



WINSHARE

# 新華文軒出版傳媒股份有限公司

XINHUA WINSHARE PUBLISHING AND MEDIA CO., LTD.\*

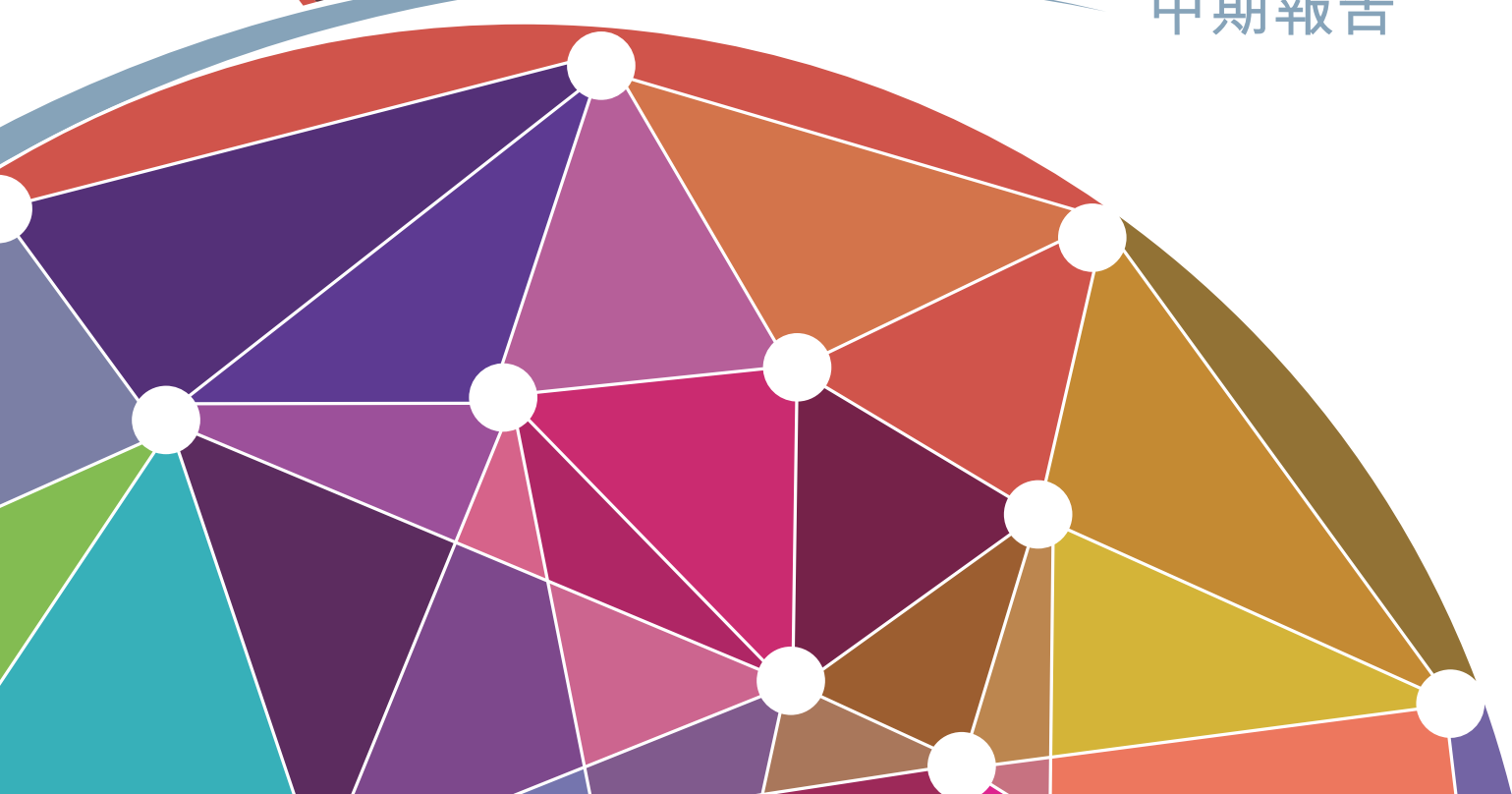
(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(於中華人民共和國註冊成立之股份有限公司)

(香港交易所股份代號 HKEX Stock Code : 00811 上海證券交易所股份代號 SSE Stock Code : 601811)



2018  
Interim Report  
中期報告



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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:

### GLOSSARY

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.
Board	the board of directors of the Company
CG Code	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
Chengdu Hua Sheng	Chengdu Hua Sheng (Group) Industry Co., Ltd.
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/Xinhua Winshare	Xinhua Winshare Publishing and Media Co., Ltd.* (新華文軒出版傳媒股份有限公司)
Controlling Shareholder/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
Group	the Company and its subsidiaries

## Definitions *(continued)*

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
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
NSSF	National Council for Social Security Fund – transfer account no.2 (轉特二戶)
Reporting Period	from 1 January 2018 to 30 June 2018
RMB	Renminbi, the lawful currency of China
RMB, RMB10,000 and RMB100 million	RMB, RMB10,000 and RMB100 million
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
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Sichuan Development	Sichuan Development (Holding) Co., Ltd.
Sichuan Wenzhuo	Sichuan Wenxuan Zhuotai Investment Co., Ltd.
SPG	Sichuan Publication Group Co., Ltd
SSE	Shanghai Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Limited
Supervisor(s)	the supervisor(s) of the Company
Supervisory Committee	the supervisory committee of the Company
Wan Xin Media	Anhui Xinhua Media Co., Ltd.
Winshare Investment	Winshare Investment Co., Ltd.
Winshare Online	Sichuan Winshare Online E-commerce Co., Ltd.
winxuan.com	the online sales platform of publications under Winshare Online

## Important Notice

- I. The Board, the Supervisory Committee, Directors, Supervisors and senior management of the Company warrant that this half-yearly 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. Save as Mr. Yang Miao and Mr. Zhang Peng who appointed Mr. He Zhiyong (being a Director) and Mr. Chen Yunhua (being a Director) respectively as their proxy to vote on their behalf due to other business commitments, other Directors attended the 7th meeting of the 4th session of the Board in 2018 held by the Company on 28 August 2018 at which this interim report was considered and approved.
- III. This half-yearly report is unaudited.
- IV. He Zhiyong, the head of the Company, Zhu Zaixiang, the person-in-charge of accounting affairs, and Wu Sufang, the head of accounting department, declare that they warrant the truthfulness, accuracy and completeness of the financial statements contained in this interim report.
- V. The Board did not recommend payment of the interim dividend for the six months ended 30 June 2018.
- 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. During the Reporting Period, there were no major risks that would have a material impact on the production and operations of the Company. Investors are advised to read the details of the risk factors that may be involved under the section headed “Management Discussion and Analysis” of this report described by the Company.



# Corporate Information

## LEGAL NAME OF THE COMPANY

新華文軒出版傳媒股份有限公司

## COMPANY NAME IN ENGLISH

XINHUA WINSHARE PUBLISHING  
AND MEDIA CO., LTD.\*

## LEGAL REPRESENTATIVE

Mr. He Zhiyong

## BOARD OF DIRECTORS

### Executive Directors

Mr. He Zhiyong (*Chairman*)  
Mr. 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



## Corporate Information *(continued)*

### 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 ADVISOR

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

40th Floor  
Sunlight Tower  
248 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



# Management Discussion and Analysis

## (I) BUSINESS REVIEW

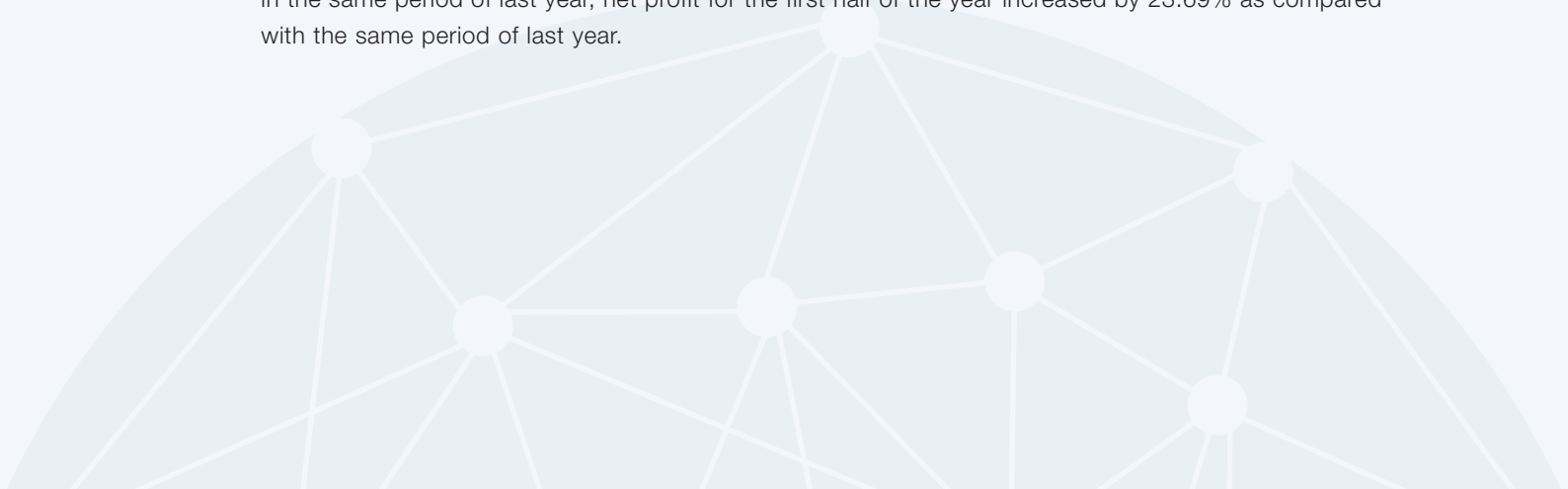
### INDUSTRY OVERVIEW

The year 2018 is the starting year of thoroughly implementing the spirit of the 19th CPC National Congress. The report of the 19th CPC National Congress states the positioning of cultural development in the overall framework of socialism with Chinese characteristics, and sets out the fundamental requirements of cultural development in the new era. During the first half of 2018, the “national reading model” was included in the government’s work report for the fifth time, bringing public cultural service development to the next level. The central government and local government successively promulgated a series of policies to support the publication and distribution sectors, and continued to devote resources to the special fund for cultural industry development in support of cultural related industry development including China’s outstanding traditional culture and culture with Chinese characteristics. On 5 June, the Ministry of Finance and the State Administration of Taxation jointly issued the “Notice of Continuing Preferential Policies for Value-Added Tax on Cultural Promotion” (Cai Shui [2018] No.53) to further implement the preferential policies for value-added tax until 31 December 2020.

As socialism with Chinese characteristics enters a new era, China is entering a new phase of high quality development and the development objective of the publishing industry has changed from quantity growth to quality and efficiency enhancement. From the perspective of the book reading market in China, with the increasing purchasing power of the society and the change in reading model in the Internet era, the demand for book reading remains strong. In the first half of 2018, the book retailing market in China continued to thrive. The transformation and upgrade of the physical bookstores in the industry accelerated significantly, and various listed companies were exploring the new model of online/offline integrated development. The digital publishing industry in China maintained fast growth momentum with format innovation (including e-books, audio books and AR books) and business model innovation (including IP operation and paid reading) to inject new vitality to the publication and distribution industry.

### RESULTS

In the first half of 2018, the Group insisted on strengthening the principal business of publishing and media, endeavoured to enhance the competitiveness of traditional businesses, continued to step up efforts of transformation and upgrade, and actively optimised the publication and distribution supply chain service capabilities to achieve a win-win outcome of social benefits and economic benefits. During the Reporting Period, revenue of the Group amounted to RMB3,577,678,700, representing an increase of 12.29% as compared with the same period of last year. Net profit amounted to RMB435,804,500, representing a decrease of 10.21% as compared with the same period of last year. Excluding the one-time gain on disposal of Sichuan Wenzhuo and Chengdu Xinhui of RMB133 million included in the net profit in the same period of last year, net profit for the first half of the year increased by 23.69% as compared with the same period of last year.





## Management Discussion and Analysis *(continued)*

### **Gross profit margin**

During the Reporting Period, the gross profit margin of the Group's principal businesses was 36.46%, up by 0.90 percentage point as compared with 35.56% in the same period of last year, which was primarily due to the change in revenue structure of the Group and the decrease in consolidated cost ratio as a result of the reasons stated in the "Operating Data of the Business Segments".

### **ANALYSIS OF OPERATING DATA**

#### *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 Group. 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.

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



## Management Discussion and Analysis *(continued)*

The principal business of the Group during the Reporting Period by segment is as follows:

*For the six months ended 30 June 2018*

By segment	Principal operating income	Principal operating costs	Gross profit margin (%)	Change of principal operating income as compared with the same period of last year (%)	Change of principal operating costs as compared with the same period of last year (%)	RMB
						Change of gross profit margin as compared with the same period of last year (percentage points)
<b>I. Publication</b>	<b>970,337,783.18</b>	<b>683,936,229.18</b>	<b>29.52</b>	<b>39.87</b>	<b>36.76</b>	<b>1.61</b>
Textbooks and supplementary materials	467,195,340.75	320,895,462.45	31.31	31.57	33.97	(1.24)
General books	377,913,045.07	248,984,464.55	34.12	56.84	37.11	9.48
Printing and materials	110,225,605.73	107,958,583.56	2.06	35.34	47.64	(8.15)
Others	15,003,791.63	6,097,718.62	59.36	(7.60)	4.03	(4.54)
<b>II. Distribution</b>	<b>3,112,602,566.87</b>	<b>2,188,537,755.56</b>	<b>29.69</b>	<b>15.14</b>	<b>17.36</b>	<b>(1.33)</b>
Education service	2,102,228,227.18	1,355,162,657.80	35.54	17.77	21.02	(1.73)
Of which: Textbooks and supplementary materials	1,831,226,847.18	1,100,655,479.36	39.90	11.07	10.91	0.09
Digitalised education service and equipment business	271,001,380.00	254,507,178.44	6.09	113.61	115.33	(0.75)
Online sales	550,343,744.33	506,237,805.37	8.01	4.05	3.71	0.29
Retailing	301,369,932.16	198,210,087.82	34.23	21.22	25.75	(2.37)
Others	158,660,663.20	128,927,204.57	18.74	12.69	29.87	(10.75)
<b>III. Others</b>	<b>133,409,265.77</b>	<b>117,041,826.13</b>	<b>12.27</b>	<b>(43.75)</b>	<b>(47.68)</b>	<b>6.59</b>
Inter-segment elimination total	(701,321,222.09)	(756,086,883.44)				
<b>Total</b>	<b>3,515,028,393.73</b>	<b>2,233,428,927.43</b>	<b>36.46</b>	<b>12.45</b>	<b>10.88</b>	<b>0.90</b>



## Management Discussion and Analysis *(continued)*

### 2. *Operating Data of the Business Segments*

#### (1) *Publication segment*

The Group's publication segment covers businesses including publishing of publications such as books, periodicals, audio-visual products and digital products; provision of printing services; and supply of materials.

##### Publication of Textbooks and Supplementary Materials

As to the publication of education books, to better align with the textbooks and supplementary materials publication market, editing entities were set up by the Group in accordance with school semesters adjustment. Product managers were appointed to step up the efforts of marketised product planning and R&D and strengthen the planning capability development of marketised education books. Capitalising on the opportunities arising from the new university entrance examination in Sichuan, the Company targeted at "publishing + Internet" in senior high school media convergence AI supplementary materials that meet the teaching requirements of "new university entrance examination, new class reform and new textbook materials".

During the Reporting Period, revenue from the sales of textbooks and supplementary materials publication business amounted to RMB467 million (including domestic sales), representing an increase of 31.57% as compared with the same period of last year; costs amounted to RMB321 million, representing an increase of 33.97% as compared with the same period of last year. Gross profit margin was 31.31%, down by 1.24 percentage points as compared with the same period of last year. The great majority of the sales of textbooks and supplementary materials under the publication segment refers to domestic sales. The sales of publication segment to distribution segment is recognised upon completion of printing and stock-in of products by the distribution segment. As a result of advanced stock-up needs, the time of stock-in for spring products is divided into two natural years.

##### Publication of General Books

In 2018, as guided by the "three key publishing" concepts of targeted publishing, refined publishing and quality publishing, the Group promoted the upgrade of publishing of the Group from fast growth to high quality development, and published a batch of best sellers with positive social influence.

During the Reporting Period, the Group's revenue from the sales of general books under the publication segment amounted to RMB378 million (including domestic sales), representing an increase of 56.84% as compared with the same period of last year; costs amounted to RMB249 million, representing an increase of 37.11% as compared with the same period of last year. Gross profit margin was 34.12%, up by 9.48 percentage points as compared with the same period of last year. The increase in gross profit margin was mainly due to the price strategy adjustment and cost control.

## Management Discussion and Analysis *(continued)*

### (2) *Distribution Segment*

The Group's distribution segment covers the centralised purchasing, delivery and distribution of products through different channels; distributing textbooks and supplementary materials to schools and students, and the provision of primary and secondary school digitalised education and equipment service; retailing, distribution business and online sales of publications.

During the Reporting Period, revenue from the distribution segment amounted to RMB3,113 million, representing an increase of 15.14% as compared with the same period of last year, mainly benefiting from the growth of revenue from the education services, online sales and retailing.

During the Reporting Period, gross profit margin of the distribution segment was 29.69%, down by 1.33 percentage points as compared with 31.02% in the same period of last year, mainly due to the impacts of the changes in sales structure.

#### Education Service

The education service business includes the distribution of textbooks and supplementary materials to schools and students, and the provision of primary and secondary school digitalised education service and education equipment to primary and secondary schools.

During the Reporting Period, the Group continued to push ahead the three major businesses of textbooks, digitalised education service and education equipment to enhance its market competitiveness in accordance with the guiding principle of innovative development and regulated operations. As to the textbooks business, the Group strengthened the expert database development of textbooks for primary and secondary schools to provide value-added service for teaching, and further optimised the development of category management and supplier hierarchy service system to enhance market competitiveness. As to the digitalised education service and education equipment business, faced with intensifying market competition, strengthening bargaining power of suppliers as well as changing market and demand, the Company strengthened the product R&D and marketing and introduced the education equipment management platform, smart campus and "Winshare Fun Learning – Wonderful Class Mobile Geography Classroom" to offer a comprehensive range of education solutions with significant growth in sales. The "Winshare Fun Learning – Wonderful Class Mobile Geography Classroom", which was officially launched at the 74th China Educational Equipment Exhibition, was accredited with the gold award and gained positive industry influence.



## Management Discussion and Analysis *(continued)*

During the Reporting Period, revenue from the external sales of the education service business of the Group amounted to RMB2,102 million, representing an increase of 17.77% as compared with the same period of last year, mainly benefiting from the growing sales of the Group's supplementary materials, digitalised education service and education equipment businesses. In particular, revenue from the sales of the digitalised education service and equipment business amounted to RMB271 million, representing an increase of 113.61% as compared with the same period of last year.

During the Reporting Period, gross profit margin of the education service business was 35.54%, down by 1.73 percentage points as compared with the same period of last year, mainly due to the increase in sales of the digitalised education and equipment business with a lower gross profit margin during the Reporting Period.

### Online Sales

In the first half of 2018, in order to increase the book supply chain efficiency and bargaining power, the Group adjusted the procurement system, optimised the procurement business flow and built a procurement and supply system suitable for the online/offline integrated development of general book reading business.

As to online sales, the Group optimised and adjusted the business categories through refined marketing to highlight the operating capabilities and market competitiveness of professional categories. Some of the professional book categories have considerable market influence. At the same time, the Group continued to expand the market through further developing customer resources.

During the Reporting Period, revenue from online sales amounted to RMB550 million, up by 4.05% as compared with the same period of last year. Gross profit margin of the online sales business was 8.01%, up by 0.29 percentage point as compared with the same period of last year.



## Management Discussion and Analysis *(continued)*

### Retailing

The retailing business includes the retail store business and the group-buying business.

Under the strategic backdrop of “revitalising the physical bookstores”, the Group’s efforts to develop physical stores began to bear fruit and a modern reading service network system covering all aspects, multi-brands and multi-business formats has been established. During the first half of 2018, first, through strengthening “multi-brand building, multi-model development and multi-team operation”, the layout of the physical bookstore network was continuously improved. The Company opened and revamped a total of seven bookstores occupying an area of approximately 10,000 square metres, thus achieving good social and economic benefits. Second, the Company adopted an innovative management model where it implemented the corporatised operations for the “Winshare Bookstore” brand to stimulate the dynamics of internal development. Third, the Company enhanced the professional reading service capabilities of current politics books, which fully displayed its role as the main publication channel of current politics books. Fourth, the Company enhanced the team reading service capabilities and kicked off the implementation of the physical bookstore talent development programme with a focus on nurturing the capabilities of reading service, thus injecting new momentum to driving the sales of the bookstores.

During the Reporting Period, revenue from the sales of the retailing business amounted to RMB301 million, representing an increase of 21.22% as compared with the same period of last year, mainly due to the increase in sales of current politics books. Gross profit margin of the retailing business was 34.23%, down by 2.37 percentage points as compared with the same period of last year, mainly due to the fact that the sales of current politics books were mainly sold via group buying and the relatively higher cut-price sales of group buying as compared with the sales of retail shops.



## Management Discussion and Analysis *(continued)*

### (II) ANALYSIS OF OPERATING RESULTS AND FINANCIAL PERFORMANCE

#### Breakdown of the relevant item changes in the financial statements

(For the six months ended 30 June 2018)

Item	Current period	Comparative period last year	Change (%)
Revenue	<b>3,577,678,699.56</b>	3,186,015,247.21	<b>12.29</b>
Operating costs	<b>2,240,412,062.70</b>	2,026,412,232.84	<b>10.56</b>
Selling expenses	<b>484,307,612.41</b>	414,997,707.05	<b>16.70</b>
Administrative expenses	<b>443,430,377.63</b>	429,531,967.80	<b>3.24</b>
Finance expenses	<b>(12,254,208.92)</b>	(9,102,091.09)	<b>(34.63)</b>
Net cash from operating activities	<b>443,268,453.07</b>	(37,004,326.02)	<b>N/A</b>
Net cash from investing activities	<b>(8,028,971.98)</b>	553,755,902.19	<b>(101.45)</b>
Net cash from financing activities	<b>(248,583,436.00)</b>	(418,518,426.19)	<b>40.60</b>
R&D expenses	<b>5,556,300.10</b>	13,011,290.41	<b>(57.30)</b>
Asset impairment loss	<b>5,796,336.83</b>	49,380,503.20	<b>(88.26)</b>
Credit impairment loss	<b>48,365,598.71</b>	N/A	<b>N/A</b>
Gain/loss on fair value change	<b>(12,654,946.22)</b>	25,983.57	<b>(48,803.65)</b>
Investment income	<b>78,733,633.70</b>	202,375,080.84	<b>(61.10)</b>
Other income	<b>26,218,522.67</b>	42,115,767.43	<b>(37.75)</b>
Gain on asset disposal	<b>1,412,396.50</b>	44,485.74	<b>3,074.94</b>
Non-operating income	<b>4,761,835.99</b>	1,705,906.97	<b>179.14</b>
Non-operating expenses	<b>8,966,857.21</b>	17,672,450.65	<b>(49.26)</b>
Income tax expenses	<b>(3,671,853.55)</b>	702,444.17	<b>(622.73)</b>

#### REVENUE

During the Reporting Period, revenue from the Group amounted to RMB3,578 million, representing an increase of 12.29% as compared with RMB3,186 million in the same period of last year, mainly benefiting from the growth of sales from the education service business, online sales of books business, general book publication business and third-party logistics business.

#### OPERATING COSTS

During the Reporting Period, operating costs of the Group amounted to RMB2,240 million, representing an increase of 10.56% as compared with the same period of last year. The increase in operating costs was due to the growth of revenue.

## Management Discussion and Analysis *(continued)*

### EXPENSES

During the Reporting Period, selling expenses of the Group amounted to RMB484 million, representing an increase of 16.70% as compared with the same period of last year, mainly due to the increase in operating costs including logistics expenses incurred from the growth of sales and the increase in handling fees as a result of the change in settlement method of free textbooks in Ganzi, Aba and Liangshan Autonomous Prefecture since autumn 2017.

During the Reporting Period, administrative expenses of the Group amounted to RMB443 million, up by 3.24% as compared with the same period of last year, which was mainly due to the increase in labour costs.

During the Reporting Period, for finance expenses, net, the Group recorded finance income of RMB12,254,200 as compared with net income of RMB9,102,100 in the same period of last year, among which, net interest expenses during the Reporting Period amounted to RMB14,742,600, representing an increase of RMB3,532,400 as compared with RMB11,210,200 in the same period of last year, mainly due to the strengthening of centralised management of funds, which resulted in the increase in the interest income of bank deposits.

### R&D EXPENSES

During the Reporting Period, R&D expenses amounted to RMB5,556,300, representing a decrease of 57.30% as compared with the same period of last year. The R&D expenses represent the expenses of the Group during the stage of R&D, which will be capitalised when certain conditions are fulfilled. Those failing to satisfy the conditions are expensed and the part expensed for the current period is included under R&D expenses and recognised in profit or loss. The decrease in R&D expenses during the Reporting Period as compared with the same period of last year was due to the decrease in R&D commitments in the area of the digitalised education service during the Reporting Period as compared with the same period of last year.

### ASSET IMPAIRMENT LOSS AND CREDIT IMPAIRMENT LOSS

During the Reporting Period, asset impairment amounted to RMB5,796,300 and credit impairment amounted to RMB48,365,600, mainly due to the separation of credit impairment incurred by the financial assets including notes receivable, receivables and other receivables from the existing asset impairment loss pursuant to the New Financial Instrument Standard, which resulted in an increase of 9.68% in aggregate during the Reporting Period as compared with the same period of last year.

### GAIN/LOSS ON FAIR VALUE CHANGE

During the Reporting Period, the gain/loss on fair value change included in the profit or loss for the current period resulted in the loss of RMB12,654,900, and resulted in the gain of RMB26,000 in the same period of last year, mainly due to the classification of investments in CITIC Buyout Fund, Winshare Hengxin Fund, Qingdao Jinshi Fund and Taizhou Xinheng Fund under the New Financial Instrument Standard as financial assets at fair value through profit or loss. As a result, loss on fair value change was recognized during the Reporting Period (same period of last year: at fair value through other comprehensive income).



## Management Discussion and Analysis *(continued)*

### **INVESTMENT INCOME**

During the Reporting Period, the Group recognised investment income of RMB78,733,600, representing a decrease of 61.10% as compared with the same period of last year, mainly due to the one-time gain of RMB133,000,000 on disposal of 48% equity interest held in Sichuan Wenzhuo, a joint venture, and 34% equity interest held in Chengdu Xinhui, an associated company, in the same period of last year.

### **OTHER INCOMES AND NON-OPERATING INCOME AND EXPENSES**

During the Reporting Period, other incomes amounted to RMB26,218,500, representing a decrease of 37.75% as compared with the same period of last year, mainly due to the decrease in the refund of value-added tax under the levy first and refund later policy received during the Reporting Period as compared with the same period of last year.

During the Reporting Period, non-operating income amounted to RMB4,761,800, representing an increase of 179.14% as compared with the same period of last year, mainly due to the increase in default penalty of overdue payment on the government's urban renewal project received by a subsidiary of the Company during the Reporting Period.

During the Reporting Period, non-operating expenses amounted to RMB8,966,900, representing a decrease of 49.26% as compared with the same period of last year, mainly due to the decrease in donation expenses of the Company during the Reporting Period as compared with the same period of last year.

### **GAIN ON ASSET DISPOSAL**

During the Reporting Period, gain on asset disposal amounted to RMB1,412,400, representing an increase of RMB1,367,900 as compared with the same period of last year, mainly due to the revenue arising from the disposal of properties by a subsidiary of the Company during the Reporting Period.

### **INCOME TAX EXPENSES**

During the Reporting Period, income tax expenses amounted to -RMB3,671,900, as compared with RMB702,400 in the same period of last year, mainly due to the change in deferred income tax expenses incurred from the loss on fair value change of the financial assets at fair value through profit or loss during the Reporting Period.



## Management Discussion and Analysis *(continued)*

### **PROFIT**

Net profit for the Reporting Period amounted to RMB436 million, representing a decrease of RMB49 million as compared with RMB485 million in the same period of last year. Net profit attributable to owners of the parent amounted to RMB449 million, representing a decrease of RMB49 million as compared with RMB498 million in the same period of last year, mainly due to the one-time gain on disposal of long-term equity investments of RMB133 million as compared with the same period of last year. Excluding such incomparable factor, actual net profit during the Reporting Period increased by 23.69% as compared with the same period of last year, mainly due to the increase in profit arising from the growth of sales revenue during the Reporting Period.

### **EARNINGS PER SHARE**

Earnings per share is calculated based on the net profit attributable to the owners of the parent for the Reporting Period divided by the weighted average number of the ordinary shares in issue during the Reporting Period. During the Reporting Period, earnings per share of the Group amounted to RMB0.36, down by RMB0.04 as compared with RMB0.40 in the same period last year. Excluding the one-time gain on disposal of long-term equity investments of RMB133 million in the same period of last year, earnings per share in the same period of last year amounted to RMB0.30. For details regarding the calculation of earnings per share, please refer to Note (VI) 48 to the consolidated financial statements in this interim report.

### **CASH FLOW**

Net cashflow generated from operating activities was net inflow of RMB443 million, as compared with net outflow of RMB37,004,300 in the same period of last year, mainly due to the increase in cash inflows generated from sales receivables during the Reporting Period as compared with the same period of last year.

Net cashflow generated from investing activities was net outflow of RMB8,029,000, as compared with net inflow of RMB554 million in the same period of last year. The substantial decrease during the Reporting Period was mainly due to the receivables totalling RMB565 million upon disposal of 48% equity interest in Sichuan Wenzhuo, a joint venture, and 34% equity interest in Chengdu Xinhui, an associated company, in the same period of last year.

Net cashflow generated from financing activities was net outflow of RMB249 million, as compared with net outflow of RMB419 million in the same period of last year, mainly due to the impact of progress of payment of dividend.



## Management Discussion and Analysis *(continued)*

### ASSETS AND LIABILITIES ANALYSIS

(As at 30 June 2018)

RMB

Item	Amount 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 prior year	Amount as at 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 of last year (%)	Remark
Held-for-trading financial assets	1,183,937,810.81	9.09	N/A	N/A	N/A	(1)
Notes receivable and accounts receivable	1,677,740,662.82	12.88	1,280,220,854.76	10.42	31.05	(2)
Prepayments	108,749,405.65	0.83	79,865,675.12	0.65	36.17	(3)
Other current assets	82,908,605.80	0.64	1,184,329,531.05	9.64	(93.00)	(4)
Available-for-sale financial assets	-	-	2,116,088,000.42	17.22	N/A	(5)
Other equity instruments investments	1,601,749,935.68	12.29	N/A	N/A	N/A	(6)
Other non-current assets	542,272,940.01	4.16	N/A	N/A	N/A	(7)
Advance from customers	-	-	310,646,140.33	2.53	N/A	(8)
Contract liabilities	354,071,632.98	2.72	N/A	N/A	N/A	(9)
Employee compensation payable	190,027,386.74	1.46	322,778,103.03	2.63	(41.13)	(10)
Taxes payable	25,587,707.53	0.20	42,878,058.50	0.35	(40.32)	(11)
Other payables	423,784,000.40	3.25	264,369,944.04	2.15	60.30	(12)
Other current liabilities	166,464,457.33	1.28	114,861,486.00	0.93	44.93	(13)

(1) Bank wealth management products originally stated under "Other current assets" are reclassified and presented under this item in accordance with the New Financial Instrument Standard. As at the end of the Reporting Period, bank wealth management products amounted to RMB1,183 million, representing a slight increase as compared with RMB1,158 million as at the end of the previous year.

(2) Mainly due to the increase in receivables from the growth of sales of the digitalised equipment business and the general book publication business as compared with the end of prior year; and receivables from the sales of textbooks and supplementary materials in spring 2018 to the Sanzhou region which were partially yet to be recovered.

(3) Mainly due to the increase in prepayments to suppliers from the digitalised education service business as at the end of the Reporting Period from the end of prior year.

(4) Mainly due to the reclassification and presentation of bank wealth management products of RMB1,158 million included in the balance as at the end of prior year to "Held-for-trading financial assets" as at the end of the Reporting Period. Excluding such factor, the growth of such item was mainly due to the recognition in accordance with the New Revenue Standard. The closing balance included return cost receivable of RMB47,904,400.

## Management Discussion and Analysis *(continued)*

- (5) Pursuant to the classification requirements of the New Financial Instrument Standard, the Company reclassified the financial assets originally stated under "Available-for-sale financial assets" to "Investment in other equity instruments" (see note (6)) and "Other non-current financial assets" (see note (7)) based on the business model of its contractual cash flow characteristics and corporate management of such assets.
- (6) Financial assets designated at fair value through other comprehensive income, mainly included the investments in Wan Xin Media and Bank of Chengdu. Its fair value of RMB1,602 million as at the end of the Reporting Period increased by 2.62% from RMB1,561 million as at the end of prior year, mainly due to the combined effects of the change in values due to the Company's reclassification of investments in Bank of Chengdu at cost originally to investments in Bank of Chengdu at fair value pursuant to the New Financial Instrument Standard and the decrease in share price of Wan Xin Media.
- (7) Financial assets at fair value through profit or loss, mainly included the investments in CITIC Buyout Fund, Winshare Hengxin Fund, Qingdao Jinshi Fund and Taizhou Xinheng Fund. Its fair value of RMB542 million as at the end of the Reporting Period decreased by 2.33% from RMB555 million as at the end of prior year and the change in value was included as loss on fair value change for the Reporting Period.
- (8) Pursuant to the New Revenue Standard, the "receipts in advance" were reflected under the item of "contract liabilities" (see note (9)). The advanced receipts for sold goods of RMB343 million as at the end of the Reporting Period increased by 10.34% from RMB311 million as at the end of prior year.
- (9) The closing balance included advanced receipts for sold goods of RMB343 million and membership card points of RMB11,319,800, representing an increase of 10.34% and 4.83% as compared with the balances as at the end of prior year (membership card points as at the end of prior year were reflected under "Other current liabilities").
- (10) Mainly due to the distribution of 2017 staff incentives included in the balance as at the end of prior year during the period.
- (11) The decrease was mainly due to the fact that part of the value added tax payable as at the end of prior year was paid during the Reporting Period.
- (12) Mainly due to the fact that the dividend declared by the Company in 2017 was not yet paid as to RMB121 million during the Reporting Period.
- (13) Mainly due to the recognition of returns of RMB61,258,500 which was reflected under "Other current liabilities" pursuant to the New Revenue Standard, resulting in a more substantial change from the end of prior year.

Note: The Group has adopted ASBE No. 22 – Financial Instrument: Recognition and Measurement, ASBE No. 23 – Transfer of Financial Assets, ASBE No. 24 – Hedging Accounting, ASBE No. 37 – Financial Instrument: Presentation and ASBE No. 14 – Revenue as revised by MoF since 1 January 2018. The Group recognises, measures and reports the financial instruments and revenue in accordance with the new standards. In addition, the Group also prepares the financial statements according to the Notice of the Revised Format of Financial Statements for General Business Enterprise 2018 issued by MoF on 15 June 2018. The impacts of implementation of the new standards above on the financial statements of the Group are set out in Note (III) 25 to the consolidated financial statements of this interim report.

### LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, the Group had cash and short-term deposits of approximately RMB2,047 million (31 December 2017: RMB1,886 million). The Group did not have any bank borrowings (31 December 2017: nil).

As at 30 June 2018, the gearing ratio (calculated by dividing total liabilities by total assets) of the Group slightly increased to 38.11%, as compared with 35.24% as at 31 December 2017. The Group's overall financial structure remained relatively stable.

## Management Discussion and Analysis *(continued)*

### GENERAL CONDITION OF ENTRUSTED WEALTH MANAGEMENT

On 26 October 2017, the Board of the Company considered and approved the use of idle funds of no more than RMB1,300 million by the Group to purchase wealth management products which shall be effective within 12 months from the date of passing of the resolution by the Board. On 30 June 2018, the balance of bank wealth management products purchased by the Group amounted to RMB1,183 million, all of which were capital-guaranteed wealth management products due within one year.

RMB10,000

Type	Source of funds	Maximum single day amount incurred during the Reporting Period	Closing balance	Amount due but not yet recovered
Bank wealth management	Self-raised funds	129,110	118,290	0

### CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have any material contingent liabilities.

### PLEDGE OF ASSETS

As at 30 June 2018, the Group's pledged deposits amounted to RMB8,173,300 (31 December 2017: RMB18,634,800), representing the security deposits placed with the banks for the issuance of bank's acceptance bills. Save as above, the Group did not have any other assets under pledge or guarantee.

### WORKING CAPITAL MANAGEMENT

	30 June 2018	30 June 2017
Current ratio	1.5	1.5
Notes and accounts receivable turnover days	75.4	52.2
Inventory turnover days	143.3	132.5
Notes and accounts payables turnover days	278.3	242.0

As at 30 June 2018, current ratio of the Group was 1.5, which remained the same as compared with the same period of last year.

## Management Discussion and Analysis *(continued)*

The notes and trade receivable turnover days was 75.4 days, up by 23.2 days as compared with the same period of last year, mainly due to the following: 1) the increase in receivables from the sales of the Group's general book publication business as compared with the same period of last year. As the sales target of the general book publication business mainly consists of its major customers, they enjoy slightly longer receivable turnover days; 2) the increase in receivables from the Group's education equipment business as compared with the same period of last year. As the sales target of the education equipment business mainly consists of schools, the settlement is made by the local fiscal authorities by instalments; and 3) given the expiry of the preferential value-added tax policies as at 31 December 2017, which were originally applicable to the Company, the launch of new preferential policies in June 2018 and the delay in the launch of new preferential policies, the progress of recovery of proceeds of the Company in the prior year would be affected to a certain extent. The Group strictly monitors the balance of receivables and the management requires various business units to assess regularly the credit status of each customer to confirm the monthly credit amount granted to the customers. In addition, the Group has carried out impairment test using simplified expected credit loss model and made provision for bad debts in accordance with applicable accounting policies.

In the first half of the year, the inventory turnover days was 143.3 days, up by 10.8 days as compared with the same period last year, mainly due to the increase in inventory reserve of the Group as a result of the expansion of sales size of the Company.

The notes and trade payable turnover days was 278.3 days, increased by 36.3 days as compared with the same period of last year, mainly due to the slower payment made to the suppliers during the Reporting Period as compared with the same period of last year.

The above indicators reflect that the operating conditions of the Group remained relatively stable, and the turnover days of inventory, trade receivables and trade payables were in line with the industry features of the publication and distribution enterprises and the short-term impacts of the policy changes.

### **USE OF PROCEEDS**

In August 2016, the Company publicly offered 98,710,000 Renminbi-denominated ordinary shares (A shares) on the Shanghai Stock Exchange for the first time at the offer price of RMB7.12 per share. The gross proceeds amounted to RMB702,815,200 and the net proceeds after deducting the issue expenses amounted to RMB645,175,100, which were used for the Company's service platform of education cloud project, logistics network construction project in Western China, retail shops upgrading and expansion project, ERP construction and upgrading project as well as Chinese culture revival publication project. In the first half of 2018, the Company utilised proceeds of RMB5,010,000. Among which, RMB3,320,000 was used for ERP construction and development project and RMB1,690,000 was used for retail shop upgrading and expansion project. As at 30 June 2018, the proceeds utilised cumulatively amounted to RMB563,010,400. The unutilised proceeds amounted to RMB82,164,700, which are placed with the commercial banks in the PRC as short-term deposits. As of the date hereof, there was no change to the plans for the use of proceeds of the Company.

## Management Discussion and Analysis *(continued)*

### (III) OVERVIEW OF MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the Reporting Period, 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 seize the market opportunities from new bookstore transformation driven by consumer upgrade and enhance the brand influence and profitability of “Winshare Bookstore”, during the Reporting Period, the Company injected RMB50 million to set up a wholly-owned subsidiary, Sichuan Winshare Xuankehui Cultural Development Co.,Ltd.\* (四川文軒軒客會文化發展有限公司).

To revitalise the publishing business, during the Reporting Period, the Company made capital increase totalling RMB165 million to its five wholly-owned publishing houses, of which a capital increase of RMB100 million was made to Youth and Children’s Publishing House.

To quickly tap into the digitalised education service and education equipment area in Liangshan, the Company and Liangshan Xinhua Bookstore (a non-related party) jointly established Liangshan Xinhua Winshare Education Technology Co. Ltd., on 22 May 2017. The Company injected RMB19.60 million, accounting for 49% equity interests. As at the date of this report, the Company paid an investment amount of RMB9.80 million.

The Company subscribed for 80,000,000 additional shares of Bank of Chengdu at the consideration of RMB240,000,000 in cash in December 2007 and the shareholding of the Company in Bank of Chengdu was 2.46%. During the Reporting Period, a dividend amounting to RMB22,400,000 (tax inclusive) 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 was changed from 2.46% to 2.21% with a lock-up period of one year. On 29 June 2018 and 28 August 2018, the closing price of the shares of Bank of Chengdu was RMB8.75 per share and RMB9.09 per share, respectively.

During the Reporting Period, the Company recognised a dividend income of RMB21,188,800 based on the 2017 profit distribution plan of Wan Xin Media, an investee of the Company. The Company was interested in 6.27% shares of Wan Xin Media. As at 30 June 2018, the market capitalisation was RMB949 million, which represents a decrease of approximately RMB370 million from that as at 31 December 2017.

Save as disclosed above, the Group did not have any other material investments, acquisitions and disposals during the Reporting Period.

During the Reporting Period, details of the external investments made by the Group are set out in notes (VI) 10, 11 and 12 to the consolidated financial statements in this interim report.

## Management Discussion and Analysis *(continued)*

### Information of the major subsidiaries

Unit: RMB10,000

Name of subsidiary	Nature of business	Shareholding percentage (%)	Registered capital	Revenue	Net profit	Total	Net
						assets	assets
Sichuan Publication Printing Co., Ltd.	Publishing and wholesaling of publications and related publications	100%	5,000	12,344	3,973	66,163	59,648
Sichuan Education Publishing House Co., Ltd.	Publishing and wholesaling of publications and related publications	100%	1,000	26,083	10,731	84,933	69,256
Sichuan Printing Materials Co., Ltd.	Provision of printing related materials	100%	3,000	16,978	372	36,881	3,685
Sichuan Winshare Education Technology Co., Ltd	Software development and sales of electronic equipment	100%	33,000	17,999	1,001	79,463	32,364
Sichuan Winshare Online E-commerce Co., Ltd.	Online sales of publications and other products	75%	6,000	55,659	6,318	150,658	-11,640

### (IV) FUTURE PROSPECTS

In 2018, the Group will capture the growth trend of the international cultural industry while adhering to its principal business of publishing and media. With the transformation drivers, namely the Internet and capital, the Group will centre around the big culture consumer service and implement the following strategies:

As guided by the “three key publishing” concepts, the Company will inject more publication resources and enhance the utilisation of publication resources to achieve high quality development of the book publication business. To revitalise physical bookstores, the Company will optimise the layout of the physical bookstore network and continue to push ahead the upgrade and renovation of physical bookstores to shape a business layout of “multi-brand building, multi-model development and multi-team operation”. To improve the development of online sales platform and supply chain synergistic platform, the Company will step up the IT development of channels and build an online/offline channel integrated development system based on the Internet and the Internet of Things. As to strengthening the textbooks and supplementary materials publication and distribution business, the Company will devote great efforts to the new businesses of education equipment and subject classroom and innovate the product formats and service model of online education while enhancing the digitalised education service capabilities. The Company will continue to increase internal logistics service capabilities in support of the rapid development of principal businesses while steadily carrying out the third-party business. Fully capitalising on the industry resources sought through the capital operations platform, the Company strives to push ahead the development of its principal businesses through grafting and integration of external resources and business segments.



# Management Discussion and Analysis *(continued)*

## (V) ANALYSIS OF CORE COMPETITIVENESS

- 1. The publication capabilities have greatly increased.** The Group is dedicated to promoting the publishing industry in Sichuan by leveraging on its existing publication resources. A series of innovative measures have been taken such as allocating more resources, introducing the horse racing system, implementing the unbalanced development strategy and gathering quality external resources. As a result, the social influence and market competitiveness of the Group's publication business continued to increase with a significant growth in the publication capabilities. In the first half 2018, the Group's publication business was ranked 13th in the overall market nationwide, up by two places and six places as compared with the same period of 2017 and 2016, respectively. (Source: openbookdata.com.cn).
- 2. The innovation capabilities of physical bookstore reading service have continued to strengthen.**

In recent years, adhering to the strategy of “multi-brand building, multi-team operation and multi-model development”, the Company has identified different niche readers' markets and introduced different brands to cater for the needs of the new reading culture. After years of development, Winshare has shaped a multi-brand business model for its physical bookstores including “Xinhua Winshare” (新華文軒), “Winshare BOOKS” (文軒BOOKS), “Winshare Bookstore” (軒客會), “Kids Winshare” (文軒兒童書店), “Go Go Reading” (讀讀書吧) and “Winshare Yuntu Smart Bookstore” (文軒雲圖智能書店) to establish a vertically integrated modern reading culture and service network across counties, municipalities and Sichuan Province through shopping malls to urban communities, thus providing consumers with convenient, comfortable, smart and personalised reading service. Becoming the most influential reading service provider in Sichuan Province, its reading service capabilities and brand influence have greatly increased.
- 3. Leading online sales nationwide.** The Company has captured the opportunities arising from the development of the publishing industry and greatly expanded the online sales channels. B2C platforms such as winxuan.com and September Online, B2B platform such as the “publication synergistic trade platform” and other paper book and ebook online sales platforms have been introduced. 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 supply, sales organisation, 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 consecutively maintained a leading position in terms of online sales in the publishing and media industry.
- 4. The education service capability has been comprehensively enhanced.** The Company is the only enterprise in Sichuan Province that is approved by the former 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 centring 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”.

## Management Discussion and Analysis *(continued)*

### (VI) EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2018, the Group has a total of 7,656 (31 December 2017: 7,642) employees.

The Company endeavours to improve and optimise the remuneration policies and remuneration management system for its employees and has built an incentive mechanism based on performance and contribution 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 six months ended 30 June 2018, the total contributions made by the Group for its employees pursuant to the pension plan and annuity plan amounted to RMB61.29 million (2017 corresponding period: RMB55.35 million).

The Company attaches great importance to the growth and development for 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, during the year, the Company centred around the objectives of revitalising the publishing industry in Sichuan and revitalising the physical bookstores. On the one hand, it focused on talent development programmes to build a talent reserve pool for the key positions and build a reasonably structure talent team. On the other hand, it facilitated the management to widen their horizons to enhance their operational standard and management capabilities. Meanwhile, to better cope with the business development needs, the Company provided featured training for personnel of professional positions and strengthened the professionalism of employees so as to achieve business development of each business segments driven by staff capability enhancement.

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.

### (VII) POTENTIAL RISKS

Since October 2016, paper price has soared rapidly. If such trend is not reversed in the future, the operating costs of the publication and distribution business of the Company will continue to increase, which continue to increase the pressure on the cash flow, 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 the execution of these objectives.

## Management Discussion and Analysis *(continued)*

In addition, the Group's major financial instruments consist of cash and bank balances, financial assets measured at amortized cost, financial assets at fair value through profit or loss, investments in other equity instruments and payables. Details of the risks associated with these financial instruments are set out in note (VIII) to the consolidated financial statements in this interim report. The management of the Company 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 Company is minimal and no foreign exchange hedging arrangement has been made. As at the end of the Reporting Period, the Company had no interest-bearing borrowings. Accordingly, the Company did not have material interest rate risks.



## Other Information

### INTERESTS IN SHARE CAPITAL

As at 30 June 2018, the total issued share capital of the Company was RMB1,233,841,000, divided into 1,233,841,000 shares of RMB1.00 each as follows:

As at 30 June 2018, the interests in share capital were as follows:

Class of shares	Number of shares	Approximate percentage of issued share capital of the Company*
<b>A Shares</b>	<b>791,903,900</b>	<b>64.18%</b>
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	3.75%
(iii) National Council for Social Security Fund ( <i>note 3</i> )	725,809	0.06%
(iv) Chengdu Hua Sheng ( <i>note 4</i> )	53,336,000	4.32%
(v) A Share public investors	98,710,000	8.00%
<b>H Shares</b>	<b>441,937,100</b>	<b>35.82%</b>
including		
(i) Sichuan Xinhua Publishing Group ( <i>note 5</i> )	13,133,000	1.06%
(ii) Other promoters ( <i>note 6</i> )	5,950,000	0.48%
(iii) H Share public investors	422,854,100	34.27%
<b>Total Share Capital</b>	<b>1,233,841,000</b>	<b>100%</b>

\* The deviation in the odd percentage between the single items and the aggregate of the class of shares is due to rounding.

Notes:

- Sichuan Xinhua Publishing Group, the controlling shareholder of the Company, is a wholly-owned subsidiary of Sichuan Development. The de facto controller of Sichuan Development is SASAC of Sichuan.
- Other promoters include SPG, Sichuan Daily Newspaper Group and Liaoning Publication Group Co., Ltd.
- Upon the issuance and listing of A Shares, 479,034 shares, 145,162 shares and 101,613 shares held respectively by SPG, Sichuan Daily Newspaper Group and Liaoning Publication Group Co., Ltd. will be transferred to the National Council for Social Security Fund.
- Social Legal Person Shares are held by Chengdu Hua Sheng, a promoter of the Company.
- Sichuan Xinhua Publishing Group, a controlling shareholding of the Company holds 13,133,000 H Shares of the Company through its subsidiary.
- SPG, a promoter of the Company, is interested in 5,950,000 H Shares of the Company via its subsidiary.

## Other Information *(continued)*

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

As at 30 June 2018, so far as is known to the Directors and Supervisors, the following persons (not being Directors, Supervisors or senior management of the Company) had, or were deemed to have interests or short positions in the shares, underlying shares and debentures of the Company which were required, pursuant to section 336 of the SFO, to be entered in the register required to be kept by the Company referred to therein:

Name of shareholder	Number of Shares directly or indirectly held	Capacity	Class of shares	Approximate percentage in the relevant class of shares	Approximate percentage of total issued share capital of the Company	Long position/ short position
Sichuan Development	623,382,418	Interests in controlled corporations	A Shares	78.72%	50.52%	Long position
	19,083,000 <i>(note 1)</i>	Interests in controlled corporations	H Shares	4.32%	1.55%	Long position
Sichuan Xinhua Publishing Group	592,809,525	Beneficial owner	A Shares	74.86%	48.05%	Long position
	13,133,000 <i>(note 2)</i>	Interests in controlled corporations	H Shares	2.97%	1.06%	Long position
Chengdu Hua Sheng <i>(note 3)</i>	53,336,000	Beneficial owner	A Shares	6.74%	4.32%	Long position
Wu Wenqian <i>(note 3)</i>	53,336,000	Interests in controlled corporations	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
Citigroup Inc.	22,269,227	Interests in controlled corporations	H Shares	5.03%	1.80%	Long position
	898,072	Interests in controlled corporations	H Shares	0.20%	0.07%	Short position
	21,352,155 <i>(note 4)</i>	Interests in controlled corporations	H Shares	4.83%	1.73%	Lending pool shares

## Other Information *(continued)*

### 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 5,950,000 H Shares of the Company through a wholly-owned subsidiary of SPG, totalling 19,083,000 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 Chengdu Hua Sheng. Accordingly, Wu Wenqian is deemed to hold 53,336,000 A Shares of the Company through Chengdu Hua Sheng. On 11 January 2018, Chengdu Hua Sheng released the pledge of all the shares in the Company held by it.*
4. *Citigroup Inc. held a long position in 22,269,227 H Shares (of which 21,352,155 shares were available for lending) and a short position in 898,072 H Shares of the Company through a series of its controlled corporations.*

Save as disclosed above, as at 30 June 2018, so far as is known to the Directors and Supervisors of the Company, no other person (not being a Director, Supervisor or senior management of the Company) had any interest or 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, who is the chairman and president of Sichuan Xinhua Publishing Group, (ii) Mr. Luo Jun, non-executive Director, who is a director and vice president of Sichuan Xinhua Publishing Group, and (iii) Mr. Chao Hsun, the Supervisor, who is also a director of investment and operations of Chengdu Hua Sheng, as at 30 June 2018, none of the Directors and Supervisors of the Company held any positions as directors or were 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.



## Other Information *(continued)*

### 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 30 June 2018, the following Directors, Supervisors and chief executives of the Company had 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:

Name of Supervisor	Number of shares directly and indirectly held	Capacity	Class of shares	Approximate percentage in the relevant class of shares	Approximate	Long/short position
					percentage in the total issued share capital of the Company	
Chao Hsun	53,336,000 <i>(Note)</i>	Spouse interest	A shares	6.74%	4.32%	Long position

*Note: Mr. Chao Hsun is the spouse of Ms. Wu Wenqian, who indirectly holds 53,336,000 A shares of the Company via Chengdu Hua Sheng. According to the SFO, Mr. Chao Hsun is deemed to indirectly hold 53,336,000 A shares of the Company held by Ms. Wu Wenqian via Chengdu Hua Sheng.*

### CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

On 3 April 2018, Mr. An Qingguo resigned as deputy general manager of the Company due to advancing age.

Save as disclosed above, during the Reporting Period, there has been no change regarding other Directors, Supervisors and senior management.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

### SHARE APPRECIATION RIGHT INCENTIVE SCHEME

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

### MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, 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.

## Other Information *(continued)*

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Directors are of the view that, during the Reporting Period, the Company has complied with all applicable code provisions in the CG Code set out in Appendix 14 to the Listing Rules.

### COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as the code of conduct for securities transactions by the Directors and Supervisors, for the purpose of regulating securities transactions by the Directors and Supervisors. Having made specific enquiries to each Director and Supervisor, all Directors and Supervisors confirmed that they have complied with the provisions as set out in the Model Code throughout the Reporting Period.

### INTERIM DIVIDEND

The Board has not recommended the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

### AUDIT COMMITTEE

The Company has established the Audit Committee in compliance with the requirements under the Listing Rules with specific written terms of reference.

The Audit Committee has reviewed the Group's unaudited consolidated financial statements for the six months ended 30 June 2018 included in this interim report and has communicated and discussed the interim financial reporting issues of the Group with the management of the Company. The Audit Committee confirmed that the interim financial report of the Group has been prepared in accordance with the applicable accounting standards and requirements and have made appropriate disclosures accordingly.

By Order of the Board

**Xinhua Winshare Publishing and Media Co., Ltd.\***

**He Zhiyong**

*Chairman*

Sichuan, the PRC, 28 August 2018





# Consolidated Balance Sheet

At 30 June 2018

ITEM	Notes	<i>RMB</i>	
		<b>30 June 2018 (Unaudited)</b>	31 December 2017 (Audited)
<b>Current Assets:</b>			
Cash and bank balances	(VI)1	<b>2,046,910,443.31</b>	1,885,682,217.83
Held-for-trading financial assets	(VI)2	<b>1,183,937,810.81</b>	N/A
Notes receivable and accounts receivable	(VI)3	<b>1,677,740,662.82</b>	1,280,220,854.76
Prepayments	(VI)4	<b>108,749,405.65</b>	79,865,675.12
Other receivables	(VI)5	<b>140,828,952.13</b>	109,354,915.49
Inventories	(VI)6	<b>1,753,943,600.04</b>	1,764,445,460.22
Other current assets	(VI)7	<b>82,908,605.80</b>	1,184,329,531.05
Non-current assets due within one year	(VI)8	<b>280,000,000.00</b>	280,000,000.00
<b>Total Current Assets</b>		<b>7,275,019,480.56</b>	6,583,898,654.47
<b>Non-current Assets:</b>			
Available-for-sale financial assets		<b>N/A</b>	2,116,088,000.42
Long-term receivables	(VI)9	<b>216,456,656.17</b>	194,801,883.56
Long-term equity investments	(VI)10	<b>363,154,282.94</b>	356,585,702.56
Other equity instrument investment	(VI)11	<b>1,601,749,935.68</b>	N/A
Other non-current financial assets	(VI)12	<b>542,272,940.01</b>	N/A
Investment properties	(VI)13	<b>69,029,698.73</b>	70,688,502.05
Fixed assets	(VI)14	<b>1,283,188,771.55</b>	1,293,739,079.58
Construction in progress	(VI)15	<b>627,275,156.77</b>	622,149,298.16
Intangible assets	(VI)16	<b>341,570,650.41</b>	340,754,220.83
Development cost		<b>35,227,296.09</b>	44,550,953.70
Goodwill	(VI)17	<b>500,590,036.14</b>	500,590,036.14
Long-term prepaid expenses	(VI)18	<b>24,767,999.06</b>	19,098,549.65
Deferred tax assets	(VI)19	<b>9,243,347.45</b>	10,257,055.60
Other non-current assets	(VI)20	<b>139,027,445.14</b>	133,503,704.60
<b>Total Non-current Assets</b>		<b>5,753,554,216.14</b>	5,702,806,986.85
<b>TOTAL ASSETS</b>		<b>13,028,573,696.70</b>	12,286,705,641.32

Consolidated Balance Sheet *(continued)*

At 30 June 2018

ITEM	Notes	<i>RMB</i>	
		30 June 2018 (Unaudited)	31 December 2017 (Audited)
<b>Current Liabilities:</b>			
Notes payable and accounts payable	(VI)21	3,688,823,071.12	3,144,291,382.23
Advance from customers		–	310,646,140.33
Contract liabilities	(VI)22	354,071,632.98	N/A
Employee benefits payable	(VI)23	190,027,386.74	322,778,103.03
Taxes payable	(VI)24	25,587,707.53	42,878,058.50
Other payables	(VI)25	423,784,000.40	264,369,944.04
Deferred income	(VI)26	98,247,919.87	102,969,706.98
Other current liabilities	(VI)27	6,957,992.20	–
Provisions	(VI)28	61,258,545.26	11,891,779.02
<b>Total Current Liabilities</b>		<b>4,848,758,256.10</b>	4,199,825,114.13
<b>Non-current Liabilities:</b>			
Deferred tax liabilities	(VI)19	37,824,115.73	43,830,724.30
Deferred income	(VI)29	78,129,367.75	86,227,572.50
<b>Total Non-current Liabilities</b>		<b>115,953,483.48</b>	130,058,296.80
<b>TOTAL LIABILITIES</b>		<b>4,964,711,739.58</b>	4,329,883,410.93
<b>Shareholders' Equity:</b>			
Share capital	(VI)30	1,233,841,000.00	1,233,841,000.00
Capital reserve	(VI)31	2,572,587,684.82	2,572,587,684.82
Other comprehensive income	(VI)32	1,170,947,145.52	1,230,619,792.07
Surplus reserve	(VI)33	625,743,635.42	625,743,635.42
Undistributed profits	(VI)34	2,543,658,902.10	2,364,509,602.80
<b>Total Shareholder's Equity Attributable to equity holders of the Company</b>		<b>8,146,778,367.86</b>	8,027,301,715.11
<b>Non-controlling Interests</b>		<b>(82,916,410.74)</b>	(70,479,484.72)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>8,063,861,957.12</b>	7,956,822,230.39
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>13,028,573,696.70</b>	12,286,705,641.32

The accompanying notes form part of the financial statements.

The financial statements on pages 32 to 196 were signed by the following:

**He Zhiyong**  
Legal Representative

**Zhu Zaixiang**  
Chief Accountant

**Wu Sufang**  
Person in Charge of the  
Accounting Body

# The Company's Balance Sheet

At 30 June 2018

ITEM	Notes	<i>RMB</i>	
		<b>30 June 2018 (Unaudited)</b>	31 December 2017 (Audited)
<b>Current Assets:</b>			
Cash and bank balances	(XV)1	<b>1,415,143,321.71</b>	1,107,004,995.34
Held-for-trading financial assets		<b>1,181,037,810.81</b>	N/A
Notes receivable and accounts receivable	(XV)2	<b>1,746,539,196.83</b>	977,264,568.14
Prepayments	(XV)3	<b>32,604,928.03</b>	38,146,741.68
Other receivables	(XV)4	<b>501,220,784.40</b>	749,257,609.73
Inventories	(XV)5	<b>238,954,914.93</b>	1,267,888,034.33
Other current assets	(XV)6	<b>27,773,313.14</b>	1,156,865,130.99
Non-current assets due within one year	(VI)8	<b>280,000,000.00</b>	280,000,000.00
<b>Total Current Assets</b>		<b>5,423,274,269.85</b>	5,576,427,080.21
<b>Non-current Assets:</b>			
Available-for-sale financial assets		<b>N/A</b>	1,655,576,832.80
Long-term receivables		<b>125,114,201.08</b>	57,782,527.52
Long-term equity investments	(XV)7	<b>3,434,580,464.51</b>	3,206,109,361.15
Other equity instrument investment	(VI)11	<b>1,599,510,400.00</b>	N/A
Other non-current financial assets	(VI)12	<b>106,179,002.11</b>	N/A
Investment properties	(XV)8	<b>21,238,794.30</b>	21,688,889.32
Fixed assets	(XV)9	<b>847,266,365.81</b>	842,948,046.79
Construction in progress	(VI)15	<b>626,382,853.51</b>	621,339,829.29
Intangible assets	(XV)10	<b>144,128,256.93</b>	144,677,299.19
Long-term prepaid expenses	(XV)11	<b>19,721,381.87</b>	12,832,910.42
Other non-current assets	(XV)12	<b>581,932,721.14</b>	596,408,980.60
<b>Total Non-current Assets</b>		<b>7,506,054,441.26</b>	7,159,364,677.08
<b>TOTAL ASSETS</b>		<b>12,929,328,711.11</b>	12,735,791,757.29



The Company's Balance Sheet *(continued)*

At 30 June 2018

ITEM	Notes	<i>RMB</i>	
		<b>30 June 2018</b> <b>(Unaudited)</b>	31 December 2017 (Audited)
<b>Current Liabilities:</b>			
Notes payable and accounts payable	(XV)13	<b>4,162,472,128.94</b>	4,150,733,662.61
Advance from customers		–	229,900,017.25
Contract liabilities	(XV)14	<b>260,852,979.99</b>	N/A
Employee benefits payable	(XV)15	<b>104,877,555.37</b>	212,907,765.25
Taxes payable	(XV)16	<b>18,700,474.73</b>	18,382,724.24
Other payables	(XV)17	<b>682,380,513.51</b>	419,773,590.84
Other current liabilities		<b>6,957,992.20</b>	10,797,781.88
Provisions		<b>18,082,770.97</b>	3,826,315.05
<b>Total Current Liabilities</b>		<b>5,254,324,415.71</b>	5,046,321,857.12
Deferred income		<b>16,245,531.93</b>	17,250,635.60
<b>Total Non-current Liabilities</b>		<b>16,245,531.93</b>	17,250,635.60
<b>TOTAL LIABILITIES</b>		<b>5,270,569,947.64</b>	5,063,572,492.72
<b>Shareholders' Equity:</b>			
Share capital	(VI)30	<b>1,233,841,000.00</b>	1,233,841,000.00
Capital reserve	(XV)18	<b>2,631,057,328.10</b>	2,631,057,328.10
Other comprehensive income	(XV)19	<b>1,171,783,406.10</b>	1,136,163,193.05
Surplus reserve	(XV)20	<b>624,908,885.29</b>	624,908,885.29
Undistributed profits	(XV)21	<b>1,997,168,143.98</b>	2,046,248,858.13
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>7,658,758,763.47</b>	7,672,219,264.57
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>12,929,328,711.11</b>	12,735,791,757.29

The accompanying notes form part of the financial statements.

# Consolidated Income Statement

For the period from 1 January 2018 to 30 June 2018

ITEM	Notes	<i>RMB</i>	
		Amount recognized in the current period (Unaudited)	Amount recognized in the prior period (Unaudited)
I. Total operating income	(VI)35	<b>3,577,678,699.56</b>	3,186,015,247.21
Less: Operating costs	(VI)35	<b>2,240,412,062.70</b>	2,026,412,232.84
Taxes and surcharges	(VI)36	<b>16,136,796.86</b>	16,258,587.92
Selling expenses	(VI)37	<b>484,307,612.41</b>	414,997,707.05
Administrative expenses	(VI)38	<b>443,430,377.63</b>	429,531,967.80
Research and development expenditure		<b>8,856,046.95</b>	1,089,474.17
Finance expenses	(VI)39	<b>(12,254,208.92)</b>	(9,102,091.09)
Including: Interest income		<b>(14,742,646.37)</b>	(11,210,209.15)
Impairment losses of assets	(VI)40	<b>5,796,336.83</b>	49,380,503.20
Loss on credit impairment	(VI)41	<b>48,365,598.71</b>	N/A
Add: Other income	(VI)42	<b>26,218,522.67</b>	42,115,767.43
Investment income	(VI)43	<b>78,733,633.70</b>	202,375,080.84
Including: Income from investments in associates and joint ventures		<b>2,209,094.82</b>	2,073,717.62
Gains (losses) from changes in fair values	(VI)44	<b>(12,654,946.22)</b>	25,983.57
Gains from disposal of assets		<b>1,412,396.50</b>	44,485.74
II. Operating profit		<b>436,337,683.04</b>	502,008,182.90
Add: Non-operating income	(VI)45	<b>4,761,835.99</b>	1,705,906.97
Less: Non-operating expenses	(VI)46	<b>8,966,857.21</b>	17,672,450.65
III. Total profit		<b>432,132,661.82</b>	486,041,639.22
Less: Income tax expenses	(VI)47	<b>(3,671,853.55)</b>	702,444.17
IV. Net profit		<b>435,804,515.37</b>	485,339,195.05
(I) Categorized by the nature of continuing operation:			
1. Net profit from continuing operations		<b>435,804,515.37</b>	485,339,195.05
(II) Categorized by ownership:			
1. Non-controlling interests		<b>(13,091,926.02)</b>	(12,585,707.21)
2. Net profit attributable to shareholders of the Company		<b>448,896,441.39</b>	497,924,902.26

## Consolidated Income Statement *(continued)*

For the period from 1 January 2018 to 30 June 2018

ITEM	Notes	<i>RMB</i>	
		<b>Amount recognized in the current period (Unaudited)</b>	Amount recognized in the prior period (Unaudited)
V. Other comprehensive income, net of tax	(VI)32	<b>(239,323,488.64)</b>	(469,373,421.04)
Other comprehensive income attributable to shareholders of the Company, net of tax		<b>(239,323,488.64)</b>	(469,373,421.04)
(I) Other comprehensive income not reclassified to profit or loss	(VI)32		
1. Changes in other equity instrument investment at fair value		<b>(239,323,488.64)</b>	N/A
(II) Other comprehensive income to be reclassified to profit or loss			
1. Profit or loss on changes in fair value of available-for-sale financial assets		N/A	(469,373,421.04)
VI. Total comprehensive income:		<b>196,481,026.73</b>	15,965,774.01
Total comprehensive income attributable to shareholders of the Company		<b>209,572,952.75</b>	28,551,481.22
Total comprehensive income attributable to non-controlling interests		<b>(13,091,926.02)</b>	(12,585,707.21)
VII. Earnings per share			
Basic earnings per share	(VI)48	<b>0.36</b>	0.40
Diluted earnings per share		<b>N/A</b>	N/A

The accompanying notes form part of the financial statements.

# The Company's Income Statement

For the period from 1 January 2018 to 30 June 2018

ITEM	Notes	<i>RMB</i>	
		<b>Amount recognized in the current period (Unaudited)</b>	Amount for recognized in the prior period (Unaudited)
I. Total operating income	(XV)22	<b>3,561,282,352.70</b>	2,530,262,307.56
Less: Operating costs	(XV)22	<b>2,615,077,015.88</b>	1,693,163,397.84
Taxes and surcharges	(XV)23	<b>7,535,700.45</b>	6,822,652.04
Selling expenses	(XV)24	<b>321,635,975.68</b>	301,060,062.11
Administrative expenses	(XV)25	<b>342,702,219.64</b>	323,228,413.70
Finance expenses	(XV)26	<b>(6,431,621.26)</b>	(7,387,154.61)
Including: Interest expenses		<b>1,131,022.61</b>	812,520.55
Interest income		<b>(9,103,140.39)</b>	(9,272,767.83)
Impairment losses of assets	(XV)27	<b>4,482,265.35</b>	22,192,459.53
Loss on credit impairment	(XV)28	<b>38,672,773.08</b>	N/A
Add: Other income	(XV)29	<b>1,005,103.67</b>	981,050.38
Investment income	(XV)30	<b>74,933,205.44</b>	310,123,332.44
Including: Income from investments in associates and joint ventures		<b>8,571,103.36</b>	4,422,188.07
Gains from changes in fair values		<b>9,553,741.44</b>	25,983.57
Gains (losses) from disposal of assets		<b>(4,165.61)</b>	60,084.22
II. Operating profit		<b>323,095,908.82</b>	502,372,927.56
Add: Non-operating income	(XV)31	<b>1,317,927.82</b>	953,765.60
Less: Non-operating expenses	(XV)32	<b>8,541,237.74</b>	17,059,018.77
III. Total profit		<b>315,872,598.90</b>	486,267,674.39
IV. Net profit		<b>315,872,598.90</b>	486,267,674.39
(I) Net profit from continuing operations		<b>315,872,598.90</b>	486,267,674.39
V. Other comprehensive income, net of tax		<b>(239,236,800.00)</b>	(467,400,000.00)
(I) Other comprehensive income not reclassified to profit or loss			
1. Changes in other equity instrument investment at fair value	(XV)19	<b>(239,236,800.00)</b>	N/A
(II) Other comprehensive income to be reclassified to profit or loss			
1. Profit or loss on changes in fair value of available-for-sale financial assets		<b>N/A</b>	(467,400,000.00)
VI. Total comprehensive income		<b>76,635,798.90</b>	18,867,674.39

The accompanying notes form part of the financial statements.

# Consolidated Cash Flow Statement

For the period from 1 January 2018 to 30 June 2018

ITEM	Notes	<i>RMB</i>	
		Amount recognized in the current period (Unaudited)	Amount recognized in the prior period (Unaudited)
<b>I. Cash Flows from Operating Activities:</b>			
Cash receipts from the sale of goods and the rendering of services		<b>3,503,153,447.53</b>	3,167,470,586.80
Receipts of tax refunds		<b>389,830.15</b>	27,852,828.00
Other cash receipts relating to operating activities	(VI)49(1)	<b>49,398,708.88</b>	15,931,034.78
Sub-total of cash inflows from operating activities		<b>3,552,941,986.56</b>	3,211,254,449.58
Cash payments for goods purchased and services received		<b>2,002,142,450.45</b>	2,235,565,665.69
Cash payments to and on behalf of employees		<b>602,827,277.51</b>	487,067,045.71
Payments of various types of taxes		<b>61,008,916.48</b>	87,374,681.25
Other cash payments relating to operating activities	(VI)49(2)	<b>443,694,889.05</b>	438,251,382.95
Sub-total of cash outflows from operating activities		<b>3,109,673,533.49</b>	3,248,258,775.60
Net Cash Flow from Operating Activities	(VI)50(1)	<b>443,268,453.07</b>	(37,004,326.02)
<b>II. Cash Flows from Investing Activities:</b>			
Cash receipts from disposals and recovery of investments		<b>1,326,246,610.95</b>	1,663,713,845.99
Cash receipts from investment income		<b>55,335,759.20</b>	67,290,090.51
Cash receipts from interest of entrusted loans		-	1,180,018.10
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		<b>2,359,355.43</b>	509,150.56
Net cash receipts from disposals of subsidiaries and other business units		-	133,011,272.71
Other cash receipts relating to investing activities	(VI)49(3)	<b>20,000,000.00</b>	150,212,625.38
Sub-total of cash inflows from investing activities		<b>1,403,941,725.58</b>	2,015,917,003.25
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		<b>54,974,881.07</b>	123,579,873.30
Cash payments to acquire investments		<b>1,356,995,816.49</b>	1,241,635,734.89
Other cash payments relating to investing activities	(VI)49(4)	-	96,945,492.87
Sub-total of cash outflows from investing activities		<b>1,411,970,697.56</b>	1,462,161,101.06
Net Cash Flow from Investing Activities		<b>(8,028,971.98)</b>	553,755,902.19



## Consolidated Cash Flow Statement *(continued)*

For the period from 1 January 2018 to 30 June 2018

ITEM	Notes	Amount recognized in the current period (Unaudited)	<i>RMB</i> Amount recognized in the prior period (Unaudited)
<b>III. Cash Flows from Financing Activities:</b>			
Cash receipts from capital contributions		<b>655,000.00</b>	–
Including: cash receipts from capital contributions from non- controlling shareholders of subsidiaries		<b>655,000.00</b>	–
Other cash receipts relating to financing activities	(VI)49(5)	<b>12,545.29</b>	123,573.81
Sub-total of cash inflows from financing activities		<b>667,545.29</b>	123,573.81
Cash payments for distribution of dividends or settlement of interest expenses		<b>249,250,981.29</b>	370,152,300.00
Cash payments to acquire non-controlling interests		–	48,489,700.00
Sub-total of cash outflows from financing activities		<b>249,250,981.29</b>	418,642,000.00
Net Cash Flow from Financing Activities		<b>(248,583,436.00)</b>	(418,518,426.19)
<b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>			
<b>V. Net Increase in Cash and Cash Equivalents</b>			
Cash Equivalents	(VI)50(1)	<b>186,656,045.09</b>	98,233,149.98
Add: Opening balance of Cash and Cash Equivalents	(VI)50(2)	<b>1,825,572,649.15</b>	1,634,167,257.70
<b>VI. Closing Balance of Cash and Cash Equivalents</b>			
	(VI)50(2)	<b>2,012,228,694.24</b>	1,732,400,407.68

The accompanying notes form part of the financial statements.

# The Company's Cash Flow Statement

For the period from 1 January 2018 to 30 June 2018

ITEM	Notes	<i>RMB</i>	
		Amount for the current period (Unaudited)	Amount for the prior period (Unaudited)
<b>I. Cash Flows from Operating Activities:</b>			
Cash receipts from the sale of goods and the rendering of services		<b>3,034,837,456.92</b>	2,549,825,294.00
Other cash receipts relating to operating activities	(XV)33(1)	<b>91,289,570.21</b>	33,354,386.65
Sub-total of cash inflows from operating activities		<b>3,126,127,027.13</b>	2,583,179,680.65
Cash payments for goods purchased and services received		<b>1,642,991,494.23</b>	1,559,925,550.62
Cash payments to and on behalf of employees		<b>403,718,493.34</b>	309,832,270.13
Payments of various types of taxes		<b>7,727,821.50</b>	16,889,871.57
Other cash payments relating to operating activities	(XV)33(2)	<b>353,940,786.11</b>	392,350,924.13
Sub-total of cash outflows from operating activities		<b>2,408,378,595.18</b>	2,278,998,616.45
Net Cash Flow from Operating Activities	(XV)34(1)	<b>717,748,431.95</b>	304,181,064.20
<b>II. Cash Flows from Investing Activities:</b>			
Cash receipts from disposals and recovery of investments		<b>1,306,346,610.95</b>	1,319,720,103.95
Cash receipts from investment income		<b>45,173,302.08</b>	63,896,614.61
Cash receipts from interest of entrusted loans		-	1,180,018.10
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		<b>213,046.03</b>	470,672.09
Net cash receipts from disposals of subsidiaries and other business units		-	241,804,529.76
Other cash receipts relating to investing activities		<b>51,469,527.53</b>	150,212,625.38
Sub-total of cash inflows from investing activities		<b>1,403,202,486.59</b>	1,777,284,563.89
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		<b>47,137,000.07</b>	103,018,510.41
Cash payments to acquire investments		<b>1,571,995,816.49</b>	1,017,120,759.32
Other cash payments relating to investing activities		<b>30,000,000.00</b>	217,789,714.80
Sub-total of cash outflows from investing activities		<b>1,649,132,816.56</b>	1,337,928,984.53
Net Cash Flow from Investing Activities		<b>(245,930,329.97)</b>	439,355,579.36

## The Company's Cash Flow Statement *(continued)*

For the period from 1 January 2018 to 30 June 2018

ITEM	Notes	<i>RMB</i>	
		Amount for the current period (Unaudited)	Amount for the prior period (Unaudited)
<b>III. Cash Flows from Financing Activities:</b>			
Other cash receipts relating to financing activities		<b>86,500,000.00</b>	–
Sub-total of cash inflows from financing activities		<b>86,500,000.00</b>	–
Cash payments for distribution of dividends or settlement of interest expenses		<b>250,179,775.61</b>	370,152,300.00
Other cash payments relating to financing activities		–	48,489,700.00
Sub-total of cash outflows from financing activities		<b>250,179,775.61</b>	418,642,000.00
Net Cash Flow from Financing Activities		<b>(163,679,775.61)</b>	(418,642,000.00)
<b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>			
		–	–
<b>V. Net Increase in Cash and Cash Equivalents</b>			
<b>Cash Equivalents</b>	(XV)34(1)	<b>308,138,326.37</b>	324,894,643.56
Add: Opening balance of Cash and Cash Equivalents	(XV)34(2)	<b>1,105,004,995.34</b>	915,684,202.39
<b>VI. Closing Balance of Cash and Cash Equivalents</b>			
	(XV)34(2)	<b>1,413,143,321.71</b>	1,240,578,845.95

The accompanying notes form part of the financial statements.

# Consolidated Statement of Changes in Shareholders' Equity

For the period from 1 January 2018 to 30 June 2018

*RMB*

ITEM	Current period (Unaudited)						Total shareholders' equity
	Equity attributable to shareholders of the Company						
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained profits	Non-controlling interests	
31 December 2017	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
Effects due to implementation of new financial instruments standards (Note (III) 25)	-	-	179,650,842.09	-	100,405,157.91	-	280,056,000.00
1 January 2018	1,233,841,000.00	2,572,587,684.82	1,410,270,634.16	625,743,635.42	2,464,914,760.71	(70,479,484.72)	8,236,878,230.39
Changes in current period							
(I) Total comprehensive income	-	-	(239,323,488.64)	-	448,896,441.39	(13,091,926.02)	196,481,026.73
(II) Contributions by investors and decrease in capital							
1. Capital increase by non-controlling shareholders	-	-	-	-	-	655,000.00	655,000.00
(III) Profit distribution							
1. Distribution to shareholders	-	-	-	-	(370,152,300.00)	-	(370,152,300.00)
30 June 2018	1,233,841,000.00	2,572,587,684.82	1,170,947,145.52	625,743,635.42	2,543,658,902.10	(82,916,410.74)	8,063,861,957.12

*RMB*

ITEM	Prior period (Unaudited)						Total shareholders' equity
	Equity attributable to shareholders of the Company						
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained profits	Non-controlling interests	
1 January 2017	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 in current period							
(I) Total comprehensive income	-	-	(469,373,421.04)	-	497,924,902.26	(12,585,707.21)	15,965,774.01
(II) Profit distribution							
1. Distribution to shareholders	-	-	-	-	(370,152,300.00)	(202,228.29)	(370,354,528.29)
30 June 2017	1,233,841,000.00	2,619,467,530.11	1,576,447,371.19	539,564,967.34	2,024,768,673.10	(54,000,945.24)	7,940,088,596.50

The accompanying notes form part of the financial statements.

# The Company's Statement of Changes in Shareholders' Equity

For the period from 1 January 2018 to 30 June 2018

*RMB*

ITEM	Current period (Unaudited)					Total shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained profits	
31 December 2017	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
Effects due to implementation of new financial instruments standards	-	-	274,857,013.05	-	5,198,986.95	280,056,000.00
1 January 2018	1,233,841,000.00	2,631,057,328.10	1,411,020,206.10	624,908,885.29	2,051,447,845.08	7,952,275,264.57
Changes in current period						
(I) Total comprehensive income	-	-	(239,236,800.00)	-	315,872,598.90	76,635,798.90
(II) Profit distribution						
1. Distribution to shareholders	-	-	-	-	(370,152,300.00)	(370,152,300.00)
30 June 2018	1,233,841,000.00	2,631,057,328.10	1,171,783,406.10	624,908,885.29	1,997,168,143.98	7,658,758,763.47

*RMB*

ITEM	Prior period (Unaudited)					Total shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained profits	
1 January 2017	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	-	-	(467,400,000.00)	-	486,267,674.39	18,867,674.39
(III) Profit distribution						
1. Distributions to shareholders	-	-	-	-	(370,152,300.00)	(370,152,300.00)
30 June 2017	1,233,841,000.00	2,630,651,083.92	1,540,998,036.83	538,730,217.21	1,763,447,340.95	7,707,667,678.91

The accompanying notes form part of the financial statements.

# Notes to the Financial Statements

For the period from 1 January 2018 to 30 June 2018

## (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 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 to RMB1,135,131,000.00. The newly addition of registered capital was verified by Shine Wing CPA Co., Ltd. with capital verification report XYZH/2007A10005.

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

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

As approved by *Reply on Approval of IPO of Xinhua Winshare Publishing and Media Co., Ltd.* (filed as Zheng Jian Xu Ke [2016] No.1544) issued by China Securities Regulatory Commission, the Company publicly offered 98,710,000 ordinary shares of A share at Shanghai Stock Exchange on 8 August 2016, the par value was RMB1 per share and its issue price was 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 registered address of the Company is No. 1, 1/F, Block 4, No. 239, Jinshi Road, Jinjiang District, Chengdu, Sichuan Province. The headquarters is located at No.6 Wenxuan Road, Rongbei Shangmao Avenue, Jinniu District, Chengdu, Sichuan Province.

Details of the structure of share capital are set out in Note (VI) 30.

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; education ancillary services; catering business and ticketing agency (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 (VII) Interests in Other Entities.

The parent company 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, the Company is beneficially controlled by Sichuan SASAC.

## (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*.

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (II) BASIS OF PREPARATION OF FINANCIAL STATEMENTS *(Continued)*

### **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 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 30 June 2018, and found no events or circumstances that may cast significant doubts upon it. Hence the financial statements have been prepared on going concern basis.

## (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

### **1. Statement of compliance with the ASBE**

The financial statements have been prepared in accordance with ASBE, and present truly and completely, the Company's and consolidated financial position as at 30 June 2018, and the Company's and consolidated results of operations and cash flows for the period from 1 January 2018 to 30 June 2018.



# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### 2. Accounting period

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

### 3. Operating 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 operating 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 *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (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 re-measured 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 *(continued)*

For the period from 1 January 2018 to 30 June 2018

## **(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.

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 owners' 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/received is adjusted to capital reserve under owners' equity. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained earnings.

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

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

*(Continued)*

### **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 joint arrangement of the Group refers to the joint venture. The Group accounts for investments in joint ventures using equity method. Refer to Note (III) 12.3.2 “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.

### **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 exchange difference and recognized in other comprehensive income and included in shareholders’ equity.

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### 9. Transactions denominated in foreign currencies *(Continued)*

#### 9.2 Translation of financial statements denominated in foreign currencies *(Continued)*

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 period’s financial statements.

### 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. For accounts receivable excluding significant financing components or regardless of financing components of contracts less than one year recognised based on *Accounting Standard for Business Enterprises No.14 – Revenue* (the “**Standard – Revenue**”), accounts receivable initially recognised shall be measured at transaction price defined based on the *Standard – Revenue* on initial recognition.

#### 10.1 Classification and measurement of financial assets

Subsequent to initial recognition, the Group’s financial assets of various categories are subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss.

##### 10.1.1 Financial assets classified as at amortized cost

If contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, such asset is classified into financial asset measured at amortized cost.

The above financial asset is subsequently measured at amortized cost using the effective interest method. Gain or loss arising from derecognition, or impairment is recognised in profit or loss.

The Group’s such financial assets include bank and cash, notes receivable and accounts receivable, other receivables, and non-current assets due within one year.

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### 10. Financial instruments *(Continued)*

#### 10.1 Classification and measurement of financial assets *(Continued)*

##### 10.1.1 Financial assets classified as at amortized cost *(Continued)*

###### 10.1.1.1 Effective interest method and amortized cost

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over each accounting period.

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 to the net carrying amount of the financial asset or the amortized cost of 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 including earlier repayment, extension, call option or other similar options etc. without considering future credit losses.

The amortized cost of a financial asset or a financial liability is the amount of a financial asset or a financial liability initially recognised net of principal repaid, plus or less the cumulative amortized amount arising from amortization of the difference between the amount initially recognised and the amount at the maturity date using the effective interest method, net of cumulative loss allowance (only applicable to financial assets).

Interest income from financial assets at amortized cost and at fair value through other comprehensive income is recognised based on the effective interest method. Interest income is determined by applying an effective interest rate to the carrying amount of the financial asset:

- For the purchased or internally generated credit-impaired financial assets, the Group recognizes their interest income based on amortized cost and credit-adjusted effective interest rate of such financial assets since initial recognition.
- For the purchased or internally generated financial assets without credit-impairment but subsequently becoming credit-impaired, the Group subsequently recognizes their interest income based on amortized costs and effective interest rate of such financial assets. If there exists no credit impairment due to improvement in credit risk of the financial instruments subsequently, the Group recognizes interest income based on applying effective interest rate to carrying amount of the financial assets.

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### 10. Financial instruments *(Continued)*

#### 10.1 Classification and measurement of financial assets *(Continued)*

##### 10.1.2 Financial assets at fair value through profit or loss (FVTPL)

The financial assets at fair value through profit or loss includes the financial assets classified as at fair value through profit or loss and financial assets designated as at fair value through profit or loss.

- Financial assets failing to qualify as at amortized cost and those classified as at fair value through other comprehensive income are classified into financial assets at FVTPL.
- On initial recognition, to eliminate or significantly reduce accounting mismatches, the Group can designate financial assets irrevocably as financial assets at FVTPL.

Except for some financial assets belonging to hedging relationship, the above financial assets are subsequently measured at fair value, gains or losses arising from fair value changes and dividends and interest income in relation to such financial assets are included in profit or loss for the period.

The Group's such financial assets are presented respectively under "held-for-trading financial assets" and "other non-current financial assets" in accordance with corresponding liquidity.

##### 10.1.3 Financial assets designated as at fair value through other comprehensive income (FVOCI)

On initial recognition, the Group may irrevocably designate non-trading equity instruments as financial assets at fair value through other comprehensive income on an individual basis.

Fair value change of such financial asset is recognised in other comprehensive income. Upon derecognition of the financial asset, cumulative gains or losses previously recognised in other comprehensive income are transferred and included in retained earnings. During the period for which the Group holds the investments in equity instruments, dividend income is recognised and included in profit or loss for the period when the Group's right to collect dividend has been established; it is probable that economic benefits associated with dividend will flow the Group; and the amount of dividend can be reliably measured.

The Group's such financial assets are presented under "other equity instrument investments".

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### 10. Financial instruments *(Continued)*

#### 10.2 Impairment of financial assets

The Group recognizes loss allowance for financial instruments classified as at amortized cost based on expected credit loss (“ECL”).

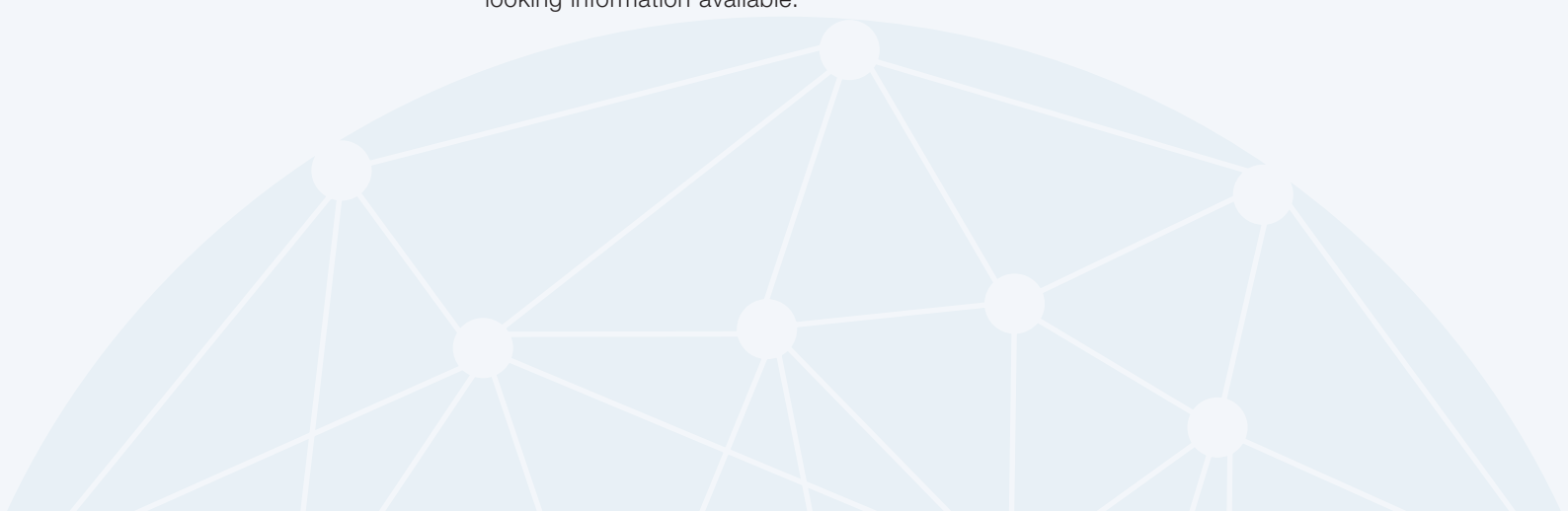
The Group measures loss allowance for contract assets and accounts receivable which exclude significant financing components or financing components in contracts less than 1 year arising from transactions regulated by the revenue standard, and contract assets and accounts receivable which include significant financing components arising from transactions regulated by the revenue standard based on the amount of full lifetime ECL.

For other financial instruments, except for the purchased or internally generated credit-impaired financial assets, at each balance sheet date, the Group assesses changes in credit risk of relevant financial instruments since initial recognition. If the credit risk of the above financial instruments has increased significantly since initial recognition, the Group measures loss allowance based on the amount of full lifetime ECL; if credit risk of the financial instrument has not increased significantly since initial recognition, the Group recognizes loss allowance based on 12-month ECL of the financial instrument. Increase in or reversal of credit loss allowance is included in profit or loss as loss or gain on impairment.

The Group measured loss allowance at the full lifetime ECL of the financial instruments in the prior accounting period. However, as at the balance sheet date for the current period, for the above financial instruments, due to failure to qualify as significant increase in credit risk since initial recognition, the Group measures loss allowance for the financial instrument at 12-month ECL at the balance sheet date for the current period. Relevant reversal of loss allowance is included in profit or loss as gain on impairment.

##### 10.2.1 Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the balance sheet date with the risk of a default occurring on the financial instrument as at the date of initial recognition by using reasonable and supportable forward-looking information available.





# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

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

*(Continued)*

### **10. Financial instruments *(Continued)***

#### **10.2 Impairment of financial assets *(Continued)***

##### **10.2.1 Significant increase in credit risk *(Continued)***

The following information is taken into account when the Group assesses whether credit risk has increased significantly:

- (1) Whether expected adverse changes in business, financial and economic conditions of the borrower which will affect debtor's ability to perform repayment obligation have changed significantly.
- (2) Whether the actual or expected operating results of the debtor have changed significantly.
- (3) Whether credit risk of other financial instruments issued by the same debtor has increased significantly.
- (4) Whether supervisory, economic or technical environment for the debtor has significant adverse changes.
- (5) Whether the debtor's expected performance and repayment activities have changed significantly.

At the balance sheet date, the Group assumes that credit risk of the financial instrument has not increased significantly since initial recognition when the Group determines that the financial instrument is only exposed to lower credit risk.



# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### 10. Financial instruments *(Continued)*

#### 10.2 Impairment of financial assets *(Continued)*

##### 10.2.2 Credit-impaired financial assets

A financial asset is “credit-impaired” when one or more events that have an adverse impact on the estimated future cash flows of the financial asset have occurred. Evidence of credit-impairment includes observable data about the following events:

- (1) Significant financial difficulty of the issuer or debtor;
- (2) A breach of contract by the debtor, such as a default or delinquency in interest or principal payments;
- (3) The creditor, for economic or contractual reasons relating to the debtor’s financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- (4) It becoming probable that the debtor will enter bankruptcy or other financial reorganizations;
- (5) The disappearance of an active market for that financial asset due to financial difficulties of issuer or debtor;
- (6) The purchase or origination of a financial asset at a significant discount that reflects the incurred credit losses.

##### 10.2.3 Recognition of ECL

The Group recognises credit loss for other receivables on an individual basis and recognises credit loss of related financial instruments for accounts receivable and contract assets on a collectively basis using a provision matrix. The Group classifies financial instruments into different groups based on shared risk characteristics. Shared credit risk characteristics include type of financial instruments, credit risk rating, the date of initial recognition, remaining contractual maturity, industry of debtor and location of debtor etc.

ECL of relevant financial instruments is recognised based on the following methods:

- For a financial asset, credit loss is the present value of difference between the contractual cash flow receivable and the expected cash flows to be received.
- For credit-impaired financial assets other than the purchased or internally generated credit-impaired financial assets at the balance sheet date, credit loss is difference between the carrying amount of financial assets and the present value of expected future cash flows discounted at original effective interest rate.

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

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

*(Continued)*

### **10. Financial instruments *(Continued)***

#### **10.2 Impairment of financial assets *(Continued)***

##### **10.2.3 Recognition of ECL *(Continued)***

The Group's measurement of ECL of financial instruments reflects factors including unbiased probability weighted average amount recognised by assessing a series of possible results, time value of money, reasonable and supportable information related to historical events, current condition and forecast of future economic position that is available without undue cost or effort at the balance sheet date.

##### **10.2.4 Reduction in financial assets**

The Group directly reduces the carrying amount of financial assets when ceasing to reasonably expect that the contractual cash flow of such financial assets may be fully or partially recoverable. Such reduction comprises derecognition of relevant financial assets.

#### **10.3 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, regarding financial assets classified as carried at amortized cost, the difference between the carrying amount of the financial asset transferred and the sum of the consideration received from the transfer is recognised in profit or loss. While regarding non-trading equity instruments designated by the Group as at FVTOCI, cumulative gains or losses previously recognised in other comprehensive income are transferred and included in retained earnings.

For a partial transfer of a financial asset that satisfies the derecognition criteria, the carrying amount of the financial asset in its entirety before transfer shall be amortized between the part of financial asset derecognized and the part of financial asset continued to be recognized at their respective fair values on the transfer dates. The difference between the sum of the consideration received from the part of financial asset derecognized and the amount corresponding to derecognition in the cumulative gains or losses previously recognized in other comprehensive income and the carrying amount of the part of financial asset derecognized at the date of derecognition is included in the profit or loss for the period or retained earnings.

For a transfer of a financial asset in its entirety that does not satisfy the derecognition criteria, the Group continues to recognised the transferred financial asset in its entirety. The consideration received from transfer of assets is recognised as a liability upon receipt.

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### 10. Financial instruments *(Continued)*

#### 10.4 Classification and measurement of financial liabilities

The Group's financial instruments or their components are, on initial recognition, classified into financial liabilities or equity instruments on the basis of contractual terms for issuance and the economic substance reflected by such terms and in combination with definitions of financial liability and equity instrument, instead of only on the basis of the legal form.

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 all other financial liabilities, mainly including notes payable, accounts payable, and other payables.

##### 10.4.1 Other financial liabilities

All other financial liabilities as measured at amortized cost, and gains or losses arising from derecognition or amortization are recognized in profit or loss for the period. Please refer to Note (III) 10.1.1.1 for information about the amortized cost.

#### 10.5 Derecognition of financial liabilities

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

When the Group derecognizes a financial liability or a part of it, it recognizes 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.

#### 10.6 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued (including refinanced), repurchased, sold and cancelled by the Group are recognized as changes of equity. Change of fair value of equity instruments is not recognized by the Group. Transaction costs related to equity transactions are deducted from equity.

The Group recognizes the distribution to holders of the equity instruments as distribution of profits, and dividends paid do not affect total amount of shareholders equity.

#### 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 realize 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.

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

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

*(Continued)*

### **11. Inventories**

#### *11.1 Categories of inventories*

The Group's inventories mainly include raw materials, packaging materials, low cost and short-lived materials, work in progress, and goods on hand, 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.

#### *11.2 Valuation method of inventories upon delivery*

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

#### *11.3 Basis for determining net realizable 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 realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made. Net realizable 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 realizable 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 realizable 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 period end; 3) aging for two to three years, provision is made at 20% of total pricing of book inventory at period end; 4) aging for more than 3 years, provision is made at 100% of actual costs of book inventories at period end. The provision for outsourcing (for returnable part) general books is made at 3% of actual costs of book inventories at the period end.

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### 11. Inventories *(Continued)*

#### 11.3 *Basis for determining net realizable value of inventories and provision methods for decline in value of inventories (Continued)*

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 utilization 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 utilization 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 realizable 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.

#### 11.4 *Inventory count system*

The perpetual inventory system is maintained for stock system.

#### 11.5 *Amortization method for low cost and short-lived consumable items and packaging materials*

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

### 12. Long-term equity investments

#### 12.1 *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.

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

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

*(Continued)*

### **12. Long-term equity investments *(Continued)***

#### **12.2 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 initial investment cost of long-term equity and the carrying amount of the aggregate consideration paid is different, the difference is adjusted to capital reserve. If the capital is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

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

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

#### **12.3 Subsequent measurement and recognition of profit or loss**

##### **12.3.1 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.

##### **12.3.2 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.

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### 12. Long-term equity investments *(Continued)*

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

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

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.

Under the equity method, the Group recognizes its share of the net profit or loss and other comprehensive income of the investee for the period as investment income and other comprehensive income for the period. Meanwhile, carrying amount of long-term equity investment is adjusted: the carrying amount of long-term equity investment is decreased in accordance with its share of the investee's declared profit or cash dividends. Other changes in owners' equity of the investee other than net profit or loss and other comprehensive income are correspondingly adjusted to the carrying amount of the long-term equity investment, and recognized in the capital reserve. The Group recognizes its share of the investee's net profit or loss based on the fair value of the investee's individual identifiable assets, etc. at the acquisition date after making appropriate adjustments in accordance with the Group's accounting policies and accounting period. Unrealized gains or losses resulting from the Group's transactions with its associates and joint ventures, which do not constitute a business, are eliminated based on the proportion attributable to the Group and then investment gains or losses or is recognized. However, unrealized losses resulting from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated. Changes in owners' equity of the investee other than net profit or loss, 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.



# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### 12. Long-term equity investments *(Continued)*

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

##### 12.3.3 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 previously 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.

### 13. 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 amortization 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 recognizes the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss for the period.

### 14. Fixed assets

#### 14.1 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.

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### 14. Fixed assets *(Continued)*

#### 14.2 Depreciation method 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.

#### 14.3 Other explanations

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

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is 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.

### 15. 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 capitalized 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.

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### 16. Intangible assets

#### 16.1 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 amortized 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 amortization method at the end of the period, and makes adjustments when necessary.

#### 16.2 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;
- (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.

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### 16. Intangible assets *(Continued)*

#### 16.2 Research and development expenditure *(Continued)*

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

### 17. Impairment of long-term assets

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

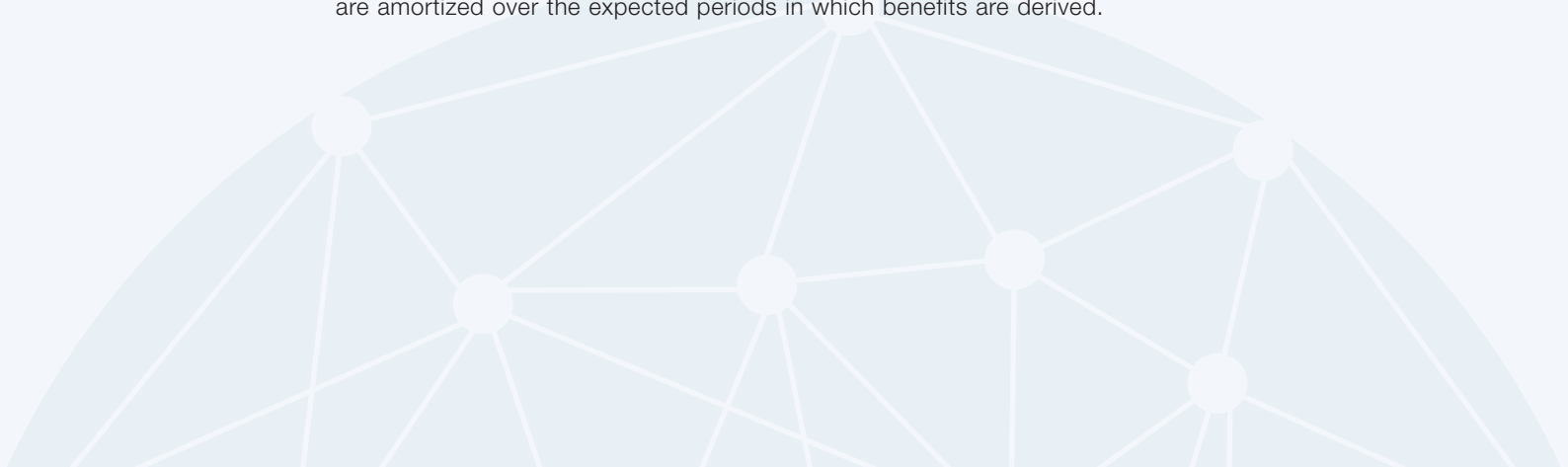
Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. The recoverable amount of asset or asset group is the higher of fair value net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

If such recoverable amount is less than its carrying amount, a provision for impairment losses in respect of the deficit 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.

### 18. Long-term prepaid expenses

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



# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

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

*(Continued)*

### **19. Employee benefits**

#### *19.1 Accounting treatment for short-term employee benefits*

In the accounting period in which an employee has rendered services, the Group recognizes 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 recognizes the employee welfare as profit or loss for the period in which they are incurred or 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.

#### *19.2 Accounting treatment of post-employment benefits*

The entire post-employment benefits are defined contribution plan.

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

#### *19.3 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: when the Group cannot unilaterally withdraw the offer of termination benefits because of the termination plan or a curtailment proposal; and when the Group recognizes costs or expenses related to restructuring that involves the payment of termination benefits.

### **20. 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.

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### 20. Provisions *(Continued)*

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.

### 21. Revenue

Revenue of the Group is primarily from following business categories:

- (1) Sales of textbooks and supplementary materials. Textbooks and supplementary materials are mainly sold by taking orders from education system and primary and middle schools, therefore, there are almost no returns of goods.
- (2) Sales of general books. General books sold through wholesales can be returned. Those sold through direct channels toward to ultimate clients, such as retail stores and internet (including self-owned and third party electronic commercial platform), etc., have almost no returns.
- (3) Education informatization and equipment business. The contracts of education informatization and equipment business are acquired mainly through participating the bidding of education departments of different levels or independent purchase from schools. The Group purchases software and hardware primarily from the third party, and integrates them to provide integrated solution for the schools. For the products of education informatization and equipment business, the Group provide quality warranty of 1 to 3 years for the customers.
- (4) Printing service and supply of materials. Printing service and supply of materials mainly includes sales of all kinds of paper and small quantities of printing machinery and the main customers include terminal customers (principally publishing houses) and paper dealers.
- (5) Concessionaire sales. It mainly refers to the establishment of sales counters in the designated areas of the Group's retail stores by commodity suppliers, and sales by the sales staff of the supplier or the business staff of the retail stores.
- (6) Other operations are mainly logistics and warehousing services.

The Group recognizes revenue based on the transaction price allocated to such performance obligation when a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation represents the commitment that a good and service that is distinct shall be transferred by the Group to the customer. Transaction price refers to the consideration that the Group is expected to receive a consideration due to the transfer of goods or services to the customer, but it does not include payments received on behalf of third parties and amounts that the Group expects to return to the customer.

## Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

### (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

#### 21. Revenue *(Continued)*

##### *Variable consideration*

If the contract includes variable consideration (sales return, sales rebate and reward points), the Group determines the best estimates of the variable consideration based on the expected value or the most likely amount. Transaction price comprising the variable consideration does not exceed the amount that it is highly probable that a significant reversal will not occur when relevant uncertainty is eliminated. At each balance sheet, the Group re-estimates the amount of variable consideration which should be recognized in transaction price.

The Group's retail stores adopt a reward policy of membership loyalty cards for customers. For customers with consumption points exceeding a certain level, points can be converted into cash for purchase in the retail stores. The Group allocates sale consideration to the sold goods and issued points in accordance with corresponding respective selling prices. Sale consideration allocated to reward points is recognized as contract liabilities, and as revenue upon redemption.

##### *Significant financing component*

If the contract includes significant financing component (including education informatization business), the Group determines the transaction price based on the amount payable under the assumption that the customer pays that amount payable in cash when "control" of the goods or services is obtained by the customer. The difference between the transaction price and the contract consideration shall be amortized within the contract period using effective interest rate. If the Group expects, at contract inception, that the period between when the Group transfers the good or service to a customer and when the customer pays for that good or service will be one year or less, the Group needs not to consider the significant financing component.

If one of the following criteria is met and it is a performance obligation performed over time, the Group recognizes the revenue within a certain period of time according to the progress of the performance: 1) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; 2) the customer is able to control the goods under construction in the course of the Group's performance; 3) the goods produced by the Group during the performance of the contract are irreplaceable and the Group has the right to charge for the accumulated part of the contract that has been performed so far during the whole contract period. Otherwise, the Group recognizes revenue at a certain point in time when "control" of the goods or services is transferred to the customer.

With respect to performance obligations performed overtime, the Group determines progress of performance by output method, i.e. determining the progress of performance in accordance with the value of merchandise or service already transferred to clients. Where the progress cannot be determined reasonably, the revenue is recognized based on the amount of cost that is expected to be compensated based on the cost already incurred, until the progress of performance is reasonably determined.

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### 21. Revenue *(Continued)*

#### *Sales with sales return terms attached*

For sales with sales return terms attached, as the customer obtains ownership of related goods, the Group recognizes revenue in accordance with the consideration (excluding expected refund amounts due to sales returns) that the Group is expected to receive due to the transfer of goods or services to the customer, and recognizes expected liabilities in accordance with expected refund amounts due to sales returns. The remaining amount, subsequent to deduction of expected costs from collecting the goods (including the decrease in value of the returned goods), is recognized as an asset (other current assets or other non-current assets) in accordance with the carrying value during the expected transfer of returned goods after deducting the costs of the above net assets carried forward.

#### *Sales with quality assurance terms attached*

For sales with quality assurance terms, if the quality assurance provides a separate service to the customer other than ensuring that the goods or services sold meet the established standards, the quality assurance constitutes a single performance obligation. Otherwise, the Group will account for the quality assurance responsibility in accordance with the *Accounting Standards for Business Enterprises No. 13 – Contingencies*.

#### *Principal and agent*

The Group determines whether it is a principal or an agent at the time of the transaction based on whether it owns the “control” of the goods or services before the transfer of such goods or services to the customer. The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer, and the revenue shall be recognized based on the total consideration received or receivable; otherwise, the Group is an agent, and the revenue shall be recognized based on the amount of commission or handling fee that is expected to be charged, and such amount is determined based on the net amount of the total consideration received or receivable after deducting the prices payable to other related parties.

The Group’s unconditional (i.e., depending on the passage of time only) right to receive consideration from the customer is separately presented as receivables.

Contract liabilities refers to the Group’s obligation to transfer goods or services to a customer for a consideration paid or payable by the customer to the Group.



# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### 22. 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.

#### 22.1 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 amortized to profit or loss over the useful life of the related asset using the straight-line method.

#### 22.2 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.

### 23. Deferred tax assets/liabilities

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

#### 23.1 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.

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### 23. Deferred tax assets/liabilities *(Continued)*

#### 23.2 *Deferred tax assets and deferred tax liabilities*

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or 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.

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.

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### 23. Deferred tax assets/liabilities *(Continued)*

#### 23.2 *Deferred tax assets and deferred tax liabilities (Continued)*

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realize 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 realize 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.

### 24. 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.

#### 24.1 *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.

#### 24.2 *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 *(continued)*

For the period from 1 January 2018 to 30 June 2018

### (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

#### 25. Changes in significant accounting policies

##### *Revenue Standard*

The Group has adopted the *Accounting Standards for Business Enterprises No.14 – Income* amended by the Ministry of Finance (“**MoF**”) in 2017 (hereinafter by referred to as the “**New Revenue Standard**” while the “**Original Revenue Standard**” refers to the revenue standard prior to amendment) since 1 January 2018. The New Revenue Standard has introduced a 5-step method for recognition and measurement of revenue and added more instructions on specific transactions (or events). See Note (III) 21 for the details of accounting policies for recognition and measurement of revenue. The New Revenue Standard requires the entity to adjust the retained earnings at the beginning of initial adoption (i.e. 1 January 2018) of the New Revenue Standard for the cumulative affected figures and amounts of other relative items in the financial statements, and not to adjust information in comparable period. Upon the implementation of the New Revenue Standard, the Group only adjusts the accumulated effects on contracts not completed yet on the initial implementation date.

- (1) Besides provision of more extensive disclosures of revenue transactions, effects of implementation of the New Revenue Standard on relevant items of balance sheet at the beginning of the current period are as follows:

Item	31 December		RMB	
	2017	Reclassification	1 January 2018	
<b>Current assets:</b>				
Other current assets	Note 1	1,184,329,531.05	42,946,827.33	1,227,276,358.38
<b>Current liabilities:</b>				
Contract liabilities	Note 2	–	321,443,922.21	321,443,922.21
Advance from customers	Note 2	310,646,140.33	(310,646,140.33)	–
Provisions	Note 1	11,891,778.99	42,946,827.33	54,838,606.32
Deferred income	Note 2	102,969,706.98	(10,797,781.88)	92,171,925.10

Note 1: In accordance with the New Revenue Standard, the Group recognizes liabilities based on the amount to be refunded for sales return as expected in respect of the sales with returns terms attached; meanwhile, the Group recognizes an asset based on the balance of the carrying amount upon transferring the merchandise to be returned as expected deducting the cost anticipated to recover it (including the value impairment for returns of the merchandise). However the Group does not recognize an asset upon the merchandise to be returned as expected under the Original Revenue Standard. The adjustment on the difference between the New Revenue Standard and Original Revenue Standard increases other current assets (returns cost receivable) and provisions (returns provision payable).

Note 2: In accordance with the New Revenue Standard, the Group reclassifies the advance payments previously recognized in receipts in advance and the accumulated points of membership cards previously recognized in deferred income to contract liabilities. For the details of contract liabilities, see Note (VI) 22.

## Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

### (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

#### 25. Changes in significant accounting policies *(Continued)*

*Revenue Standard (Continued)*

- (2) Effects of the adoption of the New Revenue Standard on relevant items in the financial statements for the current period comparing with those from the adoption of the Original Revenue Standard:

#### Balance sheet

Item			<i>RMB</i>
	Closing balance under New Revenue Standard	Adjustment	Closing balance under Original Revenue Standard
<b>Current assets:</b>			
Other current assets	82,908,605.80	(47,904,396.05)	35,004,209.75
<b>Current liabilities</b>			
Contract liabilities	354,071,632.98	(354,071,632.98)	–
Advance from customers	–	342,751,871.18	342,751,871.18
Provisions	61,258,545.26	(47,904,396.05)	13,354,149.21
Deferred income	98,247,919.87	11,319,761.80	109,567,681.67

In comparison with the Original Revenue Standard, there is no effect on the income statement for the current period from the implementation of the New Revenue Standard.



# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### 25. Changes in significant accounting policies *(Continued)*

#### *Financial Instrument Standard*

The Group implements the *Accounting Standards for Business Enterprises No. 22 – Financial Instrument: Recognition and Measurement*, *Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets*, *Accounting Standards for Business Enterprises No. 24 – Hedging Accounting* and *Accounting Standards for Business Enterprises No. 37 – Financial Instrument: Presentation* (hereinafter referred to as the “**New Financial Instrument Standards**”) modified by the MoF from 1 January 2018. See Note (III) 10, for the details of revised accounting policies of the Group.

For classification and measurement of financial assets, the New Financial Instrument Standard requires that the financial assets should be classified into three categories: “financial assets measured at amortized cost”, “financial assets at fair value through other comprehensive income (“**FVTOCI**”)” and “financial assets at fair value through profit or loss (“**FVTPL**”)” based on characteristics of contractual cash flows and business models for the enterprise to manage these assets. The original categories including loans and receivables, held-to-maturity investments and available-for-sale financial assets have been cancelled. Investments in equity instrument are generally categorized into financial assets at FVTPL. The enterprise is also allowed to designate the non-trading equity instruments as financial assets at FVTOCI, but such designation is non-cancellable, and the cumulative amounts of changes in fair value previously recognized in other comprehensive income shall not be carried forward in profit or loss for the period at disposal of the financial assets.

For impairment of financial assets, the New Financial Instrument Standard on impairment are applicable to financial assets measured at amortized cost and at FVTOCI, lease receivables, accounts receivable, contract assets and the specific but not withdrawn loan commitment and financial guarantee contract. The New Financial Instrument Standard requires adoption of expected credit loss model to replace the original credit-impaired model. The new impairment model requires adoption of three-phase model, credit loss allowance is made based on expected credit losses within 12 months or during the lifetime according to whether the credit risks of relevant items have been significantly increased since initial recognition. If the accounts receivable, contract assets and lease receivables have simplified method, it is allowed to recognize impairment allowance for the expected credit loss during the lifetime.



## Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

### (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

#### 25. Changes in significant accounting policies *(Continued)*

##### *Financial Instrument Standard (Continued)*

The Group will make connection and adjustment as required by the New Financial Instrument Standard. In case of inconsistency between the comparative figures in financial statements in prior period and requirements of the New Financial Instrument Standard, the Group will not make adjustment. The shortfall between the carrying amount of the financial instrument and the carrying amount at the adoption date of the New Financial Instrument Standard shall be recognized in retained earnings or other comprehensive income at 1 January 2018. Effects on adoption of the New Financial Instrument Standard by the Group at 1 January 2018 are as follows:

RMB

Item	Effects of implementation of the New Financial Instrument Standard						
	Carrying value presented according to original standards 31 December 2017	Total impacts from implementation of the New Revenue Standard	Transferred from financial assets previously classified as available-for-sale <i>(Note 1)</i>	Reclassification Transferred from financial assets previously designated as at fair value through profit or loss <i>(Note 2)</i>	Share of other comprehensive income of the investee under equity transferred from other comprehensive to retained earnings	Re-measurement From cost to fair value <i>(Note 1)</i>	Carrying value presented according to the New Financial Instrument Standard 1 January 2018
Held-for-trading financial assets	-	-	-	1,157,828,233.14	-	-	1,157,828,233.14
Other current assets	1,184,329,531.05	42,946,827.33	-	(1,157,828,233.14)	-	-	69,448,125.24
Available-for-sale financial assets	2,116,088,000.42	-	(2,116,088,000.42)	-	-	-	N/A
Other equity instrument investments	N/A	-	1,560,899,742.06	-	-	280,056,000.00	1,840,955,742.06
Other non-current financial instruments	N/A	-	555,188,258.36	-	-	-	555,188,258.36
Other comprehensive income	1,230,619,792.07	-	(78,829,902.23)	-	(21,575,255.68)	280,056,000.00	1,410,270,634.16
Retained earnings	2,364,509,602.80	-	78,829,902.23	-	21,575,255.68	-	2,464,914,760.71

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

### 25. Changes in significant accounting policies *(Continued)*

#### *Financial Instrument Standard (Continued)*

*Note 1: Transferred from financial assets previously classified as available-for-sale*

#### *Transferred from available-for-sale financial assets to other equity instrument investments*

As of 1 January 2018, the Group designated available-for-sale financial assets of RMB1,560,899,742.06 as financial assets at FVOCI under other equity instrument investments. Among these equity instrument investments, for available-for-sale financial assets of RMB240,228,815.33 without quoted prices in an active market and reliably measurable fair values, they are accounted for at cost according to original standards for financial instruments during prior periods. As of 1 January 2018, such equity investment were measured at fair value, leading to an increase of RMB280,056,000.00 in the carrying value of other equity instrument investments and corresponding increase in other comprehensive income (changes in fair value of other equity instrument investments). In addition, as of 1 January 2018 previously recognized impairment losses of RMB2,958,365.49 were transferred from retained earnings to other comprehensive income (changes in fair value of other equity instrument investments).

#### *Transferred from available-for-sale financial assets to other non-current financial assets*

As of 1 January 2018, the Group reclassified available-for-sale financial assets of RMB555,188,258.36 to financial assets at FVTPL under other non-current financial assets. Cumulative changes in fair value of RMB75,871,536.74 were transferred from other comprehensive income (gains or loss on changes in fair value of available-for-sale financial assets) to retained earnings.

*Note 2: Transferred from financial assets previously designated as at fair value through profit or loss*

As of 1 January 2018, the Group no longer designates other current assets (bank wealth management products) of RMB1,157,828,233.14 in carrying value as financial asset at FVTPL. These investments are reclassified to held-for-trading financial assets as required to be classified as financial assets at FVTPL in accordance with the New Financial Instrument Standard.





## Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

### (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

*(Continued)*

#### 25. Changes in significant accounting policies *(Continued)*

##### *Financial Instrument Standard (Continued)*

As of 1 January 2018, the total effects of the Group's initial implementation of the above New Revenue Standard and New Financial Instrument Standard on the Group's assets, liabilities, and shareholders' equity are as follows:

Item	31 December 2017	Effects of implementation of New Revenue Standard	Effects of implementation of New Financial Instrument Standard	
			1 January 2018	RMB
Held-for-trading financial assets	N/A	-	1,157,828,233.14	1,157,828,233.14
Other current assets	1,184,329,531.05	42,946,827.33	(1,157,828,233.14)	69,448,125.24
Available-for-sale financial assets	2,116,088,000.42	-	(2,116,088,000.42)	N/A
Other equity instrument investments	N/A	-	1,840,955,742.06	1,840,955,742.06
Other non-current financial assets	N/A	-	555,188,258.36	555,188,258.36
<b>Total effects on assets</b>		<b>42,946,827.33</b>	<b>280,056,000.00</b>	
Advance from customers	310,646,140.33	(310,646,140.33)	-	-
Contract liabilities	-	321,443,922.21	-	321,443,922.21
Provisions	11,891,778.99	42,946,827.33	-	54,838,606.32
Deferred income	102,969,706.98	(10,797,781.88)	-	92,171,925.10
<b>Total effects on liabilities</b>		<b>42,946,827.33</b>	<b>-</b>	
Other comprehensive income	1,230,619,792.07	-	179,650,842.09	1,410,270,634.16
Retained earnings	2,364,509,602.80	-	100,405,157.91	2,464,914,760.71
<b>Total effects on shareholders' equity</b>		<b>-</b>	<b>280,056,000.00</b>	

In addition, the financial statements are prepared in accordance with *Notice of the Revised Format of Financial Statements for General Business Enterprise* (Cai Kuai (2018) No. 15, hereinafter referred to as "**Cai Kuai Document No. 15**") issued by the MoF on 15 June 2018.

Subsequent to the implementation of Cai Kuai Document No. 15, for items of the balance sheet, the original "accounts receivable" and "notes receivable" are incorporated into new "notes receivable and accounts receivables"; the original "interest receivable" and "dividends receivable" are incorporated into "other receivables"; the original "notes payable" and "accounts payable" are incorporated into new "notes payable and accounts payable"; the original "dividends payable" is incorporated into "other payables". For items on the income statement, "administrative expenses" no longer include the expensed expenditures incurred in the Group's R&D process, such expenditures are presented separately in "research and development expenditure"; Items of "Including: interest expenses" and "interest income" are added under "finance expenses". With respect to the changes in the above presented items, the Group adjusted comparable data for prior year.

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (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 of the Group.

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.

### **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. Accordingly, the Group has to exercise significant judgement to determine 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.

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

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

*(Continued)*

### **Key assumptions and uncertainties in accounting estimates**

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

#### *Credit loss provision*

The Group determines credit loss provision on the basis of recoverability of accounts receivable. At the end of the reporting period, the Group made adjustments to the estimates of ECL rate and credit loss provision based on the historical data and forward looking information of the existing customers. 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*

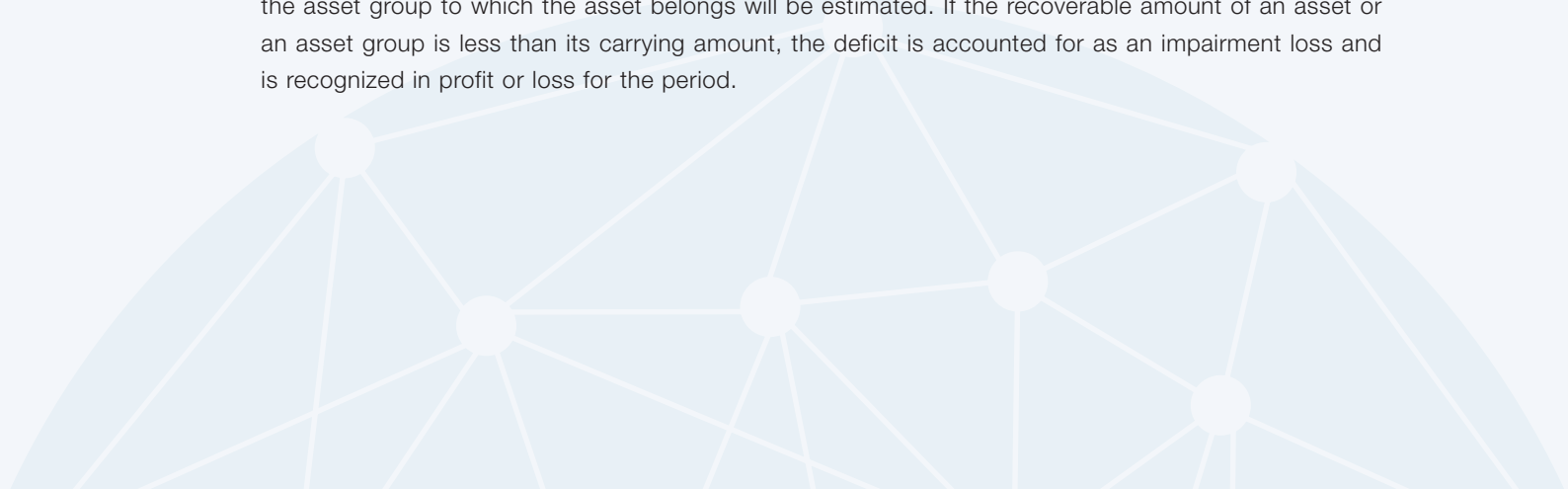
The Group determines provisions for decline in value of inventories on the basis of the estimates of net realizable value of inventories. Judgements and estimates shall be applied in determining and measuring provisions for decline in value of inventories. If the re-assessment results differ from the 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 *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (V) TAXES

### 1. Major categories of taxes and tax rates

Category of tax	Basis of tax calculation	Tax rate
Value-added tax	Note	17%/16%/11%/10%/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. In accordance with Notice on Adjustment of VAT Rates from the Ministry of Finance and State Administration of Taxation (Cai Shui [2018] No. 32), on May 1 2018, the tax rates of 17% and 11% originally applicable to VAT sales or imported goods shall be adjusted to 16% and 10% respectively.

### 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 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). Enterprise 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 period 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 *(continued)*

For the period from 1 January 2018 to 30 June 2018

### (V) TAXES *(Continued)*

#### 2. Tax incentives and official approvals *(Continued)*

##### *Value-added tax*

Pursuant to *Notice on Persistently Promoting Cultural Value-added Tax and Business Tax Preferential Policies* (Cai Shui [2013] No. 87) issued by MoF 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.

Pursuant to *Notice on Persistently Promoting Cultural Value-added Tax Preferential Policies* (Cai Shui [2018] No. 53) issued by MoF and State Administration of Taxation: for the period from 1 January 2018 to 31 December 2020, 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 2018 through 31 December 2020, 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	30 June 2018 (Unaudited)			31 December 2017		
	Amounts of the original currencies	Exchange rate	Amount in RMB	Amounts of the original currencies	Exchange rate	Amount in RMB
Cash:						
RMB	3,228,052.65	1.0000	3,228,052.65	2,497,605.27	1.0000	2,497,605.27
Bank balances:						
RMB (Note 1)	2,008,825,925.01	1.0000	2,008,825,925.01	1,822,902,944.82	1.0000	1,822,902,944.82
USD	23,380.04	6.6166	154,696.39	24,279.01	6.5342	158,643.93
EUR	87.10	7.6515	666.43	85.41	7.8023	666.43
HKD	22,955.47	0.8431	19,353.76	15,299.32	0.8359	12,788.70
Other currency funds						
RMB (Note 2)	34,681,749.07	1.0000	34,681,749.07	60,109,568.68	1.0000	60,109,568.68
Total			2,046,910,443.31			1,885,682,217.83

Note 1: At the end of the period, the bank balances include 3-month time deposits amounting RMB307,000,000.00, with an interest rate of 1.540% to 3.300%.

Note 2: Description of restricted currency funds is set out in Note (VI) 51.

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

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

*(Continued)*

### 2. Held-for-trading financial assets

Item	<i>RMB</i>
	<b>30 June 2018 (Unaudited) Carrying value</b>
Financial assets at FVTPL <i>(Note)</i>	<b>1,183,937,810.81</b>
Including: Bank wealth management products	<b>1,182,900,000.00</b>
Investment in A-share listed companies	<b>1,037,810.81</b>
Total	<b>1,183,937,810.81</b>

*Note: The Group's classification of financial instruments at FVTPL is mainly composed of purchased bank wealth management products with a maturity period of within one year and investment in A-share listed companies. The fair value of bank wealth management products are determined using the method of discounted cash flow. The details of measurement of fair value are set out in Note (IX).*

### 3. Notes receivable and accounts receivable

(1) *Categories of notes receivable and accounts receivable*

Category	<i>RMB</i>	
	<b>30 June 2018 (Unaudited)</b>	31 December 2017
Accounts receivable	<b>1,675,400,877.02</b>	1,278,160,854.76
Notes receivable	<b>2,339,785.80</b>	2,060,000.00
Including: Bank acceptances	<b>1,339,785.80</b>	60,000.00
Commercial acceptances	<b>1,000,000.00</b>	2,000,000.00
Total	<b>1,677,740,662.82</b>	1,280,220,854.76

## Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

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

*(Continued)*

#### 3. Notes receivable and accounts receivable *(Continued)*

(2) *Disclosure of accounts receivable and notes receivable by aging:*

Aging	30 June 2018 (Unaudited)				31 December 2017			
	Amount	Proportion (%)	Bad debt provision	Carrying amount	Amount	Proportion (%)	Bad debt provision	Carrying amount
Within 1 year	1,676,718,854.34	88.48	(43,569,514.74)	1,633,149,339.60	1,264,903,425.53	87.27	(31,780,178.64)	1,233,123,246.89
More than 1 year but not exceeding 2 years	107,994,560.51	5.70	(63,403,237.29)	44,591,323.22	95,540,246.76	6.59	(54,195,743.78)	41,344,502.98
More than 2 years but not exceeding 3 years	27,019,447.95	1.42	(27,019,447.95)	-	18,051,674.54	1.25	(14,690,372.23)	3,361,302.31
More than 3 years	83,274,124.05	4.40	(83,274,124.05)	-	70,815,456.09	4.89	(68,423,653.51)	2,391,802.58
Total	1,895,006,986.85	100.00	(217,266,324.03)	1,677,740,662.82	1,449,310,802.92	100.00	(169,089,948.16)	1,280,220,854.76

RMB

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

(3) *Endorsed or discounted at the end of the period by the Group but not yet matured notes receivables at the balance sheet date*

Item	Amount of derecognition at the end of the period (Unaudited)	Amount that continues to be recognized at the end of the period (Unaudited)
Bank acceptances	4,080,000.00	-

RMB

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

The bad debt provision for the current period is RMB50,359,390.51, and the reversal of bad debt provision is RMB2,183,014.64.

(5) *Accounts receivable written off for the current period*

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

## Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

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

*(Continued)*

#### 3. Notes receivable and accounts receivable *(Continued)*

(6) *Top five debtors with the largest balances of accounts receivable at the end of the period*

RMB

Name of entity	Relationship with the Group	30 June 2018		As a percentage of the total accounts receivable (%)	30 June 2018 bad debt provision (Unaudited)
		(Unaudited)	Aging		
People's Education Press Co., Ltd.	Third party	112,380,532.73	Within 1 year	5.94	(3,371,415.98)
Education Technology Equipment Institute of Enyang District, Bazhong Municipality	Third party	35,544,694.00	Within 1 year	1.88	(426,536.33)
Education Bureau of Anyue County	Third party	29,612,928.00	Within 1 year	1.56	(888,387.84)
Jiangsu Yuanzhou E-Commerce Co., Ltd.	Third party	28,291,749.87	Within 1 year	1.49	(846,529.51)
Amazon (China) Investment Co., Ltd.	Third party	24,584,631.56	Within 1 year	1.30	(725,225.41)
Total		230,414,536.16		12.17	(6,258,095.07)

#### 4. Prepayments

(1) *Aging analysis of prepayments is as follows:*

RMB

Aging	30 June 2018 (Unaudited)		31 December 2017	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	<b>95,116,043.18</b>	<b>87.47</b>	71,069,967.04	88.99
More than 1 year but not exceeding 2 years	<b>6,549,810.79</b>	<b>6.02</b>	2,280,866.33	2.86
More than 2 years but not exceeding 3 years	<b>977,988.31</b>	<b>0.90</b>	429,647.47	0.54
More than 3 years	<b>6,105,563.37</b>	<b>5.61</b>	6,085,194.28	7.61
Total	<b>108,749,405.65</b>	<b>100.00</b>	79,865,675.12	100.00

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



# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

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

*(Continued)*

### 4. Prepayments *(Continued)*

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

RMB

Name of entity	Relationship with the Group	30 June 2018 (Unaudited)	Aging	Reasons for unsettlement
Chengdu Ruiqi Donglai Hengye Technology Co., Ltd.	Third party	15,732,000.00	Within 1 year	Goods not yet received
Sichuan Xinshu Information Technology Co., Ltd.	Third party	8,000,000.00	Within 1 year	Goods not yet received
Chengdu Huantai Electronics Co., Ltd.	Third party	7,865,850.00	Within 1 year	Goods not yet received
Shenzhen OpenVox Communication Co., Ltd.	Third party	7,121,252.11	Within 1 year	Goods not yet received
Guangzhou Shirui Electronics Co., Ltd.	Third party	4,646,335.00	Within 1 year	Goods not yet received
Total		43,365,437.11		

### 5. Other receivables

(1) *Disclosure of other receivables by aging:*

RMB

Aging	30 June 2018 (Unaudited)				31 December 2017			
	Amount	Proportion (%)	Bad debt provision	Carrying amount	Amount	Proportion (%)	Bad debt provision	Carrying amount
Within 1 year	112,802,897.07	74.21	(1,122,634.31)	111,680,262.76	84,508,823.24	70.22	(848,099.55)	83,660,723.69
More than 1 year but not exceeding 2 years	21,631,483.70	14.23	(1,102,428.73)	20,529,054.97	20,074,107.73	16.68	(1,732,198.73)	18,341,909.00
More than 2 years but not exceeding 3 years	4,839,834.56	3.18	(957,167.05)	3,882,667.51	4,402,651.13	3.65	(752,283.27)	3,650,367.86
More than 3 years	12,742,073.08	8.38	(8,005,106.19)	4,736,966.89	11,367,446.83	9.45	(7,665,531.89)	3,701,914.94
Total	152,016,288.41	100.00	(11,187,336.28)	140,828,952.13	120,353,028.93	100.00	(10,998,113.44)	109,354,915.49

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

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

*(Continued)*

### 5. Other receivables *(Continued)*

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

The bad debt provision for the current period is RMB214,326.80, and the reversed amount of bad debt provision is RMB25,103.96.

(3) *Other receivables written off for the current period*

No other receivables have been written off for the current period.

(4) *Other receivables presented by nature*

Nature of other receivables	RMB	
	30 June 2018 (Unaudited)	31 December 2017
Amount due from related parties	180,547.62	–
Deposit/security deposit	57,857,240.23	53,206,907.36
Petty cash	6,450,399.65	5,594,669.27
Interest from time deposits	13,675,536.21	10,789,780.86
Dividends receivable	21,188,800.00	–
Others	52,663,764.70	50,761,671.44
<b>Total</b>	<b>152,016,288.41</b>	<b>120,353,028.93</b>

(5) *Top five debtors with the largest closing balances of other receivables at the end of the period*

Name of entity	Nature	30 June 2018		As a percentage of the total other receivables (%)	30 June 2018 bad debt provision (Unaudited)
		(Unaudited)	Aging		
Anhui Xinhua Media Co., Ltd. ("Wanxin Media")	Dividends receivable	21,188,800.00	Within 1 year	13.94	–
Chengdu Branch of China Minsheng Banking Co., Ltd.	Interest from time deposits	12,787,469.64	Within 1 year, 1-2 years	8.41	–
Chengdu Zhonghang Real Estate Development Co., Ltd.	Deposit/guarantee deposit	3,020,214.00	Within 1 year, 1-2 years	1.99	–
Finance & Accounting Management Education Center of Yibin County	Deposit/guarantee deposit	2,487,288.63	Within 1 year, 1-2 years	1.64	–
Education Bureau of Pingchang County	Deposit/guarantee deposit	2,309,341.45	Within 1 year	1.52	–
<b>Total</b>		<b>41,793,113.72</b>		<b>27.50</b>	<b>–</b>

## Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

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

*(Continued)*

#### 6. Inventories

##### (1) Categories of inventories

Item	30 June 2018 (Unaudited)			31 December 2017		
	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	1,764,914,870.94	(165,567,270.03)	1,599,347,600.91	1,747,020,907.57	(160,116,806.30)	1,586,904,101.27
Work-in-progress	108,537,185.01	-	108,537,185.01	118,847,540.30	-	118,847,540.30
Raw materials	49,676,488.43	(3,617,674.31)	46,058,814.12	61,965,619.86	(3,271,801.21)	58,693,818.65
Total	1,923,128,544.38	(169,184,944.34)	1,753,943,600.04	1,927,834,067.73	(163,388,607.51)	1,764,445,460.22

RMB

##### (2) Provision for decline in value of inventories

Category of inventories	31 December 2017	Increase in the current period	30 June 2018 (unaudited)
Goods on hand	160,116,806.30	5,450,463.73	165,567,270.03
Raw materials	3,271,801.21	345,873.10	3,617,674.31
Total	163,388,607.51	5,796,336.83	169,184,944.34

RMB

Note: As the expected net realizable value is lower than the cost of inventories at the end of the reporting period, provision, amounting to RMB5,796,336.83, for decline in value of inventory goods for current period is made.

Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

**(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS***(Continued)***7. Other current assets**(1) *Category of other current assets*

Item	RMB	
	30 June 2018 (Unaudited)	31 December 2017
Bank wealth management products	N/A	1,157,800,000.00
Refund costs receivable	47,904,396.05	N/A
VAT input tax to be deducted (Note)	35,004,209.75	26,501,297.91
Equity investment in listed companies	N/A	28,233.14
<b>Total</b>	<b>82,908,605.80</b>	<b>1,184,329,531.05</b>

Note: 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**

Item	RMB	
	30 June 2018 (Unaudited)	31 December 2017
Time deposits (Note)	280,000,000.00	280,000,000.00

Note: The above time deposits represent certificates of time deposit with a term from 12 December 2016 to 12 December 2018 and an interest rate of 2.98%.

**9. Long-term receivables**

Item	30 June 2018 (Unaudited)			31 December 2017		
	Gross carrying amount	Provision for impairment	Net carrying amount	Gross carrying amount	Provision for impairment	Net carrying amount
Goods sold by installments (Note)	211,892,835.62	-	211,892,835.62	194,801,883.56	-	194,801,883.56
Quality warranty deposits	4,563,820.55	-	4,563,820.55	N/A	N/A	N/A
<b>Total</b>	<b>216,456,656.17</b>	<b>-</b>	<b>216,456,656.17</b>	<b>194,801,883.56</b>	<b>-</b>	<b>194,801,883.56</b>

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 the installments at a discount rate of 4.75%-6%.

## Notes to the Financial Statements (continued)

For the period from 1 January 2018 to 30 June 2018

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

## 10. Long-term equity investments

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

Investee	31 December 2017	Changes for the year						30 June 2018 provision for impairment (Unaudited)		
		Increase in investments	Decrease in investments	Other decreases	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
<b>Joint Ventures</b>										
Hainan Publishing House Co., Ltd. ("Hainan Publishing")	131,622,920.10	-	-	-	4,304,481.49	-	-	-	-	135,927,401.59
Sichuan Fudou Technology Co., Ltd. (Note 1)	135,584.70	-	-	-	(58,746.23)	-	-	-	-	76,838.47
Tibet Winshare Equity Investment	393,935.96	-	(933,935.96)	-	-	-	-	-	-	-
Shenzhen Xuancai Venture Capital Investment Fund Management Co., Ltd. (Note 2)	612,351.78	-	-	-	(8,056.16)	-	-	-	-	604,295.62
Liangshan Xinhua Winshare Education Technology Co., Ltd. (Note 3)	4,151,258.65	4,900,000.00	-	-	(3,985.05)	-	-	-	-	9,047,273.60
Subtotal	136,916,051.19	4,900,000.00	(933,935.96)	-	4,233,694.05	-	-	-	-	145,655,809.28
<b>Associates</b>										
Sichuan Winshare BLOGS Supply Chain Co., Ltd. (Note 4)	45,014,743.75	-	-	-	(329,475.97)	-	-	-	-	44,685,267.78
Commercial Press (Chengdu) Co., Ltd.	2,435,042.07	-	-	-	(533,057.31)	-	-	-	-	1,901,984.76
Ren Min Eastern (Beijing) Book Industry Co., Ltd.	10,620,350.30	-	-	-	322,104.61	-	-	-	-	10,942,454.91
Guzhou Xinhua Winshare Book Audio-Visual Product Chainstore Co., Ltd. ("Guizhou Winshare")	-	-	-	-	-	-	-	-	-	-
Ming Bo Education Technology Holdings Co., Ltd.	32,007,766.13	-	-	-	2,742,850.27	-	-	-	-	34,750,616.40
Shanghai Jingjie Information Technology Co., Ltd.	1,983,768.64	-	-	-	91,110.29	-	-	-	-	2,074,878.93
Sichuan Winshare Preschool Educational Management Co., Ltd. ("Winshare Preschool")	3,968,925.78	-	-	-	1,074,196.65	-	-	-	-	5,043,124.43
Chongqing Yunhan Internet and Media Co., Ltd.	45,760,782.62	-	-	-	(1,132,718.60)	-	-	-	-	44,628,064.02
Chengdu Winshare Venture Capital Investment Fund Management Co., Ltd.	30,017,149.67	-	-	-	(4,589,143.01)	-	-	-	-	25,418,006.66
Sichuan Education and Science Forum Magazine Press Co., Ltd. (Education and Science Forum)	-	-	-	-	20,607.08	-	-	-	-	20,607.08
Sichuan Tianhe Culture Co., Ltd.	146,578.48	-	-	(146,578.48)	-	-	-	-	-	-
Tibet Winshare Venture Capital Investment Fund Partnership (Limited Partnership) (Note 5)	27,762,802.35	-	-	-	(407,082.13)	-	-	-	-	27,355,720.22
Sichuan Jiayiyao Shimo Film Co., Ltd.	34,045.55	-	-	-	61,496.19	-	-	-	-	95,541.74
Xinhua Yingxuan (Beijing) Screen Culture Co., Ltd.	19,917,696.03	-	-	-	664,510.70	-	-	-	-	20,582,206.73
Subtotal	219,669,651.37	-	-	(146,578.48)	(2,024,599.23)	-	-	-	-	217,498,473.66
Total	356,585,702.56	4,900,000.00	(933,935.96)	(146,578.48)	2,209,094.82	-	-	-	-	363,154,282.94

RMB

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (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: 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., which accordingly became a joint venture of the Company. Winshare Education Technology transferred all of its equity to Winshare Investment Co. Ltd., ("**Winshare Investment**"), another subsidiary of the Company in April 2017 and therefore, the latter inherited all the rights of Winshare Education Technology in Sichuan Fudou Technology Co., Ltd.

Note 2: 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 accordingly.

Note 3: 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 annual financial budget plan, final accounting plan, profit distribution and make up losses etc. must be approved by the shareholders representing over 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. which is a joint venture of the Group accordingly.

Note 4: 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, the resolution on annual financial budget plan, final accounting plan, profit distribution and make up losses etc. must be approved by the shareholders representing over 50% of the voting power. Therefore, Sichuan Winshare BLOGIS Supply Chain Co., Ltd. is an associate of the Group.

Note 5: As a limited partner, Winshare Investment, a subsidiary of the Company, invested RMB27,600,000.00 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. According to the partnership agreement of Tibet Winshare Venture Capital Fund (Limited Partnership), the Investment Decision-making Committee is responsible for the decision of fund projects. Winshare Investment holds 25% of the voting rights in the Investment Decision-making Committee, by which it can exert significant influence on Tibet Winshare Venture Capital Fund (Limited Partnership). As a result, Tibet Winshare Venture Capital Fund (Limited Partnership) is an associate of the Group.

## Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

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

*(Continued)*

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

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

Item	30 June 2018 (Unaudited)		31 December 2017	
	Reversed but unrecognized investment losses for the period	Accumulated unrecognized investment losses	Unrecognized investment losses for the prior period	Accumulated unrecognized investment losses
Guizhou Winshare Education and Science Forum	-	5,557,990.70	-	5,557,990.70
	(106,711.55)	-	(92,013.30)	106,711.55
Total	(106,711.55)	5,557,990.70	(92,013.30)	5,664,702.25

RMB

#### 11. Other equity instrument investments

Other equity instrument investments designated at FVOCI

Item	30 June 2018 (Unaudited) Carrying amount
Wanxin Media* <i>(Note 1)</i>	948,510,400.00
Jiangsu Hagong Intelligent Robot Co., Ltd. ("HGZN") <i>(Note 2)</i>	1,864,141.87
Bank of Chengdu Co., Ltd.* ("BoCD") <i>(Note 3)</i>	651,000,000.00
Others	375,393.81
Total	1,601,749,935.68

RMB

\* Also refer to the parent company's other equity instrument investments.

Note 1: The Company's investment in the listed shares of Wanxin Media accounts for 6.27% of Wanxin Media's equity. Wanxin Media's shares were listed on the Shanghai Stock Exchange on 18 January 2010. Subsequent changes in fair value of Wanxin Media's shares for current period are losses of RMB370,180,800.00, and are recognized in other comprehensive income. The Company's dividends receivable of RMB21,188,800.00 from Wanxin Media for current period are recognized in investment income. As at 30 June 2018, the Company transferred 7,200,000 shares of Wanxin Media into a special security account for subscription of new shares on the primary market, and 100,000 shares out of them were used for securities lending.

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

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

*(Continued)*

### 11. Other equity instrument investments *(Continued)*

Note 2: The subsidiary Sichuan Xinhua Printing Co., Ltd., ("**Sichuan Xinhua Printing**") acquired by the Company in August 2014, holds 0.02% of the equity of HGZN (originally Jiangsu Youli Investment Holding Co., Ltd.). The fair value was RMB783,556.84 on the acquisition date. Subsequent changes in fair value for current period are losses of RMB115,584.86, and are recognized in other comprehensive income.

Note 3: The Company holds 2.21% (80 million shares) of BoCD. BoCD was listed on the Shanghai Stock Exchange on 31 January 2018. Changes in fair value for current period are gains of RMB130,944,000.00, and are recognized in other comprehensive income. The Company received dividends of RMB22,400,000.00 from BoCD for current period, recognized in investment income.

Details of measurement of the above other equity instrument investments at fair value are set out in Note (IX).

The Group has no plans to sell the above investments in the foreseeable future, thus the above investments are designated as financial assets at FVTOCI.

### 12. Other non-current financial assets

Item	RMB 30 June 2018 (Unaudited)
Citic M&A Investment Fund (Shenzhen) Partnership (Limited Partnership)* <i>(Note 1)</i>	<b>106,179,002.11</b>
Winshare Hengxin (Shenzhen) Equity Investment Fund Partnership (Limited Partnership) <i>(Note 2)</i>	<b>252,791,028.15</b>
Qingdao Goldstone Zhixin Investment Center (Limited Partnership) <i>(Note 3)</i>	<b>154,238,804.05</b>
Taizhou Xinheng Zhongrun Investment Fund (Limited Partnership) <i>(Note 4)</i>	<b>29,064,105.70</b>
<b>Total</b>	<b>542,272,940.01</b>

\* Also refer to the parent's company's other non-current financial assets.



# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

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

*(Continued)*

### 12. Other non-current financial assets *(Continued)*

Note 1: The Company, as a limited partner, incurred costs of RMB100,000,000.00 from investment in Citic M&A Investment Fund (Shenzhen) Partnership (Limited Partnership). According to the partnership agreement, the proportion of the subscribed capital contribution of the Company accounts for 1% of its total subscribed capital.

According to the partnership agreement, the general partner is the managing partner of the partnership and has exclusive authority over the operation of the partnership, the investment operations of the partnership and the management and control of other matters. The distributable cash generated arising from project investments shall be distributed among all partners according to their proportion of equity in the relevant investment, of which the part belonging to limited partners shall be used to return their capital contribution first, until the accumulated amount distributed reaches their actual capital contribution at the time. Then, the partnership gives priority to the limited partners at an annual internal rate of return of 8%. Under the premise of meeting the agreed distribution order, the general partner will share the profits, and the total amount of the profits will be 20% of the total amount of the limited partners' profits.

Changes in fair value for current period are gains of RMB9,293,369.31, and are recognized in gains from changes in fair values.

Note 2: As a limited partner, the Company's subsidiary, Winshare Investment invested RMB200,000,000.00 in Winshare Hengxin (Shenzhen) Equity Investment Fund Partnership (Limited Partnership). According to the partnership agreement, the proportion of the subscribed capital contribution of the Group accounts for 62.30% of its total subscribed capital.

According to the partnership agreement, the general partner is the managing partner of the partnership and has exclusive authority over the operation of the partnership, the investment operations of the partnership and the management and control of other matters. The distributable cash generated arising from project investments shall be distributed among all partners according to their proportion of equity in the relevant investment, of which the part belonging to limited partners shall be used to return their capital contribution first, until the accumulated amount distributed reaches their actual capital contribution at the time. Then, the partnership gives priority to the limited partners at an annual internal rate of return of 8%. Under the premise of meeting the agreed distribution order, the general partner will share the profits, and the total amount of the profits will be 20% of the total amount of the limited partners' profits.

Changes in fair value for current period are losses of RMB16,633,556.59, and are recognized in losses from changes in fair values.

Note 3: As a limited partner, the Company's subsidiary, Winshare Investment invested RMB152,117,500.00 in Qingdao Goldstone Zhixin Investment Center (Limited Partnership). According to the partnership agreement, the proportion of the subscribed capital contribution of the Group accounts for 10.05% of its total subscribed capital. Winshare Investment received dividends of RMB9,343,165.00 from Qingdao Goldstone Zhixin Investment Center (Limited Partnership) for current period, and recognized such dividends in investment income.

According to the partnership agreement, the general partner is the managing partner of the partnership and will represent the partnership externally. The profits and losses of the partnership shall be distributed and shared between the general partners and the limited partners in proportion to their actual capital contributions.

Changes in fair value for current period are gains of 986,729.45, and are recognized in gains from changes in fair values.

Note 4: Winshare Investment, the Company's subsidiary, received transfer of title to limited partnership shares of Taizhou Xinheng Zhongrun Investment Fund (Limited Partnership). These shares accounts for 2.37% of the partnership's total subscribed capital. The Group's investment costs are RMB10,426,540.29. Such investment is subsequently measured at fair value.

Changes in fair value for current period are losses of RMB6,561,860.52, and are recognized in losses from changes in fair values.

Details of measurement of the above non-current financial assets at fair value are set out in Note (IX).

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

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

*(Continued)*

### 13. Investment properties

Investment properties measured at cost

<b>Item</b>	<i>RMB</i> <b>Buildings</b>
I. Cost	
1. 31 December 2017	112,060,675.07
2. Disposals for the period	(484,309.25)
(1) Transfer to fixed assets	(484,309.25)
3. 30 June 2018 (Unaudited)	111,576,365.82
II. Accumulated depreciation	
1. 31 December 2017	(41,372,173.02)
2. Increase in the period	(1,441,362.40)
(1) Provision	(1,441,362.40)
3. Decrease in the period	266,868.33
(1) Transfer to fixed assets	266,868.33
4. 30 June 2018 (Unaudited)	(42,546,667.09)
III. Net book value	
1. 30 June 2018 (Unaudited)	69,029,698.73
2. 31 December 2017	70,688,502.05



# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

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

*(Continued)*

### 14. Fixed assets

#### (1) Fixed assets

Item	RMB				Total
	Buildings	Machinery and equipment	Electronic equipment and others	Transportation vehicles	
I. Cost					
1. 31 December 2017	1,562,387,216.16	279,253,629.58	164,740,977.53	110,636,921.44	2,117,018,744.71
2. Increase in the period	23,445,107.68	1,374,850.37	7,319,336.11	1,849,455.70	33,988,749.86
(1) Acquisition	-	668,423.23	7,319,336.11	1,849,455.70	9,837,215.04
(2) Transfer from construction in progress	22,960,798.43	706,427.14	-	-	23,667,225.57
(3) Transfer from investment property	484,309.25	-	-	-	484,309.25
3. Decrease in the period	(844,557.62)	(1,140,201.90)	(12,217,377.34)	(1,180,391.48)	(15,382,528.34)
(1) Disposal	(844,557.62)	(1,140,201.90)	(12,217,377.34)	(1,180,391.48)	(15,382,528.34)
4. 30 June 2018 (Unaudited)	1,584,987,766.22	279,488,278.05	159,842,936.30	111,305,985.66	2,135,624,966.23
II. Accumulated depreciation					
1. 31 December 2017	(406,603,865.75)	(196,178,039.45)	(131,871,056.69)	(87,621,989.65)	(822,274,951.54)
2. Increase in the period	(23,427,701.31)	(7,356,553.30)	(8,455,125.79)	(4,352,718.56)	(43,592,098.96)
(1) Provision	(23,160,832.98)	(7,356,553.30)	(8,455,125.79)	(4,352,718.56)	(43,325,230.63)
(2) Transfer from investment property	(266,868.33)	-	-	-	(266,868.33)
3. Decrease in the period	263,307.20	1,095,922.77	12,076,220.97	1,000,118.47	14,435,569.41
(1) Disposal	263,307.20	1,095,922.77	12,076,220.97	1,000,118.47	14,435,569.41
4. 30 June 2018 (Unaudited)	(429,768,259.86)	(202,438,669.98)	(128,249,961.51)	(90,974,589.74)	(851,431,481.09)
III. Provision for impairment of fixed assets – Carrying amount					
1. 31 December 2017 and 30 June 2018	-	-	(1,004,713.59)	-	(1,004,713.59)
IV. Net carrying amount					
1. 30 June 2018 (Unaudited)	1,155,219,506.36	77,049,608.07	30,588,261.20	20,331,395.92	1,283,188,771.55
2. 31 December 2017	1,155,783,350.41	83,075,590.13	31,865,207.25	23,014,931.79	1,293,739,079.58

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

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

*(Continued)*

### 14. Fixed assets *(Continued)*

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

<b>Item</b>	<b>Net carrying amount</b>	<b>Reasons why certificates of title have not been obtained</b>
Office building (Beijing Branch)	64,184,795.95	In process
Warehouse and office building (Sichuan Jiange)	5,887,696.27	In process
Warehouse and office building (Sichuan Peng'an)	5,025,070.96	In process
Warehouse and office building (Sichuan Longquan)	8,246,225.07	In process
Warehouse and office building (Sichuan Wusheng)	7,593,459.80	In process
Warehouse and office building (Sichuan Xindu)	5,959,544.46	In process
Warehouse and office building (Sichuan Xichong)	6,834,123.67	In process
Warehouse and office building (Sichuan Guangan)	9,111,764.57	In process
Warehouse and office building (Sichuan Nanchong)	31,565,821.54	In process
Business Building (Guang'an Bookstore)	19,541,420.11	In process
<b>Total</b>	<b>163,949,922.40</b>	

The above fixed assets of which certificates of title have not been obtained have no material impacts 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 *(continued)*

For the period from 1 January 2018 to 30 June 2018

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

*(Continued)*

#### 15. Construction in progress

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

Item	30 June 2018 (Unaudited)			31 December 2017		
	Carrying amount	Provision for impairment	Net carrying amount	Carrying amount	Provision for impairment	Net carrying amount
	<i>RMB</i>					
Publishing Media Creation Center*	534,232,950.20	-	534,232,950.20	514,035,070.57	-	514,035,070.57
Bazhong warehouse and office building*	11,526,664.82	-	11,526,664.82	11,395,765.67	-	11,395,765.67
Quxian library warehouse and office building*	-	-	-	290,000.00	-	290,000.00
Yilong textbook distribution center project*	99,099.10	-	99,099.10	13,071,297.31	-	13,071,297.31
Ziyang textbooks transfer station project*	23,394,665.36	-	23,394,665.36	20,787,545.27	-	20,787,545.27
Lezhi textbook distribution center*	11,252,421.52	-	11,252,421.52	9,937,771.68	-	9,937,771.68
Mianyang textbook warehouse*	45,877,052.51	-	45,877,052.51	45,953,382.79	-	45,953,382.79
Yuechi warehouse and office building*	-	-	-	5,868,996.00	-	5,868,996.00
Others	892,303.26	-	892,303.26	809,468.87	-	809,468.87
<b>Total</b>	<b>627,275,156.77</b>	<b>-</b>	<b>627,275,156.77</b>	<b>622,149,298.16</b>	<b>-</b>	<b>622,149,298.16</b>

## Notes to the Financial Statements (continued)

For the period from 1 January 2018 to 30 June 2018

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

## 15. Construction in progress (Continued)

## (2) Changes in construction in progress for current period:

RMB

Item name	Budget amount	31 December 2017	Increase in the current period	Transfer to fixed assets	Transfer to others	30 June 2018 (Unaudited)	Amount injected as a proportion of budget amount (%)	Construction progress (%)	Amount of accumulated capitalised interest	Including: capitalised interest for the period	Interest capitalisation rate for the period (%)	Source of funds
Publishing media creation center*	736,000,000.00	514,035,070.57	20,197,879.63	-	-	534,232,950.20	72.91	72.91	-	-	-	self-financing
Bazhong warehouse and office building*	21,200,000.00	11,395,765.67	130,899.15	-	-	11,526,664.82	57.75	57.75	-	-	-	self-financing
Quxian library warehouse and office building*	11,800,000.00	290,000.00	-	-	(290,000.00)	-	-	-	-	-	-	self-financing
Yilong textbook distribution center project*	21,900,000.00	13,071,297.31	2,513,290.50	(15,485,468.71)	-	99,099.10	87.26	87.26	-	-	-	self-financing
Ziyang textbooks transfer station project*	30,000,000.00	20,787,545.27	2,607,120.09	-	-	23,394,665.36	77.99	77.99	-	-	-	self-financing
Anyue Branch-office building and warehouse*	13,600,000.00	-	47,135.64	(47,135.64)	-	-	36.45	36.45	-	-	-	self-financing
Lezhi textbook distribution center*	31,000,000.00	9,937,771.68	1,314,649.84	-	-	11,252,421.52	36.24	36.24	-	-	-	self-financing
Mianjiang textbook warehouse*	52,700,000.00	45,953,382.79	-	-	(76,330.28)	45,877,052.51	87.20	87.20	-	-	-	self-financing
Yuechi warehouse and office building*	11,120,000.00	5,868,996.00	2,116,032.57	(7,985,028.57)	-	-	82.50	82.50	-	-	-	self-financing
Others	-	809,468.87	232,407.04	(149,572.65)	-	892,303.26	-	-	-	-	-	self-financing
Total	929,320,000.00	622,149,298.16	29,159,414.46	(23,667,225.57)	(366,330.28)	627,275,156.77						

\* It is also the construction in progress of the parent company.

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

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

*(Continued)*

### 16. Intangible assets

#### (1) Intangible assets

Item						<i>RMB</i>
	Land use rights	Patent	Software	Distribution channel	Others	Total
I. Cost						
1. 31 December 2017	355,882,770.99	5,464,483.80	111,325,060.98	44,944,000.00	4,850,056.44	522,466,372.21
2. Increase in the period	571,309.20	856,610.11	7,944,794.78	-	-	9,372,714.09
(1) Acquisition	571,309.20	856,610.11	914,572.69	-	-	2,342,492.00
(2) Transfer from development expenses	-	-	7,030,222.09	-	-	7,030,222.09
3. 30 June 2018 (Unaudited)	356,454,080.19	6,321,093.91	119,269,855.76	44,944,000.00	4,850,056.44	531,839,086.30
II. Accumulated amortization						
1. 31 December 2017	(75,575,693.88)	(2,643,685.17)	(68,668,565.24)	(20,299,733.20)	(2,524,473.89)	(169,712,151.38)
2. Increase in the period	(4,222,179.11)	(359,251.52)	(2,340,257.98)	(1,580,533.32)	(54,062.58)	(8,556,284.51)
(1) Provision	(4,222,179.11)	(359,251.52)	(2,340,257.98)	(1,580,533.32)	(54,062.58)	(8,556,284.51)
3. 30 June 2018 (Unaudited)	(79,797,872.99)	(3,002,936.69)	(71,008,823.22)	(21,880,266.52)	(2,578,536.47)	(178,268,435.89)
III. Provision for impairment						
1. 31 December 2017	-	-	-	(12,000,000.00)	-	(12,000,000.00)
2. 30 June 2018 (Unaudited)	-	-	-	(12,000,000.00)	-	(12,000,000.00)
IV. Book value						
1. 30 June 2018 (Unaudited)	276,656,207.20	3,318,157.22	48,261,032.54	11,063,733.48	2,271,519.97	341,570,650.41
2. 31 December 2017	280,307,077.11	2,820,798.63	42,656,495.74	12,644,266.80	2,325,582.55	340,754,220.83

Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

**(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS***(Continued)***17. Goodwill****(1) Original carrying amount of goodwill**

RMB

Name of the investee and item resulting in goodwill	31 December 2017	Increase in the current period	Decrease in the current period	30 June 2018 (Unaudited)
Acquisitions of 15 publishing companies (Note)	500,571,581.14	-	-	500,571,581.14
Others	3,870,061.53	-	-	3,870,061.53
<b>Total</b>	<b>504,441,642.67</b>	<b>-</b>	<b>-</b>	<b>504,441,642.67</b>

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% (31 December 2017: nil to 2%). Discount rate of 15% (31 December 2017: 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 exceeding its recoverable amount.

**(2) Provision for impairment loss of goodwill**

RMB

Name of the investee and item resulting in goodwill	31 December 2017	Increase in the current period	Decrease in the current period	30 June 2018 (Unaudited)
Others	(3,851,606.53)	-	-	(3,851,606.53)



## Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

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

*(Continued)*

#### 18. Long-term prepaid expenses

Item	31 December 2017	<i>RMB</i>		
		Increase in the current period	Amortisation for the period	30 June 2018 (Unaudited)
Leasehold improvement	16,732,282.16	9,454,437.65	(3,301,211.84)	22,885,507.97
Rent	2,366,267.49	-	(483,776.40)	1,882,491.09
Total	19,098,549.65	9,454,437.65	(3,784,988.24)	24,767,999.06

#### 19. Deferred tax assets (liabilities)

(1) *Deferred tax assets*

Item	30 June 2018 (Unaudited)		31 December 2017	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment losses of assets	27,515,714.60	6,878,928.65	23,064,198.00	5,766,049.50
Employee benefits payable	9,457,675.20	2,364,418.80	17,964,024.40	4,491,006.10
Total	36,973,389.80	9,243,347.45	41,028,222.40	10,257,055.60



Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

**(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS***(Continued)***19. Deferred tax assets (liabilities) *(Continued)****(2) Deferred tax liabilities*

Item	30 June 2018 (Unaudited)		31 December 2017	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Differences between carrying amount and fair value in acquisitions of subsidiary	<b>38,532,596.96</b>	<b>9,633,149.24</b>	40,234,758.64	10,058,689.66
Relocation compensation	<b>37,428,724.80</b>	<b>9,357,181.20</b>	37,428,724.80	9,357,181.20
Changes in the fair value of available-for-sale financial assets	<b>N/A</b>	<b>N/A</b>	97,659,413.76	24,414,853.44
Changes in fair value of other equity instrument investments	<b>1,564,874.56</b>	<b>391,218.64</b>	N/A	N/A
Changes in fair value of other non-current financial assets	<b>73,770,266.60</b>	<b>18,442,566.65</b>	N/A	N/A
<b>Total</b>	<b>151,296,462.92</b>	<b>37,824,115.73</b>	175,322,897.20	43,830,724.30

RMB

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

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

Item	30 June 2018	31 December 2017
	(Unaudited)	
Deductible temporary differences	<b>95,299,003.23</b>	95,718,796.75
Deductible taxable losses	<b>369,078,399.28</b>	365,361,371.55
<b>Total</b>	<b>464,377,402.51</b>	461,080,168.30

RMB

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.

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

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

*(Continued)*

### 19. Deferred tax assets (liabilities) *(Continued)*

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

Year	RMB	
	30 June 2018 (Unaudited)	31 December 2017
2018	–	71,455,722.52
2019	<b>71,607,496.49</b>	72,221,359.17
2020	<b>114,982,797.28</b>	116,214,195.66
2021	<b>60,225,782.89</b>	60,238,737.55
2022	<b>43,900,371.86</b>	45,231,356.65
2023	<b>78,361,950.76</b>	–
Total	<b>369,078,399.28</b>	365,361,371.55

### 20. Other non-current assets

Item	RMB	
	30 June 2018 (Unaudited)	31 December 2017
Prepaid land funds	<b>35,355,837.99</b>	35,355,837.99
VAT input tax to be deducted <i>(Note 1)</i>	<b>65,932,721.15</b>	60,408,980.61
Relocation compensation <i>(Note 2)</i>	<b>37,738,886.00</b>	37,738,886.00
Total	<b>139,027,445.14</b>	133,503,704.60

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 30 June 2018, Sichuan Xinhua Printing has received all cash compensation of RMB199,925,770.00 and the remaining compensation will be received by the end of 2019.

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 by the end of 2018.

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

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

*(Continued)*

### 21. Notes payable and accounts payable

(1) *Categories of notes payable and accounts payable*

Item	RMB	
	30 June 2018 (Unaudited)	31 December 2017
Accounts payable	3,661,578,857.12	3,083,435,509.23
Notes payable	27,244,214.00	60,855,873.00
Including: Bank acceptances	27,244,214.00	60,855,873.00
Total	<b>3,688,823,071.12</b>	3,144,291,382.23

At the end of the period, the Group's deposit for the above-mentioned bank acceptance bills was RMB8,173,264.20.

(2) *Details of aging analysis of accounts payable are as follows:*

Item	RMB	
	30 June 2018 (Unaudited)	31 December 2017
Within 1 year	2,856,983,095.36	2,055,792,171.10
More than 1 year but not exceeding 2 years	435,952,093.00	739,468,072.03
More than 2 years but not exceeding 3 years	272,265,686.13	219,192,756.38
More than 3 years	123,622,196.63	129,838,382.72
Total	<b>3,688,823,071.12</b>	3,144,291,382.23

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. The Group's bank acceptances are all due within 3 months.



# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

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

*(Continued)*

### 22. Contract liabilities

(1) *Presentation of contract liabilities:*

Item	RMB
	30 June 2018 (Unaudited)
Advanced receipts for sold goods	342,751,871.18
Membership card points	11,319,761.80
Total	354,071,632.98

(2) The Group's recognized revenue of RMB290,569,189.58, including the carrying amount of contract liabilities at the beginning of the period, for current period includes contract liabilities of RMB290,420,612.30 arising from advanced receipts for sold goods, and contract liabilities of RMB148,577.28 arising from membership card points.

(3) *Analysis on related contract liabilities*

The Group's receipts in advance for goods sold are mainly advanced receipts from books sold to customers such as schools and presale of book purchase cards in retail stores, and these transaction funds are recognized as contract liabilities upon receipt. For advanced receipts from book sales, revenue is recognized upon transfer of control of related goods to customers.

### 23. Employee benefits payable

(1) *Employee benefits payable*

Item	31 December 2017	RMB		30 June 2018 (Unaudited)
		Increase in the current period	Decrease in the current period	
I. Short-term benefits	321,480,876.50	408,790,157.24	(541,290,131.06)	188,980,902.68
II. Post-employment benefit – defined contribution plan	1,297,226.53	61,286,403.98	(61,537,146.45)	1,046,484.06
Total	322,778,103.03	470,076,561.22	(602,827,277.51)	190,027,386.74

Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

**(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS***(Continued)***23. Employee benefits payable** *(Continued)**(2) Short-term benefits*

		<i>RMB</i>		
<b>Item</b>	31 December 2017	<b>Increase in the current period</b>	<b>Decrease in the current period</b>	<b>30 June 2018 (Unaudited)</b>
I. Wages or salaries, bonuses, allowances and subsidies	266,486,095.60	<b>340,423,383.54</b>	<b>(474,959,498.36)</b>	<b>131,949,980.78</b>
II. Staff welfare	3,878.55	<b>2,961,526.26</b>	<b>(2,960,946.26)</b>	<b>4,458.55</b>
III. Social security contributions	534,794.18	<b>22,650,892.92</b>	<b>(22,762,879.50)</b>	<b>422,807.60</b>
Including: Medical insurance	453,148.63	<b>19,920,603.05</b>	<b>(20,027,098.97)</b>	<b>346,652.71</b>
Work injury insurance	40,662.15	<b>975,597.61</b>	<b>(973,865.01)</b>	<b>42,394.75</b>
Maternity insurance	36,831.50	<b>1,695,183.27</b>	<b>(1,702,490.97)</b>	<b>29,523.80</b>
Other insurances	4,151.90	<b>59,508.99</b>	<b>(59,424.55)</b>	<b>4,236.34</b>
IV. Housing funds	1,662,534.85	<b>29,077,248.84</b>	<b>(29,323,498.53)</b>	<b>1,416,285.16</b>
V. Union running costs and employee education costs	52,585,657.60	<b>11,662,907.51</b>	<b>(9,269,110.24)</b>	<b>54,979,454.87</b>
VI. Others	207,915.72	<b>2,014,198.17</b>	<b>(2,014,198.17)</b>	<b>207,915.72</b>
<b>Total</b>	<b>321,480,876.50</b>	<b>408,790,157.24</b>	<b>(541,290,131.06)</b>	<b>188,980,902.68</b>

*(3) Defined contribution plan*

		<i>RMB</i>		
<b>Item</b>	31 December 2017	<b>Increase in the current period</b>	<b>Decrease in the current period</b>	<b>30 June 2018 (Unaudited)</b>
I. Basic pension insurance	914,381.20	<b>47,115,088.46</b>	<b>(47,379,740.67)</b>	<b>649,728.99</b>
II. Unemployment insurance expense	64,577.78	<b>1,514,153.73</b>	<b>(1,526,712.54)</b>	<b>52,018.97</b>
III. Enterprise annuity	318,267.55	<b>12,657,161.79</b>	<b>(12,630,693.24)</b>	<b>344,736.10</b>
<b>Total</b>	<b>1,297,226.53</b>	<b>61,286,403.98</b>	<b>(61,537,146.45)</b>	<b>1,046,484.06</b>

## Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

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

*(Continued)*

#### 24. Taxes payable

Item	<i>RMB</i>	
	30 June 2018 (Unaudited)	31 December 2017
Income tax	3,298,613.68	3,838,352.86
Value added tax	1,415,141.51	17,644,303.85
City construction and maintenance tax	120,925.55	704,739.47
Education surcharges	87,577.15	498,872.93
Housing property tax	46,941.40	2,541.43
Others	20,618,508.24	20,189,247.96
Total	<b>25,587,707.53</b>	42,878,058.50

#### 25. Other payables

Item	<i>RMB</i>	
	30 June 2018 (Unaudited)	31 December 2017
Amounts due to related parties	530,561.78	1,424,969.89
Security deposit/deposit/quality warranty/performance security	91,772,493.93	84,046,594.06
Construction and infrastructure construction expenses	25,042,852.81	22,661,563.29
Amounts due to/from other entities	61,290,047.51	52,565,352.62
Dividends payable	121,103,547.00	202,228.29
Others	124,044,497.37	103,469,235.89
Total	<b>423,784,000.40</b>	264,369,944.04

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



Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

**(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS***(Continued)***26. Deferred income**

Item	<i>RMB</i>	
	<b>30 June 2018 (Unaudited)</b>	31 December 2017
Government grants <i>(Note)</i>	<b>98,247,919.87</b>	92,171,925.10
Membership card points	<b>N/A</b>	10,797,781.88
<b>Total</b>	<b>98,247,919.87</b>	102,969,706.98

Items involving with government subsidies:

Item	31 December 2017	<i>RMB</i>			
		<b>New grants for the current period</b>	<b>Amount recognized in other income for the current period</b>	<b>30 June 2018 (Unaudited)</b>	<b>Related to an asset/related to income</b>
Books subsidies <i>(Note)</i>	92,171,925.10	<b>18,364,951.96</b>	<b>(12,288,957.19)</b>	<b>98,247,919.87</b>	<b>related to income</b>

*Note:* 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.





## Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

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

*(Continued)*

#### 27. Other current liabilities

Item	30 June 2018 (Unaudited)	31 December 2017
VAT output tax to be transferred	6,957,992.20	–
Total	6,957,992.20	–

#### 28. Provisions

Item	30 June 2018 (Unaudited)	31 December 2017
Payables for sales returns	61,258,545.26	11,891,779.02

RMB

*Note: Payables for sales returns are related to the customer's right of refund in the contract subsequent to purchase. On the basis of accumulated historical experiences, the Group assess the quantity of sales returns using the expected-value method on an organization level.*

#### 29. Deferred income

Item	30 June 2018 (Unaudited)	31 December 2017
Government grants	78,129,367.75	86,227,572.50

RMB



Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

**(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS***(Continued)***29. Deferred income** *(Continued)*

Items related to government grants:

RMB

Item	31 December 2017	Amount		30 June 2018 (Unaudited)	Related to an asset/related to income
		New grants for the current period	recognized in other income for the current period		
Copyright protection of audio and video cloud application system	1,364,902.86	-	(74,449.25)	1,290,453.61	related to an asset
Integration and Application Demonstration of Key Technology in Digital Education	5,285,880.89	-	(3,081,960.19)	2,203,920.70	related to an asset
Construction of Full Media Center of "Tibetan-Chinese Bilingual Language"	361,012.50	-	(161,066.22)	199,946.28	related to an asset
Western Culture Logistics and Distribution Base	1,700,529.20	-	(128,030.17)	1,572,499.03	related to an asset
CNONIX National Standard Application Promotion Demonstration – Based on Supply Chain Collaborative E – Commerce Platform	2,930,265.33	-	(530,070.69)	2,400,194.64	related to an asset
Special funds for technological transformation R&D and industrialization project of rich media digital resources online edit system	19,823,029.33	-	(2,106,736.37)	17,716,292.96	related to an asset
Wisdom Bookstore Project	3,710,590.18	-	-	3,710,590.18	related to an asset
UClass Digital Teaching Application System	5,518,894.93	-	(196,792.72)	5,322,102.21	related to an asset
Winshare Cloud Digital Campus Development and Application Promotion	993,299.91	-	(736.83)	992,563.08	related to an asset
Special fund for Winshare Bookstores	827,004.80	-	(751,869.73)	75,135.07	related to an asset
Network Construction of Shuxiang Tianfu, Wisdom Xinhua Physical Bookstore – finance	4,000,000.00	-	(178,373.08)	3,821,626.92	related to an asset
Xinhua Winshare Longquan Bookstore Construction Project	3,000,000.00	-	-	3,000,000.00	related to an asset
Digital Media Education Service System Construction	500,000.00	-	-	500,000.00	related to an asset
Digital Evaluation Platform	1,050,000.00	-	-	1,050,000.00	related to an asset
Establishment of Big data based Math Analysis Model which is published on demand and Key Technology Research Project	2,991,332.99	-	(163,163.62)	2,828,169.37	related to an asset
Model project of semantics-based content resources linking technology and education compound application system R&D and application	5,000,000.00	-	-	5,000,000.00	related to an asset
Others	550,000.00	-	-	550,000.00	related to an asset
	26,620,829.58	12,545.29	(737,501.17)	25,895,873.70	related to an asset
<b>Total</b>	<b>86,227,572.50</b>	<b>12,545.29</b>	<b>(8,110,750.04)</b>	<b>78,129,367.75</b>	

## Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

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

*(Continued)*

#### 30. Share capital

RMB

Items	31 December 2017	Changes for the year				Subtotal	30 June 2018
		Issue of new shares	Bonus issue	Capitalisation of surplus reserve	Others		
For the current period (Unaudited):							
Promotor'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
<b>Total</b>	<b>1,233,841,000.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,233,841,000.00</b>
For the prior period (Unaudited):							
Promotor's shares	692,468,091.00	-	-	-	-	-	692,468,091.00
National Council for Social Security Fund, PRC	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
<b>Total</b>	<b>1,233,841,000.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,233,841,000.00</b>



Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

**(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS***(Continued)***31. Capital reserve**

For the current period (Unaudited)

Item	31 December 2017	<i>RMB</i>		30 June 2018
		Increase in the current period	Decrease in the current period	
Share capital premium				
Including: Capital contributed by investors	2,623,214,037.85	-	-	<b>2,623,214,037.85</b>
Effect of business combination involving enterprises under common control	(24,511,900.00)	-	-	<b>(24,511,900.00)</b>
Equity transaction with non- controlling shareholders	(55,352,491.06)	-	-	<b>(55,352,491.06)</b>
Deemed acquisition of additional interests in subsidiaries	(2,865,206.59)	-	-	<b>(2,865,206.59)</b>
Other capital reserve				
Including: Transfer from capital reserve under the previous accounting system	23,281,007.10	-	-	<b>23,281,007.10</b>
Conversion of appreciation of net assets arising from associates to subsidiaries on pro-rata basis	9,820,616.03	-	-	<b>9,820,616.03</b>
Treasury shares	(998,378.51)	-	-	<b>(998,378.51)</b>
<b>Total</b>	<b>2,572,587,684.82</b>	<b>-</b>	<b>-</b>	<b>2,572,587,684.82</b>



## Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

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

*(Continued)*

#### 31. Capital reserve *(Continued)*

For the prior period (Unaudited)

Item	1 January 2017	Increase in the current period	Decrease in the current period	30 June 2017
				<i>RMB</i>
Share capital premium				
Including: Capital contributed by investors	2,622,807,793.67	-	-	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)
<b>Total</b>	<b>2,619,467,530.11</b>	<b>-</b>	<b>-</b>	<b>2,619,467,530.11</b>



Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

**(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS***(Continued)***32. Other comprehensive income**

RMB

Item	31 December 2017	Effects of implementation of New Financial Instrument Standards (note (III) 25)	Changes for the period					30 June 2018
			Amount for the current period before income tax	Less: Amount included in other comprehensive income in the prior period that is transferred to profit or loss for the period	Income tax expenses	Post-tax amount attributable to owners of the Company	Post-tax amount attributable to non-controlling interests	
For the current period (Unaudited)								
Other comprehensive income that cannot be reclassified into profit or loss	1,230,619,792.07	179,650,842.09	(239,352,384.86)	-	28,896.22	(239,323,488.64)	-	1,170,947,145.52
Profit or loss on changes in fair value of other equity instrument investments	1,209,044,536.39	201,226,097.77	(239,352,384.86)	-	28,896.22	(239,323,488.64)	-	1,170,947,145.52
Share of other comprehensive income of the investee under equity method transferred from other comprehensive to retained earnings	21,575,255.68	(21,575,255.68)	-	-	-	-	-	-
For the prior period (Unaudited):								
Other comprehensive income that will be subsequently reclassified into profit or loss	2,045,820,792.23	N/A	(469,966,742.48)	64,485.56	657,807.00	(469,373,421.04)	-	1,576,447,371.19
Share of other comprehensive income that will be reclassified into profit or loss by the investee under the equity method	412,151.06	N/A	-	-	-	-	-	412,151.06
Profit or loss on the changes in fair value for available-for-sale financial instruments	2,045,408,641.17	N/A	(469,966,742.48)	64,485.56	657,807.00	(469,373,421.04)	-	1,576,035,220.13

## Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

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

*(Continued)*

#### 33. Surplus reserve

Item	31 December 2017	<i>RMB</i>		30 June 2018
		Increase in the current period	Decrease in the current period	
For the current period (Unaudited):				
Statutory surplus reserve	625,743,635.42	-	-	<b>625,743,635.42</b>
For the prior period (Unaudited):				
Statutory surplus reserve	539,564,967.34	-	-	<b>539,564,967.34</b>

#### 34. Undistributed profits

Item	Current period (Unaudited)	Prior period (Unaudited)	<i>RMB</i>
			Proportion of appropriation or distribution
Undistributed profits at the beginning of the prior year	<b>2,364,509,602.80</b>	1,896,996,070.84	
Effects of implementation of new standards for financial instruments <i>(note (III) 25)</i>	<b>100,405,157.91</b>	N/A	
Undistributed profits at the beginning of the current period	<b>2,464,914,760.71</b>	1,896,996,070.84	
Add: Net profit attributable to shareholders of the Company for the year	<b>448,896,441.39</b>	497,924,902.26	
Less: Appropriation to statutory surplus reserve	-	-	(1)
Dividends payable on ordinary shares	<b>(370,152,300.00)</b>	(370,152,300.00)	(2)
Undistributed profits at the end of the period	<b>2,543,658,902.10</b>	2,024,768,673.10	

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

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

*(Continued)*

### 34. Undistributed profits *(Continued)*

#### (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 be lower than 25% of the registered capital.

#### (2) *Cash dividends approved in shareholders' meeting*

On 30 May 2018, the resolution regarding the Company's 2017 Annual Profit Distribution Proposal was approved at 2017 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 period, the balance of the Group's undistributed profits included appropriation to surplus reserve by subsidiaries amounting to RMB73,622,609.60 (31 December 2017: RMB73,622,609.60).

### 35. Operating income and operating costs

#### (1) *Operating income and operating costs*

Item	Amount recognized in the current period (Unaudited)	RMB
		Amount recognized in the prior period (Unaudited)
Principal operating income	<b>3,515,028,393.73</b>	3,125,847,251.24
Other operating income	<b>62,650,305.83</b>	60,167,995.97
Including: Revenue from concessionaire sales	<b>147,464,570.10</b>	150,365,768.06
Cost from concessionaire sales	<b>(125,975,877.73)</b>	(127,936,746.43)
Net income from concessionaire sales	<b>21,488,692.37</b>	22,429,021.63
Operating costs	<b>2,240,412,062.70</b>	2,026,412,232.84



## Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

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

*(Continued)*

#### 35. Operating income and operating costs *(Continued)*

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

Item	Operating income (Unaudited)		Operating costs (Unaudited)	
	Current period	Prior period	Current period	Prior period
	RMB			
<b>Publishing segment</b>				
Textbooks and supplementary materials	467,195,340.75	355,092,114.97	320,895,462.45	239,524,578.42
General books	376,943,081.52	240,960,584.11	248,984,464.55	181,597,445.33
Printing and supplies	110,257,643.32	81,422,004.91	107,958,583.56	73,124,667.80
Others	27,361,311.82	28,136,491.97	9,772,657.23	11,107,856.08
<b>Subtotal</b>	<b>981,757,377.41</b>	705,611,195.96	<b>687,611,167.79</b>	505,354,547.63
<b>Distribution segment</b>				
Education services	2,102,228,227.18	1,785,050,770.12	1,355,162,657.80	1,119,814,275.82
Including: Textbooks and supplementary materials	1,831,226,847.18	1,648,705,381.49	1,100,655,479.36	992,424,367.05
Educational informatization and equipment business	271,001,380.00	126,866,480.63	254,507,178.44	118,191,605.36
Online Sales	550,343,744.33	528,923,785.52	506,237,805.37	488,115,968.46
Retail	322,858,624.53	271,040,734.51	198,210,087.82	157,616,225.57
Others	185,237,430.53	167,376,243.30	130,094,433.06	106,114,439.32
<b>Subtotal</b>	<b>3,160,668,026.57</b>	2,752,391,533.45	<b>2,189,704,984.05</b>	1,871,660,909.17
<b>Others</b>	<b>140,363,420.90</b>	240,159,097.56	<b>119,182,794.30</b>	223,808,668.75
Less: inter-segment elimination	(705,110,125.32)	(512,146,579.76)	(756,086,883.44)	(574,411,892.71)
<b>Total</b>	<b>3,577,678,699.56</b>	3,186,015,247.21	<b>2,240,412,062.70</b>	2,026,412,232.84

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

Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

**(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS***(Continued)***36. Taxes and surcharges**

*RMB*

<b>Item</b>	<b>Amount incurred in the current period (Unaudited)</b>	Amount incurred in the prior period (Unaudited)
City construction and maintenance tax	<b>2,216,473.33</b>	2,769,649.32
Education surcharges	<b>1,583,419.58</b>	1,975,040.66
Property tax	<b>9,962,278.36</b>	7,960,912.27
Urban land use tax	<b>877,752.07</b>	2,162,078.88
Stamp duty	<b>1,098,452.49</b>	1,010,192.38
Vessel and vehicle tax	<b>122,002.38</b>	141,313.36
Disabled person security fund	<b>184,216.27</b>	112,174.74
Others	<b>92,202.38</b>	127,226.31
<b>Total</b>	<b>16,136,796.86</b>	16,258,587.92

**37. Selling expenses**

*RMB*

<b>Item</b>	<b>Amount incurred in the current period (Unaudited)</b>	Amount incurred in the prior period (Unaudited)
Wages and other labor costs	<b>228,660,792.17</b>	204,997,741.45
Transportation costs	<b>105,208,614.36</b>	81,494,820.96
Business conference fees	<b>18,795,656.30</b>	17,863,166.15
Vehicle fees	<b>13,682,694.01</b>	15,084,484.17
Travel expenses	<b>11,683,487.55</b>	9,206,806.64
Advertising and promotion fees	<b>35,556,787.34</b>	31,066,508.48
Distribution commission	<b>15,461,869.51</b>	1,775,706.00
Packing expenses	<b>5,311,630.65</b>	5,134,257.51
Others	<b>49,946,080.52</b>	48,374,215.69
<b>Total</b>	<b>484,307,612.41</b>	414,997,707.05

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

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

*(Continued)*

### 38. Administrative expenses

*RMB*

<b>Item</b>	<b>Amount incurred in the current period (Unaudited)</b>	Amount incurred in the prior period (Unaudited)
Wages and other labor costs	<b>208,932,445.88</b>	192,331,037.03
Business entertainment fees	<b>51,290,370.62</b>	50,201,207.38
Lease payments	<b>60,853,664.16</b>	49,282,467.70
Depreciation and amortisation expenses	<b>41,722,970.89</b>	50,224,033.21
Conference fees	<b>10,340,595.19</b>	10,304,629.81
Property management fees	<b>15,427,757.84</b>	14,147,356.76
Travelling expenses	<b>3,316,822.73</b>	4,562,959.58
Energy costs	<b>8,472,195.63</b>	9,067,647.42
Office expenses	<b>3,301,393.58</b>	3,699,425.72
Repair charges	<b>10,085,217.92</b>	5,820,183.65
Audit and other non-audit service fees	<b>720,000.00</b>	960,000.00
Others	<b>28,966,943.19</b>	38,931,019.54
<b>Total</b>	<b>443,430,377.63</b>	429,531,967.80

### 39. Finance expenses

*RMB*

<b>Item</b>	<b>Amount incurred in the current period (Unaudited)</b>	Amount incurred in the prior period (Unaudited)
Interest income	<b>(10,730,054.99)</b>	(10,548,065.87)
Interest income of long-term receivables	<b>(4,012,591.38)</b>	(662,143.28)
Bank charges	<b>1,903,559.53</b>	1,929,507.70
Exchange gains or losses and others	<b>584,877.92</b>	178,610.36
<b>Total</b>	<b>(12,254,208.92)</b>	(9,102,091.09)

Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

**(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS***(Continued)***40. Impairment losses of assets**

*RMB*

<b>Item</b>	<b>Amount incurred in the current period (Unaudited)</b>	Amount incurred in the prior period (Unaudited)
Bad debt losses of notes receivables and accounts receivable	<b>N/A</b>	28,488,844.22
Impairment losses of other receivables	<b>N/A</b>	2,488,646.49
Impairment losses from decline in value for fixed assets	<b>5,796,336.83</b>	18,403,012.49
<b>Total</b>	<b>5,796,336.83</b>	49,380,503.20

**41. Loss on credit impairment**

*RMB*

<b>Item</b>	<b>Amount incurred in the current period (Unaudited)</b>
Credit impairment losses of notes receivables and accounts receivable	<b>48,176,375.87</b>
Impairment losses of other receivables	<b>189,222.84</b>
<b>Total</b>	<b>48,365,598.71</b>

**42. Other income**

*RMB*

<b>Item</b>	<b>Amount incurred in the current period (Unaudited)</b>	Amount incurred in the prior period (Unaudited)
Book publishing subsidies	<b>12,288,957.19</b>	5,329,807.17
VAT first levied then returned	<b>389,830.15</b>	27,852,828.00
Other financial subsidies	<b>13,539,735.33</b>	8,933,132.26
<b>Total</b>	<b>26,218,522.67</b>	42,115,767.43

## Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

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

*(Continued)*

#### 43. Investment income

Item	<i>RMB</i>	
	Amount incurred in the current period (Unaudited)	Amount incurred in the prior period (Unaudited)
Income from long-term equity investments		
Income from investments under equity method	<b>2,209,094.82</b>	2,073,717.62
Investment income (loss) on disposal of long-term equity investments	<b>(20.32)</b>	133,011,272.71
Investment income from available-for-sale financial assets		
Investment income from available-for-sale financial assets measured at cost	<b>N/A</b>	33,016,000.00
Investment income from available-for-sale financial assets measured at fair value	<b>N/A</b>	22,068,030.93
Investment income from disposal of available-for-sale financial assets	<b>N/A</b>	64,485.56
Investment income from other non-current financial instruments	<b>9,343,165.00</b>	N/A
Investment income from other equity instrument investments	<b>43,591,488.02</b>	N/A
Investment income from disposal of financial assets at FVTPL	<b>23,589,906.18</b>	12,141,574.02
<b>Total</b>	<b>78,733,633.70</b>	202,375,080.84

#### 44. Gains (losses) from fair value change

Source resulting in gains (losses) from fair value change	<i>RMB</i>	
	Amount incurred in the current period (Unaudited)	Amount incurred in the prior period (Unaudited)
Financial assets at FVTPL	<b>(12,654,946.22)</b>	25,983.57
<b>Total</b>	<b>(12,654,946.22)</b>	25,983.57

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

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

*(Continued)*

### 45. Non-operating income

Details of non-operating income is as follows:

Item	<i>RMB</i>		
	Amount incurred in the current period (Unaudited)	Amount incurred in the prior period (Unaudited)	Amount included in non-recurring profit for the current period
Others	<b>4,761,835.99</b>	1,705,906.97	4,761,835.99
Total	<b>4,761,835.99</b>	1,705,906.97	4,761,835.99

### 46. Non-operating expenses

Item	<i>RMB</i>		
	Amount incurred in the current period (Unaudited)	Amount incurred in the prior period (Unaudited)	Amount included in non-recurring profit for the current period
Donations	<b>8,067,998.68</b>	17,002,694.11	8,067,998.68
Penalties	<b>2,473.00</b>	418.44	2,473.00
Others	<b>896,385.53</b>	669,338.10	896,385.53
Total	<b>8,966,857.21</b>	17,672,450.65	8,966,857.21



# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

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

*(Continued)*

### 47. Income tax

<b>Item</b>	<b>Amount incurred in the current period (Unaudited)</b>	<i>RMB</i> Amount incurred in the prior period (Unaudited)
Current tax expense calculated according to tax laws and relevant requirements	<b>1,292,150.64</b>	1,340,869.28
Deferred tax expenses	<b>(4,964,004.19)</b>	(638,425.11)
<b>Total</b>	<b>(3,671,853.55)</b>	702,444.17

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

<b>Item</b>	<b>Amount incurred in the current period (Unaudited)</b>	<i>RMB</i> Amount incurred in the prior period (Unaudited)
Accounting profit	<b>432,132,661.82</b>	486,041,639.22
Income tax expenses calculated at 25%	<b>108,033,165.46</b>	121,510,409.81
Tax concessions	<b>(126,792,882.12)</b>	(140,160,840.72)
Effect of expenses that are not deductible for tax purposes	<b>9,633,377.19</b>	12,280,468.63
Effect of tax-free income	<b>(13,233,663.26)</b>	(13,235,600.00)
Effect of unrecognized (using previously unrecognized) deductible temporary differences	<b>(104,948.38)</b>	7,499,828.23
Effect of unrecognized deductible losses	<b>18,793,097.56</b>	12,808,178.22
<b>Total</b>	<b>(3,671,853.55)</b>	702,444.17

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

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

*(Continued)*

### 48. 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:

	<b>Current period</b>	<i>RMB</i> Prior period
Net profit for the current period attributable to ordinary shareholders	<b>448,896,441.39</b>	497,924,902.26
Including: Net profit from continuing operations	<b>448,896,441.39</b>	497,924,902.26

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:

	<b>Current period</b>	<i>Shares</i> Prior period
Number of ordinary shares outstanding at the beginning of year	<b>1,233,841,000</b>	1,233,841,000
Number of ordinary shares outstanding at the end of year	<b>1,233,841,000</b>	1,233,841,000

Earnings per share:

	<b>Current period</b>	<i>RMB</i> Prior period
Number of ordinary shares outstanding at the end of period divided by net profit for the current period attributable to ordinary shareholders	<b>0.36</b>	0.40
Number of ordinary shares outstanding at the end of period divided by net profit for the current period attributable to ordinary shareholders and attributable to continuing operation	<b>0.36</b>	0.40

The Company has no dilutive potential ordinary shares.



# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

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

*(Continued)*

### 49. Notes to items in the cash flow statement

(1) *Other cash receipts relating to operating activities*

Item	RMB	
	Amount incurred in the current period (Unaudited)	Amount incurred in the prior period (Unaudited)
Interests	7,844,299.64	6,276,599.12
Government grants	23,793,937.25	8,266,698.93
others	17,760,471.99	1,387,736.73
Total	<b>49,398,708.88</b>	15,931,034.78

(2) *Other cash payments relating to operating activities*

Item	RMB	
	Amount incurred in the current period (Unaudited)	Amount incurred in the prior period (Unaudited)
Selling expenses	255,646,820.24	208,867,132.48
Administrative expenses (excluding lease payment)	137,256,454.85	120,664,838.53
Lease payment	46,383,294.24	33,260,994.04
Others	4,408,319.72	75,458,417.90
Total	<b>443,694,889.05</b>	438,251,382.95



Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

**(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS***(Continued)***49. Notes to items in the cash flow statement** *(Continued)***(3) Other cash receipts relating to investing activities**

RMB

Item	Amount incurred in the current period (Unaudited)	Amount incurred in the prior period (Unaudited)
Receipt of time deposit over 3 months	20,000,000.00	30,212,625.38
Recovery of entrusted loans	-	120,000,000.00
Total	20,000,000.00	150,212,625.38

**(4) Other cash payments relating to investing activities**

RMB

Item	Amount incurred in the current period (Unaudited)	Amount incurred in the prior period (Unaudited)
Increase in time deposits over 3 months	-	80,424,483.86
Increase in pledged time deposit	-	16,521,009.01
Total	-	96,945,492.87

**(5) Other cash receipts relating to financing activities**

RMB

Item	Amount incurred in the current period (Unaudited)	Amount incurred in the prior period (Unaudited)
Government grants	12,545.29	123,573.81

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

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

*(Continued)*

### 50. Supplementary information to the cash flow statement

(1) *Supplementary information to the cash flow statement*

<b>Supplementary information</b>	<b>Amount incurred in the current period (Unaudited)</b>	<i>RMB</i> Amount incurred in the prior period (Unaudited)
<b>1. Reconciliation of net profit to cash flow from operating activities:</b>		
Net profit	<b>435,804,515.37</b>	485,339,195.05
Add: Provision for impairment and credit losses of assets	<b>54,161,935.54</b>	39,790,195.39
Depreciation of fixed assets	<b>43,325,230.63</b>	43,962,441.14
Depreciation of investment properties	<b>1,441,362.40</b>	1,564,790.09
Amortisation of intangible assets	<b>8,556,284.51</b>	10,665,945.28
Amortisation of long-term prepaid expenses	<b>3,784,988.24</b>	2,954,825.32
Gains on disposal of fixed assets, intangible assets and other long-term assets	<b>(1,412,396.50)</b>	(44,485.74)
Gains from fair value change (Less: gains)	<b>12,654,946.22</b>	(25,983.57)
Finance expenses	<b>(4,012,591.38)</b>	(662,143.28)
Interest income of entrusted loans	-	(1,180,018.10)
Investment income	<b>(78,733,633.70)</b>	(202,375,080.84)
Decrease in deferred tax assets (Less: increase)	<b>1,013,708.15</b>	(214,664.31)
Decrease in deferred tax liabilities	<b>(5,977,712.34)</b>	(423,760.80)
Decrease in inventories	<b>4,705,523.35</b>	73,005,527.67
Increase in receivables from operating activities (Less: decrease)	<b>(501,366,371.75)</b>	(392,070,331.71)
Increase in payables from operating activities	<b>469,322,664.33</b>	(97,290,777.61)
Net cash flow from operating activities	<b>443,268,453.07</b>	(37,004,326.02)
<b>2. Net changes in cash and cash equivalents:</b>		
Closing balance of cash	<b>2,012,228,694.24</b>	1,732,400,407.68
Less: Opening balance of cash	<b>(1,825,572,649.15)</b>	(1,634,167,257.70)
Net increase in cash and cash equivalents	<b>186,656,045.09</b>	98,233,149.98

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

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

*(Continued)*

### 50. Supplementary information to the cash flow statement *(Continued)*

#### (2) Cash and cash equivalents

Item	RMB	
	30 June 2018 (Unaudited)	31 December 2017
Cash	2,012,228,694.24	1,825,572,649.15
Including: Cash on hand	3,228,052.65	2,497,605.27
Bank deposits readily available for payment	2,009,000,641.59	1,823,075,043.88
Balance of cash and cash equivalents	2,012,228,694.24	1,825,572,649.15

### 51. Assets with restricted ownership

Assets with restricted ownership	RMB	
	30 June 2018 (Unaudited)	31 December 2017
Cash and bank balances <i>(Note)</i>	34,681,749.07	60,109,568.68

*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 RMB8,173,264.20 (31 December 2017: RMB18,634,761.90); the special fund for housing reform and housing repair of RMB24,508,484.87 (31 December 2017: RMB24,474,806.78).

### 52. Net current assets

Item	RMB	
	30 June 2018 (Unaudited)	31 December 2017
Current assets	7,275,019,480.56	6,583,898,654.47
Less: Current liabilities	(4,848,758,256.10)	(4,199,825,114.13)
Net current assets	2,426,261,224.46	2,384,073,540.34

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

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

*(Continued)*

### 53. Total assets less current liabilities

Item	<i>RMB</i>	
	30 June 2018 (Unaudited)	31 December 2017
Total assets	13,028,573,696.70	12,286,705,641.32
Less: Current liabilities	(4,848,758,256.10)	(4,199,825,114.13)
Total assets less current liabilities	8,179,815,440.60	8,086,880,527.19

## (VII) INTERESTS IN OTHER ENTITIES

### 1. Subsidiaries:

#### (1) Subsidiaries incorporated by investments

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 People's Education Times Xinhua Audio and Video Co., Ltd. ("People's Education Times")	LLC	Chengdu	Sales of audio and video products	2,000,000.00	Sales and production of audio and video products	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	

Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

**(VII) INTERESTS IN OTHER ENTITIES** *(Continued)***1. Subsidiaries:** *(Continued)**(1) Subsidiaries incorporated by investments (Continued)*

RMB

Full name of subsidiary	Type of the subsidiary	Place of incorporation	Nature of business	Registered capital	Business scope	Proportion of ownership interests (%)	Proportion of voting power (%)	Consolidated statements or not
Sichuan Winshare Online E-commerce Co., Ltd. (" <b>Winshare Online</b> ")	LLC	Chengdu	Sales of publications	60,000,000.00	Online sales of various products	75.00	75.00	Y
Washington Winshare Media, Inc. (" <b>Washington Winshare Media</b> ")	LLC	US	Distribution of publications	1,910,430.00	Copyright trade, foreign cooperation in publishing and distribution	90.00	90.00	Y
Sichuan Watch Panda Magazine Co., Ltd. (" <b>Watch Panda</b> ")	LLC	Chengdu	Advertising Periodicals	2,000,000.00	Sales of periodicals	100.00	100.00	Y
Winshare VVI Advertising Media (Chengdu) Co., Ltd. (" <b>VVI Advertising</b> ")	LLC	Chengdu	Advertising	7,500,000.00	Advertising	53.00	53.00	Y
Sichuan Winshare Cloud Image Culture Innovation Technology Co., Ltd. (" <b>Winshare Cloud Image</b> ")	LLC	Chengdu	Software maintenance	25,000,000.00	Sales of software and hardware support kit	100.00	100.00	Y
Winshare Investment	LLC	Chengdu	Investment	200,000,000.00	Venture investment, business investment	100.00	100.00	Y
Winshare International Cultural Communication Co., Ltd. (" <b>Winshare International</b> ")	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. (" <b>Winshare Quan Media</b> ")	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. (" <b>Winshare Music</b> ")	LLC	Chengdu	Business services	10,000,000.00	Business services and sales of musical instruments	100.00	100.00	Y

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (VII) INTERESTS IN OTHER ENTITIES *(Continued)*

### 1. Subsidiaries: *(Continued)*

#### (1) Subsidiaries incorporated by investments *(Continued)*

*RMB*

Full name of subsidiary	Type of the subsidiary	Place of incorporation	Nature of business	Registered capital	Business scope	Proportion of ownership interests (%)	Proportion of voting power (%)	Consolidated statements or not
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. (" <b>Huaxia Shengxuan</b> ")	LLC	Beijing	Sales of publications	15,000,000.00	Sales of publications, etc.	100.00	100.00	Y
Sichuan Winshare Xuankehui Cultural Development Co., Ltd. (" <b>Xuankehui</b> ")	LLC	Chengdu	Wholesale and retail	50,000,000.00	Book wholesale and retail	100.00	100.00	Y

#### (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



Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

**(VII) INTERESTS IN OTHER ENTITIES** *(Continued)***1. Subsidiaries:** *(Continued)***(3) Subsidiaries acquired in business combination not involving enterprises under common control**

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 Xin Hua Shang Paper Co., Ltd. (" <b>NCD</b> ")	LLC	Chengdu	Paper sales	15,000,000.00		Sales of pulp, paper and paper products	51.00	51.00		Y
Winshare Sports Cultural Development Co., Ltd. (" <b>Winshare Sports</b> ") (originally Sichuan Xinhua Color Printing Co., Ltd.)	LLC	Chengdu	Venue rental	100,000,000.00		Venue management services, advertising, self-owned housing rental	100.00	100.00		Y
Sichuan People's Publishing House Co., Ltd. (" <b>People's Publishing House</b> ")	LLC	Chengdu	Publication	34,000,000.00		Publication of books	100.00	100.00		Y
Sichuan Publication Printing Co., Ltd. (" <b>Publication Printing</b> ")	LLC	Chengdu	Publication	50,000,000.00		Textbook rental printed supplies	100.00	100.00		Y
Sichuan Education Publishing House Co., Ltd. (" <b>Education Publishing House</b> ")	LLC	Chengdu	Publication	10,000,000.00		Publication of books	100.00	100.00		Y
Sichuan Youth and Children's Publishing House Co., Ltd. (" <b>Youth and Children's Publishing House</b> ")	LLC	Chengdu	Publication	110,000,000.00		Publication of books and periodicals	100.00	100.00		Y
Sichuan Science & Technology Publishing House Co., Ltd. (" <b>Science &amp; Technology Publishing House</b> ")	LLC	Chengdu	Publication	4,000,000.00		Publication of books	100.00	100.00		Y
Sichuan Nature Exploration Magazine House Co., Ltd.	LLC	Chengdu	Publication	300,000.00		Publication of books	100.00	100.00		Y



# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (VII) 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		Proportion of ownership interests (%)	Proportion of voting power (%)	Consolidated statements or not
				capital	Business scope			
Sichuan Fine Arts Publishing House Co., Ltd. (" <b>Fine Arts Publishing House</b> ")	LLC	Chengdu	Publication	16,250,000.00	Publication of books	100.00	100.00	Y
Sichuan Lexicographical Publishing House Co., Ltd. (" <b>Lexicographical Publishing House</b> ")	LLC	Chengdu	Publication	20,000,000.00	Publication of books	100.00	100.00	Y
Sichuan Literature & Art Publishing House Co., Ltd. (" <b>Literature &amp; Art Publishing House</b> ")	LLC	Chengdu	Publication	45,000,000.00	Publication of books	100.00	100.00	Y
Sichuan Tiandi Publishing House Co., Ltd. (" <b>Tiandi Publishing House</b> ")	LLC	Chengdu	Publication	130,634,700.00	Publication of books	100.00	100.00	Y
Sichuan Era English Cultural Communication Co., Ltd.	LLC	Chengdu	Publication	600,000.00	Publication of books	51.00	51.00	Y
Sichuan Bashu Publishing House Co., Ltd. (" <b>Bashu Publishing House</b> ")	LLC	Chengdu	Publication	42,000,000.00	Publication of books	100.00	100.00	Y
Printing Materials	LLC	Chengdu	Whole and retail	30,000,000.00	Provision of printing-related materials	100.00	100.00	Y
Sichuan Digital Publishing Co., Ltd. (" <b>Digital Publishing</b> ")	LLC	Chengdu	Publication	10,000,000.00	Publication of books	100.00	100.00	Y

RMB



# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (VII) INTERESTS IN OTHER ENTITIES *(Continued)*

### 1. Subsidiaries: *(Continued)*

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

RMB

Full name of subsidiary	Type of the subsidiary	Place of incorporation	Nature of business	Registered		Proportion of ownership interests (%)	Proportion of voting power (%)	Consolidated statements or not
				capital	Business scope			
Sichuan Reader's Journal Co., Ltd. ("Reader's Journal")	LLC	Chengdu	Publication	1,500,000.00	Reader's Journal-related publishing, advertising, wholesale and retail of goods, software and information technology services	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

### 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 period (Unaudited)	Prior period (Unaudited)	30 June 2018 (Unaudited)	31 December 2017 (Unaudited)
Beijing Winshare Commercial	49.00	49.00	(3,889,468.25)	(5,223,356.74)	(55,340,850.39)	(51,451,382.14)
Winshare Online	25.00	25.00	(8,315,040.87)	(6,940,550.34)	(29,101,139.25)	(20,786,098.38)

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (VII) INTERESTS IN OTHER ENTITIES *(Continued)*

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

#### a. Beijing Winshare Commercial

	<b>30 June 2018</b> <b>(Unaudited)</b>	31 December 2017
		<i>RMB</i>
Current assets	<b>177,546,966.40</b>	142,526,596.98
Non-current assets	<b>13,048,194.81</b>	14,691,052.80
Current liabilities	<b>250,766,284.44</b>	209,451,082.71

	<b>Amount in the</b> <b>current period</b> <b>(Unaudited)</b>	Amount in the prior period (Unaudited)
		<i>RMB</i>
Operating income	<b>64,701,853.01</b>	77,176,251.27
Operating costs and expenses	<b>72,639,543.31</b>	87,836,162.98
Total loss, net loss	<b>(7,937,690.30)</b>	(10,659,911.71)
Net cash flow from operating activities	<b>2,285,642.41</b>	(1,316,566.22)
Net cash flow from investing activities	<b>(261,349.54)</b>	(238,683.46)
Net cash flow from financing activities	-	-

#### b. Winshare Online

	<b>30 June 2018</b> <b>(Unaudited)</b>	31 December 2017
		<i>RMB</i>
Current assets	<b>1,457,949,397.64</b>	358,281,419.34
Non-current assets	<b>48,634,602.32</b>	50,148,254.20
Current liabilities	<b>1,622,359,556.97</b>	490,945,067.06
Non-current liabilities	<b>629,000.00</b>	629,000.00

	<b>Amount in the</b> <b>current period</b> <b>(Unaudited)</b>	Amount in the prior period (Unaudited)
		<i>RMB</i>
Operating income	<b>561,844,081.99</b>	500,354,094.64
Operating costs and expenses	<b>595,104,245.48</b>	528,116,296.00
Total loss, net loss	<b>(33,260,163.49)</b>	(27,762,201.36)
Net cash flow from operating activities	<b>(79,288,531.18)</b>	(146,247,006.20)
Net cash flow from investing activities	<b>118,508.72</b>	25,779,713.61
Net cash flow from financing activities	-	-

Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

**(VII) INTERESTS IN OTHER ENTITIES** *(Continued)***3. Interests in joint ventures or associates***(1) Significant joint ventures or associates*

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. <i>(Note)</i>	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, a subsidiary of the Company, holds 51% of the voting rights in the shareholders' meeting, and the resolutions on 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 *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (VII) INTERESTS IN OTHER ENTITIES *(Continued)*

### 3. Interests in joint ventures or associates *(Continued)*

#### (2) Key financial information of significant joint ventures

##### a. Hainan Publishing

	<b>30 June 2018/ Amount incurred in the current period (Unaudited)</b>	<i>RMB</i> 31 December 2017/ Amount incurred in the prior period (Unaudited)
Current assets	<b>324,456,649.91</b>	159,022,014.28
Including: cash and cash equivalents	<b>32,421,410.54</b>	26,717,240.75
Non-current assets	<b>62,007,728.70</b>	172,574,248.26
Total assets	<b>386,464,378.61</b>	331,596,262.54
Current liabilities	<b>156,731,073.72</b>	110,281,572.05
Non-current liabilities	<b>17,496,226.00</b>	17,496,226.00
Total liabilities	<b>174,227,299.72</b>	127,777,798.05
Equity attributable to the Company's shareholders	<b>210,383,741.22</b>	201,774,778.25
Non-controlling interests	<b>1,853,337.66</b>	2,043,686.24
Net assets calculated on pro-rata basis of shareholding	<b>105,191,870.61</b>	100,887,389.12
Goodwill	<b>30,735,530.98</b>	30,735,530.98
Carrying amount of equity investments in joint ventures	<b>135,927,401.59</b>	131,622,920.10
Operating income	<b>45,399,566.78</b>	56,633,780.49
Net profit and total comprehensive income	<b>8,418,614.40</b>	5,808,901.66
Interest income	<b>43,773.64</b>	51,203.62
Interest expense	<b>15,036.74</b>	24,262.75
Income tax	<b>77,797.02</b>	192,783.47

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (VII) INTERESTS IN OTHER ENTITIES *(Continued)*

### 3. Interests in joint ventures or associates *(Continued)*

#### (3) Key financial information of significant associates

##### a. Ren Min Eastern (Beijing) Book Industry Co., Ltd.

	<b>30 June 2018/ Amount incurred in the current period (Unaudited)</b>	<i>RMB</i> 31 December 2017/ Amount incurred in the prior period (Unaudited)
Current assets	<b>89,450,944.47</b>	80,576,300.70
Non-current assets	<b>5,947,140.16</b>	5,948,661.03
Total assets	<b>95,398,084.63</b>	86,524,961.73
Current liabilities and total liabilities	<b>40,685,810.08</b>	33,423,210.24
Net assets calculated on pro-rata basis of shareholding	<b>10,942,454.91</b>	10,620,350.30
Carrying amount of equity investments in associates	<b>10,942,454.91</b>	10,620,350.30
Operating income	<b>18,864,547.92</b>	19,324,133.72
Net profit and total comprehensive income	<b>1,610,523.06</b>	5,185,723.70

## Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

### (VII) INTERESTS IN OTHER ENTITIES *(Continued)*

#### 3. Interests in joint ventures or associates *(Continued)*

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

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

	<b>30 June 2018/ Amount incurred in the current period (Unaudited)</b>	<i>RMB</i> 31 December 2017/ Amount incurred in the prior period (Unaudited)
Current assets	<b>152,873,997.70</b>	123,439,751.08
Non-current assets	<b>76,528,369.94</b>	70,132,240.85
Total assets	<b>229,402,367.64</b>	193,571,991.93
Current liabilities	<b>56,791,319.09</b>	28,310,035.96
Non-current liabilities	<b>2,264,889.73</b>	8,361,141.60
Total liabilities	<b>59,056,208.82</b>	36,671,177.56
Net assets calculated on pro-rata basis of shareholding	<b>34,750,616.40</b>	32,007,766.13
Carrying amount of equity investments in associates	<b>34,750,616.40</b>	32,007,766.13
Operating income	<b>85,319,527.46</b>	23,738,097.76
Net profit and total comprehensive income	<b>13,445,344.45</b>	61,197.39

Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

**(VII) INTERESTS IN OTHER ENTITIES** *(Continued)***3. Interests in joint ventures or associates** *(Continued)**(3) Key financial information of significant associates (Continued)**c. Chongqing Yunhan Internet and Media Co., Ltd.*

	<b>30 June 2018/ Amount incurred in the current period (Unaudited)</b>	<i>RMB</i> 31 December 2017/ Amount incurred in the prior period (Unaudited)
Current assets	<b>2,686,837.34</b>	18,977,146.98
Non-current assets	<b>76,742,897.14</b>	66,711,578.40
Total assets	<b>79,429,734.48</b>	85,688,725.38
Current liabilities	<b>3,230,796.46</b>	7,224,350.16
Non-current liabilities	<b>20,000,000.00</b>	20,000,000.00
Total liabilities	<b>23,230,796.46</b>	27,224,350.16
Net assets calculated on pro-rata basis of shareholding	<b>28,099,469.01</b>	29,232,187.61
Goodwill	<b>16,528,595.01</b>	16,528,595.01
Carrying amount of equity investments in associates	<b>44,628,064.02</b>	45,760,782.62
Operating income	<b>1,006,216.81</b>	–
Net loss and total comprehensive income	<b>(2,265,437.20)</b>	(843,787.04)



## Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

### (VII) INTERESTS IN OTHER ENTITIES *(Continued)*

#### 3. Interests in joint ventures or associates *(Continued)*

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

##### d. Sichuan Winshare Baowan Supply Chains Co., Ltd.

	<b>30 June 2018/ Amount incurred in the current period (Unaudited)</b>	<i>RMB</i> 31 December 2017/ Amount incurred in the prior period (Unaudited)
Current assets	<b>77,844,795.10</b>	67,528,616.30
Non-current assets	<b>39,740,930.98</b>	38,993,845.79
Total assets	<b>117,585,726.08</b>	106,522,462.09
Current liabilities	<b>18,285,131.02</b>	6,489,698.20
Non-current liabilities	-	-
Total liabilities	<b>18,285,131.02</b>	6,489,698.20
Share of net assets calculated based on proportion of shareholding	<b>44,685,267.78</b>	45,014,743.75
Carrying amount of equity investment in associates	<b>44,685,267.78</b>	45,014,743.75
Operating income	<b>37,446,788.61</b>	12,948,025.77
Net loss and total other comprehensive income	<b>(732,168.83)</b>	32,763.89

## Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

### (VII) INTERESTS IN OTHER ENTITIES *(Continued)*

#### 3. Interests in joint ventures or associates *(Continued)*

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

	30 June 2018/ Amount incurred in the current period (Unaudited)	RMB 31 December 2017/ Amount incurred in the prior period (Unaudited)
Insignificant joint ventures		
Total carrying amount of investments	<b>9,728,407.69</b>	1,528,531.29
Sum of net loss and total comprehensive income calculated according to proportion of investment	<b>(70,787.44)</b>	(1,413,219.97)
Insignificant associates		
Total carrying amount of investments	<b>82,638,649.03</b>	46,504,837.62
Sum of net loss and total comprehensive income calculated according to proportion of investment	<b>(3,627,359.54)</b>	(49,410.15)

### (VIII) RISK EXPOSURES ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Group's major financial instruments consist of cash and bank balances, financial assets measured at amortized cost, financial assets at FVTPL, other equity instruments and payables. Risk exposures associated with these financial instruments and the risk management strategy adopted by the Group 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. 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.



# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (VIII) RISK EXPOSURES ASSOCIATED WITH FINANCIAL INSTRUMENTS

*(Continued)*

### 1. Risk management objectives and policies *(Continued)*

#### 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.

Item	<i>RMB</i>	
	30 June 2018 (Unaudited)	31 December 2017
Cash and bank balances		
USD	<b>154,696.39</b>	158,643.93
EUR	<b>666.43</b>	666.43
HKD	<b>19,353.76</b>	12,788.70

##### 1.1.2 Interest rate risk

The Group was not exposed to significant interest rate risk as the Group had no interest-bearing borrowings at the end of the period.

##### 1.1.3 Other price risk

The Group measured the investment in listed shares of Wanxin Media, HGZN and BoCD 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) 11)). The directors of the Company regularly monitor the share prices of Wanxin Media, HGZN and BoCD. For the current period, the Group's investments in Wanxin Media, HGZN and BoCD equity recognized in other comprehensive income resulted in loss of RMB370,180,800.00, loss of RMB115,584.86 and an income of RMB130,944,000.00, respectively.

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (VIII) RISK EXPOSURES ASSOCIATED WITH FINANCIAL INSTRUMENTS

*(Continued)*

### 1. Risk management objectives and policies *(Continued)*

#### 1.1 Market risk *(Continued)*

##### 1.1.3 Other price risk *(Continued)*

Assuming that other variables remain constant, the pre-tax effects of other reasonable changes in stock prices in other comprehensive income and shareholders' equity during the period are as follows:

*RMB*

Item	Price fluctuation	Pre-tax effects on other comprehensive income and shareholders' equity	
		Current period (Unaudited)	Prior period (Unaudited)
Other equity instrument investments			
Wanxin Media	Stock prices rise 5%	47,425,520.00	86,126,240.00
HGZN	Stock prices rise 5%	93,207.09	87,763.85
BoCD	Stock prices rise 5%	32,550,000.00	N/A
Other equity instrument investments			
Wanxin Media	Stock prices fall 5%	(47,425,520.00)	(86,126,240.00)
HGZN	Stock prices fall 5%	(93,207.09)	(87,763.85)
BoCD	Stock prices fall 5%	(32,550,000.00)	N/A

#### 1.2 Credit risk

As at 30 June 2018, 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 the carrying amounts of financial assets recognized on the Group's balance sheet.

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.

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (VIII) RISK EXPOSURES ASSOCIATED WITH FINANCIAL INSTRUMENTS

*(Continued)*

### 1. Risk management objectives and policies *(Continued)*

#### 1.2 Credit risk *(Continued)*

Details such as the Group's specific method of assessing credit risk since initial recognition, evidence for determination of credit impairment of financial assets, combination methods of assessing expected credit risk of financial instruments on the basis of categorization, and policies on direct write-down of financial instrument are set out in Note (III) 10.2.1, Note (III) 10.2.2, Note (III) 10.2.3, and Note (III) 10.2.4.

The management considers the credit risk on liquid funds of the Group is limited because they are deposited with banks with high credit ratings.

#### *Notes receivable and accounts receivable*

As part of the Group's credit risk asset management, the Group adopts the aging analysis to assess impairment losses of notes receivable and accounts receivable arising from the Group's operations. The Group's accounts receivable involve a large number of customers with the same risk characteristics. Aging information may reflect these customers' solvency and risk of bad debt in regard of such accounts receivable. As at 30 June 2018, description of credits risks and expected credit losses of notes receivable and accounts receivable are as follows:

Aging	Expected average loss rate	Amount RMB	Provisions for impairment RMB
Within 1 year	2.60%	1,676,718,854.34	(43,569,514.74)
1 – 2 years	58.71%	107,994,560.51	(63,403,237.29)
2 – 3 years	100.00%	27,019,447.95	(27,019,447.95)
More than 3 years	100.00%	83,274,124.05	(83,274,124.05)
Total	11.47%	1,895,006,986.85	(217,266,324.03)

The expected average rate of loss is based on historical rate of bad debt, and takes into account of current circumstances and projections on future economic conditions. During the period from 1 January 2018 to 30 June 2018, the Group's assessment method and significant assumptions did not change.

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (VIII) RISK EXPOSURES ASSOCIATED WITH FINANCIAL INSTRUMENTS

*(Continued)*

### 1. Risk management objectives and policies *(Continued)*

#### 1.2 Credit risk *(Continued)*

*Notes receivable and accounts receivable (Continued)*

*Changes in bad debt provision for accounts receivable*

	<b>Lifetime expected credit loss (credit impairment that has not occurred)</b>	<b>Lifetime expected credit loss (incurred credit impairment)</b>	<b>Total</b>
31 December 2017	–	169,089,948.16	169,089,948.16
Remeasurement of expected credit impairment loss	–	–	–
1 January 2018	–	169,089,948.16	169,089,948.16
Transferred out of incurred credit impairment	–	(2,183,014.64)	(2,183,014.64)
Adjustment of expected credit loss for the current period	23,179,844.25	27,179,546.26	50,359,390.51
30 June 2018	23,179,844.25	194,086,479.78	217,266,324.03

#### 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 *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (VIII) RISK EXPOSURES ASSOCIATED WITH FINANCIAL INSTRUMENTS

*(Continued)*

### 1. Risk management objectives and policies *(Continued)*

#### 1.3 Liquidity risk *(Continued)*

The following is the maturity analysis for financial liabilities held by the Group which is based on undiscounted remaining contractual obligations:

#### End of the current period (Unaudited)

Item			<i>RMB</i>
	Within 1 year	1 to 5 years	Total
Notes payable and accounts payable	3,688,823,071.12	–	3,688,823,071.12
Other payables	423,784,000.40	–	423,784,000.40
<b>Total</b>	<b>4,112,607,071.52</b>	<b>–</b>	<b>4,112,607,071.52</b>

#### End of the prior period

Item			<i>RMB</i>
	Within 1 year	1 to 5 years	Total
Notes payable and accounts payable	3,144,291,382.23	–	3,144,291,382.23
Other payables	264,369,944.04	–	264,369,944.04
<b>Total</b>	<b>3,408,661,326.27</b>	<b>–</b>	<b>3,408,661,326.27</b>

### 2. Transfer of Financial Assets

At the end of the period, the amount of bank acceptance bills that the Group had endorsed but not yet due was RMB4,080,000.00 (31 December 2017: RMB21,048,232.73), 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 from the end of the reporting period.

Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

**(IX) DISCLOSURE OF FAIR VALUE****1. Fair value****1.1 Financial assets measured at fair value on a recurring basis:**

The Group's investment of equity securities in listed company, unlisted private equity and partnership, trust products and parts of bank 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	RMB
						30 June 2018 (Unaudited)
Other equity instrument investments – shares of A share listed company – Wanxin Media	1,318,691,200.00	Level 1	Quoted prices in active markets	N/A	N/A	
Other equity instrument investments – the shares of A share listed company – HGZN	1,979,726.73	Level 1	Quoted prices in active markets	N/A	N/A	
Held-for-trading financial assets – shares of A share listed companies	28,233.14	Level 1	Quoted prices in active markets	N/A	N/A	
Held-for-trading financial assets – bank wealth management products	755,000,000.00	Level 2	Calculated based on a discounted cash flow model, the input values are 3-month USD LIBOR and 3-month RMB SHIBOR	N/A	N/A	
	<b>948,510,400.00</b>					
	<b>1,864,141.87</b>					
	<b>1,037,810.81</b>					
	<b>1,030,000,000.00</b>					



# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (IX) DISCLOSURE OF FAIR VALUE *(Continued)*

### 1. Fair value *(Continued)*

#### 1.1 Financial assets measured at fair value on a recurring basis: *(Continued)*

Financial assets	Fair value at the end of each reporting period	Fair value hierarchy	Valuation method and inputs	Significant unobservable inputs	Relationship between unobservable inputs and fair value	RMB
						30 June 2018 (Unaudited)
Other equity instrument investments – shares of A share listed company – BoCD	651,000,000.00	Level 3	Adjusted quoted prices in active markets	Liquidity discount	The lower the liquidity discount, the higher the fair value	
Other non-current financial assets – CITIC Buyout Investment Fund (Shenzhen) (Limited Partnership)	106,179,002.11	Level 3	Market approach Method of discounted future cash flow	<ul style="list-style-type: none"> <li>Price earnings ratio, liquidity discount, price sales ratio</li> <li>Discount rate in line with expected risk level</li> </ul>	<ul style="list-style-type: none"> <li>The higher the price earnings ratio and price sales ratio, the higher the fair value</li> <li>The lower the liquidity discount, the higher the fair value</li> <li>The lower the discount rate, the higher the fair value</li> </ul>	
Other non-current financial assets – Winshare Hengxin (Shenzhen) Equity Investment Fund (Limited Partnership)	252,791,028.15	Level 3	Adjusted quoted prices in active markets, method of discounted future cash flow	<ul style="list-style-type: none"> <li>Liquidity discount</li> <li>Discount rate in line with expected risk level</li> </ul>	<ul style="list-style-type: none"> <li>The lower the liquidity discount, the higher the fair value</li> <li>The lower the discount rate, the higher the fair value</li> </ul>	

## Notes to the Financial Statements (continued)

For the period from 1 January 2018 to 30 June 2018

**(IX) DISCLOSURE OF FAIR VALUE (Continued)****1. Fair value (Continued)****1.1 Financial assets measured at fair value on a recurring basis: (Continued)**

Financial assets	Fair value at the end of each reporting period	Fair value hierarchy	Valuation method and inputs	Significant unobservable inputs	Relationship between unobservable inputs and fair value	RMB
						30 June 2018 (Unaudited)
Other non-current financial assets – Taizhou Xinheng Zhongrun Investment Fund (Limited Partnership)	35,625,966.22	Level 3	Adjusted quoted prices in active markets	Liquidity discount	The lower the liquidity discount, the higher the fair value	
Other non-current financial assets – Qingdao Jinshi Zhixin Investment Center (Limited Partnership)	153,252,074.60	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"> <li>Expected recoverable amount</li> <li>Discount rate in line with expected risk level</li> </ul>	<ul style="list-style-type: none"> <li>The higher the expected recoverable amount, the higher the fair value</li> <li>The lower the discount rate, the higher the fair value</li> </ul>	
Held-for-trading financial assets – bank wealth management products	402,800,000.00	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"> <li>Expected recoverable amount</li> <li>Discount rate in line with expected risk level</li> </ul>	<ul style="list-style-type: none"> <li>The higher the expected recoverable amount, the higher the fair value</li> <li>The lower the discount rate, the higher the fair value</li> </ul>	
	<b>29,064,105.70</b>					
	<b>154,238,804.05</b>					
	<b>152,900,000.00</b>					

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (IX) DISCLOSURE OF FAIR VALUE *(Continued)*

### 1. Fair value *(Continued)*

#### 1.1 Financial assets measured at fair value on a recurring basis: *(Continued)*

##### 1.1.1 Reconciliation of Level 3 fair value measurements:

	Current period (Unaudited)	RMB Prior period
30 December 2017	957,988,258.36	894,561,104.37
From measured at cost to at fair value	520,056,000.00	–
Included in gains or losses on fair value change	(12,915,318.35)	–
Included in other comprehensive income of the current period	130,944,000.00	(2,793,853.25)
Purchases in the current period	150,000,000.00	474,064,975.57
Disposals in the current period	(399,900,000.00)	(416,200,485.00)
30 June 2018	1,346,172,940.01	949,631,741.69

#### 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.

## (X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

### 1. Parent of the Company

Name of the parent	Type of the entity	Place of incorporation	Legal representative	Nature of business	Registered capital	Proportion			Organization registration code
						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	70892370-8

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 holds 13,133,000 additional H shares of the Company via the 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 *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

### 2. Subsidiaries of the Company

Please refer to Notes (VII) Interests in Other Entities for details of the subsidiaries of the Company.

### 3. Joint ventures and associates of the Company

Please refer to Notes (VII) for details of the significant joint ventures or associates of the Company.

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

Name of other related party	Relationship between other related parties and the Company
Commercial Press (Chengdu) Co., Ltd.	Associate
Shanghai Jingjie Information Technology Co., Ltd.	Associate
Sichuan Jiaoyang Sihuo Film Co., Ltd.	Associate
Chengdu Winshare Equity Investment Funds Management Co., Ltd.	Associate
Liangshan Xinhua Winshare Education Technology Co. Ltd.	Joint venture
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
Sichuan Xinhua Publishing Group Co., Ltd Huadao Resort Hotel	Controlling shareholder's branch
Sichuan Publication Group	Other enterprise over which the directors of the Company have significant influence
Sichuan Hengxi Property Management Co., Ltd.	Other enterprise over which the directors of the Company have significant influence
Sichuan Chongwenju Forest Hotel Co., Ltd	Other enterprise over which the directors of the Company have significant influence
Sichuan Publishing Group Xichang Tianguang Yueying Hotel	Other enterprise over which the directors of the Company have significant influence

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

### 4. Related party transactions

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

##### Purchase of goods/receipt of services

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 period (Unaudited)	Amount incurred in the prior period (Unaudited)
Sichuan Xinhua International Hotel Co., Ltd.	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	148,837.67	93,306.35
Sichuan Guanghan Sanxingdui Qushanyuan Cultural Ltd.	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	352,953.37	202,695.00
Chengdu Huang Peng Property Co., Ltd.	Receipt of services	Payments for property management service fees	Price negotiated by both parties	3,774,174.05	3,765,432.18
Sichuan Xinhua Publishing Group Co., Ltd Huadao Resort Hotel	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	112,850.54	141,831.00
Ming Bo Education Technology Holdings Co., Ltd.	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	84,692.31	4,626,765.43
Commercial Press (Chengdu) Co., Ltd.	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	8,317,810.58	-
Ren Min Eastern (Beijing) Book Industry Co., Ltd.	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	1,533,019.52	1,533,018.81
Hainan Publishing House	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	1,170,123.52	1,569,832.54
Sichuan Chongwenju Forest Hotel Co., Ltd.	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	-	12,465.28
Sichuan Xinhua Haiyi Cultural Development Co., Ltd.	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	274,741.73	327,832.00
Sichuan Jiaoyang Sihuo Film Co., Ltd.	Purchase of goods	Payments of royalty	Price negotiated by both parties	-	762,410.72
Sichuan Xinhua Haiyi Hotel Co., Ltd.	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	36,597.55	-
Sichuan Publishing Group Xichang Tianguang Yueying Hotel	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	562.26	-
Total				15,806,363.10	13,035,589.31

Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

**(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** *(Continued)***4. Related party transactions** *(Continued)***(1) Sales and purchase of goods, provision and receipt of services** *(Continued)**Sales of goods/provision 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 period (Unaudited)	Amount incurred in the prior period (Unaudited)
Sichuan Xinhua Publishing Group	Sales of goods	Sales of publications service	Price negotiated by both parties	311,202.11	134,779.11
Sichuan Publication Group	Sales of goods	Payment of royalty and sales of publications service	Price negotiated by both parties	5,431.62	264,150.94
Sichuan Xinhua Publishing Group Co., Ltd Huadao Resort Hotel	Provision of services	Provision of advertisement design and production service	Price negotiated by both parties	55.66	-
Liangshan Xinhua Winshare Education Technology Co. Ltd.	Sales of goods	Sales of goods	Price negotiated by both parties	398,427.26	-
Sichuan Xinhua Haiyi Cultural Development Co., Ltd.	Provision of services	Provision of promotion Service	Price negotiated by both parties	6,977.50	-
Total				722,094.15	398,930.05

**(2) Leases with related parties***The Group as lessor:*

Name of lessor	Name of lessee	Type of leased assets	Commencement date of leases	Expiration date of leases	Basis of determining the lease income	RMB	
						Lease income recognized in the current period (Unaudited)	Lease income recognized in the prior period (Unaudited)
The Company	Sichuan Xinhua Publishing Group	Buildings	1 January 2016	31 December 2018	Contractual price negotiated by both parties	639,787.89	639,787.89

## Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

### (X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

#### 4. Related party transactions *(Continued)*

##### (2) Leases with related parties *(Continued)*

The Group as lessee:

Name of lessor	Name of lessee	Type of leased assets	Commencement date of leases	Expiration date of leases	Basis of determining the lease income (Unaudited)	RMB	
						Lease payment recognized in the current period (Unaudited)	Lease payment recognized in the prior period (Unaudited)
Sichuan Xinhua Publishing Group	The Group	Buildings	1 January 2016	31 December 2018	Contractual price negotiated by both parties	19,266,137.64	19,304,704.16
Sichuan Publication Group	The Group	Buildings	1 January 2017	31 December 2019	Contractual price negotiated by both parties	6,614,185.64	6,617,842.39
Sichuan Hengxi Property Management Co., Ltd.	The Group	Buildings	1 January 2017	31 December 2019	Contractual price negotiated by both parties	1,513,800.17	1,487,061.98
Chengdu Winshare Equity Investment Funds Management Co., Ltd.	The Group	Buildings	1 June 2017	31 May 2020	Contractual price negotiated by both parties	459,764.10	-
Total						27,853,887.55	27,409,608.53

##### (3) Compensation for key management personnel

Item	RMB	
	Current period (Unaudited) Amount	Prior period (Unaudited) Amount
Compensation for key management personnel	1,909,164.26	1,829,656.08

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 *(continued)*

For the period from 1 January 2018 to 30 June 2018

**(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS** *(Continued)***5. Amount due/from related parties**

Item	Related party	RMB	
		30 June 2018 (Unaudited)	31 December 2017
Notes receivable and accounts receivable	Sichuan Xinhua Publishing Group	<b>82,000.00</b>	–
	Shanghai Jingjie Information Technology Co., Ltd.	<b>195,984.00</b>	195,984.00
	Sichuan Xinhua Haiyi Cultural Development Co., Ltd.	–	6,977.50
	Sichuan Xinhua Haiyi Hotel Management Co., Ltd.	<b>60,806.00</b>	75,000.00
<b>Total</b>		<b>338,790.00</b>	277,961.50
Other receivables	Sichuan Publication Group	<b>83,427.64</b>	–
	Sichuan Xinhua Publishing Group	<b>97,119.98</b>	–
<b>Total</b>		<b>180,547.62</b>	–
Advance from customers	Ming Bo Education Technology Holdings Co., Ltd.	–	1,360,000.00
	Liangshan Xinhua Winshare Education Technology Co. Ltd.	–	300,000.00
<b>Total</b>		–	1,660,000.00
Contract liabilities	Ming Bo Education Technology Holdings Co., Ltd.	<b>1,360,000.00</b>	N/A
<b>Total</b>		<b>1,360,000.00</b>	N/A
Accounts payable	Commercial Press (Chengdu) Co., Ltd.	<b>8,765,309.54</b>	10,190,017.68
	Hainan Publishing House	<b>448,501.89</b>	112,499.36
	Ming Bo Education Technology Holdings Co., Ltd.	–	100,157.79
	Shanghai Jingjie Information Technology Co., Ltd.	<b>12,445.30</b>	18,941.36
<b>Total</b>		<b>9,226,256.73</b>	10,421,616.19
Other payables	Chengdu Huang Peng Property Co., Ltd.	–	704,065.32
	Sichuan Publication Group	<b>530,561.78</b>	632,820.53
	Ming Bo Education Technology Holdings Co., Ltd.	–	88,084.04
<b>Total</b>		<b>530,561.78</b>	1,424,969.89



## Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

### (X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS *(Continued)*

#### 6. Transactions with Bank of Chengdu Co., Ltd.

According to *Administrative Measures for the Disclosure of Information of Listed Companies*, enterprises of which the directors or senior management are the directors, supervisor and senior management of the listed company are regarded as the related parties of the listed company. You Zugang, the secretary of the board of directors of the Company, also serves as the director of Bank of Chengdu Co., Ltd; The Group's transactions with Bank of Chengdu Co., Ltd. within the reporting period and closing balance are detailed as follows:

##### (1) Dividends income

Current period (Unaudited)		Prior period (Unaudited)	
Amount	Proportion (%)	Amount	Proportion (%)
22,400,000.00	28.45	20,000,000.00	9.88

RMB

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

##### (2) Interest income

Current period (Unaudited)		Prior period (Unaudited)	
Amount	Proportion (%)	Amount	Proportion (%)
863,022.83	5.85	441,608.59	3.94

RMB

The shown proportion is the proportion of the amount of the transaction to total amount of similar transactions.

##### (3) Amount due/from related parties

Item	30 June 2018 (Unaudited)	31 December 2017
Bank balances	110,340,145.52	112,673,200.58

RMB

### (XI) CONTINGENCIES

At the balance sheet date, the Group has no significant contingencies of which the disclosure is required.

Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

**(XII) COMMITMENTS****Capital commitments**

	<b>30 June 2018</b> <b>(Unaudited)</b>	31 December 2017
		<i>RMB</i>
Commitment for acquisition and construction of long-term assets that are contracted but not yet recognized in the financial statements	<b>211,909,136.49</b>	229,143,117.47

**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**

	<b>30 June 2018</b> <b>(Unaudited)</b>	31 December 2017
		<i>RMB</i>
Minimum lease payments under non-cancellable operating leases		
1st year subsequent to the balance sheet date	<b>80,904,325.19</b>	109,053,199.45
2nd year subsequent to the balance sheet date	<b>30,585,055.10</b>	42,039,561.22
3rd year subsequent to the balance sheet date	<b>11,651,420.06</b>	13,142,340.51
Subsequent years	<b>32,217,696.10</b>	19,647,000.65
Total	<b>155,358,496.45</b>	183,882,101.83

**The Group as lessor**

	<b>30 June 2018</b> <b>(Unaudited)</b>	31 December 2017
		<i>RMB</i>
Minimum lease receipts under non-cancellable operating leases		
1st year subsequent to the balance sheet date	<b>14,747,967.46</b>	15,339,552.45
2nd year subsequent to the balance sheet date	<b>7,662,824.97</b>	8,110,230.99
3rd year subsequent to the balance sheet date	<b>2,554,837.21</b>	2,634,946.45
Subsequent years	<b>2,324,342.00</b>	2,727,800.00
Total	<b>27,289,971.64</b>	28,812,529.89

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (XIII)EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the balance sheet date, the Group did not have any significant events.

## (XIV)OTHER SIGNIFICANT EVENTS

### 1. Capital management

The Group manages its capital principally aiming to secure the Group as going concern and achieve maximum income for shareholders through optimizing the combination structure of equity financing and debt financing. The Group's capital comprises the following components:

- Cash and cash equivalents;
- Paid-in capital, capital reserve, surplus reserve and undistributed 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 associated with various type of capital. The Group optimizes the overall capital structure through issuing additional shares or borrowing or repayment of borrowings based on the choice of the management.

### 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 and equipment services for secondary and primary school education; retailing, distribution and online sales of publications;

Other segment of the Group covers provision of logistic service, 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 (continued)

For the period from 1 January 2018 to 30 June 2018

## (XIV) OTHER SIGNIFICANT EVENTS (Continued)

## 2. Segment reporting (Continued)

## (1) Segment information

Current period (Unaudited)							RMB
	Publication segment	Distribution segment	Others	Unallocated items	Inter-segment eliminations	Total	
External revenue	330,552,435.75	3,156,848,804.65	90,277,459.16	-	-	3,577,678,699.56	
Inter-segment revenue	651,204,941.66	3,819,221.92	50,085,961.74	-	(705,110,125.32)	-	
Total operating income	981,757,377.41	3,160,668,026.57	140,363,420.90	-	(705,110,125.32)	3,577,678,699.56	
Operating profit (loss)	168,316,998.79	180,592,077.09	(16,527,312.93)	45,348,132.71	58,607,787.38	436,337,683.04	
Non-operating income	3,199,713.16	1,303,729.63	258,393.20	-	-	4,761,835.99	
Non-operating expenses	352,136.67	8,584,719.75	30,000.79	-	-	8,966,857.21	
Total profit (loss)	171,164,575.28	173,311,086.97	(16,298,920.52)	45,348,132.71	58,607,787.38	432,132,661.82	
Total assets	5,227,916,624.02	6,373,866,524.91	1,172,958,295.06	3,128,275,630.60	(2,874,443,377.89)	13,028,573,696.70	
Total liabilities	1,893,387,109.71	5,208,767,163.29	514,131,550.22	151,191,304.77	(2,802,765,388.41)	4,964,711,739.58	
Supplementary information							
Depreciation	10,446,378.70	28,064,490.73	6,255,723.61	-	-	44,766,593.04	
Amortisation	1,551,337.26	8,520,224.79	2,269,710.70	-	-	12,341,272.75	
Interest income	709,382.58	5,706,827.45	492,523.90	7,833,912.44	-	14,742,646.37	
Impairment losses recognized in the current period	18,494,787.01	36,472,919.28	(805,770.75)	-	-	54,161,935.54	
Investment income (loss) from long-term equity investment under equity method	82,103.27	2,930,352.04	(803,360.49)	-	-	2,209,094.82	
Long-term equity investments under equity method	116,148.82	290,316,012.03	72,722,122.09	-	-	363,154,282.94	
Capital expenditure	2,719,985.47	43,815,320.04	360,116.09	-	-	46,895,421.60	
Including: Expenditure arising from construction in progress	142,982.49	28,933,224.42	83,207.55	-	-	29,159,414.46	
Expenditure arising from purchase of fixed assets	1,665,494.55	7,894,811.95	276,908.54	-	-	9,837,215.04	
Expenditure arising from purchase of intangible assets	911,508.43	1,430,983.57	-	-	-	2,342,492.00	
Development expenditure	-	5,556,300.10	-	-	-	5,556,300.10	

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (XIV) OTHER SIGNIFICANT EVENTS *(Continued)*

### 2. Segment reporting *(Continued)*

#### (1) Segment information *(Continued)*

Prior period (Unaudited)	<i>RMB</i>					
	Publication segment	Distribution segment	Others	Unallocated items	Inter-segment eliminations	Total
External revenue	245,440,780.86	2,736,031,323.09	204,543,143.26	-	-	3,186,015,247.21
Inter-segment revenue	460,170,415.10	16,360,210.36	35,615,954.30	-	(512,146,579.76)	-
<b>Total operating income</b>	<b>705,611,195.96</b>	<b>2,752,391,533.45</b>	<b>240,159,097.56</b>	<b>-</b>	<b>(512,146,579.76)</b>	<b>3,186,015,247.21</b>
Operating profit (loss)	101,355,766.71	142,318,926.63	(11,614,949.67)	176,750,525.59	93,197,913.64	502,008,182.90
Non-operating income	750,638.21	953,087.15	2,181.61	-	-	1,705,906.97
Non-operating expenses	506,893.98	17,165,555.36	1.31	-	-	17,672,450.65
<b>Total profit (loss)</b>	<b>101,599,510.94</b>	<b>126,150,944.16</b>	<b>(11,657,255.11)</b>	<b>176,750,525.59</b>	<b>93,197,913.64</b>	<b>486,041,639.22</b>
<b>Total assets</b>	<b>3,844,036,730.83</b>	<b>6,284,608,681.36</b>	<b>785,347,944.77</b>	<b>3,563,701,945.97</b>	<b>(2,665,913,860.83)</b>	<b>11,811,781,442.10</b>
<b>Total liabilities</b>	<b>1,458,292,107.44</b>	<b>4,222,958,501.27</b>	<b>732,382,947.35</b>	<b>65,971,164.26</b>	<b>(2,607,911,874.72)</b>	<b>3,871,692,845.60</b>
Supplementary information						
Depreciation	11,817,967.09	27,774,868.46	5,934,395.68	-	-	45,527,231.23
Amortisation	1,299,979.30	10,258,698.67	2,518,424.96	-	-	14,077,102.93
Interest income	1,257,733.00	1,707,416.84	432,757.00	8,487,554.32	(675,252.01)	11,210,209.15
Impairment losses recognized in the current period	18,030,958.61	24,753,311.17	6,596,233.42	-	-	49,380,503.20
Investment income/(loss) from long-term equity investment under equity method	-	(2,250,175.10)	176,457.48	-	-	(2,073,717.62)
Long-term equity investments under equity method	-	175,189,733.98	85,087,904.80	-	-	260,277,638.78
Capital expenditure						
Including: Expenditure arising from construction in progress	1,705,417.10	89,963,185.39	-	-	-	91,668,602.49
Expenditure arising from purchase of fixed assets	807,739.24	7,562,889.80	775,155.61	-	-	9,145,784.65
Expenditure arising from purchase of intangible assets	97,829.05	8,278,806.43	32,666.40	-	-	8,409,301.88

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (XIV) OTHER SIGNIFICANT EVENTS *(Continued)*

### 2. Segment reporting *(Continued)*

(2) *External revenue by geographical area of source and non-current assets by geographical location*

More than 99% of the Group's income is sourced from the PRC customers and most of the Group's assets are located in China. Therefore, the regional data are not disclosed.

(3) *Concentration on major customers*

The Group's revenue from its single largest customer for the current period is RMB448,398,430.51 (prior period: RMB382,209,071.98), which is attributable to the distribution segment. Apart from the aforesaid single largest 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.

## (XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY

### 1. Cash and bank balances

Item	30 June 2018 (Unaudited)			31 December 2017		
	Amounts of the original currencies	Exchange rate	Amount in RMB	Amounts of the original currencies	Exchange rate	Amount in RMB
Cash:						
RMB	2,650,133.96	1.0000	2,650,133.96	1,936,851.07	1.0000	1,936,851.07
Bank balances:						
RMB	1,410,448,065.77	1.0000	1,410,448,065.77	1,103,029,588.02	1.0000	1,103,029,588.02
USD	3,894.48	6.6166	25,768.22	3,943.49	6.5342	25,767.55
HKD	22,955.47	0.8431	19,353.76	15,299.32	0.8359	12,788.70
Other currency funds:						
RMB	2,000,000.00	1.0000	2,000,000.00	2,000,000.00	1.0000	2,000,000.00
Total			1,415,143,321.71			1,107,004,995.34

RMB

## Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

### (XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY

*(Continued)*

#### 2. Notes receivable and accounts receivable

(1) *Disclosure of notes receivable and accounts receivable by aging:*

Aging	30 June 2018 (Unaudited)			31 December 2017			RMB	
	Amount	Proportion (%)	Bad debt provision	Carrying amount	Amount	Proportion (%)		Bad debt provision
Within 1 year	1,353,696,130.48	72.29	(12,964,573.89)	1,340,731,556.59	968,019,840.92	90.94	(8,484,144.99)	959,535,695.93
More than 1 year but not exceeding 2 years	437,893,027.57	23.39	(32,085,387.33)	405,807,640.24	36,958,405.88	3.47	(19,229,533.67)	17,728,872.21
More than 2 years but not exceeding 3 years	24,277,416.42	1.30	(24,277,416.42)	-	12,059,754.21	1.13	(12,059,754.21)	-
More than 3 years	56,499,934.13	3.02	(56,499,934.13)	-	47,440,179.92	4.46	(47,440,179.92)	-
Total	1,872,366,508.60	100.00	(125,827,311.77)	1,746,539,196.83	1,064,478,180.93	100.00	(87,213,612.79)	977,264,568.14

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

Bad debt provision in the current period is RMB39,275,268.38, and the reversal of bad debt provision is RMB661,569.40.

(3) *Accounts receivable written off in the current period*

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



## Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

### (XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY

*(Continued)*

#### 2. Notes receivable and accounts receivable *(Continued)*

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

RMB

Name of entity	Relationship with the Company	30 June 2018 (Unaudited)	Aging	As a percentage of the total accounts receivable (%)	30 June 2018 bad debt provision (Unaudited)
Winshare Online	Subsidiary	1,006,399,758.25	Within 1 year, 1-2 years	53.75	-
Winshare Education Technology	Subsidiary	157,967,505.69	Within 1 year, 1-2 years	8.44	-
Beijing Winshare Commercial	Subsidiary	104,738,039.34	Within 1 year, 1-2 years	5.59	-
Hejiang Education Bureau	Third party	16,165,354.60	Within 1 year	0.86	(484,960.64)
Beijing Jin Huang Xuan Cultural Development Co., Ltd.	Third party	7,860,893.20	Above 3 years	0.42	(7,860,893.20)
Total		1,293,131,551.08		69.06	(8,345,853.84)

#### 3. Prepayments

(1) Aging analysis of prepayments is as follow:

RMB

Aging	30 June 2018 (Unaudited)		31 December 2017	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	31,283,502.17	95.95	27,804,204.94	72.89
1-2 years	1,055,052.22	3.23	10,151,627.00	26.61
2-3 years	90,464.00	0.28	-	-
More than 3 years	175,909.64	0.54	190,909.74	0.50
Total	32,604,928.03	100.00	38,146,741.68	100.00

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



## Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

### (XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY

*(Continued)*

#### 3. Prepayments *(Continued)*

##### (2) Entities of top five prepayments

RMB

Name of entity	Relationship with the Company	30 June 2018 (Unaudited)	Period	Reasons for unsettlement
Wenchuan Logistics	Subsidiary	10,000,000.00	Within 1 year	Service not yet provided
Sichuan Universe VR&AR Technology Co., Ltd.	Third party	2,775,377.86	Within 1 year	Goods not yet received
STEM Innovations Co., Ltd.	Third party	2,410,256.90	Within 1 year, 1-2 years	Goods not yet received
Sichuan Sensen Display Equipment Co., Ltd.	Third party	2,158,855.29	Within 1 year, 1-2 years	Goods not yet received
Sichuan Universe VR&AR Technology Co., Ltd.	Third party	1,583,620.66	Within 1 year	Goods not yet received
Total		18,928,110.71		

#### 4. Other receivables

##### (1) Disclosure of other receivables by aging:

RMB

Aging	30 June 2018 (Unaudited)				31 December 2017			
	Amount	Proportion (%)	Bad debt provision	Carrying amount	Amount	Proportion (%)	Bad debt provision	Carrying amount
Within 1 year	311,821,117.71	61.48	(382,794.71)	311,438,323.00	523,029,780.76	69.26	(379,620.11)	522,650,160.65
More than 1 year but not exceeding 2 years	60,715,730.79	11.97	(46,285.32)	60,669,445.47	84,158,698.84	11.14	(60,294.47)	84,098,404.37
More than 2 years but not exceeding 3 years	65,562,876.66	12.93	(31,860.00)	65,531,016.66	39,643,281.31	5.25	(83,366.78)	39,559,914.53
More than 3 years	69,054,596.72	13.62	(5,472,597.45)	63,581,999.27	108,300,312.20	14.35	(5,351,182.02)	102,949,130.18
Total	507,154,321.88	100.00	(5,933,537.48)	501,220,784.40	755,132,073.11	100.00	(5,874,463.38)	749,257,609.73

##### (2) Bad debt provision for the current period

The amount of bad debt provision for the current period is RMB79,915.25 and, bad debts reversed is RMB20,841.15.

##### (3) Other receivables written off in the current period

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

Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

**(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY***(Continued)***4. Other receivables** *(Continued)**(4) Other receivables disclosed by their nature*

RMB

Nature of other receivables	30 June 2018 (Unaudited)	31 December 2017
Amount due from related parties	<b>427,307,138.09</b>	456,235,514.34
Deposit/security deposit	<b>23,213,486.70</b>	19,726,012.20
Petty cash	<b>3,795,453.77</b>	3,231,041.30
Interest from time deposits	<b>13,675,536.21</b>	10,789,780.86
Dividends receivable	<b>21,188,800.00</b>	260,000,000.00
Others	<b>17,973,907.11</b>	5,149,724.41
Total	<b>507,154,321.88</b>	755,132,073.11

*(5) Top five entities with the largest balances of other receivables at the end of the period*

RMB

Name of entity	Nature	30 June 2018 (Unaudited)	Aging	As a percentage of the total other receivables (%)	30 June 2018 bad debt provision
Printing Materials	Receivables from subsidiaries	<b>201,667,607.11</b>	Within 1 year, 1-2 years, 5-6 years	39.76	-
Winshare Education Technology	Receivables from subsidiaries	<b>54,848,462.34</b>	Within 1 year, 1-2 years,	10.81	-
Sichuan Xinhua Printing	Receivables from subsidiaries	<b>39,146,652.39</b>	2-3 years	7.72	-
Reader's Journal Press	Receivables from subsidiaries	<b>35,062,164.81</b>	1-2 years, above 2-3 years	6.91	-
Arts Investment	Receivables from subsidiaries	<b>28,183,930.12</b>	1-2 years	5.56	-
Total		<b>358,908,816.77</b>		70.76	-

## Notes to the Financial Statements (continued)

For the period from 1 January 2018 to 30 June 2018

### (XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY

(Continued)

#### 5. Inventories

##### (1) Categories of inventories

RMB

Item	30 June 2018 (Unaudited)			31 December 2017		
	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	291,425,414.97	(61,034,548.88)	230,390,866.09	1,351,222,720.97	(92,617,146.21)	1,258,605,574.76
Work-in-progress	6,204.00	-	6,204.00	7,580,957.18	-	7,580,957.18
Raw materials	8,557,844.84	-	8,557,844.84	1,701,502.39	-	1,701,502.39
Total	299,989,463.81	(61,034,548.88)	238,954,914.93	1,360,505,180.54	(92,617,146.21)	1,267,888,034.33

The Group has no inventories pledged as collaterals at the end of the period.

##### (2) Provision for decline in value of inventories

RMB

Category of inventories	31 December 2017	Increase in the current period		30 June 2018 (Unaudited)
		Decrease in the current period Reversals	Decrease in the current period Write-off	
Goods on hand	92,617,146.21	4,482,265.35	- (36,064,862.68)	61,034,548.88

#### 6. Other current assets

RMB

Item	30 June 2018 (Unaudited)	31 December 2017
VAT input tax to be deducted	13,755,493.75	21,836,897.85
Bank wealth management products	N/A	1,135,000,000.00
Equity investment of listed companies	N/A	28,233.14
Receivables from cost of sales returns	14,017,819.39	N/A
Total	27,773,313.14	1,156,865,130.99

Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

**(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY***(Continued)***7. Long-term equity investment****(1) Investment in subsidiaries**

Investee	31 December 2017	<i>RMB</i>		
		Increase in investment	Decrease in investment	30 June 2018 provision for impairment (Unaudited)
Xinhua Online	40,000,000.00	-	-	40,000,000.00 (2,072,032.00)
People's Education Times	2,106,941.60	-	-	2,106,941.60 -
Winshare Media	3,990,000.00	-	-	3,990,000.00 -
Winshare Sports	124,915,135.82	-	-	124,915,135.82 -
Winshare Education Technology	333,840,776.30	-	-	333,840,776.30 -
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	350,000,000.00	-	-	350,000,000.00 -
Washington Winshare Media	-	-	-	- -
Watch Panda	2,000,000.00	-	-	2,000,000.00 -
VIVI Advertising	4,000,000.00	-	-	4,000,000.00 -
Winshare Cloud Image	24,800,400.00	-	-	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	24,000,000.00	-	42,189,167.92 -
Education Publishing House	211,321,291.49	-	-	211,321,291.49 -
Youth and Children's Publishing House	285,039,941.53	100,000,000.00	-	385,039,941.53 -
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	12,000,000.00	-	17,559,756.46 -
Science & Technology Publishing House	15,294,897.94	-	-	15,294,897.94 -
Lexicographical Publishing House	9,809,021.68	18,000,000.00	-	27,809,021.68 -
Bashu Publishing House	34,244,860.20	11,000,000.00	-	45,244,860.20 -
Tiandi Publishing House*	139,379,050.03	-	-	139,379,050.03 -
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 -
Xuankehui	-	50,000,000.00	-	50,000,000.00 -
<b>Total</b>	<b>3,008,032,747.66</b>	<b>215,000,000.00</b>	<b>-</b>	<b>3,223,032,747.66 (2,072,032.00)</b>

# Notes to the Financial Statements (continued)

For the period from 1 January 2018 to 30 June 2018

## (XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY

(Continued)

### 7. Long-term equity investment (Continued)

#### (2) Investment in joint ventures or associates

Investee	31 December 2017	Changes for the period								30 June 2018 provision for impairment (Unaudited)	
		Increase in investment	Decrease in investment	Investment profit or loss under equity method	Adjustment of other comprehensive income	Changes in other equity	Distribution of cash dividends or profits declared	Provision for impairment loss	Others		
I. Joint Ventures											
Hainan Publishing House	131,622,920.10	-	-	4,304,481.49	-	-	-	-	-	135,927,401.59	-
Liangshan Xinhua Winshare Education Technology Co. Ltd.	4,151,258.65	4,900,000.00	-	(3,985.05)	-	-	-	-	-	9,047,273.60	-
Subtotal	135,774,178.75	4,900,000.00	-	4,300,496.44	-	-	-	-	-	144,974,675.19	-
II. Associates											
Commercial Press (Chengdu) Co., Ltd.	2,435,042.07	-	-	(533,057.31)	-	-	-	-	-	1,901,984.76	-
Ren Min Eastern (Beijing) Book Industry Co., Ltd.	10,620,350.30	-	-	322,104.61	-	-	-	-	-	10,942,454.91	-
Ming Bo Education Technology Holdings Co., Ltd.	32,007,766.13	-	-	2,742,850.27	-	-	-	-	-	34,750,616.40	-
Winshare Preschool	2,364,306.48	-	-	1,074,198.65	-	-	-	-	-	3,438,505.13	-
Xinhua Yingxuan (Beijing) Screen Culture Co. Ltd.	14,874,969.76	-	-	664,510.70	-	-	-	-	-	15,539,480.46	-
Subtotal	62,302,434.74	-	-	4,270,606.92	-	-	-	-	-	66,573,041.66	-
Total	198,076,613.49	4,900,000.00	-	8,571,103.36	-	-	-	-	-	211,547,716.85	-

### 8. Investment properties

Investment properties measured at cost

Item	Buildings
I. Cost	
1. 31 December 2017 and 30 June 2018	33,651,290.75
II. Accumulated depreciation	
1. 31 December 2017	(11,962,401.43)
2. Increase in the period	(450,095.02)
(1) Provision	(450,095.02)
3. 30 June 2018 (Unaudited)	(12,412,496.45)
III. Book value:	
1. 30 June 2018 (Unaudited)	21,238,794.30
2. 31 December 2017	21,688,889.32

Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

**(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY***(Continued)***9. Fixed assets**

RMB

Item	Buildings	Machinery and equipment	Electronic equipment and others	Transportation vehicles	Total
I. Cost:					
1. 31 December 2017	1,126,627,087.92	80,442,839.44	127,880,438.81	86,758,780.08	1,421,709,146.25
2. Increase in the period	22,960,798.43	916,657.03	5,722,875.50	1,501,646.79	31,101,977.75
(1) Acquisition	–	359,802.54	5,722,875.50	1,501,646.79	7,584,324.83
(2) Transfer from construction in progress	22,960,798.43	556,854.49	–	–	23,517,652.92
3. Decrease in the period	(57,351.53)	(1,140,201.90)	(11,149,310.35)	(938,346.03)	(13,285,209.81)
(1) Disposal	(57,351.53)	(1,140,201.90)	(11,149,310.35)	(938,346.03)	(13,285,209.81)
4. 30 June 2018 (Unaudited)	1,149,530,534.82	80,219,294.57	122,454,003.96	87,322,080.84	1,439,525,914.19
II. Accumulated depreciation:					
1. 31 December 2017	(345,879,700.94)	(63,709,263.76)	(99,513,550.29)	(69,658,584.47)	(578,761,099.46)
2. Increase in the period	(16,109,542.59)	(1,624,928.40)	(5,471,015.40)	(3,360,960.70)	(26,566,447.09)
(1) Provision	(16,109,542.59)	(1,624,928.40)	(5,471,015.40)	(3,360,960.70)	(26,566,447.09)
3. Decrease in the period	47,918.47	1,095,922.77	11,140,298.25	783,858.68	13,067,998.17
(1) Disposal	47,918.47	1,095,922.77	11,140,298.25	783,858.68	13,067,998.17
4. 30 June 2018 (Unaudited)	(361,941,325.06)	(64,238,269.39)	(93,844,267.44)	(72,235,686.49)	(592,259,548.38)
III. Book value					
1. 30 June 2018 (Unaudited)	787,589,209.76	15,981,025.18	28,609,736.52	15,086,394.35	847,266,365.81
2. 31 December 2017	780,747,386.98	16,733,575.68	28,366,888.52	17,100,195.61	842,948,046.79

## Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

### (XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY

*(Continued)*

#### 10. Intangible assets

Intangible assets are as follows:

Item	<i>RMB</i>			
	Land use rights	Software	Others	Total
I. Cost:				
1. 31 December 2017	187,639,336.30	67,134,849.71	167,700.00	254,941,886.01
2. Increase in the period	571,309.20	859,674.37	-	1,430,983.57
(1) Acquisition	571,309.20	859,674.37	-	1,430,983.57
3. 30 June 2018 (Unaudited)	188,210,645.50	67,994,524.08	167,700.00	256,372,869.58
II. Accumulated amortisation:				
1. 31 December 2017	(58,673,374.37)	(51,423,512.45)	(167,700.00)	(110,264,586.82)
2. Increase in the period	(2,505,419.54)	(1,690,118.65)	-	(4,195,538.19)
(1) Provision	(2,505,419.54)	(1,690,118.65)	-	(4,195,538.19)
3. Decrease in the period	-	2,215,512.36	-	2,215,512.36
(1) Other decrease	-	2,215,512.36	-	2,215,512.36
4. 30 June 2018 (Unaudited)	(61,178,793.91)	(50,898,118.74)	(167,700.00)	(112,244,612.65)
III. Book value				
1. 30 June 2018 (Unaudited)	127,031,851.59	17,096,405.34	-	144,128,256.93
2. 31 December 2017	128,965,961.93	15,711,337.26	-	144,677,299.19

#### 11. Long-term prepaid expenses

Item	<i>RMB</i>			
	31 December 2017	Increase in the current period	Amortisation in the current period	30 June 2018 (Unaudited)
Leasehold improvement	12,688,836.07	<b>9,194,684.25</b>	<b>(2,258,188.20)</b>	<b>19,625,332.12</b>
Rents	144,074.35	-	<b>(48,024.60)</b>	<b>96,049.75</b>
Total	12,832,910.42	<b>9,194,684.25</b>	<b>(2,306,212.80)</b>	<b>19,721,381.87</b>

Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

**(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY***(Continued)***12. Other non-current assets**

Item	<i>RMB</i>	
	<b>30 June 2018 (Unaudited)</b>	31 December 2017
Receivables from subsidiaries	<b>516,000,000.00</b>	536,000,000.00
VAT input tax to be deducted <i>(Note)</i>	<b>65,932,721.14</b>	60,408,980.60
<b>Total</b>	<b>581,932,721.14</b>	596,408,980.60

*Note: Please refer to Note (VI) 20 for details of VAT input tax to be deducted.*

**13. Notes payable and accounts payable**

Item	<i>RMB</i>	
	<b>30 June 2018 (Unaudited)</b>	31 December 2017
Within 1 year	<b>3,296,652,563.57</b>	3,008,879,033.36
More than 1 year but not exceeding 2 years	<b>441,373,623.17</b>	755,864,875.28
More than 2 years but not exceeding 3 years	<b>299,057,693.10</b>	235,762,230.64
More than 3 years	<b>125,388,249.10</b>	150,227,523.33
<b>Total</b>	<b>4,162,472,128.94</b>	4,150,733,662.61

**14. Contract liabilities**

(1) *Disclosure of contract liabilities:*

Item	<i>RMB</i>
	<b>30 June 2018 (Unaudited)</b>
Advanced receipts for sold goods	<b>249,533,218.19</b>
Membership card points	<b>11,319,761.80</b>
<b>Total</b>	<b>260,852,979.99</b>



## Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

### (XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY

*(Continued)*

#### 14. Contract liabilities *(Continued)*

- (2) The Group's recognized revenue of RMB175,117,958.28, including the carrying amount of contract liabilities at the beginning of the period, for current period includes contract liabilities of RMB174,969,381.00 arising from advanced receipts for sold goods, and contract liabilities of RMB148,577.28 arising from membership card points.

#### 15. Employee benefits payable

##### (1) Disclosure of employee benefits payable

Item	31 December 2017	<i>RMB</i>		
		Increase in the current period	Decrease in the current period	30 June 2018 (Unaudited)
I. Short-term employee benefits	211,869,595.17	252,702,400.49	(360,419,001.99)	104,152,993.67
II. Post-employment benefit				
– defined contribution plan	1,038,170.08	42,985,882.97	(43,299,491.35)	724,561.70
Total	212,907,765.25	295,688,283.46	(403,718,493.34)	104,877,555.37

##### (2) Short-term employment benefits

Item	31 December 2017	<i>RMB</i>		
		Increase in the current period	Decrease in the current period	30 June 2018 (Unaudited)
I. Wages or salaries, bonuses, allowance and subsidies	172,705,846.60	210,067,315.63	(319,719,788.98)	63,053,373.25
II. Staff welfare	3,478.55	1,359,574.16	(1,358,994.16)	4,058.55
III. Social security contributions	312,073.67	14,582,816.75	(14,729,433.65)	165,456.77
Including: Medical insurance	275,646.88	12,733,027.60	(12,873,875.45)	134,799.03
Work-related injury insurance	13,731.75	755,585.88	(754,255.67)	15,061.96
Maternity insurance	22,695.04	1,092,363.27	(1,099,462.53)	15,595.78
Other insurances	–	1,840.00	(1,840.00)	–
IV. Housing funds	1,578,460.32	19,003,080.33	(19,256,666.91)	1,324,873.74
V. Union running costs and employee education costs	37,061,820.31	7,355,327.31	(5,019,831.98)	39,397,315.64
VI. Others	207,915.72	334,286.31	(334,286.31)	207,915.72
Total	211,869,595.17	252,702,400.49	(360,419,001.99)	104,152,993.67

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY

*(Continued)*

### 15. Employee benefits payable *(Continued)*

(3) *Defined contribution plan*

Item	31 December 2017	RMB		30 June 2018 (Unaudited)
		Increase in the current period	Decrease in the current period	
I. Basic pension insurance	687,488.98	30,926,767.74	(31,254,483.51)	359,773.21
II. Unemployment insurance	32,413.55	994,185.80	(1,006,546.96)	20,052.39
III. Enterprise annuity	318,267.55	11,064,929.43	(11,038,460.88)	344,736.10
Total	1,038,170.08	42,985,882.97	(43,299,491.35)	724,561.70

### 16. Taxes payable

Item	RMB	
	30 June 2018 (Unaudited)	31 December 2017
City construction and maintenance tax	1,390.84	47,397.23
Education surcharges	3,269.30	30,416.70
Others	18,695,814.59	18,304,910.31
Total	18,700,474.73	18,382,724.24

### 17. Other payables

Item	RMB	
	30 June 2018 (Unaudited)	31 December 2017
Amounts due to related parties	407,292,656.19	295,776,678.71
Security deposit/deposit/quality warranty/ performance security	80,170,352.01	69,602,640.62
Construction and infrastructure construction expenses	24,628,350.26	22,138,815.54
Dividends payable	121,103,547.00	—
Others	49,185,608.05	32,255,455.97
Total	682,380,513.51	419,773,590.84

Other payables of large amounts and aged more than 1 year are mainly deposits and outstanding payments for construction.

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY

*(Continued)*

### 18. Capital reserve

#### For the current period (Unaudited)

Item	<i>RMB</i>			
	31 December 2017	Increase in the current period	Decrease in the current period	30 June 2018
Share capital premium				
Including: Capital contributed by investors	2,622,033,862.15	-	-	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
<b>Total</b>	<b>2,631,057,328.10</b>	<b>-</b>	<b>-</b>	<b>2,631,057,328.10</b>

#### For the prior period (Unaudited)

Item	<i>RMB</i>			
	31 December 2017	Increase in the current period	Decrease in the current period	30 June 2018
Share capital premium				
Including: Capital contributed by investors	2,621,627,617.97	-	-	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
<b>Total</b>	<b>2,630,651,083.92</b>	<b>-</b>	<b>-</b>	<b>2,630,651,083.92</b>



Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

**(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY***(Continued)***19. Other comprehensive income**

RMB

Item	31 December 2017	Effect of implementation of new standards for financial instruments	Amount for the current period before income tax	Changes in the year		Post-tax amount attributable to owners of the Company	Post-tax amount attributable to non-controlling interests	30 June 2018
				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			
Current period (Unaudited)								
Other comprehensive income that cannot be reclassified into profit or loss	1,136,163,193.05	274,857,013.05	(239,236,800.00)	-	-	(239,236,800.00)	-	1,171,783,406.10
Gains or losses arising from fair value change of other equity instrument investments	1,136,163,193.05	274,857,013.05	(239,236,800.00)	-	-	(239,236,800.00)	-	1,171,783,406.10
Prior period (Unaudited)								
Other comprehensive income that will be subsequently reclassified into profit or loss	2,008,398,036.83	N/A	(467,400,000.00)	-	-	(467,400,000.00)	-	1,540,998,036.83
Gains or losses arising from fair value change of other equity instrument investments	2,008,398,036.83	N/A	(467,400,000.00)	-	-	(467,400,000.00)	-	1,540,998,036.83

**20. Surplus reserve**

RMB

Item	31 December 2017	Increase in the current period	Decrease in the current period	30 June 2018
For the current period (Unaudited)				
Statutory surplus reserve	624,908,885.29	-	-	624,908,885.29
For the prior period (Unaudited)				
Statutory surplus reserve	538,730,217.21	-	-	538,730,217.21

## Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

### (XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY

*(Continued)*

#### 21. Undistributed profits

Item	<i>RMB</i>		
	Current period (Unaudited)	Prior period (Unaudited)	Proportion of appropriation
Undistributed profits at the beginning of prior period	2,046,248,858.13	1,647,331,966.56	
Effect of implementation of new standards for financial instruments	5,198,986.95	N/A	
Undistributed profits at the beginning of current period	2,051,447,845.08	1,647,331,966.56	
Add: Net profit for the period	315,872,598.90	486,267,674.39	
Less: Appropriation to statutory surplus reserve	-	-	
Declaration of dividends on ordinary shares	(370,152,300.00)	(370,152,300.00)	Note (VI) 34(2)
Undistributed profits at the end of the year	1,997,168,143.98	1,763,447,340.95	

#### 22. Operating income and operating costs

Item	<i>RMB</i>	
	Amount recognized in the current period (Unaudited)	Amount recognized in the prior period (Unaudited)
Principal operating income	3,505,965,145.54	2,470,375,158.56
Other operating income	55,317,207.16	59,887,149.00
Including: Revenue from concessionaire sales	147,464,570.10	150,365,768.06
Cost of concessionaire sales	(125,975,877.73)	(127,936,746.43)
Net income from concessionaire sales	21,488,692.37	22,429,021.63
Operating costs	2,615,077,015.88	1,693,163,397.84

Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

**(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY***(Continued)***23. Taxes and surcharges**

Item	<i>RMB</i>	
	Amount incurred in the current period (Unaudited)	Amount incurred in the prior period (Unaudited)
City construction and maintenance tax	<b>68,537.83</b>	32,428.15
Education surcharges	<b>48,841.20</b>	23,162.99
Property tax	<b>7,186,810.47</b>	5,517,744.10
Urban land use tax	–	615,586.19
Stamp duty	<b>82,498.20</b>	340,800.19
Vessel and vehicle tax	<b>90,349.05</b>	115,963.36
Disabled person security fund	<b>55,036.22</b>	112,174.74
Others	<b>3,627.48</b>	64,792.32
Total	<b>7,535,700.45</b>	6,822,652.04

**24. Selling expenses**

Item	<i>RMB</i>	
	Amount incurred in the current period (Unaudited)	Amount incurred in the prior period (Unaudited)
Wages or salaries and welfares	<b>154,983,964.22</b>	146,266,369.90
Transportation costs	<b>59,368,212.44</b>	55,004,699.97
Business conference fees	<b>18,275,883.12</b>	17,407,485.07
Vehicle fees	<b>11,977,527.18</b>	13,082,800.60
Travel expenses	<b>9,616,993.14</b>	7,105,910.40
Issuance fees	<b>9,374,834.69</b>	1,775,706.00
Advertising and promotion	<b>15,461,782.21</b>	8,360,900.08
Packing expenses	<b>4,904,245.04</b>	4,700,265.10
Others	<b>37,672,533.64</b>	47,355,924.99
Total	<b>321,635,975.68</b>	301,060,062.11

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY

*(Continued)*

### 25. Administrative expenses

Item	Amount incurred in the current period (Unaudited)	RMB
		Amount incurred in the prior period (Unaudited)
Wages or salaries and welfares	<b>139,122,287.78</b>	122,826,602.10
Business entertainment fees	<b>48,270,236.46</b>	47,032,645.72
Lease payments	<b>54,523,168.72</b>	46,452,426.98
Depreciation and amortisation expenses	<b>30,818,716.55</b>	38,557,226.40
Conference fees	<b>9,789,944.44</b>	9,848,682.34
Energy costs	<b>7,443,039.38</b>	7,714,188.57
Property management fees	<b>12,243,522.99</b>	10,834,390.54
Travel expenses	<b>1,974,647.43</b>	2,691,194.61
Repair charge	<b>9,740,002.38</b>	5,366,881.23
Office expenses	<b>2,187,954.77</b>	2,308,545.77
Audit and other non-audit service fees	<b>720,000.00</b>	960,000.00
Others	<b>25,868,698.74</b>	28,635,629.44
<b>Total</b>	<b>342,702,219.64</b>	323,228,413.70

### 26. Finance expenses

Item	Amount incurred in the current period (Unaudited)	RMB
		Amount incurred in the prior period (Unaudited)
Interest expenses	<b>1,131,022.61</b>	812,520.55
Interest income	<b>(8,874,545.51)</b>	(8,833,437.05)
Interest income from long-term receivables	<b>(228,594.88)</b>	(439,330.78)
Fees and commissions	<b>1,140,041.80</b>	934,824.09
Foreign exchange gains or losses and others	<b>400,454.72</b>	138,268.58
<b>Total</b>	<b>(6,431,621.26)</b>	(7,387,154.61)

Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

**(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY***(Continued)***27. Impairment losses of assets**

Item	<i>RMB</i>	
	Amount incurred in the current period (Unaudited)	Amount incurred in the prior period (Unaudited)
Bad debt provision	N/A	12,499,230.40
Losses of decline in value of inventories	4,482,265.35	9,693,229.13
Total	4,482,265.35	22,192,459.53

**28. Loss on credit impairment**

Item	<i>RMB</i>	
	Amount incurred in the current period (Unaudited)	Amount incurred in the prior period (Unaudited)
Bad debt losses for notes receivable and accounts receivable	38,613,698.98	N/A
Impairment losses of other receivables	59,074.10	N/A
Total	38,672,773.08	N/A

**29. Other income**

Item	<i>RMB</i>	
	Amount incurred in the current period (Unaudited)	Amount incurred in the prior period (Unaudited)
Other fiscal subsidies	1,005,103.67	981,050.38
Total	1,005,103.67	981,050.38



## Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

### (XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY

*(Continued)*

#### 30. Investment income

Item	<i>RMB</i>	
	Amount incurred in the current period (Unaudited)	Amount incurred in the prior period (Unaudited)
Income from long-term equity investments		
Including: Investment income under equity method	<b>8,571,103.36</b>	4,422,188.07
Investment income on disposal of long-term equity investments	-	241,804,529.76
Investment income from holding available-for-sale financial assets		
Including: Investment income from available-for-sale financial assets measured at cost	<b>N/A</b>	33,000,000.00
Investment income from available-for-sale financial assets measured at fair value	<b>N/A</b>	19,942,400.00
Investment income from disposal of investments in available-for-sale financial assets measured at fair value	<b>N/A</b>	10,954,214.61
Investment income from other equity instrument investments	<b>43,588,800.00</b>	N/A
Investment income from disposal of financial assets at FVTPL	<b>22,773,302.08</b>	N/A
<b>Total</b>	<b>74,933,205.44</b>	310,123,332.44

#### 31. Non-operating income

Details of non-operating income are as follows:

Item	<i>RMB</i>	
	Amount incurred in the current period (Unaudited)	Amount incurred in the prior period (Unaudited)
Others	<b>1,317,927.82</b>	953,765.60
<b>Total</b>	<b>1,317,927.82</b>	953,765.60

Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

**(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY***(Continued)***32. Non-operating expenses**

Item	Amount incurred in the current period (Unaudited)	RMB
		Amount incurred in the prior period (Unaudited)
Donations	8,067,998.68	17,002,694.11
Penalties	359.53	19.89
Others	472,879.53	56,304.77
Total	8,541,237.74	17,059,018.77

**33. Notes to items in the cash flow statement***(1) Other cash receipts relating to operating activities*

Item	Amount incurred in the current period (Unaudited)	RMB
		Amount incurred in the prior period (Unaudited)
Interest income	5,988,790.16	4,408,845.30
Receipt of deposits and security deposits	10,567,711.39	17,238,534.93
Others	74,733,068.66	11,707,006.42
Total	91,289,570.21	33,354,386.65

*(2) Other cash payments relating to operating activities*

Item	Amount incurred in the current period (Unaudited)	RMB
		Amount incurred in the prior period (Unaudited)
Selling expenses	165,069,980.00	154,793,692.21
Administrative expenses (exclusive of lease payment)	132,308,117.05	131,562,452.11
Lease payment	40,052,798.80	31,982,057.06
Amounts due to/from subsidiaries	5,318,437.19	566,077.18
Others	11,191,453.07	73,446,645.57
Total	353,940,786.11	392,350,924.13

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY

*(Continued)*

### 34. Supplementary information to the cash flow statement

(1) *Supplementary information to the cash flow statement*

Supplementary information	RMB	
	Current period (Unaudited)	Prior period (Unaudited)
<b>1. Reconciliation of net profit to cash flow from operating activities:</b>		
Net profit	<b>315,872,598.90</b>	486,267,674.39
Add: Provision for impairment and credit losses of assets	<b>43,155,038.43</b>	22,192,459.53
Depreciation of fixed assets,	<b>26,566,447.09</b>	30,699,054.09
Depreciation of investment properties	<b>450,095.02</b>	450,095.03
Amortisation of intangible assets	<b>1,980,025.83</b>	4,348,818.00
Amortisation of long-term prepaid expenses	<b>2,306,212.80</b>	1,809,430.34
Net losses on disposal of fixed assets, intangible assets and other long-term assets (less: gains)	<b>4,165.61</b>	(60,084.22)
Gains from fair value change	<b>(9,553,741.44)</b>	(25,983.57)
Finance expenses	<b>902,427.73</b>	(439,330.78)
Interest income from entrusted loans	<b>–</b>	(1,180,018.10)
Investment Income	<b>(74,933,205.44)</b>	(310,123,332.44)
Decrease in inventories	<b>1,060,515,716.73</b>	182,237,111.67
Increase in receivables from operating activities	<b>(850,851,891.76)</b>	(85,578,663.88)
Increase in payables from operating activities (less: decrease)	<b>201,334,542.45</b>	(26,416,165.86)
Net cash flow from operating activities	<b>717,748,431.95</b>	304,181,064.20
<b>2. Net changes in cash and cash equivalents:</b>		
Closing balance of cash	<b>1,413,143,321.71</b>	1,240,578,845.95
Less: Opening balance of cash	<b>1,105,004,995.34</b>	915,684,202.39
Net increase in cash and cash equivalents	<b>308,138,326.37</b>	324,894,643.56

Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

**(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY***(Continued)***34. Supplementary information to the cash flow statement** *(Continued)**(2) Cash and cash equivalents*

Item	RMB	
	Current period (Unaudited)	Prior period
Cash	<b>1,413,143,321.71</b>	1,105,004,995.34
Including: Cash on hand	<b>2,650,133.96</b>	1,936,851.07
Bank deposits readily withdrawn on demand	<b>1,410,493,187.75</b>	1,103,068,144.27
Balance of cash and cash equivalents	<b>1,413,143,321.71</b>	1,105,004,995.34

**35. 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 period (Unaudited)	Amount incurred in the prior period (Unaudited)
Sichuan Xinhua International Hotel Co., Ltd.	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	<b>143,042.69</b>	82,449.42
Sichuan Guanghan Sanxingdui Qushanyuan Cultural Ltd.	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	<b>307,541.37</b>	202,695.00
Chengdu Huang Peng Property Co., Ltd.	Receipt of services	Payments for property management fees	Price negotiated by both parties	<b>2,400,075.93</b>	2,310,290.60
Sichuan Xinhua Haiyi Cultural Development Co., Ltd.	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	<b>274,741.73</b>	313,832.00
Sichuan Xinhua Publishing Group Co., Ltd Huadao Resort Hotel	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	<b>48,286.00</b>	119,335.00
Commercial Press (Chengdu) Co., Ltd.	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	<b>8,317,810.58</b>	-
Hainan Publishing	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	<b>1,170,123.52</b>	1,569,832.54
Bashu Publishing House	Purchase of goods	Payments for goods purchased and receiving service	Price negotiated by both parties	<b>5,308,498.27</b>	5,138,820.35
Education Publishing House	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	<b>227,310,925.85</b>	176,519,356.32
Publication Printing	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	<b>81,590,717.38</b>	41,149,492.69
Printing Materials	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	<b>1,590,614.66</b>	754,884.10

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY

*(Continued)*

### 35. Related party relationship and transactions *(Continued)*

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

##### Purchase of goods/receipt of services *(Continued)*

Related party	Type of related party transaction	Details of related party transaction	Pricing and decision-making procedures of related party transactions	Amount	RMB
				incurred in the current period (Unaudited)	Amount incurred in the prior period (Unaudited)
Lexicographical Publishing House	Purchase of goods	Payments for goods purchased and receiving service	Price negotiated by both parties	1,747,402.03	1,811,022.34
Science & Technology Publishing House	Purchase of goods	Payments for goods purchased and receiving service	Price negotiated by both parties	2,333,204.04	4,027,643.65
Fine Arts Publishing House	Purchase of goods	Payments for goods purchased and receiving service	Price negotiated by both parties	13,527,619.90	10,229,489.23
People's Publishing House	Purchase of goods	Payments for goods purchased and receiving service	Price negotiated by both parties	29,390,785.78	6,300,065.81
Youth and Children's Publishing House	Purchase of goods	Payments for goods purchased and receiving service	Price negotiated by both parties	2,387,894.56	3,978,417.18
Tiandi Publishing House	Purchase of goods	Payments for goods purchased and receiving service	Price negotiated by both parties	14,504,984.07	12,328,163.46
Literature & Art Publishing House	Purchase of goods	Payments for goods purchased and receiving service	Price negotiated by both parties	9,167,655.73	15,783,639.11
Digital Publishing	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	108,920.36	74,762.26
Reader's Journal	Receipt of services	Payments for goods purchased	Price negotiated by both parties	11,320.75	-
Pictorial	Receipt of services	Payments for goods purchased	Price negotiated by both parties	15,547.17	-
Xinhua Online	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	-	30,345,560.96
Winshare Education Technology	Receipt of services	Payments for goods purchased	Price negotiated by both parties	2,353,728.66	13,513,750.95
Beijing Shuchuan	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	127,965,542.02	34,915,736.95
Wenchuan Logistics	Receipt of services	Commissioned logistics cost/ transportation cost	Price negotiated by both parties	49,010,193.03	27,153,618.82
Winshare Online	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	21,151,066.82	131,019.64
Sichuan Xinhua Printing	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	371,543.64	123,283.11
Sichuan Culture Communication	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	742,476.80	-
Winshare Music	Receipt of services	Payments for goods purchased	Price negotiated by both parties	165,106.80	-
Winshare Cloud Image	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	815,021.05	-
Xinhua Haiyi Hotel Co., Ltd.	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	36,597.55	-
<b>Total</b>				<b>604,268,988.74</b>	<b>388,877,161.49</b>

Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

**(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY***(Continued)***35. Related party relationship and transactions** *(Continued)***(1) Sales and purchase of goods, provision and receipt of services** *(Continued)**Sales 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	Amount	RMB
				incurred in the current period (Unaudited)	Amount incurred in the prior period (Unaudited)
Sichuan Xinhua Publishing Group	Sales of goods	Receipts for goods sold	Price negotiated by both parties	-	200.80
Winshare Online	Sales of goods	Receipts for goods sold	Price negotiated by both parties	1,085,732,694.39	456,709,123.04
Xinhua Online	Sales of goods	Receipts for goods sold	Price negotiated by both parties	14,021,275.25	30,384,067.96
Winshare Education Technology	Sales of goods	Receipts for goods sold	Price negotiated by both parties	79,335,432.78	2,352,987.41
Beijing Winshare Commercial	Sales of goods	Receipts for goods sold	Price negotiated by both parties	3,631,828.49	-
Winshare Cloud Image	Sales of goods	Receipts for goods sold	Price negotiated by both parties	222,246.64	-
Total				1,182,943,477.55	489,446,379.21

**(2) Guarantees for subsidiaries**

The Company has not provided any guarantee for subsidiaries for the current period.

**(3) Leases with related parties***The Company as lessor:*

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	RMB
						recognized in the current period (Unaudited)	Lease payment recognized in the prior period (Unaudited)
The Company	Sichuan Xinhua Publishing Group	Buildings	1 January 2016	31 December 2018	Contractual price negotiated by both parties	639,787.89	639,787.89
The Company	Printing materials	Buildings	1 January 2017	31 December 2019	Contractual price negotiated by both parties	203,181.05	203,181.05
The Company	Bashu Publishing House	Buildings	1 January 2017	31 December 2019	Contractual price negotiated by both parties	387,814.47	387,814.47
The Company	Youth and Children's Publishing House	Buildings	1 January 2017	31 December 2019	Contractual price negotiated by both parties	502,915.92	502,915.92
The Company	Literature & Art Publishing House	Buildings	1 January 2017	31 December 2019	Contractual price negotiated by both parties	369,845.41	369,845.41

# Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

## (XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY

*(Continued)*

### 35. Related party relationship and transactions *(Continued)*

#### (3) Leases with related parties *(Continued)*

*The Company as lessor: (Continued)*

							<i>RMB</i>	
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 period (Unaudited)	Lease payment recognized in the prior period (Unaudited)	
The Company	People's Publishing House	Buildings	1 January 2017	31 December 2019	Contractual price negotiated by both parties	837,355.00	837,355.00	
The Company	Science & Technology Publishing House	Buildings	1 January 2017	31 December 2019	Contractual price negotiated by both parties	394,979.11	390,114.24	
The Company	Tiandi Publishing House	Buildings	1 January 2017	31 December 2019	Contractual price negotiated by both parties	370,063.05	370,063.05	
The Company	Lexicographical Publishing House Buildings	Buildings	1 January 2017	31 December 2019	Contractual price negotiated by both parties	291,408.02	291,408.02	
The Company	Publication Printing	Buildings	1 January 2017	31 December 2019	Contractual price negotiated by both parties	302,375.00	302,375.00	
Total						4,299,724.92	4,294,860.05	

*The Company as lessee:*

							<i>RMB</i>	
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 period (Unaudited)	Lease income recognized in the prior period (Unaudited)	
Sichuan Xinhua Publishing Group	The Company	Buildings	1 January 2016	31 December 2018	Contractual price negotiated by both parties	18,971,659.52	19,107,404.76	
Sichuan Publication Group	The Company	Buildings	1 January 2017	31 December 2019	Contractual price negotiated by both parties	6,614,185.64	6,617,842.39	
Sichuan Hengxi Property Management Co., Ltd.	The Company	Buildings	1 January 2017	31 December 2019	Contractual price negotiated by both parties	276,200.82	276,200.82	
Total						25,862,045.98	26,001,447.97	

Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

**(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY***(Continued)***35. Related party relationship and transactions** *(Continued)**(4) Borrowings/loans with related parties*

Related party			<i>RMB</i>	
	Current period (Unaudited)	30 June 2018 Unaudited)	Prior period (Unaudited)	31 December 2017
Borrowings				
Winshare Media	7,000,000.00	7,143,375.34	–	–
Sichuan Culture Communication	20,000,000.00	20,405,041.10	–	–
Winshare International	–	13,933,340.75	–	13,697,090.75
Winshare Quan Media	9,500,000.00	9,609,315.07	–	–
Xuankehui	45,000,000.00	45,134,630.14	–	–
Pictorial	5,000,000.00	5,102,410.96	–	–
<b>Total</b>	<b>86,500,000.00</b>	<b>101,328,113.36</b>	–	13,697,090.75
Loans				
Winshare Investment	–	233,664,614.18	–	254,848,680.96
Wenchuan Logistics	–	159,411,721.34	–	156,000,000.00
Winshare Education Technology	30,000,000.00	189,848,462.34	–	177,507,506.86
Sichuan Xinhua Printing	–	39,146,652.39	–	43,321,046.23
Printing Materials	–	201,667,607.11	20,000,000.00	200,575,247.10
Reader's Journal	–	35,062,164.81	–	34,587,354.37
<b>Total</b>	<b>30,000,000.00</b>	<b>858,801,222.17</b>	20,000,000.00	866,839,835.52



## Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

### (XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY

*(Continued)*

#### 35. 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:

Name of entity	Incurred in the current period (Unaudited)		Incurred in the prior period (Unaudited)	
	Amount	Proportion	Amount	Proportion
		(%)		(%)
Youth and Children's Publishing House	-	-	812,520.55	100
Winshare Media	135,259.75	12.68	-	-
Sichuan Culture Communication	382,114.25	35.81	-	-
Winshare International	222,877.36	20.89	-	-
Winshare Quan Media	103,127.42	9.67	-	-
Xuankehui	127,009.57	11.90	-	-
Pictorial	96,614.11	9.05	-	-
Total	1,067,002.46	100.00	812,520.55	100.00

##### (6) Receipts of interest

Interest received from the Company's borrowings/loans with related parties is as follows:

Name the entity	Incurred in the current period (Unaudited)	Incurred in the prior period (Unaudited)
	Sichuan Xinhua Printing	778,873.74
Printing Materials	1,635,526.51	-
Winshare Investment	4,604,096.67	4,103,773.58
Reader's Journal	447,934.38	447,934.38
Wenchuan Logistics	3,393,000.00	6,228,574.78
Huaxia Shengxuan	-	256,345.31
Winshare Education Technology	2,208,448.57	304,128.98
Total	13,067,879.87	13,576,952.32

Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

**(XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY***(Continued)***35. Related party relationship and transactions** *(Continued)*(7) *Amounts due from/to related parties*

		<i>RMB</i>	
<b>Related party</b>		<b>30 June 2018</b>	31 December 2017
		<b>(Unaudited)</b>	
Notes receivable and accounts receivable	Winshare Online	<b>1,006,399,758.25</b>	424,427,160.80
	Xinhua Online	-	4,548,418.63
	Beijing Winshare Commercial	<b>104,738,039.34</b>	102,403,282.99
	Winshare Education Technology	<b>157,967,505.69</b>	125,410,537.48
<b>Total</b>	<b>1,269,105,303.28</b>	656,789,399.90	
Prepayments	Wenchuan Logistics	<b>10,000,000.00</b>	20,000,000.00
	<b>Total</b>	<b>10,000,000.00</b>	20,000,000.00
Other receivables	Publication Printing	-	60,000,000.00
	Education Publishing House	-	200,000,000.00
	Printing Materials	<b>201,667,607.11</b>	200,575,247.10
	Winshare Education Technology	<b>54,848,462.34</b>	22,507,506.86
	Beijing Shuchuan	-	10,235,415.56
	Bashu Publishing House	<b>430,474.06</b>	-
	NCB	<b>2,500,000.00</b>	2,500,000.00
	Reader's Journal	<b>35,062,164.81</b>	34,587,354.37
	Digital Publishing	<b>17,935,711.48</b>	17,935,711.48
	Winshare Sports	<b>3,357,255.44</b>	3,357,255.44
	Fine Art Investment	<b>28,183,930.12</b>	28,183,930.13
	Beijing Winshare Commercial	<b>20,569,784.53</b>	20,266,215.65
	Winshare Investment	<b>8,664,614.18</b>	29,848,680.96
	Literature & Art Publishing House	<b>4,473,730.31</b>	4,063,201.90
	People's Publishing House	<b>1,321,383.14</b>	12,288,563.23
	Youth and Children's Publishing House	<b>558,236.67</b>	21,125,725.88
	Fine Arts Publishing House	<b>993,275.44</b>	993,275.44
	Science & Technology Publishing House	<b>3,534,954.14</b>	3,096,527.33
	Sichuan Xinhua Printing	<b>39,146,652.39</b>	43,321,046.23
	Lexicographical Publishing House	<b>323,462.90</b>	1,349,856.78
Tiandi Publishing House	<b>208,789.17</b>	-	
People's Education Times	<b>34,772.57</b>	-	
Wenchuan Logistics	<b>3,411,721.34</b>	-	
Winshare Media	<b>11,531.59</b>	-	
Winshare Online	<b>68,624.36</b>	-	
<b>Total</b>	<b>427,307,138.09</b>	716,235,514.34	

## Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

### (XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY

*(Continued)*

#### 35. Related party relationship and transactions *(Continued)*

##### (7) Amounts due from/to related parties *(Continued)*

		RMB	
Related party		30 June 2018 (Unaudited)	31 December 2017
Other non-current assets	Wenchuan Logistics	156,000,000.00	156,000,000.00
	Winshare Education Technology	135,000,000.00	155,000,000.00
	Winshare Investment	225,000,000.00	225,000,000.00
Total		<b>516,000,000.00</b>	536,000,000.00
Accounts payable	Commercial Press (Chengdu) Co., Ltd.	8,765,309.54	10,190,017.68
	Hainan Publishing House	448,501.89	112,499.36
	Shanghai Jingjie Information Technology Co., Ltd.	18,941.36	18,941.36
	Huaxia Shengxuan	-	8,823.00
	Publication Printing	357,549,013.93	433,971,031.21
	Education Publishing House	749,335,089.57	911,375,501.39
	People's Publishing House	51,791,758.43	39,495,790.22
	Youth and Children's Publishing House	32,769,087.82	33,694,595.65
	Winshare Education Technology	2,734,642.46	4,411,481.22
	Digital Publishing	71,854.45	8,941.59
	Lexicographical Publishing House	8,959,337.31	7,550,574.29
	Tiandi Publishing House	27,996,090.39	16,003,327.16
	Literature & Art Publishing House	46,954,642.12	41,602,605.87
	Science & Technology Publishing House	17,383,695.50	15,900,743.44
	Fine Arts Publishing House	25,581,442.86	19,660,834.03
	Bashu Publishing House	12,594,297.49	11,375,937.02
	Winshare Sports	-	43,158.09
	Xinhua Online	40,067,064.58	48,976,586.20
	Printing Materials	-	276,469.51
	Beijing Shuchuan	166,725,811.81	77,915,566.53
Reader's Journal	12,000.00	-	
Winshare Online	19,716,537.83	-	
Total		<b>1,569,475,119.34</b>	1,672,593,424.82

## Notes to the Financial Statements *(continued)*

For the period from 1 January 2018 to 30 June 2018

### (XV) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE COMPANY

*(Continued)*

#### 35. Related party relationship and transactions *(Continued)*

(7) Amounts due from/to related parties *(Continued)*

		<i>RMB</i>	
<b>Related party</b>		<b>30 June 2018</b>	31 December 2017
		<b>(Unaudited)</b>	
Other payables	Youth and Children's Publishing House	<b>23,161,400.00</b>	23,161,400.00
	NCD	<b>200,000.00</b>	200,000.00
	Sichuan Xinhua Printing	<b>200,000.00</b>	200,000.00
	People's Publishing House	<b>3,000.00</b>	3,000.00
	Publication Printing	<b>258,449,177.96</b>	258,449,177.96
	Fine Arts Publishing House	<b>20,000,000.00</b>	3,000.00
	Digital Publishing	<b>50,000.00</b>	50,000.00
	Winshare International	<b>13,933,340.75</b>	13,697,090.75
	Winshare Education Technology	<b>44,510.00</b>	13,010.00
	Pictorial	<b>5,102,410.96</b>	-
	Winshare Quan Media	<b>9,609,315.07</b>	-
	Xuankehui	<b>45,134,630.14</b>	-
	Sichuan Culture Communication	<b>20,405,041.10</b>	-
	Wenchuan Logistics	<b>3,856,454.87</b>	-
	Winshare Media	<b>7,143,375.34</b>	-
Total		<b>407,292,656.19</b>	295,776,678.71

### (XVI) APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated and the Company's financial statements were approved by the Board of Directors on 28 August 2018.



## Supplementary Information

### 1. BREAKDOWN OF NON-RECURRING PROFIT OR LOSS

<b>Item</b>	<i>RMB</i> <b>Current period</b>
Profit on disposal of non-current assets	<b>1,412,396.50</b>
Net profit or loss on disposal of long-term equity investments	<b>(20.32)</b>
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)	<b>13,539,735.33</b>
Investment income acquired from disposal of financial assets at FVTPL ( <i>note</i> )	<b>23,065,468.75</b>
Profit or loss on fair value change from holding financial asset at FVTPL ( <i>note</i> )	<b>9,553,741.44</b>
Other non-operating income and expenses other than the aforesaid items	<b>(4,205,021.22)</b>
Tax effects	<b>(689,749.95)</b>
Effects attributable to non-controlling interests (after tax)	<b>(1,392,112.62)</b>
<b>Total</b>	<b>41,284,437.91</b>

*Note:* The principal operating activities of the Company's subsidiary, Winshare Investment are investment. Investment income on disposal of and from holding financial assets at FVTPL and profit or loss on fair value change are not recognized as non-recurring profit or loss. Such investment income or loss on changes in fair value for current period are respectively RMB524,437.43 and RMB22,208,687.66.

### 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.

<b>Profit for the reporting period</b>	<b>Weighted average return on net assets</b>	<b>EPS (RMB)</b>	
	<b>(%)</b>	<b>Basic EPS</b>	<b>Diluted EPS</b>
Net profit attributable to ordinary shareholders of the Company	<b>5.52</b>	<b>0.36</b>	<b>N/A</b>
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	<b>5.01</b>	<b>0.33</b>	<b>N/A</b>

The Company has no dilutive potential ordinary shares.



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