49	45	99	90
Subtotal	1,467	1,178	814	773
Total	1,982	1,708	983	913

(a) Independent non-executive directors

Emoluments and other remunerations paid to independent non-executive directors for the current period 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
Mr. Fang Bingxi (Note 2)	27	3	30	-	-	-
Mr. Han Liyan (Note 3)	175	15	190	210	21	231
Mr. Chan Yuk Tong	238	15	253	192	18	210
Ms. Xiao Liping (Note 4)	-	-	-	-	-	-
Total	440	33	473	440	39	479

Notes to the Financial Statements

For the year ended 31 December 2017

(XI) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

5. Related party transactions *(Continued)*

(6) Remuneration for directors and supervisors and staff of top five remunerations *(Continued)*

(a) Independent non-executive directors *(Continued)*

Note 1: Has no longer been an independent non-executive director since February 2016.

Note 2: Has been an independent non-executive director since 26 October 2017.

Note 3: Has no longer been an independent non-executive director since 26 October 2017.

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 period and the prior period.

(b) Executive and non-executive directors

RMB'000

	Current year				Total remuneration
	Emolument	Salaries and allowances	Performance linked bonus	Retirement benefit contribution	
Executive directors:					
Mr. He Zhiyong (Chairman) (Note 5)	-	-	-	-	-
Mr. Luo Yong (Note 6 & Note 7)	-	-	-	-	-
Mr. Chen Yunhua (Note 6 and Note 8)	-	-	-	-	-
Mr. Yang Miao	-	441	929	49	1,419
Subtotal	-	441	929	49	1,419
Non-executive directors:					
Mr. Luo Jun (Note 5)	-	-	-	-	-
Mr. Zhang Peng (Note 6)	-	-	-	-	-
Mr. Zhao Junhui (Note 9)	22	3	-	-	25
Mr Han Xiaoming (Note 10)	53	12	-	-	65
Subtotal	75	15	-	-	90
Total	75	456	929	49	1,509

Notes to the Financial Statements

For the year ended 31 December 2017

(XI) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

5. 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

	Emolument	Salaries and allowances	Prior year Performance linked bonus	Retirement benefit contribution	Total remuneration
Executive directors:					
Mr. He Zhiyong (Chairman) (Note 5)	-	-	-	-	-
Mr. Luo Yong (Note 6 & Note 7)	-	-	-	-	-
Mr. Yang Miao	-	415	661	45	1,121
Subtotal	-	415	661	45	1,121
Non-executive directors:					
Mr. Luo Jun (Note 5)	-	-	-	-	-
Mr. Zhang Peng (Note 6)	-	-	-	-	-
Mr. Zhao Junhuai (Note 9)	90	18	-	-	108
Subtotal	90	18	-	-	108
Total	90	433	661	45	1,229

Note 5: The remuneration of the director is paid by Sichuan Xinhua Publishing Group. The Group did not pay any remuneration to this director during the current period and the prior period.

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 period and the prior period.

Note 7: Has no longer been an executive director since December 2017.

Note 8: Has been an executive director since 21 December 2017.

Note 9: Has no longer been a non-executive director since 30 March 2017.

Note 10: Has been a non-executive director since 25 May 2017.

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 2017

(XI) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

5. Related party transactions *(Continued)*

(6) Remuneration for directors and supervisors and staff of top five remunerations *(Continued)*

(c) Supervisors

RMB'000

	Current year				Total remuneration
	Emolument	Salaries and allowances	Performance linked bonus	Retirement benefit contribution	
Supervisors:					
Mr. Xu Ping (Note 11 and Note 13)	-	-	-	-	-
Mr. Tang Xiongxing (Note 11 and Note 14)	-	-	-	-	-
Mr. Xu Yuzheng (Note 12 and Note 15)	-	-	-	-	-
Ms. Lan Hong	-	194	156	50	400
Mr. Li Xu	70	9	-	-	79
Ms. Liu Mixia	70	21	-	-	91
Ms. Wang Yan	-	177	143	49	369
Mr. Chao Hsun (Note 16)	29	15	-	-	44
Total	169	416	299	99	983

RMB'000

	Prior year				Total remuneration
	Emolument	Salaries and allowances	Performance linked bonus	Retirement benefit contribution	
Supervisors:					
Mr. Xu Ping (Note 11 and Note 13)	-	-	-	-	-
Mr. Xu Yuzheng (Note 12 and Note 15)	-	-	-	-	-
Ms. Lan Hong	-	214	117	45	376
Mr. Li Xu (Note 10)	58	24	-	-	82
Mr. Fu Daiguo (Note 17)	12	-	-	-	12
Ms. Liu Mixia	70	21	-	-	91
Ms. Wang Yan	-	201	106	45	352
Total	140	460	223	90	913

Notes to the Financial Statements

For the year ended 31 December 2017

(XI) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

5. Related party transactions *(Continued)*

(6) Remuneration for directors and supervisors and staff of top five remunerations *(Continued)*

(c) Supervisors *(Continued)*

Note 11: The remuneration is paid by Sichuan Publication Group. The Group did not pay any remuneration to this supervisor during the current period and the prior period.

Note 12: The remuneration is paid by Sichuan Xinhua Publishing Group. The Group did not pay any remuneration to this supervisor during the current period and the prior period.

Note 13: Has no longer been a supervisor since 21 December 2017.

Note 14: Has been a supervisor since 21 December 2017.

Note 15: Has no longer been a supervisor since 29 March 2017.

Note 16: Has been a supervisor since 25 May 2017.

Note 17: Has no longer been a supervisor since February 2016.

During the current period and the prior period, except that one of the directors does not receive remunerations from the Company in accordance with relevant requirements, no directors or supervisors waived or agreed to waive any remuneration arrangement.

During the current period and the prior period, the remuneration of the above directors and supervisors fell within the range of HK\$0 to HK\$1,000,000.00 (equivalent to RMB835,900.00), except for one director whose remuneration fell within the range of HK\$1,000,000.00 (equivalent to RMB835,900.00) to HK\$2,000,000.00 (equivalent to RMB1,671,800.00).

Notes to the Financial Statements

For the year ended 31 December 2017

(XI) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

5. 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 period and the prior period, 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>	
	Current year	Prior year
Salaries, allowances and benefits-in-kind	1,520	1,419
Performance linked bonus	2,850	2,046
Retirement benefit contribution	198	179
Total	4,568	3,644

During the current year, the remuneration of the above four highest paid staff fell within the range of HK\$1,000,000.00 (equivalent to RMB835,900.00) to HK\$2,000,000.00 (equivalent to RMB1,671,800.00).

During the prior year, as for the above four highest paid staff, a director whose remuneration fell within the range of HK\$1,000,000.00 (equivalent to RMB835,900.00) to HK\$2,000,000.00 (equivalent to RMB1,671,800.00). The remuneration of the remaining three highest paid staff fell within the range of HK\$0 to HK\$1,000,000.00 (equivalent to RMB835,900.00).

Notes to the Financial Statements

For the year ended 31 December 2017

(XI) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

6. 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		
	Sichuan Xinhua Haiyi Cultural Development Co., Ltd.	6,977.50	–		
	Sichuan Xinhua Haiyi Hotel Management Co., Ltd.	75,000.00	–		
Total		277,961.50	200,117.75		
Prepayments	Sichuan Jiaoyang Sihuo Film Co., Ltd.	–	480,000.00		
	Ren Min Eastern (Beijing) Book Industry Co., Ltd.	–	1,533,018.81		
Total		–	2,013,018.81		
Other receivables	Sichuan Xinhua Publishing Group	–	10,331.70		
Total		–	10,331.70		
Accounts payable	The Commercial Press (Chengdu) Co., Ltd.	10,190,017.68	11,200,299.19		
	Hainan Publishing House	112,499.36	122,481.66		
	Ming Bo Education Technology Holdings Co., Ltd.	100,157.79	201,962.50		
	Shanghai Jingjie Information Technology Co., Ltd.	18,941.36	18,941.36		
Total		10,421,616.19	11,543,684.71		
Advance from customers	Sichuan Xinhua Publishing Group	–	44,100.00		
	Sichuan Publication Group	–	68,267.93		
	Ming Bo Education Technology Holdings Co., Ltd.	1,360,000.00	1,360,000.00		
	Liangshan Xinhua Winshare Education Technology Co. Ltd.	300,000.00	–		
Total		1,660,000.00	1,472,367.93		
Other payables	Ming Bo Education Technology Holdings Co., Ltd.	88,084.04	2,100,000.00		
	Chengdu Huang Peng Property Co., Ltd.	704,065.32	–		
	Sichuan Publication Group	632,820.53	872,709.57		
Total		1,424,969.89	2,972,709.57		
Non-current assets due within 1 year	Sichuan Wenzhuo	–	120,000,000.00		
Total		–	120,000,000.00		

Notes to the Financial Statements

For the year ended 31 December 2017

(XI) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

7. Transactions with Bank of Chengdu

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. You Zugang, the secretary of the board of directors of the Company, also serves as the director of Bank of Chengdu; The Group's transactions with Bank of Chengdu within the reporting period are detailed as follows:

(1) Dividends income

Current year		Prior year	
Amount	Proportion (%)	Amount	Proportion (%)
20,000,000.00	7.35	20,000,000.00	30.83

The shown proportion is the proportion of the amount of the transaction to total investment income in the current period.

(2) Purchase of financial products

Current year		Prior year	
Amount	Proportion (%)	Amount	Proportion (%)
40,000,000.00	1.63	—	—

The Group purchased financial products amounting RMB40,000,000.00 from Bank of Chengdu. The shown proportion represent the proportion of this transaction in the total financial products purchased.

Notes to the Financial Statements

For the year ended 31 December 2017

(XI) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

7. Transactions with Bank of Chengdu *(Continued)*

(3) Interest income

Current year		Prior year		<i>RMB</i>
Amount	Proportion (%)	Amount	Proportion (%)	
985,624.67	4.48	955,784.81	7.88	

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	<i>RMB</i>
Bank balances	112,673,200.58	51,484,501.41	

(XII) 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 2017

(XIII) 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 recognized in the financial statements	229,143,117.47	286,059,941.73

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	109,053,199.45	100,876,222.27
2nd year subsequent to the balance sheet date	42,039,561.22	84,883,402.82
3rd year subsequent to the balance sheet date	13,142,340.51	28,408,400.13
Subsequent periods	19,647,000.65	11,814,531.61
Total	183,882,101.83	225,982,556.83

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	15,339,552.45	12,651,147.78
2nd year subsequent to the balance sheet date	8,110,230.99	7,539,544.15
3rd year subsequent to the balance sheet date	2,634,946.45	4,124,456.49
Subsequent periods	2,727,800.00	4,687,764.16
Total	28,812,529.89	29,002,912.58

Notes to the Financial Statements

For the year ended 31 December 2017

(XIV) EVENTS AFTER THE BALANCE SHEET DATE

After the balance sheet date, the Group has the following significant events:

Dividends distribution

The Company held the meeting of Board of Directors on 28 March 2018 and passed the profit distribution proposal of 2017. The retained profits at the year end of 2017 shall be distributed as per RMB0.3 (tax inclusive) per share, share dividends of RMB370,152,300.00 (tax inclusive) is planned to be distributed. The above proposal regarding dividends distribution is to be enforced upon approval in the annual general meeting of 2017 to be held on 30 May 2018.

Other Events:

The Bank of Chengdu was listed in Shanghai Stock Exchange on 31 January 2018, the issuance price is RMB6.99 per share. As at the approval date for publication of the financial statements, the Company held 80,000,000.00 shares of the Bank of Chengdu, with the investment costs of RMB240,000,000.00, accounting for 2.21% of the Bank of Chengdu.

(XV) 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 optimize 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 2017

(XV) OTHER SIGNIFICANT EVENTS *(Continued)*

2. Segment reporting

Based on the Group's internal organization 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; and

Distribution: Distribution of textbooks and supplementary materials to schools and students and supply of informationised service for secondary and primary school education; retailing, distribution and online sales of publications;

Other segment of the Group covers sales of paper pulp, 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 information 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 2017

(XV) 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	664,561,822.51	6,558,784,840.81	122,536,294.34	-	-	7,345,882,957.66
Inter-segment revenue	1,438,813,768.67	7,914,373.50	82,389,418.53	-	(1,529,117,560.70)	-
Total operating income	2,103,375,591.18	6,566,699,214.31	204,925,712.87	-	(1,529,117,560.70)	7,345,882,957.66
Operating profit (loss)	420,789,158.10	307,801,258.80	(6,636,751.96)	193,362,730.33	26,352,898.37	941,669,293.64
Non-operating income	1,498,292.14	7,139,922.05	53,472.05	-	-	8,691,686.24
Non-operating expenses	610,731.57	32,705,203.71	4,788.69	-	-	33,320,723.97
Total profit (loss)	421,676,718.67	282,235,977.14	(6,588,068.60)	193,362,730.33	26,352,898.37	917,040,255.91
Total assets	5,316,826,680.47	6,373,884,272.74	756,478,719.18	3,357,646,662.15	(3,518,130,693.22)	12,286,705,641.32
Total liabilities	2,052,551,883.11	5,097,138,715.65	519,347,118.49	54,132,395.82	(3,393,286,702.14)	4,329,883,410.93
Supplementary information						
Depreciation	24,519,061.35	57,260,219.72	12,056,395.70	-	-	93,835,676.77
Amortisation	3,067,535.78	31,984,925.06	4,418,330.22	-	-	39,470,791.06
Interest income	2,003,700.90	9,186,629.78	829,453.80	17,024,517.44	(851,098.46)	28,193,203.46
Impairment losses recognized in the current period	9,235,062.36	62,786,585.98	8,731,431.41	-	-	80,753,079.75
Investment income from long-term equity investment under equity method	-	5,872,959.38	4,413,596.75	-	-	10,286,556.13
Long-term equity investments under equity method	-	179,503,056.06	177,082,646.50	-	-	356,585,702.56
Capital expenditure	4,761,661.41	221,379,362.55	2,777,773.47	-	-	228,918,797.43
Including: Expenditure arising from						
Construction in progress	1,916,992.58	171,961,787.04	-	-	-	173,878,779.62
Expenditure arising from purchase of fixed assets	2,710,257.20	17,710,183.29	2,733,206.98	-	-	23,153,647.47
Expenditure arising from purchase of intangible assets	134,411.63	12,656,879.80	44,566.49	-	-	12,835,857.92
Development expenditure	-	19,050,512.42	-	-	-	19,050,512.42

Notes to the Financial Statements

For the year ended 31 December 2017

(XV) 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	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 recognized 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 expenditure	-	10,944,702.55	-	-	-	10,944,702.55

Notes to the Financial Statements

For the year ended 31 December 2017

(XV) 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 period is RMB892,179,091.64 (prior period: RMB631,314,893.30), 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 period or prior period.

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.

(XVI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY

1. Cash and bank balances

Item	Closing balance			Opening balance		
	Amounts		Amount in RMB	Amounts of		Amount in RMB
	of the original currencies	Exchange rate		the original currencies	Exchange rate	
Cash:						
RMB	1,936,851.07	1.0000	1,936,851.07	1,785,174.50	1.0000	1,785,174.50
Bank balances:						
RMB	1,103,029,588.02	1.0000	1,103,029,588.02	944,079,453.67	1.0000	944,079,453.67
USD	3,943.49	6.5342	25,767.55	3,966.47	6.9370	27,515.40
HKD	15,299.32	0.8359	12,788.70	5,236.67	0.8945	4,684.20
Other currency funds:						
RMB	2,000,000.00	1.0000	2,000,000.00	-	-	-
Total			1,107,004,995.34			945,896,827.77

RMB

Notes to the Financial Statements

For the year ended 31 December 2017

(XVI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

2. Accounts receivable

(1) Disclosure of accounts receivable by aging:

RMB

Aging	Closing balance				Opening balance			
	Amount	Proportion (%)	Bad debt provision	Carrying amount	Amount	Proportion (%)	Bad debt provision	Carrying amount
Within 1 year	968,019,840.92	90.94	(8,484,144.99)	959,535,695.93	685,923,045.81	88.48	(4,433,726.81)	681,489,319.00
More than 1 year but not exceeding 2 years	36,958,405.88	3.47	(19,229,533.67)	17,728,872.21	34,580,704.47	4.46	(17,584,160.47)	16,996,544.00
More than 2 years but not exceeding 3 years	12,059,754.21	1.13	(12,059,754.21)	-	8,849,575.50	1.14	(8,849,575.50)	-
More than 3 years	47,440,179.92	4.46	(47,440,179.92)	-	45,915,943.09	5.92	(45,915,943.09)	-
Total	1,064,478,180.93	100.00	(87,213,612.79)	977,264,568.14	775,269,268.87	100.00	(76,783,405.87)	698,485,863.00

(2) Disclosure of accounts receivable by categories:

RMB

Category	Closing balance					Opening balance				
	Carrying amount	Bad debt provision		Net carrying amount	Carrying amount	Bad debt provision		Net carrying amount	Carrying amount	
	Proportion	Amount	Proportion of provision			Amount	Proportion			Proportion of provision
Amount	(%)	Amount	(%)	amount	Amount	(%)	Amount	(%)	amount	
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually	752,835,434.86	70.72	(9,648,842.68)	1.28	743,186,592.18	557,900,828.20	71.96	(7,860,893.20)	1.41	550,039,935.00
Accounts receivable for which bad debt provision has been assessed by portfolios	311,642,746.07	29.28	(77,564,770.11)	24.89	234,077,975.96	217,368,440.67	28.04	(68,922,512.67)	31.71	148,445,928.00
Total	1,064,478,180.93	100.00	(87,213,612.79)	8.19	977,264,568.14	775,269,268.87	100.00	(76,783,405.87)	9.90	698,485,863.00

Notes to the Financial Statements

For the year ended 31 December 2017

(XVI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

2. Accounts receivable (Continued)

(2) Disclosure of accounts receivable by categories: (Continued)

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	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	744,974,541.66	(1,787,949.48)	0.24	-	550,039,935.00	-	-	-
Total	752,835,434.86	(9,648,842.68)	1.28	-	557,900,828.20	(7,860,893.20)	1.41	-

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	223,686,589.71	(7,033,765.36)	3.14	135,883,110.81	(4,433,726.81)	3.26
More than 1 year but not exceeding 2 years	36,350,964.69	(18,925,813.08)	52.06	34,580,704.47	(17,584,160.47)	50.85
More than 2 years but not exceeding 3 years	12,059,754.21	(12,059,754.21)	100.00	8,849,575.50	(8,849,575.50)	100.00
More than 3 years	39,545,437.46	(39,545,437.46)	100.00	38,055,049.89	(38,055,049.89)	100.00
Total	311,642,746.07	(77,564,770.11)	24.89	217,368,440.67	(68,922,512.67)	31.71

Notes to the Financial Statements

For the year ended 31 December 2017

(XVI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

2. Accounts receivable (Continued)

(3) Bad debt provision made or reversed in the current period

Bad debt provision in the current period is RMB12,847,867.53, and the reversal of bad debt provision is RMB2,417,660.61.

(4) Accounts receivable written off in the current period

The Group has no accounts receivable written off in the current period.

(5) 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	424,427,160.80	Within 1 year	39.87	–
Education Technology	Subsidiary	125,410,537.48	Within 1 year	11.78	–
Beijing Winshare Commercial	Subsidiary	102,403,282.99	Within 1 year	9.62	–
Hejiang Education Bureau	Third party	16,165,354.60	Within 1 year	1.52	484,960.64
Anyue Education Bureau	Third party	13,579,079.25	Within 1 year	1.28	–
Total		681,985,415.12		64.07	484,960.64

Notes to the Financial Statements

For the year ended 31 December 2017

(XVI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

3. Prepayments

(1) Aging analysis of prepayments is as follow:

RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	27,804,204.94	72.89	25,553,344.71	96.94
1-2 years	10,151,627.00	26.61	617,620.96	2.34
2-3 years	–	–	–	–
More than 3 years	190,909.74	0.50	190,909.74	0.72
Total	38,146,741.68	100.00	26,361,875.41	100.00

Prepayment amounts aged more than one year are mainly prepayments for goods that are not settled by the suppliers.

(2) Entities of top five prepayments

RMB

Name of entity	Relationship with the Company	Closing balance	Period	Reasons for unsettlement
Wenchuan Logistics	Subsidiary	20,000,000.00	Within 1 year, 1-2 years	Service not yet provided
Sichuan Universe VR&AR Technology Co., Ltd.	Third party	1,367,521.50	Within 1 year	Goods not yet received
Sichuan Winshare Education Technology Co., Ltd.	Subsidiary	1,355,279.11	Within 1 year	Goods not yet received
Sichuan Sensen Display Equipment Co., Ltd.	Third party	1,131,310.02	Within 1 year, 1-2 years	Goods not yet received
STEM Innovations Co., Ltd.	Third party	1,102,747.78	Within 1 year	Goods not yet received
Total		24,956,858.41		

Notes to the Financial Statements

For the year ended 31 December 2017

(XVI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

4. Other receivables

(1) Disclosure of other receivables by aging:

RMB

Aging	Closing balance				Opening balance			
	Amount	Proportion (%)	Bad debt provision	Carrying amount	Amount	Proportion (%)	Bad debt provision	Carrying amount
Within 1 year	252,801,664.46	52.20	(379,620.11)	252,422,044.35	102,588,062.25	32.70	(346,100.45)	102,241,961.80
More than 1 year but not exceeding 2 years	83,597,034.28	17.26	(60,294.47)	83,536,739.81	66,752,543.27	21.27	(90,000.00)	66,662,543.27
More than 2 years but not exceeding 3 years	39,643,281.31	8.18	(83,366.78)	39,559,914.53	35,094,036.98	11.18	(82,500.00)	35,011,536.98
More than 3 years	108,300,312.20	22.36	(5,351,182.02)	102,949,130.18	109,355,677.55	34.85	(5,432,042.02)	103,923,635.53
Total	484,342,292.25	100.00	(5,874,463.38)	478,467,828.87	313,790,320.05	100.00	(5,950,642.47)	307,839,677.58

(2) Disclosure of other receivables by categories:

RMB

Category	Closing balance					Opening balance				
	Carrying amount		Bad debt provision		Net carrying amount	Carrying amount		Bad debt provision		Net carrying amount
	Amount	Proportion (%)	Amount	Proportion of provision (%)		Amount	Proportion (%)	Amount	Proportion of provision (%)	
Other receivables that are individually significant and for which bad debt provision has been assessed individually	445,206,929.07	91.92	(5,269,196.00)	1.18	439,937,733.07	283,674,717.50	90.40	(5,269,196.00)	1.86	278,405,521.50
Other receivables for which bad debt provision has been assessed by portfolios	12,642,626.51	2.61	(605,267.38)	4.79	12,037,359.13	10,545,730.02	3.36	(681,446.47)	6.46	9,864,283.55
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	26,492,736.67	5.47	-	-	26,492,736.67	19,569,872.53	6.24	-	-	19,569,872.53
Total	484,342,292.25	100.00	(5,874,463.38)	1.21	478,467,828.87	313,790,320.05	100.00	(5,950,642.47)	1.90	307,839,677.58

Notes to the Financial Statements

For the year ended 31 December 2017

(XVI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

4. Other receivables (Continued)

(2) 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	439,937,733.07	-	-	-	278,405,521.50	-	-	-
Total	445,206,929.07	(5,269,196.00)	1.18		283,674,717.50	(5,269,196.00)	1.86	

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	12,291,173.28	(379,620.11)	3.09	10,066,968.35	(346,100.45)	3.44
More than 1 year but not exceeding 2 years	119,064.13	(60,294.47)	50.64	144,292.78	(90,000.00)	62.37
More than 2 years but not exceeding 3 years	118,917.29	(83,366.78)	70.10	117,083.38	(82,500.00)	70.46
More than 3 years	113,471.81	(81,986.02)	72.25	217,385.51	(162,846.02)	74.91
Total	12,642,626.51	(605,267.38)	4.79	10,545,730.02	(681,446.47)	6.46

(3) Bad debt provision for the period

The amount of bad debt provision for the year is RMB175,188.81, bad debts reversed is RMB251,367.90.

Notes to the Financial Statements

For the year ended 31 December 2017

(XVI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

4. Other receivables (Continued)

(4) Other receivables written off in the current period

The Group has no other receivables written off in the current period.

(5) Other receivables disclosed by their nature

RMB

Nature of other receivables	Closing balance	Opening balance
Other receivables from related parties	456,235,514.34	292,531,474.97
Deposit/security deposit	19,726,012.20	5,334,081.56
Petty cash	3,231,041.30	2,913,250.70
Others	5,149,724.41	13,011,512.82
Total	484,342,292.25	313,790,320.05

(6) 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	200,575,247.10	Within 1 year, 4-5 years	41.41	–
Sichuan Xinhua Printing	Receivables from subsidiaries	43,321,046.23	1-2 years	8.94	–
Reader's Journal Press	Receivables from subsidiaries	34,587,354.37	Within 1 year, 1-2 years	7.14	–
Winshare Investment	Receivables from subsidiaries	29,848,680.96	Within 1 year	6.16	–
Arts Investment	Receivables from subsidiaries	27,246,265.75	Within 1 year	5.63	–
Total		335,578,594.41		69.28	

Notes to the Financial Statements

For the year ended 31 December 2017

(XVI) 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	300,000,000.00	280,000,000.00	320,000,000.00	260,000,000.00	
Including: Wan Xin Media	-	-	-	-	N/A
Bank of Chengdu	-	20,000,000.00	20,000,000.00	-	N/A
Publication Printing	70,000,000.00	60,000,000.00	70,000,000.00	60,000,000.00	N/A
Education Publishing House	230,000,000.00	200,000,000.00	230,000,000.00	200,000,000.00	N/A
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	-	N/A
Total	500,000,000.00	280,000,000.00	520,000,000.00	260,000,000.00	

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	1,351,222,720.97	(92,617,146.21)	1,258,605,574.76	1,354,275,119.58	(62,480,169.96)	1,291,794,949.62
Work-in-progress	7,580,957.18	-	7,580,957.18	-	-	-
Raw materials	1,701,502.39	-	1,701,502.39	2,181,688.28	-	2,181,688.28
Total	1,360,505,180.54	(92,617,146.21)	1,267,888,034.33	1,356,456,807.86	(62,480,169.96)	1,293,976,637.90

The Group has no inventories pledged as collaterals in the current period.

Notes to the Financial Statements

For the year ended 31 December 2017

(XVI) 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 period	Decrease in the current year		Closing balance
			Reversals	Write-off	
Goods on hand	62,480,169.96	43,425,921.78	-	(13,288,945.53)	92,617,146.21

7. Other current assets

RMB

Item	Closing balance	Opening balance
Bank wealth management products	1,135,000,000.00	866,000,000.00
Entrusted loan	-	300,217,776.45
VAT input tax to be deducted	21,836,897.85	14,160,785.87
Stock investment of listed companies	28,233.14	-
Total	1,156,865,130.99	1,180,378,562.32

8. Non-current assets due within one year

RMB

Item	Closing balance	Opening balance
Entrusted loan (Note)	-	120,000,000.00
Time deposit	280,000,000.00	-
Total	280,000,000.00	120,000,000.00

Note: Please refer to Note (VI) 8 for details.

Notes to the Financial Statements

For the year ended 31 December 2017

(XVI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

9. 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	40,000,000.00	-	-	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)	-	-
Winshare Sports Culture	55,644,135.82	69,271,000.00	-	124,915,135.82	-
Winshare Education Technology	333,840,776.30	-	-	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	45,000,000.00	-	-	45,000,000.00	-
Beijing Winshare Commercial	91,800,000.00	-	-	91,800,000.00	-
Wenchuan Logistics	100,000,000.00	250,000,000.00	-	350,000,000.00	-
VIVI Bride	2,000,000.00	-	-	2,000,000.00	-
VIVI Advertising	4,000,000.00	-	-	4,000,000.00	-
Winshare Cloud Image	15,800,400.00	9,000,000.00	-	24,800,400.00	-
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	50,731,819.65	-	-	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	29,000,000.00	-	34,244,860.20	-
Tiandi Publishing House*	10,744,350.03	128,634,700.00	-	139,379,050.03	-

Notes to the Financial Statements

For the year ended 31 December 2017

(XVI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY *(Continued)*

9. Long-term equity investment *(Continued)*

(1) Investment in subsidiaries *(Continued)*

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	200,000,000.00	-	-	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	2,705,076,354.52	485,905,700.00	(182,949,306.86)	3,008,032,747.66	(2,072,032.00)

* In July and October, 2017, the Company respectively transferred 100% equity right in Beijing Shuchuan and Huaxia Shengxuan to the wholly-owned company Tiandi Publishing House.

Notes to the Financial Statements

For the year ended 31 December 2017

(XVI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

9. Long-term equity investment (Continued)

(2) Investment in joint ventures or associates

RMB

Investee	Opening balance	Increase in investment	Decrease in investment	Investment profit or loss under equity method	Changes for the period					Closing balance	Closing balance of provision for impairment
					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	123,691,711.76	-	-	7,931,208.34	-	-	-	-	-	131,622,920.10	-
Sichuan Wenzhuo	301,033,138.97	-	(301,033,138.97)	-	-	-	-	-	-	-	-
Liangshan Xinhua Winshare Education Technology Co. Ltd.	-	4,900,000.00	-	(748,741.35)	-	-	-	-	-	4,151,258.65	-
Subtotal	424,724,850.73	4,900,000.00	(301,033,138.97)	7,182,466.99	-	-	-	-	-	135,774,178.75	-
II. Associates											
The Commercial Press (Chengdu) Co., Ltd.	2,247,848.10	-	-	187,193.97	-	-	-	-	-	2,435,042.07	-
Ren Min Eastern (Beijing) Book Industry Co., Ltd.	10,140,345.61	-	-	3,040,004.69	-	-	(2,560,000.00)	-	-	10,620,350.30	-
Guizhou Winshare	-	-	-	-	-	-	-	-	-	-	-
Ming Bo Education Technology Holdings Co., Ltd.	28,754,377.57	-	-	2,847,144.38	-	406,244.18	-	-	-	32,007,766.13	-
Chengdu Xinhui	22,612,431.25	-	(22,612,431.25)	-	-	-	-	-	-	-	-
Winshare Preschool	1,678,942.70	-	-	685,363.78	-	-	-	-	-	2,364,306.48	-
Xinhua Yingxuan	-	15,393,150.20	-	(518,180.44)	-	-	-	-	-	14,874,969.76	-
Subtotal	65,433,945.23	15,393,150.20	(22,612,431.25)	6,241,526.38	-	406,244.18	(2,560,000.00)	-	-	62,302,434.74	-
Total	490,158,795.96	20,293,150.20	(323,645,570.22)	13,423,993.37	-	406,244.18	(2,560,000.00)	-	-	198,076,613.49	-

Notes to the Financial Statements

For the year ended 31 December 2017

(XVI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

10. Investment properties

Investment properties measured at cost

Item	RMB Buildings
I. Cost	
1. Opening & closing balance	33,651,290.75
II. Accumulated depreciation	
1. Opening balance	(11,062,211.40)
2. Increase in the period	(900,190.03)
(1) Provision	(900,190.03)
3. Closing balance	(11,962,401.43)
III. Net book value of investment properties:	
1. Net book value at the end of the period	21,688,889.32
2. Net book value at the beginning of the period	22,589,079.35

11. Fixed assets

Item	RMB				Total
	Buildings	Machinery and equipment	Electronic equipment and others	Transportation vehicles	
I. Cost					
1. Opening balance	1,117,595,489.16	78,566,649.06	120,530,897.49	89,205,209.40	1,405,898,245.11
2. Increase in the period	9,031,598.76	2,409,868.91	13,214,862.83	1,069,973.77	25,726,304.27
(1) Acquisition	440,889.10	2,409,868.91	13,214,862.83	1,069,973.77	17,135,594.61
(2) Transfer from construction in progress	8,590,709.66	-	-	-	8,590,709.66
3. Decrease in the period	-	(533,678.53)	(5,865,321.51)	(3,516,403.09)	(9,915,403.13)
(1) Disposal	-	(533,678.53)	(5,865,321.51)	(3,516,403.09)	(9,915,403.13)
4. Closing balance	1,126,627,087.92	80,442,839.44	127,880,438.81	86,758,780.08	1,421,709,146.25
II. Total accumulated depreciation:					
1. Opening balance	(309,953,787.06)	(61,057,078.78)	(94,029,304.45)	(64,297,696.58)	(529,337,866.87)
2. Increase in the period	(35,925,913.88)	(3,158,443.22)	(11,326,992.04)	(8,437,403.96)	(58,848,753.10)
(1) Provision	(35,925,913.88)	(3,158,443.22)	(11,326,992.04)	(8,437,403.96)	(58,848,753.10)
3. Decrease in the period	-	506,258.24	5,842,746.20	3,076,516.07	9,425,520.51
(1) Disposal	-	506,258.24	5,842,746.20	3,076,516.07	9,425,520.51
4. Closing balance	(345,879,700.94)	(63,709,263.76)	(99,513,550.29)	(69,658,584.47)	(578,761,099.46)
III. Total net book value of fixed assets:					
1. Net book value at the end of the year	780,747,386.98	16,733,575.68	28,366,888.52	17,100,195.61	842,948,046.79
2. Net book value at the beginning of the year	807,641,702.10	17,509,570.28	26,501,593.04	24,907,512.82	876,560,378.24

Notes to the Financial Statements

For the year ended 31 December 2017

(XVI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

12. Intangible assets

Intangible assets are as follows:

				RMB
Item	Land use rights	Software	Others	Total
I. Cost:				
1. Opening balance	187,639,336.30	61,262,920.53	167,700.00	249,069,956.83
2. Increase in the period	–	5,871,929.18	–	5,871,929.18
(1) Acquisition	–	5,871,929.18	–	5,871,929.18
3. Closing balance	187,639,336.30	67,134,849.71	167,700.00	254,941,886.01
II. Total accumulated amortisation:				
1. Opening balance	(53,665,480.24)	(47,933,397.85)	(167,700.00)	(101,766,578.09)
2. Increase in the period	(5,007,894.13)	(3,490,114.60)	–	(8,498,008.73)
(1) Provision	(5,007,894.13)	(3,490,114.60)	–	(8,498,008.73)
3. Closing balance	(58,673,374.37)	(51,423,512.45)	(167,700.00)	(110,264,586.82)
III. Net book value				
1. Net book value at the end of the year	128,965,961.93	15,711,337.26	–	144,677,299.19
2. Net book value at the beginning of the year	133,973,856.06	13,329,522.68	–	147,303,378.74

13. Long-term prepaid expenses

				RMB
Item	Opening balance	Increase in the current year	Amortisation in the current year	Closing balance
Leasehold improvement	10,515,932.76	17,684,450.71	15,511,547.40	12,688,836.07
Rents	192,098.95	–	48,024.60	144,074.35
Total	10,708,031.71	17,684,450.71	15,559,572.00	12,832,910.42

Notes to the Financial Statements

For the year ended 31 December 2017

(XVI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

14. Other non-current assets

<i>RMB</i>		
Item	Closing balance	Opening balance
Receivables from subsidiaries	536,000,000.00	307,037,299.99
VAT input tax to be deducted (Note)	60,408,980.60	60,104,189.59
Time deposit	–	280,000,000.00
Total	596,408,980.60	647,141,489.58

Note: Please refer to Note (VI) 19 for details of VAT input tax to be deducted.

15. Accounts payable

<i>RMB</i>		
Item	Closing balance	Opening balance
Within 1 year	3,008,879,033.36	2,528,883,450.58
More than 1 year but not exceeding 2 years	755,864,875.28	802,712,353.39
More than 2 years but not exceeding 3 years	235,762,230.64	361,776,937.15
More than 3 years	150,227,523.33	196,915,387.38
Total	4,150,733,662.61	3,890,288,128.50

16. Advance from customers

Details of advance from customers are as followings:

<i>RMB</i>		
Item	Closing balance	Opening balance
Within 1 year	220,242,402.47	204,532,004.08
More than 1 year but not exceeding 2 years	4,462,752.43	1,876,274.87
More than 2 year but not exceeding 3 years	1,268,236.99	2,187,620.53
More than 3 years	3,926,625.36	3,542,936.83
Total	229,900,017.25	212,138,836.31

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 2017

(XVI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

17. 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 employee benefits	170,440,891.37	513,881,926.61	(472,453,222.81)	211,869,595.17
II. Post-employment benefit – defined contribution plan	475,575.06	80,193,034.58	(79,630,439.56)	1,038,170.08
Total	170,916,466.43	594,074,961.19	(552,083,662.37)	212,907,765.25

(2) Short-term employ benefits

RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Wages or salaries, bonuses, allowance and subsidies	134,430,073.30	428,191,716.31	(389,915,943.01)	172,705,846.60
II. Staff welfare	4,058.55	5,103,345.37	(5,103,925.37)	3,478.55
III. Social security contributions	49,155.83	27,248,425.05	(26,985,507.21)	312,073.67
Including: Medical insurance	39,166.86	24,123,215.92	(23,886,735.90)	275,646.88
Work-related injury insurance	6,609.11	1,429,360.21	(1,422,237.57)	13,731.75
Maternity insurance	3,379.86	1,693,430.90	(1,674,115.72)	22,695.04
Other insurances	–	2,418.02	(2,418.02)	–
IV. Housing funds	1,192,735.05	37,612,349.88	(37,226,624.61)	1,578,460.32
V. Union running costs and employee education costs	34,556,952.92	15,042,503.80	(12,537,636.41)	37,061,820.31
VI. Others	207,915.72	683,586.20	(683,586.20)	207,915.72
Total	170,440,891.37	513,881,926.61	(472,453,222.81)	211,869,595.17

Notes to the Financial Statements

For the year ended 31 December 2017

(XVI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

17. 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	107,643.58	59,001,661.93	(58,421,816.53)	687,488.98
II. Unemployment insurance	14,502.25	1,907,862.94	(1,889,951.64)	32,413.55
III. Enterprise annuity	353,429.23	19,283,509.71	(19,318,671.39)	318,267.55
Total	475,575.06	80,193,034.58	(79,630,439.56)	1,038,170.08

18. Taxes payable

RMB

Item	Closing balance	Opening balance
City construction and maintenance tax	47,397.23	47,999.42
Education surcharges	30,416.70	30,846.85
Others	18,304,910.31	18,390,360.42
Total	18,382,724.24	18,469,206.69

19. Other payables

RMB

Item	Closing balance	Opening balance
Amounts due to related parties	295,776,678.71	343,100,577.96
Security deposit/deposit/quality warranty/performance security	69,602,640.62	72,423,669.76
Construction and infrastructure construction expenses	22,138,815.54	16,860,787.22
Others	32,255,455.97	34,129,599.01
Total	419,773,590.84	466,514,633.95

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 2017

(XVI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

20. Capital reserve

For the current period

RMB

Item	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
Share capital premium				
Including: Capital contributed by investors	2,621,627,617.97	406,244.18	-	2,622,033,862.15
Effects of business combination involving enterprises under common control	(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	2,630,651,083.92	406,244.18	-	2,631,057,328.10

For the prior period

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	(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

Notes to the Financial Statements

For the year ended 31 December 2017

(XVI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

21. Other comprehensive income

RMB

Item	Opening balance	Amount for the current period before income tax	Changes in the year				Closing balance
			Less: Amount included in other comprehensive income in the prior period 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	2,008,398,036.83	(872,234,843.78)	-	-	(872,234,843.78)	-	1,136,163,193.05
Gains or losses arising from changes in fair value of available-for-sale financial assets	2,008,398,036.83	(872,234,843.78)	-	-	(872,234,843.78)	-	1,136,163,193.05
Prior 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

22. Surplus reserve

RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
For the current year				
Statutory surplus reserve	538,730,217.21	86,178,668.08	-	624,908,885.29
For the prior year				
Statutory surplus reserve	475,598,986.38	63,131,230.83	-	538,730,217.21

According to the Company Law of the People's Republic of China and 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 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 2017

(XVI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

23. Retained profits

			RMB
Item	Current year	Prior year	Proportion of appropriation
Retained profits at beginning of year	1,647,331,966.56	1,449,303,189.07	
Add: Net profit for the period	861,786,680.75	631,312,308.32	
Less: Appropriation to statutory surplus reserve	(86,178,668.08)	(63,131,230.83)	Note (VI) 33(1)
Declaration of dividends on ordinary shares	(370,152,300.00)	(370,152,300.00)	Note (VI) 33(2)
Effect of accounting for long-term equity investment in subsidiary using equity method instead of cost method due to disposal of subsidiary	(6,538,821.10)	-	-
Retained profits at the end of the year	2,046,248,858.13	1,647,331,966.56	

24. Operating income and operating costs

			RMB
Item	Amount recognized in the current year	Amount recognized in the prior year	
Principal operating income	5,765,867,257.44	5,050,447,199.75	
Including: textbooks and supplementary materials	3,690,378,349.61	3,315,531,959.85	
Other operating income	121,545,207.22	100,405,083.84	
Including: Associated goods income	345,054,551.69	322,989,829.28	
Associated goods cost	(293,807,996.13)	(273,618,726.23)	
Net income from associated goods	51,246,555.56	49,371,103.05	
Operating costs	4,108,017,831.24	3,527,484,418.78	

Notes to the Financial Statements

For the year ended 31 December 2017

(XVI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

25. Taxes and levies

Item	RMB	
	Amount incurred in the current year	Amount incurred in the prior year
Business tax	–	418,036.54
City construction and maintenance tax	50,085.56	106,848.49
Education surcharges	35,775.40	65,398.89
Property tax	11,141,849.15	7,974,711.36
Urban land use tax	615,586.19	2,114,332.97
Stamp duty	501,923.33	301,781.28
Vessel and vehicle tax	284,174.80	196,963.60
Disabled person security fund	3,510,260.46	2,959,478.95
Others	30,128.31	69,648.61
Total	16,169,783.20	14,207,200.69

26. Selling expenses

Item	RMB	
	Amount incurred in the current year	Amount incurred in the prior year
Wages or salaries and welfares	271,448,560.59	239,107,198.02
Transportation costs	120,917,502.17	122,703,226.59
Business conference fees	39,595,130.78	37,684,355.24
Vehicle fees	28,204,664.81	27,475,563.92
Travel expenses	17,903,869.82	13,259,713.43
Advertisement and promotion expenses	29,506,635.99	16,682,828.24
Publication charges	24,297,382.93	4,422,520.17
Packing expenses	12,416,614.17	13,491,599.57
Others	104,936,723.75	83,277,029.77
Total	649,227,085.01	558,104,034.95

Notes to the Financial Statements

For the year ended 31 December 2017

(XVI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

27. Administrative expenses

Item	RMB	
	Amount incurred in the current year	Amount incurred in the prior year
Wages or salaries and welfares	320,993,802.37	308,522,926.39
Business entertainment fees	98,624,834.95	99,605,439.98
Lease payments	102,877,567.31	89,055,678.88
Depreciation and amortisation expenses	82,851,446.31	80,614,238.36
Conference fees	20,227,402.46	21,389,466.29
Energy costs	17,026,584.09	17,141,839.44
Taxes	–	4,513,441.67
Property management fees	22,310,994.46	20,874,698.05
Travel expenses	6,549,578.07	7,664,837.92
Repair charge	14,842,218.65	17,658,806.27
Office expenses	5,290,615.02	5,884,457.18
Audit and other non-audit service fees	3,670,000.00	3,700,000.00
Others	72,372,262.90	57,964,941.14
Total	767,637,306.59	734,590,771.57

28. Finance expenses

Item	RMB	
	Amount incurred in the current year	Amount incurred in the prior year
Interest expenses	1,681,285.95	2,080,000.00
Interest income	(18,709,932.25)	(7,805,970.23)
Interest income from long-term receivables	(878,661.54)	(1,317,992.31)
Fees and commissions	2,235,787.57	1,615,781.54
Foreign exchange gains or losses and others	(1,059,839.64)	785,962.63
Total	(16,731,359.91)	(4,642,218.37)

Notes to the Financial Statements

For the year ended 31 December 2017

(XVI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

29. Impairment losses of assets

Item	RMB	
	Amount incurred in the current year	Amount incurred in the prior year
Bad debt provision	10,354,027.83	18,743,647.41
Losses of decline in value of inventories	43,425,921.78	32,568,826.85
Total	53,779,949.61	51,312,474.26

30. Investment income

Item	RMB	
	Amount incurred in the current year	Amount incurred in the prior year
Income from long-term equity investments		
Including: Investment income under cost method	260,000,000.00	300,000,000.00
Including: Investment income under equity method	13,423,993.37	10,849,157.98
Investment income (loss) on disposal of long-term equity investments	218,848,600.88	(1,655,127.00)
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	20,000,000.00
Investment income from available-for-sale financial assets that are subsequently measured at fair value	20,647,638.99	16,203,200.00
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	24,368,718.78	7,913,185.97
Others	13,000,000.00	–
Total	570,288,952.02	353,560,416.95

Notes to the Financial Statements

For the year ended 31 December 2017

(XVI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

31. Other income

Item	RMB	
	Amount incurred in the current year	Amount incurred in the prior year
Other fiscal subsidies	6,007,170.75	–
Total	6,007,170.75	–

32. 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
Government grants	–	22,437,886.28
Others	7,092,349.04	6,744,390.93
Total	7,092,349.04	29,182,277.21

(2) Details of government grants:

Item	RMB	
	Amount incurred in the current year	Amount incurred in the prior year
Refund of VAT surcharges	–	17,254,510.54
Other fiscal subsidies	–	5,183,375.74
Total	–	22,437,886.28

Notes to the Financial Statements

For the year ended 31 December 2017

(XVI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

33. Non-operating expenses

Item	RMB	
	Amount incurred in the current year	Amount incurred in the prior year
Donations	30,947,301.58	21,293,299.32
Penalties	26.05	46.91
Others	46,294.32	21,368.78
Total	30,993,621.95	21,314,715.01

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
Interest income	8,481,815.95	7,410,881.01
Government grants	–	2,331,793.03
Recovery of deposit and petty cash	–	24,151,613.86
Others	16,136,456.26	22,186,419.16
Total	24,618,272.21	56,080,707.06

(2) Other cash payments relating to operating activities

Item	RMB	
	Amount incurred in the current year	Amount incurred in the prior year
Selling expenses	376,145,926.19	318,996,836.93
Administrative expenses (exclusive of lease payment)	265,112,335.44	241,334,725.17
Lease payment	98,624,834.95	99,605,439.98
Amount due/from subsidiaries	33,847,476.39	9,877,780.87
Others	53,602,212.13	27,666,591.67
Total	827,332,785.10	697,481,374.62

Notes to the Financial Statements

For the year ended 31 December 2017

(XVI) 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	861,786,680.75	631,312,308.32
Add: Provision for impairment losses of assets	53,779,949.61	51,312,474.26
Depreciation of fixed assets,	58,848,753.10	61,510,773.07
Depreciation of investment properties	900,190.03	900,190.02
Amortisation of intangible assets	8,498,008.73	11,117,333.96
Amortisation of long-term prepaid expenses	15,559,572.00	7,986,131.33
Net gains on disposal of fixed assets, intangible assets and other long-term assets	(69,682.81)	(88,727.46)
Gains from changes in fair value	(10,279.16)	–
Finance expenses	802,624.41	762,007.69
Interest income from loans	(11,549,730.42)	(7,183,426.01)
Investment Income	(570,288,952.02)	(353,560,416.95)
Increase in inventories	(17,337,318.21)	(130,819,227.04)
Increase in receivables from operating activities	(406,165,668.61)	(119,878,939.27)
Increase in payables from operating activities	796,139,408.07	720,753,436.02
Net cash flow from operating activities	790,893,555.47	874,123,917.94
2. Net changes in cash and cash equivalents:		
Closing balance of cash	1,105,004,995.34	915,684,202.39
Less: Opening balance of cash	915,684,202.39	1,125,067,860.80
Net increase(decrease) in cash and cash equivalents	189,320,792.95	(209,383,658.41)

(2) Cash and cash equivalents

	RMB	
Item	Current year	Prior year
Cash	1,105,004,995.34	915,684,202.39
Including: Cash on hand	1,936,851.07	1,785,174.50
Bank deposits readily withdrawn on demand	1,103,068,144.27	913,899,027.89
Balance of cash and cash equivalents	1,105,004,995.34	915,684,202.39

Notes to the Financial Statements

For the year ended 31 December 2017

(XVI) 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

Related party	Type of related party transaction	Details of related party transaction	Pricing and decision-making procedures of related party transactions	RMB	
				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	308,764.99	268,908.61
Sichuan Guanghan Sanxingdai Qushanyuan Cultural Ltd.	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	615,656.00	272,211.30
Chengdu Huang Peng Property Co., Ltd.	Receipt of services	Payments for property management fees	Price negotiated by both parties	4,732,877.46	4,974,751.52
Sichuan Xinhua Haiyi Cultural Development Co., Ltd.	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	455,518.51	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	187,173.00	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
Hainan Publishing	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	3,425,374.02	2,543,154.53
Shanghai Jingjie Information Technology Co., Ltd.	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	–	96,960.00
Bashu Publishing House	Purchase of goods	Payments for goods purchased and receiving service	Price negotiated by both parties	16,751,867.57	9,365,388.04
Education Publishing House	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	601,442,805.75	608,126,361.63
Publication Printing	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	247,581,467.20	217,481,432.14
Printing Materials	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	2,318,465.45	6,733,946.73
Lexicographical Publishing House	Purchase of goods	Payments for goods purchased and receiving service	Price negotiated by both parties	4,080,722.89	6,234,443.89
Science & Technology Publishing House	Purchase of goods	Payments for goods purchased and receiving service	Price negotiated by both parties	6,048,125.92	3,240,724.10
Fine Arts Publishing House	Purchase of goods	Payments for goods purchased and receiving service	Price negotiated by both parties	29,377,855.18	25,542,247.88
People's Publishing House	Purchase of goods	Payments for goods purchased and receiving service	Price negotiated by both parties	39,814,213.83	17,798,933.27
Youth and Children's Publishing House	Purchase of goods	Payments for goods purchased and receiving service	Price negotiated by both parties	9,875,022.86	9,889,999.46
Tiandi Publishing House	Purchase of goods	Payments for goods purchased and receiving service	Price negotiated by both parties	26,712,876.17	37,436,908.22
Literature & Art Publishing House	Purchase of goods	Payments for goods purchased and receiving service	Price negotiated by both parties	30,893,696.77	22,848,874.66
Digital Publishing	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	201,819.34	133,901.93
Pictorial	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	26,400.00	–
Xinhua Online	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	30,345,560.96	40,440,397.51
Winshare Education Technology	Receipt of services	Payments for goods purchased	Price negotiated by both parties	51,149,783.95	13,243,295.85
Beijing Shuchuan	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	108,552,648.21	–
Wenchuan Logistics	Receipt of services	Commissioned logistics cost/ transportation cost	Price negotiated by both parties	80,536,512.34	42,476,912.22
Winshare Online	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	753,501.61	280,217.40
Sichuan Xinhua Printing	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	262,297.39	–
Sichuan Culture Communication	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	1,729,731.19	1,180,803.40
Winshare Cloud Image	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	1,698,579.61	–
Xinhua Haiyi Hotel Co., Ltd.	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	23,113.96	–
Total				1,299,902,432.13	1,087,443,475.95

Notes to the Financial Statements

For the year ended 31 December 2017

(XVI) 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
Winshare Online	Sales of goods	Receipts for goods sold	Price negotiated by both parties	921,892,620.87	818,272,147.42
Xinhua Online	Sales of goods	Receipts for goods sold	Price negotiated by both parties	61,161,962.50	41,231,657.62
Beijing Winshare Commercial	Sales of goods	Receipts for goods sold and transportation service rendered	Price negotiated by both parties	651,168.00	785,454.08
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	86,969,637.20	20,413,221.33
Sichuan Xinhua Printing	Sales of goods	Receipts for goods sold	Price negotiated by both parties	681,669.64	-
Total				1,071,357,058.21	880,763,015.54

(2) Guarantees for subsidiaries

The Company has not provided any guarantee for subsidiaries for the current year.

Notes to the Financial Statements

For the year ended 31 December 2017

(XVI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

36. Related party relationship and transactions (Continued)

(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 recognized in the current year	Lease income recognized 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	1,279,575.78
The Company	Printing materials	Buildings	2017.1.1	2019.12.31	Contractual price negotiated by both parties	409,729.73	N/A
The Company	Bashu Publishing House	Buildings	2017.1.1	2019.12.31	Contractual price negotiated by both parties	782,056.80	N/A
The Company	Youth and Children's Publishing House	Buildings	2017.1.1	2019.12.31	Contractual price negotiated by both parties	1,014,167.46	N/A
The Company	Literature & Art Publishing House	Buildings	2017.1.1	2019.12.31	Contractual price negotiated by both parties	745,820.86	N/A
The Company	People's Publishing House	Buildings	2017.1.1	2019.12.31	Contractual price negotiated by both parties	1,521,251.18	N/A
The Company	Science & Technology Publishing House	Buildings	2017.1.1	2019.12.31	Contractual price negotiated by both parties	786,694.47	N/A
The Company	Tiandi Publishing House	Buildings	2017.1.1	2019.12.31	Contractual price negotiated by both parties	746,259.75	N/A
The Company	Lexicographical Publishing House	Buildings	2017.1.1	2019.12.31	Contractual price negotiated by both parties	587,646.01	N/A
The Company	Publication Printing	Buildings	2017.1.1	2019.12.31	Contractual price negotiated by both parties	549,334.90	N/A
Total						8,422,536.94	1,279,575.78

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 recognized in the current year	Lease income recognized in the prior year
Sichuan Xinhua Publishing Group	The Company	Buildings	2016.1.1	2018.12.31	Contractual price negotiated by both parties	38,230,038.10	39,828,465.19
Sichuan Publication Group	The Company	Buildings	2017.1.1	2019.12.31	Contractual price negotiated by both parties	13,336,427.32	N/A
Sichuan Publication Group	The Company	Buildings	2014.1.1	2016.12.31	Contractual price negotiated by both parties	N/A	2,218,128.88
Sichuan Hengxi Property Management Co., Ltd.	The Company	Buildings	2017.1.1	2019.12.31	Contractual price negotiated by both parties	578,177.64	N/A
Sichuan Hengxi Property Management Co., Ltd.	The Company	Buildings	2014.1.1	2016.12.31	Contractual price negotiated by both parties	N/A	578,639.38

Notes to the Financial Statements

For the year ended 31 December 2017

(XVI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY (Continued)

36. Related party relationship and transactions (Continued)

(4) Borrowings/loans with related parties

Related party	Current year	Balance at the end of the current year	RMB	
			Prior year	Balance at the end of the prior year
Borrowings				
Youth and Children's Publishing House	–	–	–	60,000,000.00
Winshare Media	6,000,000.00	–	–	–
Culture Communication	20,000,000.00	–	–	–
Winshare International	13,500,000.00	13,697,090.75	–	–
Pictorial	5,000,000.00	–	–	–
Total	44,500,000.00	13,697,090.75	–	60,000,000.00
Loans				
Sichuan Wenzhuo	–	–	–	120,000,000.00
Winshare Investment	25,000,000.00	254,848,680.96	100,000,000.00	220,614,600.00
Wenchuan Logistics	156,000,000.00	156,000,000.00	300,217,776.45	377,255,076.44
Winshare Education Technology	125,000,000.00	177,507,506.86	100,000,000.00	30,000,000.00
Sichuan Xinhua Printing	–	43,321,046.23	44,791,600.00	46,376,000.00
Printing Materials	140,000,000.00	200,575,247.10	1,538,600.00	59,708,400.00
Reader's Journal Press	–	34,587,354.37	53,800.00	33,637,800.00
Huaxia Shengxuan	80,000,000.00	–	–	–
Bashu Publishing House	5,000,000.00	–	–	–
Total	531,000,000.00	866,839,835.52	546,601,776.45	887,591,876.44

Notes to the Financial Statements

For the year ended 31 December 2017

(XVI) 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	851,098.46	53.66	2,080,000.00	100.00
Winshare Media	158,626.25	10.00	–	–
Sichuan Culture Communication	280,434.22	17.68	–	–
Winshare International Pictorial	185,934.67	11.72	–	–
	110,025.20	6.94	–	–
Total	1,586,118.80	100.00	2,080,000.00	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
Sichuan Wenzhuo	1,180,180.10	7,183,426.01
Sichuan Xinhua Printing	1,839,811.64	1,293,250.84
Printing Materials	2,948,372.74	3,629,149.42
Winshare Investment	8,711,383.75	10,191,974.66
Reader's Journal Press	895,868.76	895,868.76
Winshare Cloud Image	–	80,388.99
Wenchuan Logistics	10,369,550.32	–
Huaxia Shengxuan	1,611,152.76	–
Winshare Education Technology	2,365,572.51	–
Bashu Publishing House	105,686.23	–
Total	30,027,578.81	23,274,058.68

Notes to the Financial Statements

For the year ended 31 December 2017

(XVI) 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	424,427,160.80	417,260,761.31
	Sichuan Xinhua Publishing Group	–	4,133.75
	Xinhua Online	4,548,418.63	4,610,950.98
	Beijing Winshare Commercial	102,403,282.99	101,752,114.99
	Education Technology	125,410,537.48	24,963,862.69
Total		656,789,399.90	548,591,823.72
Prepayments	Wenchuan Logistics	20,000,000.00	10,000,000.00
	Xinhua Shang	–	6,051.33
Total		20,000,000.00	10,006,051.33
Dividends receivable	Publication Printing	60,000,000.00	70,000,000.00
	Education Publishing House	200,000,000.00	430,000,000.00
Total		260,000,000.00	500,000,000.00

Notes to the Financial Statements

For the year ended 31 December 2017

(XVI) 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	Sichuan Xinhua Publishing Group	–	10,331.70
	Publication Printing	–	123,069.88
	Printing Materials	200,575,247.10	59,708,418.05
	Winshare Education Technology	22,507,506.86	20,000,000.00
	Beijing Shuchuan	10,235,415.56	10,235,415.56
	Bashu Publishing House	–	17,170,327.03
	Xinhua Shang	2,500,000.00	2,500,000.00
	Reader's Journal Press	34,587,354.37	33,637,733.49
	Digital Publishing	17,935,711.48	17,935,711.48
	Winshare Physical Education	3,357,255.44	3,357,255.44
	Arts Investment	28,183,930.13	27,803,930.13
	Science & Technology Publishing House	3,096,527.33	2,223,296.47
	Beijing Winshare Commercial	20,266,215.65	20,266,215.65
	Lexicographical Publishing House	1,349,856.78	697,569.71
	Winshare Investment	29,848,680.96	20,614,614.18
	Literature & Art Publishing House	4,063,201.90	3,235,340.74
	People's Publishing House	12,288,563.23	5,599,974.42
	Youth and Children's Publishing House	21,125,725.88	–
	Fine Arts Publishing House	993,275.44	993,275.44
	Sichuan Xinhua Printing	43,321,046.23	46,376,042.05
	Xinhua Online	–	42,953.55
Total		456,235,514.34	292,531,474.97
Non-current assets due within one year	Sichuan Wenzhuo	–	120,000,000.00
Total		–	120,000,000.00

Notes to the Financial Statements

For the year ended 31 December 2017

(XVI) 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 current assets	Wenchuan Logistics	–	300,217,776.45	
Total		–	300,217,776.45	
Other non-current assets	Wenchuan Logistics	156,000,000.00	77,037,300.00	
	Winshare Education Technology	155,000,000.00	30,000,000.00	
	Winshare Investment	225,000,000.00	200,000,000.00	
Total		536,000,000.00	307,037,300.00	
Accounts payable	The Commercial Press (Chengdu) Co., Ltd.	10,190,017.68	11,200,299.19	
	Hainan Publishing House	112,499.36	122,481.66	
	Shanghai Jingjie Information Technology Co., Ltd.	18,941.36	18,941.36	
	Huaxia Shengxuan	8,823.00	8,823.00	
	Publication Printing	433,971,031.21	397,473,677.01	
	Education Publishing House	911,375,501.39	1,024,789,251.40	
	People's Publishing House	39,495,790.22	34,919,125.50	
	Youth and Children's Publishing House	33,694,595.65	29,029,233.53	
	Winshare Education Technology	4,411,481.22	4,210,394.21	
	Digital Publishing	8,941.59	203,929.37	
	Lexicographical Publishing House	7,550,574.29	7,304,830.88	
	Tiandi Publishing House	16,003,327.16	16,508,539.92	
	Literature & Art Publishing House	41,602,605.87	26,481,453.45	
	Science & Technology Publishing House	15,900,743.44	12,433,929.81	
	Fine Arts Publishing House	19,660,834.03	21,686,915.04	
	Bashu Publishing House	11,375,937.02	5,432,118.65	
	Winshare Physical Education	43,158.09	43,158.09	
	Xinhua Online	48,976,586.20	51,957,772.30	
	Printing Materials	276,469.51	1,143,276.05	
	Beijing Shuchuan	77,915,566.53	–	
Total		1,672,593,424.82	1,644,968,150.42	

Notes to the Financial Statements

For the year ended 31 December 2017

(XVI) 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)*

Item name	Related party	Closing balance	Opening balance
Other payables	Youth and Children's Publishing House	23,161,400.00	84,201,400.00
	Xinhua Shang	200,000.00	200,000.00
	Sichuan Xinhua Printing	200,000.00	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	50,000.00
	Winshare International	13,697,090.75	–
	Winshare Education Technology	13,010.00	–
Total		295,776,678.71	343,100,577.96

(XVII) APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated and the Company's financial statements were approved by the Board of Directors on 28 March 2018.

Supplementary Information

1. BREAKDOWN OF NON-RECURRING PROFIT OR LOSS

Item	RMB Current year
Profit on disposal of non-current assets	2,837,854.36
Net profit or loss on disposal of long-term equity investments	166,604,192.41
Government grants recognized 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)	21,184,433.93
Profit or loss on entrusted loans	1,180,018.10
Investment income from disposal of available-for-sale financial assets at FVTPL	26,764,143.28
Profit or loss arising from changes in fair values of financial assets at FVTPL	10,279.16
Investment income from disposal of available-for-sale financial assets	5,042,726.27
Other non-operating income and expenses other than the aforesaid items	(24,629,037.73)
Sub-total	198,994,609.78
Tax effects	(543,663.63)
Effects attributable to non-controlling interests (after tax)	(711,710.21)
Total	197,739,235.94

Note: The principal business of Winshare Investment Co., Ltd., which is a subsidiary of the Group, is investment holding. Its investment income from disposal of financial assets at FVTPL are not recognized as non-recurring profit or loss, the investment income of such investments for the period amounted to RMB4,766.87; Its investment income from disposal of available-for-sale financial assets are not recognized as non-recurring profit or loss. The investment income of such investments for the period amounted to RMB593,133.85.

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.

Profit for the reporting period	Weighted average return on net assets (%)	EPS (RMB)	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	11.29	0.75	N/A
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	8.87	0.59	N/A

The Company has no dilutive potential ordinary shares.



WINSHARE

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