



WIN SHARE

新華文軒出版傳媒股份有限公司

XINHUA WINSHARE PUBLISHING AND MEDIA CO., LTD.*

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

(於中華人民共和國註冊成立之股份有限公司)

(Stock Code 股份代號 : 00811)



2018 | ANNUAL REPORT
年度報告

* For identification purposes only
僅供識別



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Definitions

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

2018 AGM	the annual general meeting to be held by the Company on 21 May 2019
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.
Beijing Aerospace Cloud	Beijing Aerospace Cloud Education Technology 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
CITIC Buyout Fund	CITIC Buyout Investment Fund (Shenzhen) Partnership (Limited Partnership)
Company Law	the Company Law of the People's Republic of China
Company, Xinhua Winshare or Listed Company	Xinhua Winshare Publishing and Media Co., Ltd.* (新華文軒出版傳媒股份有限公司)
Companies Ordinance	the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
Consolidated Statement of Changes in Shareholders' Equity	the details of movements of the Group's reserves for the Year
Controlling Shareholder or Sichuan Xinhua Publishing Group	Sichuan Xinhua Publishing Group Co., Ltd.
CSRC	China Securities Regulatory Commission
Deloitte Touche Tohmatsu CPA	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Director(s)	the director(s) of the Company

Dividend Entitlement Date	3 June 2019
Dividend for 2018	the payment of dividend for the year ended 31 December 2018 of RMB0.30 (tax inclusive) per share recommended by the Board
ESG	environmental, social and governance
ESG Report	the report prepared in accordance with the ESG Reporting Guide
ESG Reporting Guide	the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules
Financial Summary	the summary of results, assets, liabilities and equity of the Group for the past five years
Group	the Company and its subsidiaries
H Share(s)	overseas listed foreign share(s) of the Company with a nominal value of RMB1.00 each, all of which are issued in Hong Kong, subscribed in Hong Kong dollars and listed on the Stock Exchange
Hagong Intelligent	Jiangsu Hagong Intelligent Robot Co., Ltd.
Hua Sheng Group	Chengdu Hua Sheng (Group) Industry Co., Ltd.
Huang Peng Property	Chengdu Huang Peng Property Co., Ltd.
Jinshi Bohui	Beijing Jinshi Bohui Technology Co., Ltd.
Liaoning Publication Group	Liaoning Publication Group Co., Ltd.
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and/or the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, as the case may be
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
Nomination Committee	the nomination committee under the Board of the Company
NSSF	National Council for Social Security Fund – transfer account no.2 (轉特二戶)

Definitions

Property Management Agreement	the property management agreement renewed with Huang Peng Property, a wholly-owned subsidiary of Sichuan Xinhua Publishing Group
Qingdao Jinshi	Qingdao Jinshi Zhixin Investment Center (Limited Partnership)
Reader's Journal	Sichuan Reader's Journal Press Co., Ltd.
Remuneration and Review Committee	the remuneration and review committee under the Board of the Company
RMB	Renminbi, the lawful currency of China
RMB, RMB10,000 and RMB100 million	RMB, RMB10,000 and RMB100 million
Sales value	the list price of books printed at the back of each book
SASAC of Sichuan	State-owned Assets Supervision and Administration Commission of the Sichuan Provincial Government
September Online	the digital content push platform under Winshare Online
Shareholder(s)	H shareholder(s) and A shareholder(s) of the Company
Sichuan BLOGIS	Sichuan Winshare BLOGIS Supply Chain Co., Ltd.
Sichuan Daily Group	Sichuan Daily Newspaper Group
Sichuan Development	Sichuan Development (Holding) Co., Ltd.
Sichuan Xinhua Printing	Sichuan Xinhua Printing Co., Ltd.
Sichuan Wenzhuo	Sichuan Wenxuan Zhuotai Investment Co., Ltd.
SPG	Sichuan Publication Group Co., Ltd
SSE	Shanghai Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Limited
Strategy and Investment Planning Committee	the strategy and investment planning committee under the Board of the Company

Definitions

Supervisory Committee	the supervisory committee of the Company
Supervisor(s)	the supervisor(s) of the Company
Taizhou Xinheng	Taizhou Xinheng Zhongrun Fund (Limited Partnership)
Tiandi Publishing House	Sichuan Tiandi Publishing House Co., Ltd.
Wan Xin Media	Anhui Xinhua Media Co., Ltd.
Wenchuan Logistics	Sichuan Wenchuan Logistics Co., Ltd.
Winshare Hengxin	Winshare Hengxin (Shenzhen) Equity Investment Fund Partnership (Limited Partnership)
Winshare Investment	Winshare Investment Co., Ltd.
Winshare Online	Sichuan Winshare Online E-commerce Co., Ltd.
winxuan.com	the online sales platform of paper publications under Winshare Online
Year, Period or Reporting Period	the period from 1 January 2018 to 31 December 2018
Youth and Children's Publishing House	Sichuan Youth and Children's Publishing House Co., Ltd.

Important Notice

- I. The Board, the Supervisory Committee, Directors, Supervisors and senior management of the Company warrant that this annual report is true, accurate and complete and does not contain any false records, misleading statements or material omission and jointly and severally take full legal responsibility as to the contents herein.
- II. Save as Mr. Yang Miao who appointed Mr. He Zhiyong (the Chairman) as his proxy to vote on his behalf due to other business commitments, other Directors of the Company attended the second Board meeting for the fourth session of the Board held on 27 March 2019 at which this annual report was considered and approved.
- III. Deloitte Touche Tohmatsu CPA issued a standard unqualified audit report for the Company.
- IV. Mr. He Zhiyong, the head of the Company, Mr. Zhu Zaixiang, the person-in-charge of accounting affairs, and Ms. Wu Sufang, the head of accounting department, declare that they warrant the truthfulness, accuracy and completeness of the financial statements contained in this annual report.
- V. The net profit attributable to the Shareholders of the Company for 2018 amounted to RMB932 million. For the profit distribution proposal for 2018, it is proposed that, on the basis of a total share capital of 1,233,841,000 Shares in issue, a cash dividend of RMB0.30 per Share (tax inclusive) will be distributed to the Shareholders, with total cash dividend amounting to RMB370 million (tax inclusive). The above profit distribution proposal is subject to the approval by the Shareholders at the 2018 AGM before the execution thereof.
- VI. The forward-looking statements included in this report, including future plans and development strategies, do not constitute actual commitment of the Company to investors. Investors should be reminded of the risks of investment.
- VII. The Company has not provided any external guarantees in violation of the prescribed decision-making procedures during the Reporting Period.
- VIII. During the Reporting Period, there were no major risks that would have a material impact on the production and operations of the Company. Please read the section headed "Management Discussion and Analysis" of this report for details of the risk factors that may be involved are set out by the Company.

Corporate Information

LEGAL NAME OF THE COMPANY

新華文軒出版傳媒股份有限公司

COMPANY NAME IN ENGLISH

XINHUA WINSHARE PUBLISHING AND MEDIA CO., LTD.*

LEGAL REPRESENTATIVE

Mr. He Zhiyong

BOARD OF DIRECTORS

Executive Directors

Mr. He Zhiyong (*Chairman*)
Mr. Chen Yunhua (*Vice chairman*)
Mr. Yang Miao

Non-Executive Directors

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

Independent Non-Executive Directors

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

BOARD COMMITTEES

Strategy and Investment Planning Committee

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

Audit Committee

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

Remuneration and Review Committee

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

Nomination Committee

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

SUPERVISORY COMMITTEE

Supervisors

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

Independent Supervisors

Mr. Li Xu
Ms. Liu Mixia

* For identification purpose only

Corporate Information

COMPANY SECRETARY

Mr. You Zugang

AUTHORISED REPRESENTATIVES

Mr. Luo Jun
Mr. You Zugang

ALTERNATE AUTHORISED REPRESENTATIVE

Ms. Wong Wai Ling

AUDITOR

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

HONG KONG LEGAL ADVISER

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

REGISTERED OFFICE IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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 (H Share)
601811 (A Share)

Financial Summary

RMB10,000

Key accounting data	2018	2017	2016	2015	2014
Operating income	818,658.30	734,588.30	635,616.81	573,269.31	541,570.43
Total profit	91,592.06	91,704.03	63,571.61	61,770.97	61,269.20
Net profit attributable to shareholders of the Company	93,218.48	92,384.45	64,746.23	64,726.95	63,278.74
Net profit attributable to shareholders of the Company after non-recurring profits or losses	86,759.08	72,610.53	61,456.93	59,902.77	61,467.79
Net cash flow from operating activities	99,345.03	34,562.19	68,342.73	101,665.02	87,598.40
Net assets attributable to shareholders of the Company	848,056.35	802,730.17	833,569.04	727,067.09	595,805.99
Total assets	1,328,771.25	1,228,670.56	1,225,517.66	1,074,328.91	904,600.56
Total liabilities	488,168.31	432,988.34	396,069.93	350,377.59	308,063.09
Basic earnings per share (RMB)	0.76	0.75	0.55	0.57	0.56
Diluted earnings per share (RMB)	N/A	N/A	N/A	N/A	N/A
Basic earnings per share after non-recurring profits or losses (RMB)	0.70	0.59	0.53	0.53	0.54
Weighted average return on net assets (%)	11.49	11.29	8.22	9.83	11.19
Weighted average return on net assets after non-recurring profits or losses (%)	10.69	8.87	7.80	9.10	10.87

Chairman's Statement

DEAR SHAREHOLDERS,

On behalf of the Board of Xinhua Winshare Publishing and Media Co., Ltd., I am pleased to present to the Shareholders the annual results of the Company and its subsidiaries for the year ended 31 December 2018.

He Zhiyong
Chairman



In 2018, the Group thoroughly implemented the spirit of the 19th CPC National Congress and seized the opportunities arising from the cultural development adhering to the strategic focus of “strengthening the traditional principal businesses, as supplemented by the transformation development by capitalising on the Internet and capital market to build itself into a globally influential integrated cultural service group”, the Group continued to step up innovation, vertically pushed ahead the work to revitalise publishing, and accelerated the transformation and upgrade of physical bookstores. As a result, the industrial development was injected with new vitality, alongside with steadily growing operating benefits and enhancing market competitiveness and social influence. In 2018, the Group recorded revenue of RMB8,187 million, representing an increase of 11.44% over 2017, with net profit of RMB927 million, representing an increase of 1.12% over 2017. Net profit attributable to shareholders of the Company was RMB932 million, representing an increase of 0.90% year-on-year. Basic earnings per share amounted to RMB0.76. Excluding non-recurring gain or loss, net profit attributable to shareholders of the Company increased by 19.49% from that in the same period last year to RMB868 million.

I. UPHOLDING THE “THREE KEY PUBLISHING” CONCEPTS TO TRANSFORM THE DEVELOPMENT OF PUBLICATION BUSINESS FROM RAPID GROWTH TO QUALITY GROWTH

In 2018, the Group thoroughly implemented the “three key publishing” concepts of targeted publishing, refined publishing and quality publishing while continuing to push ahead the work to revitalise publishing. As a result, the operational management level of its publication segment was enhanced significantly. Winshare’s publication business achieved a historic leap and shifted from rapid growth to high quality growth. The influence of its publication segment was further enhanced. The operating results of the publication segment grew substantially. In 2018, net profit from the general book publication business exceeded RMB100 million for the first time, doubled the amount in 2017 and achieved the five-year target in three years’ time. Winshare’s business layout of strong distribution and weak publication was significantly improved. The development of its publication business

toward quality and efficiency progressed. According to the statistics published by Open Book (開卷), in 2018, new book genres under the category of general books increased by 20% year-on-year and the sales value grew by 128% year-on-year. While the growth of new book genres decreased, the sale value grew significantly. In 2018, Winshare's publication segment was ranked 13th in term of overall market rankings among 36 publishing groups nationwide, up by two places from 2017 and quickly rose to the top rank among the national publishing groups. The national rankings of its publishing houses continued to climb. Of which, Youth and Children's Publishing House and Tiandi Publishing House performed remarkably and were among the top 100 publishing houses, ranking 32nd and 53rd respectively. There were increasingly more books gaining market influence. 64 genres of books recorded annual sales volume of more than 100,000 copies under the management of the Company, up by 28 genres from 2017. 43 genres were shortlisted among the top 500 best-selling books nationwide, up by 11 genres from 2017. While the operating results continued to grow, Winshare's publication segment also achieved satisfactory social benefits. 16 key books including "Contemporary Social History of China (Six Volumes)" (《當代中國社會史(全六卷)》) were shortlisted for the projects funded by the National Publication Fund for 2018 and theme publication project. More than 20 topics were included under the list of the state's publication plans and key publication projects. Winshare's publication segment set a historical high in terms of the number of shortlisted state's key projects and state awards granted. The publication segment's "going out" performance was remarkable. Through joint publishing, launch of new product lines and copyright replacement, in 2018, the Company exported 272 copyrights, up by 55.43% year-on-year. With the setting up of a number of multinational publishing entities including "Panda Editing Department", "Europe Book Centre", "South Asian Publishing Centre", "China-Latin America Literature Workshop" and "London Editing Department", it laid a solid

foundation for pushing ahead the "going out" efforts and expanding the international influence of Winshare's publication segment.

II. CONTINUOUS GROWTH IN OPERATING RESULTS OF THE EDUCATION SERVICE BUSINESS ADHERING TO THE INNOVATION-LED DEVELOPMENT APPROACH

In 2018, the Company's education service business actively coped with the new changes in the education service market and endeavoured to increase its market competitiveness by adopting an approach led by user demand and innovative development. Devoting to the education industry, the Company achieved satisfactory social benefits and economic benefits. As to the textbook business, it further improved the sales service system and further extended its service to the terminal school market while promoting informationisation and networkisation of sales service to build a "quality learning and quality teaching" textbook network and sales platform. Coupled with the synergies from upstream publishing houses, the Company provided a value-added service of textbook training to users. The optimisation of the comprehensive work flow of textbook publication, printing and distribution and the enhancement of operating efficiency of the education service market effectively coped with the challenge of shortening publication and distribution cycle of textbooks. The Company recorded steady and positive growth in the operating results in the steadily growing traditional market. In 2018, revenue from the sales of textbooks amounted to RMB4,015 million, up by RMB325 million or 8.81% as compared with that in the same period last year.

As to the education informationised and education equipment business, the Company endeavoured to explore and build the "education service+Internet" business model and the innovative operating system which actively made use of emerging technologies to drive product innovation and accurately aligned with

Chairman's Statement

the market demand. Leverage on the advantage of sales network covering the entire Sichuan Province, the Company vigorously expanded the education informationised and equipment market as well as the innovative and digital product market featuring media integrated textbooks and supplementary materials including Winshare "Learn Together" (文軒“一起教”), AR textbooks and supplementary materials and AR Wonderful Glass Toolbox (AR妙懂課堂工具箱) and attained satisfactory operating results. In 2018, sales revenue for the year amounted to RMB756 million, up by 23.74% year-on-year. In addition to business development, the Group's education service segment also endeavoured to drive the innovation of the operational management system, optimise the education service system in core cities, vigorously implement the youth talent development programme and enhance its capabilities to serve the education industry in Sichuan Province to better cater to the educational needs of the primary and secondary schools, thus consolidating its "leading" position in the education service sector in Sichuan Province with its professional capabilities.

III. FURTHER ENHANCEMENT IN READING SERVICE CAPABILITIES ADHERING TO "THREE MULTI-" DEVELOPMENT STRATEGY

In 2018, the Company voluntarily captured the new trend of cultural consumption and further pushed ahead the strategy to "revitalise the physical bookstores" while adhering to the



"Kids Winshare" (文軒兒童書店)



"Go Go Reading" (讀讀書吧)

"multi-brand building, multi-model development and multi-team operations" development strategy to satisfy the people's new demand for reading cultural consumption toward the goal of becoming a modern reading service provider. The Company launched different physical bookstore brands based on the differentiated reading needs of readers and changes of cultural consumption market to provide convenient, comfortable, smart and personalised reading services to readers through its professional team operations and innovative business model. The Company continued to optimise the network layout of physical bookstores. A total of 23 stores were newly opened, upgraded and revamped with an area of more than 20,000 sq.m., which further enlarged the market share of Winshare's physical bookstores and its capabilities to provide cultural service to the people of Sichuan Province.

In addition to revamp and upgrade of existing physical bookstores, the Company continued to launch new brands namely "Winshare Bookstore" ("軒客會•格調書店"), "Winshare BOOKS" and "Kids Winshare" with an aim to satisfy the differentiated and personalised needs of consumers through multi-brand development. Accordingly, the influence of physical bookstores was significantly enhanced. In 2018, Winshare BOOKS, Jiufang Bookstore was named the "Most Beautiful Bookstore Nationwide" and Chengdu Book Centre was titled "Book Distribution Tribute Influential Book City of the 40th Anniversary of China's Reform and Opening Up". The Company continued to innovate the operating

and management model and implemented the corporatised operation of the "Winshare Bookstore" while building a professional team of current politics books distribution to stimulate its internal development vitality and enhance the professional operating capabilities of physical bookstores. By introducing the talent development programme in physical bookstores, the Company consolidated the fundamentals of operational management with focus on nurturing reading service capabilities such as "book selection, display and recommendation" while enhancing the marketing capabilities of reading service, thus injecting new vitality to the growth of sales results of physical bookstores. In 2018, given the overall decline of sales revenue among physical bookstores nationwide, the Company's physical bookstores recorded growth against the trend. Sales revenue amounted to RMB662 million, representing an increase of 8.06% as compared that in the same period last year.

IV. ENHANCING THE PUBLICATIONS SUPPLY CHAIN SERVICE CAPABILITIES TO ACHIEVE STEADY GROWTH OF REVENUE FROM ONLINE OPERATIONS AND LOGISTICS OPERATIONS AS WELL AS EFFICIENCY ENHANCEMENT

In 2018, the Company seized the opportunities from the Internet growth and endeavoured to drive the development of emerging segments including e-commerce, digital publication and publications supply chain service. Through comprehensively enhancing the capabilities of the online publications supply chain in the areas of merchandise organisation, logistics and processing, distribution and business techniques, the Company actively expanded the online sales channels and third-party supply chain service business to gradually transform toward the online economy. To enhance the publications' merchandise organisational capabilities, the Company adjusted the procurement structure and optimised the procurement workflow to build an integrated online/offline purchase/supply system

tailored for general book reading business and enhance the publications supply chain efficiency and bargaining power with upstream suppliers. The Company actively expanded the online sales channels and introduced refined marketing to form an online sales network based on "winxuan.com" integrated flagship store highlighting niche markets and feature stores such as literature, children and social sciences, which consolidated the Company's position as a major online publications seller in the PRC. In 2018, revenue from the Company's online sales business grew steadily with significant enhancement in efficiency. Sales revenue amounted to RMB1,267 million, up by 2.66% year-on-year. At the same time, the Company vigorously developed the Internet-based book supply chain service business and facilitated physical bookstores to expand the online business by utilising the "publication synergistic trading platform". Thus, the service capabilities and market competitiveness of the "publication synergistic trading platform" were further enhanced.

In addition to enhancing the Company's logistics service capabilities, the Company actively expanded the third-party logistics business to develop from a single warehousing service provider to a third-party logistics provider with integrated warehouse distribution service while strengthening the nationwide logistics and distribution network based in Chengdu, Tianjin and Wuxi and strengthening the logistics resources integration and refined management, which effectively supported the rapid development of the Company's online sales business and own publications business, thus establishing its brand in the regional market. In 2018, total sales value of books circulated through the Company's logistics arm amounted to RMB2,180 million, representing an increase of 17% as compared with that in the same period last year; whereas third party logistics revenue amounted to RMB176 million, representing an increase of 63.60% as compared with that in the same period last year.

Chairman's Statement

V. DRIVING THE TRANSFORMATION AND UPGRADE OF THE MEDIA SEGMENT TO STEADILY LAUNCH THE DIVERSIFIED BUSINESS BY UTILISING THE COMPANY'S BRANDING AND RESOURCES

In 2018, the Group seized the opportunities arising from the media integrated development and centred on its content and branding strengths while combining traditional media and new media to actively push ahead the transformation and upgrade of traditional media and explore the way of integrated development between traditional media and new media. Capitalising on quality branding resources such as "Panda" and "Hilarious School Diaries", magazines such as "Watch Panda", "Hilarious School Diaries" and "Western Special Equipment" were founded with record-setting circulation and growing market influence. The influence of new media platforms such as "Winshare All Media Service Platform" (文軒全媒體服務平台), "Winshare Vision" (軒視界) and CPToday Journal official Weibo account (《出版商務周報》) continued to grow, thus laying a good foundation for pushing ahead the media integrated development.

In 2018, while developing its principal businesses, the Group centred on the extended industry chain and actively sought to expand into capital operations and diversified cultural service business. On the one hand, it continued to leverage on "Winshare Investment" as the investment and financing platform with a shift from exploration to growth while making use of tools including direct investment and equity investment fund to form a cultural industry fund cluster comprising M&A fund, venture fund and other segments. The size of fund managed was approximately RMB1,500 million. Thus, an investment and financing platform with relatively strong investment and management capabilities was initially formed. On the other hand,

leverage on its branding and related resources, the Company explored the cultural areas such as sports and music. Through innovating the business models of other cultural segments such as Winshare Sports, the Company took a differentiated and professionalised development approach, turning its branding resources and influence to operating results. The development of diversified cultural industry was gradually strengthened and the industry influence initially emerged, thus embarking on a journey of sound development.

VI. ACTIVELY FULFILLING ITS SOCIAL RESPONSIBILITIES TO DEDICATEDLY SERVE THE CULTURAL AND ENVIRONMENTAL SECTORS

Innovation development and sharing of results are core values that the Company adheres to. In 2018, the Company fulfilled the corporate social responsibilities both internally and externally by fully capitalising on the cultural service strengths as a publishing and media enterprise while upholding its main theme and disseminating positive energy to vigorously push ahead the work of national reading service and actively engage in public welfare activities with a view to sharing the fruits of innovative development with society. As a leader in the publishing industry of Sichuan Province, the Company shoulders the mission of inheriting the excellent Chinese culture and actively promotes the Bashu culture. To this end, the Company organised the publication of a series of high-quality themed publications and publications with local characteristics, which received good social benefits. As the base camp of national reading service, the Company vigorously pushed ahead the development of physical bookstore network and endeavoured to carry out "seven scholarly" (書香七進) events, promote national reading, build the "scholarly paradise" and set a reading trend in the community, thus making deserved

Chairman's Statement

contributions to building a public cultural service system and enhancing the national cultural level. As a service provider of the education industry, the Company actively engaged in green business. Through promoting and carrying out the "One more green" public welfare campaign, the Company worked with schools to contribute to environmental protection by disseminating the message of environmental protection to tens of thousands of students. Upholding the principle of green publication, the Company was committed to achieving the mission of building "bluer skies, clearer waters and fresher air".

In 2019, the Company will seize the opportunities arising from the development of the cultural industry and bear in mind the mission of disseminating advanced culture. While focusing on the principal publishing and media business, the Company will further push ahead the work to "revitalise the publishing industry in Sichuan" and "revitalise physical bookstores" through "Internet+capital" as the drivers of transformation, strategy as the guide, innovation as the momentum and reform to drive development. In addition, the Company will further drive the upgrade and transformation of traditional principal businesses so that the Company can record continuous growth in revenue with expanding market share and achieve continuous growth in capital, thus repaying investors and shareholders with good operating results. First, the Company will continue to uphold the "three key publishing" concepts to strengthen brand building of the publication segment and push ahead the transformation of publishing development from quantity growth to quality and efficiency enhancement with a view to achieving high quality development of publications of Winshare. Second, the Company will promote innovation-led development to vigorously push ahead the "education service + Internet" action plan and achieve in-depth transformation and efficient development of the education service

business. Third, the Company will endeavour to push ahead the development, transformation and upgrade of the physical bookstore network while intensively implementing a "multi-brand building, multi-model development and multi-team operations" development strategy to enhance the professional reading service capabilities and big culture consumption service capabilities. Fourth, the Company will optimise the cooperation with upstream suppliers and downstream sales channels and refine the operation of online channels to achieve enhancement in both online sales and profitability. Fifth, the Company will continue to enhance the supply chain service capabilities of the logistics, IT, production & printing platforms, and provide strong support for the rapid development of the publication business and channel business; further improve the third-party logistics operational system with focus on key industries to gradually commence the third-party logistics business. Sixth, the Company will fully capitalise on the capital operations platform to integrate quality social resources to drive synergistic development between industrial operations and capital operations. Seventh, the Company will continue to explore the new model of integrated development of traditional media and new media to actively push ahead the transformation and upgrade of traditional media so as to lay a more solid foundation for enhancing and expanding Winshare's brand influence.

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

He Zhiyong
Chairman

27 March 2019

Corporate Structure of the Group



Corporate Structure of the Group

Note 1: The subsidiaries mainly include the following companies:

No.	Company Name	Interests attributable to the Group (%)	Remarks
1	Sichuan Winshare Education Technology Co., Ltd. (四川文軒教育科技有限公司)	100.00	
2	Sichuan Xinhua Online Network Co., Ltd. (四川新華在線網絡有限責任公司)	100.00	
3	Sichuan Publication Printing Co., Ltd. (四川出版印刷有限公司)	100.00	
4	Sichuan Printing Materials Co., Ltd. (四川省印刷物資有限責任公司)	100.00	
5	Sichuan People's Publishing House Co., Ltd. (四川人民出版社有限公司)	100.00	
6	Sichuan Education Publishing House Co., Ltd. (四川教育出版社有限公司)	100.00	
7	Sichuan Youth and Children's Publishing House Co., Ltd. (四川少年兒童出版社有限公司)	100.00	
8	Sichuan Digital Publishing & Media Co., Ltd. (四川數字出版傳媒有限公司)	100.00	
9	Sichuan Literature & Art Publishing House Co., Ltd. (四川文藝出版社有限公司)	100.00	
10	Sichuan Fine Arts Publishing House Co., Ltd. (四川美術出版社有限公司)	100.00	
11	Sichuan Science & Technology Publishing House Co., Ltd. (四川科學技術出版社有限公司)	100.00	
11-1	Sichuan Discovery of Nature Magazine Press Co., Ltd. (四川大自然探索雜誌社有限公司)	100.00	Sichuan Science & Technology Publishing House Co., Ltd. owns 100% equity interest in such company.
12	Sichuan Lexicographical Publishing House Co., Ltd. (四川辭書出版社有限公司)	100.00	
13	Sichuan Bashu Publishing House Co., Ltd. (四川巴蜀書社有限公司)	100.00	
14	Sichuan Tiandi Publishing House Co., Ltd. (四川天地出版社有限公司)	100.00	
14-1	Sichuan Times English Cultural Communication Co., Ltd. (四川時代英語文化傳播有限公司)	51.00	Tiandi Publishing House owns 51% equity interest in such company.
14-2	Beijing Shu Chuan Xinhua Bookstore Book Distribution Co., Ltd. (北京蜀川新華書店圖書發行有限責任公司)	100.00	Tiandi Publishing House owns 100% equity interest in such company.
14-3	Beijing Huaxia Shengxuan Books Co., Ltd. (北京華夏盛軒圖書有限公司)	100.00	Tiandi Publishing House owns 100% equity interest in such company.
15	Sichuan Reader's Journal Press Co., Ltd. (四川讀者報社有限公司)	100.00	
16	Sichuan Pictorial Co., Ltd. (四川畫報社有限公司)	100.00	
17	Sichuan Wenchuan Logistics Co., Ltd. (四川文博物流有限公司)	100.00	
18	Sichuan Watch Panda Magazine Co., Ltd. (四川看熊貓雜誌有限公司)	100.00	
19	Sichuan Winshare Xuankehui Cultural Development Co., Ltd. (四川文軒軒客會文化發展有限公司)	100.00	Incorporated in April 2018 by investment.
20	Sichuan Xinhua Printing Co., Ltd. (四川新華印刷有限責任公司)	100.00	
21	Winshare Investment Co., Ltd. (文軒投資有限公司)	100.00	

Corporate Structure of the Group

No.	Company Name	Interests attributable to the Group (%)	Remarks
22	Winshare International Cultural Communication Co., Ltd. (文軒國際文化傳播有限公司)	100.00	
22-1	Washington Winshare Media, Inc. (華盛頓文軒媒體發展有限公司)	90.00	
23	Winshare Quan Media (Beijing) Culture Communication Co., Ltd. (文軒全媒(北京)文化傳播有限公司)	100.00	
24	Sichuan Winshare Music Culture Communication Co., Ltd. (四川文軒音樂文化傳播有限公司)	100.00	
25	Beijing Aerospace Cloud Education Technology Co., Ltd. (北京航天雲教育科技有限公司)	70.00	
26	Sichuan Xinhua Culture Communication Co., Ltd. (四川新華文化傳播有限責任公司)	100.00	
27	Sichuan Winshare Arts Investment and Management Co., Ltd. (四川文軒藝術投資管理有限責任公司)	100.00	
28	Sichuan Winshare Yuntu Wenchuang Technology Co., Ltd. (四川文軒雲圖文創科技有限公司)	100.00	
29	Sichuan People's Education Times Xinhua Audio and Video Co., Ltd. (四川人教時代新華音像有限責任公司)	80.00	
30	Sichuan Winshare Online E-commerce Co., Ltd. (四川文軒在線電子商務有限公司)	75.00	
31	Sichuan Xinhua Winshare Media Co., Ltd. (四川新華文軒傳媒有限公司)	100.00	In December 2018, the non-controlling shareholder reduced its capital and the shareholding of the Company increased from 70% to 100%.
32	Winshare Sports Culture Development Co., Ltd. (文軒體育文化發展有限公司)	100.00	
33	Winshare VIVI Advertising Media (Chengdu) Co., Ltd. (文軒薇薇廣告傳媒(成都)有限公司)	53.00	
34	Sichuan Xinhua Shang Paper Co., Ltd. (四川新華商紙業有限公司)	51.00	
35	Xinhua Winshare Commercial Chain (Beijing) Co., Ltd. (新華文軒商業連鎖(北京)有限公司)	51.00	

Note 2: Joint ventures mainly include the following companies:

No.	Company Name	Interests attributable to the Group (%)	Remarks
1	Hainan Publishing House Co., Ltd. (海南出版社有限公司)	50.00	
2	Sichuan Fudou Technology Co., Ltd. (四川福豆科技有限公司)	38.5	Winshare Investment owns 38.5% equity interest in such company.
3	Shenzhen Xuan Cai Equity Venture Capital Fund Management Co., Ltd. (深圳軒彩創業投資基金管理有限公司)	40.00	Winshare Investment owns 40% equity interest in such company.
4	Liangshan Xinhua Winshare Education Technology Co., Ltd. (涼山新華文軒教育科技有限公司)	49.00	

Corporate Structure of the Group

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

No.	Company Name	Interests attributable to the Group (%)	Remarks
1	The Commercial Press (Chengdu) Co., Ltd. (商務印書館(成都)有限責任公司)	49.00	
2	Guizhou Xinhua Winshare Book Audio-Visual Product Chainstore Co., Ltd. (貴州新華文軒圖書音像連鎖有限責任公司)	45.00	
3	Tibet Winshare Venture Investment Fund Partnership (Limited Partnership) (西藏文軒創業投資基金合夥企業(有限合夥))	56.34	Winshare Investment owns 56.34% equity interest in such company.
4	Sichuan Winshare Preschool Educational Management Co., Ltd. (四川文軒幼兒教育管理有限責任公司)	34.00	
5	Ming Bo Education Technology Holdings Co., Ltd. (明博教育科技股份有限責任公司)	20.40	
6	Ren Min Eastern (Beijing) Book Industry Co., Ltd. (人民東方(北京)書業有限責任公司)	20.00	
7	Chengdu Winshare Equity Investment Funds Management Co., Ltd. (成都文軒股權投資基金管理有限責任公司)	45.45	Winshare Investment owns 45.45% equity interest in such company.
8	Sichuan Winshare BLOGIS Supply Chain Co., Ltd. (四川文軒寶灣供應鏈有限責任公司)	45.00	Wenchuan Logistics owns 45% equity interest in such company.
9	Sichuan Winshare Lezhi Chinese Language Education Technology Co., Ltd. (四川文軒樂知漢語教育科技有限責任公司)	36.00	
10	Shanghai JINGJIE Information Technology Co., Ltd. (上海景界信息科技有限責任公司)	42.00	Sichuan Winshare Education Technology Co., Ltd owns 42% equity interest in such company.
11	Chongqing Yunhan Internet and Media Co., Ltd. (重慶雲漢網絡傳媒有限責任公司)	50.00	Winshare Online owns 50% equity interest in such company.
12	Xinhua Yingxuan (Beijing) Screen Culture Co., Ltd. (新華影軒(北京)影視文化有限責任公司)	15.00	

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

No.	Company Name	Interests attributable to the Group (%)	Remarks
1	Shanghai Eastern Publishing & Trading Centre Co., Ltd. (上海東方出版交易中心有限責任公司)	10.00	
2	Anhui Xinhua Media Co., Ltd. (安徽新華傳媒股份有限責任公司)	6.27	
3	Bank of Chengdu Co., Ltd. (成都銀行股份有限責任公司)	2.21	

Management Discussion and Analysis

INDUSTRY OVERVIEW

In recent years, the Chinese government has put great emphasis on the publishing and media industry. 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. General Office of the State Council, Ministry of Finance and Ministry of Culture and Tourism have taken various measures to accelerate the establishment of a modern cultural market system and successively promulgated a series of concession policies covering system development, talent training, finance, tax concession, international trade and industrial integration to facilitate the development of new-type cultural segments. This has strongly boosted the confidence of the publishing and media enterprises in development and pointed the direction to promote the upgrade and integrated development of the press and publishing industry as well as to strengthen and improve the publishing work in the new era.

In the new era of socialism with Chinese characteristics, China has entered a new phase of high quality development. The development objective of the publishing industry has also shifted from quantity growth to quality and efficiency enhancement. Publishers focus on strengthening content development, actively push ahead reform and innovation and continue to enhance originality in an effort to deliver diversified, high-end and quality cultural products to strive towards the high-quality development of the publishing industry. 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 is strong with a more evidently niche market of reading service amid intensifying competition. The book retailing market in China grows in the course of adjustments. The transformation and upgrade of the physical bookstores in the industry accelerate significantly, and various listed companies are exploring the new model of online/offline integrated development. The digital publishing industry in China maintains fast growth momentum. Innovative formats of contents such as e-books, audio books and AR books and innovative business models such as IP operation, shared reading and paid reading are introduced, injecting new vitality to the traditional publication and distribution industry.

RESULTS

During 2018, overall operating results of the Group grew steadily. Revenue of the Group amounted to RMB8,187 million, up by 11.44% as compared with that in the same period last year; net profit amounted to RMB927 million, up by 1.12% as compared with that in the same period last year; and net profit attributable to shareholders of the Company amounted to RMB932 million, up by 0.90% as compared with that in the same period last year. Net profit attributable to shareholders of the Company after non-recurring gain or loss amounted to RMB868 million, up by 19.49% as compared with that in the same period last year. The growth of operating results was mainly attributable to the Group's intensive efforts to strengthen its principal businesses. During the Year, the Group's sales revenue from and efficiency of book publication, education service and reading service increased.

Revenue

During the Year, the Group recorded revenue of RMB8,187 million, up by 11.44% as compared with RMB7,346 million in the same period last year, which was mainly attributable to the growth of revenue from the education service business, general book publication business, reading service business and third-party logistics business.

OPERATING COSTS

During the Year, operating costs of the Group amounted to RMB5,115 million, representing an increase of 9.13% from RMB4,687 million in the same period last year, among which, costs of principal businesses amounted to RMB5,093 million, representing an increase of 9.12% as compared with RMB4,668 million in the same period last year. The increase in operating costs was due to the growth of sales.

Gross profit margin

During the Year, gross profit margin of the Group's principal businesses was 36.57%, up by 1.41 percentage points from 35.16% in the same period last year, mainly due to the change in sales structure, increase in gross profit margin of the general book publication business and the Company's adjustment to a more organised procurement process, which reduce the procurement cost of books to a certain extent.

Management Discussion and Analysis

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

RMB

Product	Principal business by product			Change of revenue as compared with last year (%)	Change of operating costs as compared with last year (%)	Change of gross profit margin as compared with last year
	Revenue	Operating costs	Gross profit margin (%)			
I. Publication	2,497,103,786.85	1,722,126,541.03	31.04	20.62	20.16	Increased by 0.27 ppt
Textbooks and supplementary materials	1,345,807,273.62	877,132,171.24	34.82	14.74	15.11	Decreased by 0.21 ppt
General books	786,343,197.10	525,166,730.75	33.21	36.43	34.72	Increased by 0.85 ppt
Printing and supplies	314,419,700.25	298,662,824.04	5.01	11.52	12.96	Decreased by 1.21 ppts
Others	50,533,615.88	21,164,815.00	58.12	29.46	24.77	Increased by 1.58 ppts
II. Distribution	7,026,920,235.21	4,867,119,349.32	30.74	8.90	5.89	Increased by 1.98 ppts
Education service	4,771,871,961.65	3,080,866,254.21	35.44	10.93	10.01	Increased by 0.54 ppt
Of which:						
Textbooks and supplementary materials	4,015,378,780.29	2,417,525,533.74	39.79	8.81	6.79	Increased by 1.13 ppts
Education informationised service and equipment business	756,493,181.36	663,340,720.47	12.31	23.74	23.60	Increased by 0.10 ppt
Online sales	1,266,527,032.62	1,129,994,562.12	10.78	2.66	(1.49)	Increased by 3.76 ppts
Retailing	662,056,056.76	425,835,034.77	35.68	8.06	6.04	Increased by 1.22 ppts
Others	326,465,184.18	230,423,498.22	29.42	7.32	(6.89)	Increased by 10.77 ppts
III. Others	296,901,494.01	264,682,832.00	10.85	51.18	54.16	Decreased by 1.73 ppts
Inter-segment elimination total	(1,790,724,030.57)	(1,760,697,587.39)				
Total	8,030,201,485.50	5,093,231,134.96	36.57	11.56	9.12	Increased by 1.41 ppts

RMB

Region	Principal business by region			Change of revenue as compared with last year (%)	Change of operating costs as compared with last year (%)	Change of gross profit margin as compared with last year
	Revenue	Operating costs	Gross profit margin (%)			
Within Sichuan Province	5,859,725,939.03	3,264,367,407.41	44.29	6.89	2.20	Increased by 2.56 ppts
Outside Sichuan Province	2,170,475,546.47	1,828,863,727.55	15.74	26.48	24.12	Increased by 1.60 ppts
Total	8,030,201,485.50	5,093,231,134.96	36.57	11.56	9.12	Increased by 1.41 ppts

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 Company. The management of the Group regularly assesses the operating performance of these segments to determine its resource allocation and to assess its results.

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

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

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

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

<i>RMB10,000</i>															
	Sales volume (10,000 copies)			Sales value			Revenue			Operating costs			Gross profit margin		
	Last year	Current period	Growth rate (%)	Last year	Current period	Growth rate (%)	Last year	Current period	Growth rate (%)	Last year	Current period	Growth rate (%)	Last year	Current period	Changes for the year (ppt)
	Publication segment:														
Self-compiled textbooks and supplementary materials	10,972.03	12,500.68	13.93	105,048.45	122,059.69	16.19	54,369.55	62,084.09	14.19	30,600.32	35,085.36	14.66	43.72	43.49	(0.23)
Plate-leased textbooks and supplementary materials	12,170.81	13,387.26	9.99	96,178.71	103,995.89	8.13	55,570.74	64,606.80	16.26	39,421.17	45,815.76	16.22	29.06	29.09	0.02
General books	6,190.02	7,416.36	19.81	156,056.49	220,212.38	41.11	57,635.54	78,634.32	36.43	38,982.76	52,516.67	34.72	32.36	33.21	0.85
Printing of textbooks and supplementary materials on behalf of others	1,600.71	1,914.47	19.60	11,290.82	11,968.29	6.00	7,349.20	7,889.84	7.36	6,179.53	6,812.10	10.24	15.92	13.66	(2.26)
Distribution segment:															
Textbooks and supplementary materials	40,341.49	42,984.30	6.55	389,409.74	419,234.47	7.66	369,037.83	401,537.88	8.81	226,374.93	241,752.35	6.79	38.66	39.79	1.13
General books	10,221.22	9,652.84	(5.56)	338,211.79	358,231.48	5.92	215,065.08	225,114.69	4.67	179,616.78	183,415.31	2.11	16.48	18.52	2.04

Management Discussion and Analysis

2. Operating data of various business segments

(1) Publication segment

Major cost breakdown of the publication segment

RMB10,000

	Publication of textbooks and supplementary materials			Publication of general books		
	Last year	Current period	Growth rate (%)	Last year	Current period	Growth rate (%)
Plate-leased textbooks and supplementary materials expenses	7,160.22	7,926.72	10.70	N/A	N/A	N/A
Copyright fee	2,961.82	2,894.03	(2.29)	N/A	N/A	N/A
Author's remuneration	2,645.29	3,611.70	36.53	6,711.15	13,867.10	106.63
Printing costs	19,800.71	23,196.05	17.15	20,892.83	26,874.37	28.63
Paper costs	34,716.30	47,865.86	37.88	4,182.34	7,802.93	86.57
Documentation fee	724.30	741.51	2.38	1,962.96	2,158.93	9.98
Others	3,130.03	1,477.35	(52.80)	1,384.40	1,813.35	30.99

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

Textbooks and supplementary materials publication business

The Company strengthened the product development in the area of textbooks and supplementary materials publication to develop educational products with core competitiveness. Local textbooks such as "Chengdu Overseas Study Travel Book" (primary school edition and secondary school edition) (《成都市境外研學旅行手冊》(小學版、中學版)), education theory research books such as "Documentary Research on the Innovation of Ultimate Education in the Era of Big Data" (《大資料時代的極課教育創新研究紀實》) and education practice research books such as "Curriculum Reform-Based Quality

Education" (《以課程改革為核心的素質教育》) and student leisure books such as "75+80 Ancient Poetries Must Read for Primary School Students" (《小學生必背古詩詞75+80首》) were newly developed. At the same time, the Company made use of technology to empower education and drive media integration to profound development such as developing artificial intelligence (the "AI") media integrated supplementary materials for high schools and digital English language textbooks cum online service platform for primary schools so as to provide personalised services for readers. The "AR technology-based subject textbooks and supplementary materials comprehensive solution" launched at Beijing Book Fair, Shenzhen International

Management Discussion and Analysis

Cultural Industry Fair, Beijing Big Data Exhibition and Western China International Fair was very well received and known as the “classic case study of integration between AR technology and education publication”.

During the Year, the value from the sales of textbooks and supplementary materials under the publication segment of the Company amounted to RMB2,380 million. The sales revenue amounted to RMB1,346 million, up by 14.74% as compared with that in the same period last year. The cost of sales amounted to RMB877 million, up by 15.11% as compared with that in the same period last year. The gross profit margin was 34.82%, down by 0.21 percentage points from the same period last year.

General book publication business

In 2018, upholding the “three key publishing” concepts, the Group made initial progress of transformation in genre reduction and efficiency enhancement. According to the statistics published by Open Book (開卷), new book genres increased by 20% year-on-year to 3,267 but the growth rate slowed down as compared to 25% in 2017. Yet, the sales

value growth of new books increased from 48% in 2017 to 128%. As to market sales in 2018, out of 64 genres of books with annual sales volume of above 100,000 copies under the management of the Group, 43 genres were ranked among the Top 500 best-selling genres nationwide, representing an increase of 11 genres over 2017. Books with market influence continued to increase, among which, as at the end of 2018, 50.64 million copies (net) of “Hilarious School Diaries” series were published by Sichuan Youth and Children’s Publishing House and 8.2 million copies (net) of “PAW Patrol” series were published by Sichuan Tiandi Publishing House cumulatively.

During the Reporting Period, the value from the sales of general books under the Group’s publication segment amounted to RMB2,202 million. The sales revenue grew less rapidly as compared with that in the same period last year and amounted to RMB786 million, up by 36.43% as compared with that in the same period last year. The cost of sales amounted to RMB525 million, up by 34.72% as compared with that in the same period last year. The gross profit margin was 33.21%, up by 0.85 percentage point from the same period last year.



(2) Distribution segment

Textbooks and supplementary materials distribution business

The provincial government of Sichuan has implemented a single source purchase policy regarding the supply of textbooks to primary and secondary school students during their compulsory education. Since 2008, the Company, being the supplier of the single source purchase, has been entering into the “purchase contract regarding free textbooks for students in urban-rural areas during compulsory education” (城鄉義務教育階段學生免費教科書採購合同書) with Sichuan's provincial education office each year with respect to the details of single source purchase. In 2018, the Company entered into the “purchase contract regarding free textbooks for students in urban-rural areas during compulsory education in Sichuan Province from 2018 to 2019” (四川省2018-2019學年城鄉義務教育階段學生免費教科書採購合同).

In 2018, 430 million copies of textbooks and supplementary materials with sales value of RMB4,192 million were sold. The sales revenue amounted to RMB4,015 million, up by 8.81% as compared with that in the same period last year. The gross profit margin was 39.79%, up by 1.13 percentage points from the same period last year, mainly due to the change in sales structure of books.

General books distribution business

With the evolving technology, the overall general book market environment has been undergoing some changes where new media and social media have become new growth points. Faced with these opportunities and challenges, the Company strengthened the development of the multi-segment scenario and optimised the multi-channel sales model to better cater for consumer needs.

During the Reporting Period, 96.53 million copies of general books with sales value of RMB3,582 million were sold by the Group. The sales revenue amounted to RMB2,251 million, up by 4.67% as compared with that in the same period last year. The operating costs amounted to RMB1,834 million, up by 2.11% as compared with that in the same period last year. The gross profit margin was 18.52%, up by 2.04 percentage points from the same period last year, mainly benefiting from the Company's integration of the procurement segment and the establishment of procurement/supply system that is suitable for the online/offline integrated development of general book reading service business, which further strengthened the publishing supply chain efficiency and bargaining power against upstream suppliers.

In 2018, the growth of online sales of books across the nation slowed down. To cope with market changes, the Group enhanced the channel management and market capabilities. On the one hand, the Group adjusted the business structure of online shops to strengthen category management and enhance the level of operations of products, among which, revenue from the sales of children related books increased by 18% from last year and revenue from the sales of art related books increased by 19%. On the other hand, the Group further explored the needs of users, optimised the marketing model and launched timely promotions. As a result, the average sales value of customer orders increased by 23% from last year.

During the Year, revenue from online sales amounted to RMB1,267 million, among which, sales revenue secured through third-party e-commerce platforms amounted to RMB913 million, accounting for 72.12% of the total revenue of online sales business.

EXPENSES

During 2018, the selling expenses of the Group amounted to RMB1,011 million, which represents an increase of 13.24% as compared with that in the same period last year. The expenses margin increased by 0.2 percentage point as compared with that in the same period last year. The increase in total selling expenses was mainly due to the increase in operating costs including logistics expenses incurred from the growth of sales, increase in labour costs of sales personnel and the increase in handling fees as a result of the change in settlement method of Sanzhou's free textbooks since autumn 2017.

During 2018, the administrative expenses of the Group amounted to RMB1,115 million, which represents an increase of 4.71% as compared with that in the same period last year. The expenses margin decreased by 0.88 percentage point as compared with that in the same period last year. The increase in total administrative expenses was mainly due to the growth in the labour costs, and the increase in maintenance expenses including lease and repairs expenses.

During 2018, the finance cost of the Group amounted to RMB(24,410,700), which was basically unchanged as compared with the same period last year.

ASSET IMPAIRMENT LOSS AND CREDIT IMPAIRMENT LOSS

During the Year, asset impairment loss of the Group amounted to RMB57,346,700 and credit impairment loss amounted to RMB83,756,100, 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 74.73% in aggregate during the Reporting Period as compared with the same period last year, mainly due to the Company's provision for bad debt with respect to the receivables of the education equipment and informationised business due but not yet recovered based on the principle of prudence; and provision for impairment on relevant long-term equity investments based on the results of the impairment test on long-term equity investments.

GAIN/LOSS ON FAIR VALUE CHANGE

During the Year, the gain/loss on fair value change of the Group resulted in the loss of RMB38,181,000, as compared with the gain of RMB10,300 in the same period last year, mainly due to the classification of investments in CITIC Buyout Fund, Winshare Hengxin, Qingdao Jinshi and Taizhou Xinheng 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 recognised during the Reporting Period (same period last year: at fair value through other comprehensive income).

INVESTMENT INCOME

During the Year, the Group recognised investment income of RMB127 million, representing a decrease of 53.38% as compared with RMB272 million in the same period last year, mainly due to the gain and the related profit of approximately RMB170 million on disposal of 34% equity interest in Chengdu Xinhui Industrial Co., Ltd. (an associated company), 48% equity interest held in Sichuan Wenzhuo (a joint venture) and 85% equity interest held in Beijing Huaying Winshare Movie & TV Culture Co., Ltd. (a subsidiary), in the same period last year. During the Year, the Company strengthened the management of fund collection and generated capital proceeds an increase of more than RMB20 million as compared with the same period last year through purchasing wealth management products.

GAIN ON ASSET DISPOSAL

During the Year, gain on asset disposal of the Group amounted to RMB1,430,200, representing a decrease of 49.60% as compared with the same period of last year, mainly due to the gain from the disposal of properties by Reader's Journal, a subsidiary of the Company, during the Year. During the same period last year, Wenchuan Logistics, a subsidiary of the Company, made capital contribution to Sichuan Winshare BLOGIS, an associated company, as the consideration of land use rights and recognised a gain of RMB2,630,000 from the disposal.

Management Discussion and Analysis

INCOME TAX EXPENSES

During the Year, income tax expenses of the Group amounted to RMB(10,795,800), as compared with RMB559,900 in the same period of last year, mainly due to the change in deferred income tax expenses arising from the loss on fair value change of financial assets at FVTPL during the Reporting Period.

OTHER COMPREHENSIVE INCOME

During the Year, net other comprehensive income after tax of the Group amounted to RMB(389) million, as compared to RMB(815) million in the same period last year, mainly due to the effect of fluctuations of the price of shares held in listed companies including Wan Xin Media and Bank of Chengdu.

PROFIT

Net profit for the Year of the Group amounted to RMB927 million, up by 1.12% from that in the same period last year. Net profit attributable to the shareholders of the Company amounted to RMB932 million, up by 0.90% from that in the same period last year. Excluding non-recurring gain or loss, net profit attributable to the shareholders of the Company amounted to RMB868 million, up by 19.49% from that in the same period last year.

EARNINGS PER SHARE

Earnings per share is calculated based on the net profit attributable to the shareholders of the Company for the Year divided by the weighted average number of the ordinary shares in issue during the Year. During the Year, earnings per share of the Group amounted to RMB0.76, which increased by 1.33% as compared with RMB0.75 in the same period last year. For details regarding the calculation of earnings per share, please refer to note (VI)47 to the consolidated financial statements in this annual report.

R&D COMMITMENTS

Breakdown of R&D commitments

	<i>RMB</i>
R&D expenses for the current period	13,592,602.42
R&D commitments capitalised for the current period	10,000,833.14
Total R&D commitments	23,593,435.56
Total R&D commitments as a percentage of revenue (%)	0.29
Total no. of R&D personnel of the Company	91
No. of R&D personnel as a percentage of total no. of personnel of the Company (%)	1.18
Percentage of R&D commitments capitalised (%)	42.39

The R&D commitments of the Group amounted to RMB23,593,400, which remained basically unchanged compared to RMB23,812,600 in the same period last year, mainly due to R&D commitments of education informationised related products.

ANALYSIS OF CHANGES IN CASH FLOW

During the Year, net cash inflow from operating activities of the Group amounted to RMB993 million, up by 187.44% from that in the same period last year, mainly due to the fact that the educational book business continued to maintain a high recovery rate of receivables during the Reporting Period; the decrease in payments to suppliers during the Reporting Period from that in the same period last year as the proceeds from the education equipment and informationised business, which adopted the instalment payment method in prior years, were gradually recovered upon their maturity; and the increase in repayments of receivables from the online sales business during the Reporting Period in the areas of online operations and supply as compared with that in the same period last year. In addition, the net cash inflow increased from that in the same period last year was also due to the receipt of sales proceeds of books during the Year after the Company's increased commitments to general book publication business in the prior year.

During the Year, net cash inflow from investing activities of the Group amounted to RMB125 million; and net cash outflow from financing activities amounted to RMB368 million.

The major items of cash flow changes are set out below:

RMB

Item	January to December 2018	January to December 2017	Change (%)	Analysis of major changes
Cash receipts from the sale of goods and the rendering of services	8,428,611,018.96	7,429,249,050.43	13.45	Mainly due to the increase in sales proceeds from the education service business, online sales business and general book publication business during the Reporting Period as compared with the same period last year.
Receipts of tax refunds	2,859,806.40	29,900,529.02	(90.44)	Mainly due to the decrease in refund of value-added tax received during the Year as compared with the prior year.
Other cash receipts relating to operating activities	128,901,806.29	57,301,876.32	124.95	Mainly due to the increase in interest income, government grants related to revenue and current accounts received as compared with the prior year.

Management Discussion and Analysis

RMB

Item	January to December 2018	January to December 2017	Change (%)	Analysis of major changes
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	4,535,883.74	948,697.97	378.12	Mainly due to the increase in cash flow arising from the disposal of property by Reader's Journal, a subsidiary of the Company.
Net cash receipts from disposals of subsidiaries and other business units	393,915.64	66,946,783.23	(99.41)	Mainly due to the increase in net cash flow from the disposal of 85% equity interest in Beijing Huaying Winshare Movie & TV Culture Co., Ltd, a subsidiary of the Company, in the prior year.
Other cash receipts relating to investing activities	283,561,027.40	151,392,643.48	87.30	Mainly due to the recovery of two-year term deposits amounting to RMB280 million due during the Year; and the amount incurred last year was mainly due to the recovery of entrustment loans of RMB120 million from Sichuan Wenzhuo.
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	160,006,970.69	245,938,614.43	(34.94)	Mainly due to the decrease in commitments to construction during the Year based on the construction progress as compared with the prior year.
Cash payments to acquire investments	5,035,000.00	–	N/A	Due to the capital increase received by Beijing Aerospace Cloud, a subsidiary of the Company, from the minority shareholders during the Year.
Other cash receipts relating to financing activities	–	10,423,573.81	(100.00)	The amount incurred in the prior year was due to the government grants related to assets received by the Company.
Other cash payments relating to financing activities	1,780,947.00	69,271,000.00	(97.43)	Due to the payment of RMB69,271,000 for the acquisition of 35% equity interest in Sichuan Xinhua Colour Printing Co., Ltd, a subsidiary of the Company in the prior year.

Management Discussion and Analysis

ASSETS AND LIABILITIES ANALYSIS

As at 31 December 2018, the position of the Group's major assets and liabilities and their movements are as follows:

RMB

Item	As at the end of the current period	Amount as at the end of the current period as a percentage of the total assets (%)	As at the end of the comparative period last year	Amount as at the end of the comparative period last year as a percentage of the total assets (%)	Change in the amount as at the end of the current period over the amount as at the end of the comparative period last year (%)	Remark
Bank and cash	2,608,612,572.01	19.63	1,885,682,217.83	15.35	38.34	Mainly due to the increase in bank and cash balance arising from the net cash inflows from operating activities during the Reporting Period.
Held-for-trading financial assets	1,262,431,274.52	9.50	–	0.00	N/A	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 RMB1,262 million, representing an increase of RMB104 million, or 9.03% as compared with RMB1,158 million as at the end of the previous year.
Notes receivable and accounts receivable	1,617,030,048.35	12.17	1,280,220,854.76	10.42	26.31	Mainly due to the increase in receivables due to expansion of sales from the education informationised and equipment business as well as general book publication business as compared to the beginning of the Year.
Non-current assets due within one year	–	0.00	280,000,000.00	2.28	(100.00)	Mainly due to the recovery of the two-year bank deposits due of RMB280 million in the opening balance.
Other current assets	70,874,065.89	0.53	1,184,329,531.05	9.64	(94.02)	Mainly due to the reclassification and presentation of bank wealth management products of RMB1,158 million included in the opening balance 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 RMB37.7 million.
Available-for-sale financial assets	–	0.00	2,116,088,000.42	17.22	N/A	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 "Other equity instruments" and "Other non-current financial assets" based on the business model of its contractual cash flow characteristics and corporate management of such assets.

Management Discussion and Analysis

RMB

Item	As at the end of the current period	Amount as at the end of the current period as a percentage of the total assets (%)	As at the end of the comparative period last year	Amount as at the end of the comparative period last year as a percentage of the total assets (%)	Change in the amount as at the end of the current period over the amount as at the end of the comparative period last year (%)	Remark
Long-term receivables	267,742,224.79	2.01	194,801,883.56	1.59	37.44	Mainly due to increase in the receivables that are settled by instalment payment as a result of the expansion of the education equipment business and education informationised service business.
Other equity instrument investments	1,452,054,632.09	10.93	-	0.00	N/A	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 RMB1,452 million as at the end of the Year decreased by 6.97% from RMB1,561 million as at the end of prior year, mainly due to the combined effects of 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.
Other non-current financial assets	507,656,767.91	3.82	-	0.00	N/A	Financial assets at fair value through profit or loss, mainly included the investments in CITIC Buyout Fund, Winshare Hengxin, Qingdao Jinshi and Taizhou Xinheng. Its fair value of RMB508 million as at the end of the Year decreased by 8.56% 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 period.
Advance from customers	-	0.00	310,646,140.33	2.53	N/A	Pursuant to the New Revenue Standard, the receipts in advance were reflected under the item of contract liabilities. The advanced receipts for sold goods of RMB326 million as at the end of the Year increased by 4.91% from RMB311 million as at the end of prior year.
Contract liabilities	338,681,880.89	2.55	-	0.00	N/A	The closing balance included advanced receipts for sold goods of RMB326 million and membership card points of RMB13 million, representing an increase of 4.91% and 18.38% as compared with the opening balances (membership card points as at the end of prior year were reflected under "Other current liabilities").
Other current liabilities	147,256,743.30	1.11	114,861,486.00	0.93	28.20	Mainly due to the recognition of returns of RMB48.88 million which was reflected under "Other current liabilities" pursuant to the New Revenue Standard, resulting in a more substantial change from the beginning of the Reporting Period.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the Group had cash and short-term deposits of approximately RMB2,609 million (31 December 2017: RMB1,886 million). The Group did not have any interest-bearing bank and other borrowings.

As at 31 December 2018, the gearing ratio (calculated by dividing total liabilities by total assets) of the Group was 36.74%, as compared with 35.24% as at 31 December 2017. The Group's overall financial structure remained relatively stable.

General particulars of entrusted wealth management

On 26 October 2018, the 8th meeting of the fourth session of the Board in 2018 was convened by the Company at which the *Resolution regarding the Grant of Authorisation to Use Idle Funds to Purchase Wealth Management Products* was considered and approved, pursuant to which the Group is authorised to use idle funds of no more than RMB1,300 million to purchase wealth management products. On 31 December 2018, all of the bank wealth management products purchased by the Group amounting to RMB1,262 million were bank guaranteed wealth management products due within one year.

RMB				
Type	Source of funding	Amount incurred	Balance not yet due	Amount due but not yet recovered
Wealth management	Internal funding	1,290,600,000.00	1,261,790,000.00	0

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any material contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2018, the Group's pledged deposit balance amounted to RMB7,355,000 (31 December 2017: RMB18,634,800) as security deposits placed with the bank for the issuance of the bank's acceptance bill. Save as the above assets, the Group did not have any other assets under pledge or guarantee.

FOREIGN EXCHANGE RISK

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

Management Discussion and Analysis

WORKING CAPITAL MANAGEMENT

	31 December 2018	31 December 2017
Current ratio	1.6	1.6
Inventory turnover days	131.5 days	127.6 days
Trade receivables turnover days	64.4 days	51.7 days
Trade payables turnover days	239.2 days	225.8 days

As at 31 December 2018, the current ratio of the Group was 1.6, which was in line with that at the end of last year. During the Year, inventory turnover days were 131.5 days, which remained substantially the same as that of last year; trade payables turnover days were 64.4 days; which increased by 12.7 days from that of last year, mainly due to the longer trade receivables turnover days of the education informationised and equipment business. In addition, trade receivables from general book publication business also increased. Trade and note payables turnover days were 239.2 days, which increased by 13.4 days from that of last year. Such growth was minimal. The above indicators reflect that the operations of the Group are relatively stable. The turnover days of inventory, trade receivables and trade payables are in line with the publication and distribution business and the industry features.

OVERVIEW OF MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

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

To 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 RMB50,000,000 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 Year, the Company made capital increase totalling RMB174 million to six of its wholly-owned publishing houses, of which, the capital increase in Sichuan Youth and Children's Publishing House Co., Ltd amounted to RMB100 million.

To quickly tap into the education informationised service and education equipment area in Liangshan, the Company and Liangshan Xinhua Bookstore jointly established Liangshan Xinhua Winshare Education Technology Co. Ltd., on 22 May 2017. The Company injected RMB19,600,000, accounting for 49% of equity interests.

To seize the historical opportunities arising from "three links and two platforms" interconnection and application of the education informationised service sector and college entrance exam curriculum reform, and to enhance the Company's comparative advantages in the education informationised service area, the Company and Jinshi Bohui jointly made a capital increase in Beijing Aerospace Cloud proportionate to their shareholdings in cash with the Company contributing RMB35 million. Up to 31 December 2018, the Company has already contributed an investment amount of RMB11,748,300.

Management Discussion and Analysis

The Company subscribed for 80,000,000 additional shares of Bank of Chengdu at the consideration of RMB240 million in cash in December 2007. The shareholding percentage was 2.46%. During the Year, the Company received a dividend amounting to RMB22.4 million (tax inclusive) from Bank of Chengdu. On 31 January 2018, Bank of Chengdu was listed on the Shanghai Stock Exchange at the offer price of RMB6.99 per share. Upon listing, the shareholding of the Company has changed from 2.46% to 2.21% with lock-up period of one year. As at 31 December 2018, the market capitalisation of the equity interests held by the Company in Bank of Chengdu was RMB618 million.

During the Year, the Company recognised a dividend income of RMB21,188,800 (tax inclusive) 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 31 December 2018, the market capitalisation of the equity interests held by the Company in Wan Xin Media was RMB833 million.

In addition, the Company also received a dividend for 2017 of RMB2,400,000 from Ren Min Eastern (Beijing) Book Industry Co., Ltd.

Save as disclosed above, the Company 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 annual report.

Information of the major subsidiaries

RMB10,000

Name of subsidiary	Nature of business	Shareholding percentage (%)	Registered capital	2018		As at 31 December 2018	
				Revenue	Net profit	Total assets	Net assets
Sichuan Education Publishing House Co., Ltd.	Publishing and wholesaling of publications and related publications	100	1,000.00	72,135.33	27,642.05	106,923.18	63,513.98
Sichuan Publication Printing Co., Ltd.	Publishing and wholesaling of publications and related publications	100	5,000.00	28,145.23	7,681.01	73,707.16	58,794.94
Sichuan Tiandi Publishing House Co., Ltd. (consolidated)	Publishing and wholesaling of publications and related publications	100	13,063.47	26,210.95	6,030.37	37,488.64	21,937.61
Sichuan Youth and Children's Publishing House Co., Ltd.	Publishing and wholesaling of publications and related publications	100	11,000.00	30,765.29	7,439.25	50,395.21	36,452.28
Sichuan Printing Materials Co., Ltd.	Provision of printing related materials	100	3,000.00	57,393.91	(209.69)	39,992.45	3,824.86
Sichuan Winshare Education Technology Co., Ltd.	Software development and sales of electronic equipment	100	33,000.00	47,223.52	390.76	88,448.33	33,940.58
Sichuan Winshare Online E-commerce Co., Ltd.	Online sales of various products	75	6,000.00	162,634.61	162.65	144,687.49	(8,151.79)

Management Discussion and Analysis

FUTURE PROSPECTS

(I) Growth strategy

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

(II) Operating plans

1. Push ahead the transformation of publishing development from quantity growth to quality and efficiency enhancement upholding the “three key publishing” concepts to enhance single product efficiency and strengthen brand building with a view to achieving high quality development of publications of Winshare.
2. Promote innovation-led development as guided by user demand to vigorously push ahead the “education service + Internet” action plan and achieve indepth transformation and efficient development of the education service business; gradually construct the online sales channels for education products and services; consolidate the publishing and distribution business of textbooks and supplementary materials, further expand the education informationised service and equipment business, actively push ahead the development of innovative businesses including research education and teachers’ training.
3. Endeavour to enhance the sales capabilities and standard of service for the online channels and optimise the cooperation with upstream suppliers and downstream sales channels to achieve enhancement in both sales size and profitability.
4. Continue to propel the physical bookstores’ online system upgrade reform and expansion development, construction of rural distribution outlets and construction of smart bookstores while intensively implementing a “multi-brand building, multi-model development and multi-team operations” development strategy to enhance the professional reading service capabilities and big culture consumption service capabilities.

Management Discussion and Analysis

5. Continue to enhance the supply chain service capabilities of the logistics, IT, production & printing platforms, and provide strong support for the rapid development of the publication business and channel business; further improve the third-party logistics operational system with focus on key industries to gradually commence the third-party logistics business.
6. Fully capitalise on the capital operations platform to integrate quality social resources and facilitate the development of principal businesses; continue to build a fund base and nurture cultural industry projects with comparative advantages to drive synergistic development between industrial operations and capital operations.
7. Continue to explore the new model of integrated development of traditional media and new media while centering on the industry chain extension from principal businesses to actively push ahead the transformation and upgrade of traditional media so as to lay a more solid foundation for enhancing and expanding Winshare's brand influence.

(III) Potential risks

With the innovative development of technologies including big data, VR and AR and empowerment to the publishing industry, the Company may be subject to the risks such as revenue falling short of expectation in exploring the application of emerging technologies to drive the integration between the publishing industry and technology.

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

Report of the Directors

The Board hereby submit their report, together with the audited financial statements of the Group for the year ended 31 December 2018, to all the Shareholders.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

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

FINANCIAL POSITION AND RESULTS

The financial position of the Group as at 31 December 2018 and the results of the Group for the year ended 31 December 2018 are set out on pages 102 to 108 of this annual report.

FINANCIAL SUMMARY

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

DIVIDEND

The Board has proposed the distribution of dividend for the year ended 31 December 2018 of RMB0.30 (tax inclusive) per share (2017: RMB0.30, totalling RMB370 million (tax inclusive)). Dividends payable to A shareholders will be made and paid in RMB, whereas dividends payable to the H shareholders will be declared in RMB and payable in Hong Kong dollars, the exchange rate of which would be calculated based on the average exchange rate published by the People's Bank of China during the week preceding the 2018 AGM.

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

Pursuant to the letter titled the "Tax arrangements on dividends paid to Hong Kong residents by mainland companies" issued by the Stock Exchange to the issuers on 4 July 2011 and the "State Administration of Taxation Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045" (Guo Shui Han [2011] No. 348), it is confirmed that the overseas resident individual shareholders holding the stocks issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax arrangements between the countries where they reside and China

or the tax arrangements between China mainland and Hong Kong (Macau). Therefore, the Company will withhold 10% of the dividend as individual income tax, unless it is otherwise specified by the relevant tax regulations and tax agreements, in which case the Company will withhold individual income tax of such dividends in accordance with the tax rates and according to the relevant procedures as specified by the relevant regulations.

The proposed Dividend for 2018 is subject to the approval by Shareholders at the forthcoming 2018 AGM of the Company. In order to ascertain the H shareholders who are entitled to attend 2018 AGM and to receive the Dividend for 2018 (if approved by the Shareholders), the register of members for H Shares will be closed during the following periods:

To ascertain the H shareholders who are qualified to attend and vote at the 2018 AGM:

Latest time for lodging transfers of H Shares	4:30 p.m., Thursday, 18 April 2019
Closure of register of members for H Shares	from Sunday, 21 April 2019 to Tuesday, 21 May 2019 (both days inclusive)
Date for the 2018 AGM	Tuesday, 21 May 2019

To ascertain the H shareholders who are entitled to the proposed Dividend for 2018:

Latest time for lodging transfers of H Shares	4:30 p.m., Tuesday, 28 May 2019
Closure of register of members for H Shares	from Wednesday, 29 May 2019 to Monday, 3 June 2019 (both days inclusive)
Dividend Entitlement Date	Monday, 3 June 2019

In order for the H shareholders to qualify to attend and vote at the 2018 AGM and to receive the Dividend for 2018 proposed by the Company (if approved by the Shareholders), all transfers accompanied by the relevant share certificates must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration before the above mentioned deadlines for lodging the transfer documents.

H shareholders whose names appear on the register of members of the Company after the close of business on 18 April 2019 are entitled to attend and vote at the 2018 AGM. H shareholders whose names appear on the register of members of the Company on the Dividend Entitlement Date are entitled to the Dividend for 2018 of the Company (if approved by the Shareholders). The abovementioned final dividend for 2018 will be paid on 20 July 2019 (if approved by the Shareholders).

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

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

Report of the Directors

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

FIXED ASSETS

Details of movements of the Group's fixed assets during the Year are set out in note (VI) 14 to the consolidated financial statements in this annual report.

RESERVES

Details of movements of the Group's reserves during the Year are set out in the "Consolidated Statement of Changes in Shareholders' Equity" in this annual report. Details of the Group's reserves available for distribution to Shareholders as at 31 December 2018 are set out in note (VI) 33 to the financial statements in this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2018, the sales to five largest customers of the Group accounted for less than 30% of the total turnover of the Group.

For the year ended 31 December 2018, the five largest suppliers of the Group accounted for less than 30% of the total purchases of the Group.

The Group maintains steady development relationship with each of the customers and suppliers and provides products and services to customers in good quality. The business of the Group does not rely on any individual customers or suppliers which may cause any material impact on the Group.

SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES

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

ANALYSIS OF CORE COMPETITIVENESS

As an integrated publishing and media enterprise engaging in businesses across the publication and distribution industry chain, the Group has built an innovative and efficient business network that covers all segments of the publication and media industry chain from contents to channels and from frontline to back office. Through strengthening each segment of the publication and media industry chain, synergies arising from inter-segment business continued to increase and business operating efficiency increased significantly. As a result, its competitiveness in areas of publication, education service, reading service and channel development continued to grow.

- 1. Publication capabilities.** The Company has always attached great importance to oriented management and quality control and thus has formulated and strictly implemented various publication management systems. Capitalising on the strategic deployment of the Sichuan provincial government to "revitalise Sichuan's publishing industry", the Group's strategic focus of publication is prominent. Through implementing various supporting measures, the Company has successfully accomplished the five-year target in three years, making it a new growth engine. With these measures, celebrities such as Wang Meng, Bei Mao and Liu Cixin have entered into contracts with the Company. The Company also worked with Penguin Random House and Nickelodeon, both being US premium entities for joint publication. More than 40 genres have been shortlisted for the state publication projects. The competitiveness of the Group's publications continues to grow. In 2018, the Group maintained steady growth and was ranked 13th in the overall market nationwide, attaining the fastest growth in ranking for two consecutive years (The above data come from the Open Book).

- Reading service capabilities.** In recent years, in addition to the physical bookstores across Sichuan Province, the Group has endeavoured to cater for the people's new demand for cultural consumption through stepping up business segment innovation to establish a vertically integrated reading service network based in Sichuan Province with nationwide coverage. The Company operates unique physical bookstore brands including "Xinhua Winshare" (新華文軒), "Winshare Bookstore" (軒客會•格調書店), "Go Go Reading" (讀讀書吧), "Winshare BOOKS" (文軒BOOKS), "Gezhi Bookstore" (格致書館), "Kids WinShare (文軒兒童書店)", "Winshare Yuntu" (文軒雲圖) and "Winshare Commercial Supermarket" (文軒商超), which cover business segments from cultural mall, mid- to large-size bookstores, professional bookstores, community bookstores, commercial supermarket bookstores and smart bookstores to provide consumers with convenient, comfortable, smart and personalised reading service, and has become one of the most influential reading service providers in the PRC. As a result, its reading service capabilities have been greatly enhanced.
- Education service capabilities.** 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 provide the digitalised education service 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. At the same time, 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 Group'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".
- Online channel capabilities.** To capture the opportunities arising from the development of the publishing industry, the Group has vigorously expanded the online sales channels and established B2C platforms such as winxuan.com and September Online; B2B platform such as the "publication synergistic trade platform", and other paper book and e-book online sales platforms. 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.

CONNECTED TRANSACTIONS

Non-Exempted Connected Transactions

Non-Exempted Continuing Connected Transactions

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

1. Transactions with Sichuan Xinhua Publishing Group and its subsidiaries

Sichuan Xinhua Publishing Group is the controlling shareholder (as defined in the Listing Rules) and the promoter of the Company, holding 49.11% equity interest in the Company, and Huang Peng Property is a wholly-owned subsidiary of Sichuan Xinhua Publishing Group. Under Chapter 14A of the Listing Rules, Sichuan Xinhua Publishing Group and its subsidiary Huang Peng Property are connected persons of the Company.

Report of the Directors

(i) *Leasing agreement entered into between the Company and Sichuan Xinhua Publishing Group*

On 23 November 2015, the Company and Sichuan Xinhua Publishing Group renewed the leasing agreement in connection with the leasing of certain buildings in Sichuan Province of the PRC to the Group by Sichuan Xinhua Publishing Group during the period from 1 January 2016 to 31 December 2018 as offices, warehouses and retail outlets. As the agreement expired on 31 December 2018, the Company and Sichuan Xinhua Publishing Group renewed the leasing agreement on 18 December 2018 in connection with the leasing of certain buildings by Sichuan Publishing Group during the period from 1 January 2019 to 31 December 2021. Please refer to the announcements of the Company dated 23 November 2015 and 18 December 2018 for details of the above lease agreement.

For the year ended 31 December 2018, the rental payment made by the Group to Sichuan Xinhua Publishing Group pursuant to the above leasing agreement amounted to RMB38,334,900.

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

On 23 November 2015, the Company and Huang Peng Property renewed the Property Management Agreement in connection with the provision of property management services to the Group by Huang Peng Property for the period from 1 January 2016 to 31 December 2018. As the agreement expired on 31 December 2018, the Company and Huang Peng Property renewed the agreement on 18

December 2018 in connection with the provision of property management services to the Group by Huang Peng Property for the period from 1 January 2019 to 31 December 2021. Please refer to the announcements of the Company dated 23 November 2015 and 18 December 2018 for details of the Property Management Agreement.

For the year ended 31 December 2018, RMB9,539,400 in total was paid to Huang Peng Property by the Group in respect of the property management services provided according to the above Property Management Agreement.

2. Transaction with SPG and its subsidiaries

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

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

For the year ended 31 December 2018, the rental and property management fees paid by the Group to SPG according to the above lease framework (renewal) agreement amounted to RMB16,296,800 in total.

3. Transaction with Winshare Online

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

On 23 November 2015, the Company renewed the Publications Purchase Agreement with Winshare Online, which was then approved by independent Shareholders on 18 February 2016, pursuant to which Winshare Online shall purchase the publications from the Group (excluding Winshare Online) for the period from 1 January 2016 to 31 December 2018 for sale at Winshare Online's e-commerce platform, winxuan.com. As the Company made changes to the product purchase business for 2018, the Company and Winshare Online unanimously agreed to re-enter into the Products Purchase and Cooperation Framework Agreement on 26 March 2018, which took effect on 30 May 2018. On the same date, the Publications Purchase Agreement was terminated. Pursuant to the Products Purchase and Cooperation Framework Agreement, Winshare Online shall purchase the Publications and Digital Reading Contents published by the Group from the Company and its subsidiaries (excluding Winshare Online) and cooperate with the Company's subsidiaries (excluding Winshare Online) to engage in the sales business of the online bookstore via the e-commerce platform for the period from 30 May 2018 to 31 December 2020. Please refer to the announcements dated 23 November 2015 and 26 March 2018 and the circulars dated 7 January 2016 and 4 May 2018 of the Company for details of the above Publications Purchase Agreement and Products Purchase and Cooperation Framework Agreement.

During 2018, the payment by Winshare Online to the Group according to the above Publications Purchase Agreement amounted to RMB981,548,000 in total.

During 2018, the publications purchased and cooperation expense paid by Winshare Online to the Group according to the above Products Purchase and Cooperation Framework Agreement amounted to RMB10,028,000 in total.

On 26 March 2018, the Company entered into the Publications Purchase Framework Agreement with Winshare Online, which was then approved by independent Shareholders on 30 May 2018. Pursuant to the agreement, the Company and its subsidiaries (excluding Winshare Online) shall purchase the publications sold via the physical retail channel of the Company from Winshare Online for the period from 20 April 2018 to 31 December 2020. Please refer to the announcement dated 26 March 2018 and the circular dated 4 May 2018 of the Company for details of the Publications Purchase Framework Agreement.

During 2018, the payment by the Group to Winshare Online according to the above Publications Purchase Framework Agreement amounted to RMB319,204,000 in total.

The independent non-executive Directors of the Company have reviewed the aforementioned continuing connected transactions and confirmed that the transactions were entered into:

- (1) in the ordinary and usual course of business of the Group;
- (2) on normal commercial terms or better (as defined in the Listing Rules); and
- (3) on the terms of the respective transaction agreements, which are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

Report of the Directors

Pursuant to Rule 14A.56 of the Listing Rules, the Board engaged the auditor of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed as above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

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

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

MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into during the Year.

CHARITABLE DONATIONS

During the Year, the total charitable donations and other donations of the Group amounted to approximately RMB24.51 million (2017: RMB32.15 million).

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group endeavours to achieve long-term sustainable development in the environment and community where the Group operates. As a cultural enterprise, the Group actively contributes to the community, engages in public welfare activities, adheres to the concept of green and sustainable development and fulfils environmental protection and social responsibility in addition to striving for good performance to foster credibility and build a good corporate image. Details of the environmental policies and performance of the Group are set out in the "Environmental, Social and Governance Report" in this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

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

SHARE CAPITAL

As at 31 December 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, including:

Class of shares	Number of shares	Approximate percentage of issued share capital of the Company
A Shares	791,903,900	64.18%
Including		
(i) Sichuan Xinhua Publishing Group (note 1)	592,809,525	48.05%
(ii) Other promoters (note 2)	46,322,566	3.76%
(iii) National Council for Social Security Fund (note 3)	725,809	0.06%
(iv) Hua Sheng Group (note 4)	53,336,000	4.32%
(v) Public investors of A Shares	98,710,000	8.00%
H Shares	441,937,100	35.82%
Including		
(i) Sichuan Xinhua Publishing Group (note 5)	13,133,000	1.06%
(ii) Other promoter (note 6)	5,950,000	0.48%
(iii) Public investors of H Shares	422,854,100	34.27%
Total share capital	1,233,841,000	100%

* 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.
- 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 will be transferred to the National Council for Social Security Fund.
- Social Legal Person Shares are held by Hua Sheng Group, a promoter of the Company.
- 13,133,000 H Shares of the Company are held by Sichuan Xinhua Publishing Group, a controlling shareholder 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.

Report of the Directors

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

On 31 December 2018, so far as is known to the Directors and Supervisors of the Company, the following persons (not being Directors, Supervisors or senior management of the Company) had, or were deemed to have interests or short positions in the shares, underlying shares and debentures of the Company which were required, pursuant to section 336 of the SFO, to be entered in the register required to be kept by the Company referred to therein:

Name of shareholder	Number of shares directly and indirectly held	Capacity	Class of shares	Approximate percentage in the relevant class of shares	Approximate percentage of total issued share capital of the Company	Long position/ short position
Sichuan Development	623,382,418	Interests in controlled corporation	A Shares	78.72%	50.52%	Long position
	19,083,000 (note 1)	Interests in controlled corporation	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 (note 2)	Interests in controlled corporation	H Shares	2.97%	1.06%	Long position
Hua Sheng Group	53,336,000 (note 3)	Beneficial owner	A Shares	6.74%	4.32%	Long position
Wu Wenqian	53,336,000 (note 3)	Interests in controlled corporation	A Shares	6.74%	4.32%	Long position
Edgbaston Investment Partners LLP	35,607,000	Investment manager	H Shares	8.06%	2.89%	Long position
Seafarer Capital Partners, LLC	30,875,500	Investment manager	H Shares	6.99%	2.50%	Long position
Edgbaston Asian Equity Trust	26,908,000	Beneficial owner	H Shares	6.09%	2.18%	Long position

Notes:

1. Sichuan Development is the controlling shareholder of Sichuan Xinhua Publishing Group and SPG. According to the SFO, Sichuan Development is deemed to (i) indirectly hold 592,809,525 A Shares of the Company through Sichuan Xinhua Publishing Group and 30,572,893 A Shares of the Company through SPG, totalling 623,382,418 A Shares; and (ii) indirectly hold 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 of the Company through Shudian Investment Co., Ltd. Sichuan Xinhua Publishing Group is directly interested in 592,809,525 A Shares of the Company.
3. Wu Wenqian is directly interested in 96% equity interests in Hua Sheng Group. Accordingly, Wu Wenqian is deemed to hold 53,336,000 A Shares of the Company through Hua Sheng Group. On 11 January 2018, Hua Sheng Group has pledged all the shares in the Company held by it.

Save as disclosed above, as at 31 December 2018, so far as is known to the Directors and Supervisors, no other person (not being a Director, Supervisor or senior management of the Company) had any interest and short position in the shares, underlying shares and debentures of the Company which were required, pursuant to section 336 of the SFO, to be entered in the register required to be kept by the Company referred to therein.

Apart from (i) Mr. He Zhiyong, the Chairman and executive Director of the Company, who is the director and president of Sichuan Xinhua Publishing Group; (ii) Mr. Luo Jun, the non-executive Director, who is the director and vice president of Sichuan Xinhua Publishing Group; and (iii) Mr. Chao Hsun, Supervisor, who is the director of investment and operations of Hua Sheng Group, as at 31 December 2018, none of the Directors and Supervisors of the Company held any positions as directors or employed as employees in any company having interests or short positions which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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

So far as is known to the Directors, as at 31 December 2018, the Directors, Supervisors and chief executives of the Company who had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to section 352 of the SFO, to be entered in the register required to be kept by the Company, or which are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange are as follows:

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

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

Report of the Directors

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

PUBLIC FLOAT

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

COMPLIANCE WITH THE CG CODE

The Company is committed to achieving sound corporate governance, continuously perfecting and optimising the internal control and risk management system of the Company. The Company has adopted and complied with applicable code provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules during the Year, with the exception of the deviation from code provision A.4.2. Details of compliance with the CG Code are set out in the section "Corporate Governance Report" in this annual report.

DIRECTORS AND SUPERVISORS

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

Executive Directors

Mr. He Zhiyong
Mr. Chen Yunhua
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

Supervisors

Mr. Tang Xiongxing
Mr. Chao Hsun
Ms. Lan Hong
Ms. Wang Yan

INDEPENDENT SUPERVISORS

Mr. Li Xu
Ms. Liu Mixia

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Year, details of the change relating to senior management of the Company are set out below:

Mr. An Qingguo resigned as deputy general manager of the Company due to advancing age, which took effect upon approval by the Board on 3 April 2018.

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

BOARD AND BOARD COMMITTEES

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

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

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

PERMITTED INDEMNITY PROVISION

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

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

During the Year, none of the Directors and Supervisors had any direct or indirect material interest in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries and subsidiaries of its holding company was a party and remained subsisting at the end of the Year.

COMPETING BUSINESS INTERESTS

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

As at the date of this annual report, to the knowledge of the Directors, none of the Directors, Supervisors and their respective associates (as defined in the Listing Rules) had any interest in any business which is or may be in direct or indirect competition with that of the Group.

Report of the Directors

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

Remunerations of the Directors and Supervisors are determined by the Remuneration and Review Committee by reference to the remuneration standards of similar companies, time commitment of the Directors and Supervisors and terms of references, etc. Remuneration details of Director, Supervisors and Senior management are set out in the section headed "Profile of Directors, Supervisors, Senior Management and Employees" in this annual report.

During the Year, the five highest paid individuals of the Group included one director and details of the emoluments of the Directors and Supervisors and remunerations of the five highest paid individuals are set out in note (XI) 5 to the consolidated financial statements in this annual report.

SHARE APPRECIATION RIGHT INCENTIVE SCHEME

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

MATERIAL LITIGATION

During the Year, the Company was not involved in any litigation, arbitration or claims of material importance and there was no litigation or claim of material importance which was known to the Directors to be pending or threatened by or against the Company.

AUDIT COMMITTEE

The Company has established the Audit Committee in compliance with Rules 3.21 and 3.22 of the Listing Rules with specific written terms of reference.

The Audit Committee has reviewed the audited consolidated financial statements of the Group as set out in this annual report and has communicated and discussed the financial reporting, risk management and internal control with the management and auditors of the Company. The Audit Committee considered that the consolidated financial statements have been prepared in accordance with applicable accounting standards and requirements and appropriate disclosures were made.

AUDITORS

At the annual general meeting of the Company for 2017 held on 30 May 2018, it was approved that Deloitte Touche Tohmatsu CPA was re-appointed as the sole auditor of the Company for the year 2018, and the Board was authorised to determine and approve its remunerations.

The consolidated financial statements for 2018 of the Group, prepared in accordance with the China Accounting Standards for Business Enterprises, have been audited by Deloitte Touche Tohmatsu CPA. The terms of office of Deloitte Touche Tohmatsu CPA will expire on the date of the forthcoming 2018 AGM of the Company, and shall be eligible for re-appointment at the 2018 AGM. Deloitte Touche Tohmatsu CPA is also the sole auditor of the Company for 2016 and 2017.

By order of the Board

He Zhiyong

Chairman

27 March 2019

Corporate Governance Report

The Company has all along been striving to establish a corporate governance system which is in compliance with the PRC laws and supervisory regulations of the listing places of its shares and applicable to the actual position of the Company. Pursuant to the relevant requirements of the Listing Rules, the Board has taken actions and measures to continuously strengthen the development of the corporate governance system of the Company and persistently improve the corporate governance work so as to ensure the Company's strict compliance with the relevant requirements in all aspects.

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

During the Year, the Company has adopted and complied with the principles and the code provisions of the CG Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules with the exception of the deviation from code provision A.4.2.

According to code provision A.4.2, each director (including directors with a specific service term) shall take turns to resign, at least once every three years. The service term of the Company's fourth session of the Board and the Supervisory Committee expired on 5 March 2018. Since the nomination of the candidates of Director and Supervisor has not finished and to maintain the continuity and stability of the work of the Board and Supervisory Committee, the re-election and appointment of the Company's fifth session of the Board, Supervisory Committee and all the specific committees under the fifth session of the Board will be postponed and thus, the term of the Directors and Supervisors will be extended accordingly as well. If feasible, the Company will conduct the re-election and appointment of the Board and Supervisory Committee as soon as possible.

BOARD

Responsibilities and Division of Work

The Board acts on behalf of the interests of the Shareholders as a whole and is accountable to general meetings. The main duties of the Board are to: implement the resolutions passed at general meetings; make decision on the Company's business plans and investment plans; formulate the Company's annual financial budget and final financial report; formulate the Company's profit distribution plan and loss recovery plan; decide on the establishment of the Company's internal management structure; and formulate the Company's basic management system, etc.

The Board is responsible for making decisions on specific issues, while the management is delegated the power to execute and manage the Company's day-to-day affairs. The Company does not maintain the position of a chief executive officer but has a General Manager who has a role similar to that of a chief executive officer. The positions of the Chairman and General Manager of the Company are taken up by Mr. He Zhiyong and Mr. Yang Miao respectively, with clear division of work between them. The Chairman is in charge of the affairs of the Board and reviews the implementation of the Board's resolutions whereas the General Manager, under the leadership of the Board, is mainly responsible for the Company's management operations and business coordination. Apart from the information disclosed in the section "Profile of Directors, Supervisors, Senior Management and Employees" of this annual report, there is no financial, business, family and other material/relevant relationship among the respective Directors, the Chairman and General Manager.

Corporate Governance Report

Composition of the Board

The fourth session of the Board of the Company currently comprises 9 Directors, including 3 executive Directors, Mr. He Zhiyong, Mr. Chen Yunhua and Mr. Yang Miao; 3 non-executive Directors, Mr. Luo Jun, Mr. Zhang Peng and Mr. Han Xiaoming; and 3 independent non-executive Directors, Mr. Chan Yuk Tong, Mr. Fang Bingxi and Ms. Xiao Liping. The number of independent non-executive Directors accounts for one-third of the total number of Directors. The number of Directors and composition of the Board have been in compliance with relevant laws and regulations. According to the Articles of Association of the Company, the term of office of the Directors (including non-executive Directors) is from the date of passing the resolutions at the general meeting to the expiry date of the term of office of the Board of that session.

During the Year, there were no changes of Directors.

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

Directors' Time Commitment

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

Directors' Training and Continuing Professional Development

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

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

Corporate Governance Report

During the Year, pursuant to the listing rules and regulatory requirements of the H Share market and A Share market as revised from time to time, the Company engaged an intermediary to carry out the special training for its Directors, Supervisors and other related personnel. At the same time, it arranged the Directors and Supervisors to attend the onsite training of Sichuan Regulatory Bureau of CSRC and the online training organised by SSE and the Stock Exchange so that they understand and are familiarised with the latest news and requirements regarding the listing rules of the H Share market and A Share market so as to ensure compliance by the Directors and Supervisors in performing their duties and responsibilities. Individual records of the Directors who have attended training are as follows:

Name	Training attendance	Reading Materials
He Zhiyong (<i>Chairman</i>)	Y	√
Chen Yunhua (<i>Vice Chairman</i>)	Y	√
Yang Miao	N	√
Luo Jun	Y	√
Zhang Peng	N	√
Han Xiaoming	Y	√
Chan Yuk Tong	Y	√
Xiao Liping	Y	√
Fang Bingxi	Y	√

Directors' Insurance

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

Board Meetings

During the Year, the fourth session of the Board convened a total of 10 Board meetings, of which five were held on site and five were held by way of written resolutions. The Board meetings reviewed resolutions regarding the continuing connected transactions, risk management and internal control, engagement of auditors, 2017 annual results, 2018 interim results and quarterly results, etc.

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

Corporate Governance Report

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

Attendance of members of the Board at Board meetings

Name	Attendance in person/Number of meetings requiring attendance	Attendance by director proxy	Attendance rate
<i>Executive Directors</i>			
He Zhiyong (Chairman)	9/9	0	100%
Chen Yunhua (Vice Chairman)	8/9	1	90%
Yang Miao	8/10	2	80%
<i>Non-Executive Directors</i>			
Luo Jun	9/9	0	100%
Zhang Peng	8/9	1	90%
Han Xiaoming	10/10	0	100%
<i>Independent Non-executive Directors</i>			
Chan Yuk Tong	10/10	0	100%
Xiao Liping	10/10	0	100%
Fang Bingxi	10/10	0	100%

Attendance of members of the Board at general meetings

Name	Attendance in person/Number of meetings requiring attendance	Attendance rate
<i>Executive Directors</i>		
He Zhiyong (Chairman)	1/1	100%
Chen Yunhua (Vice Chairman)	1/1	100%
Yang Miao	1/1	100%
<i>Non-Executive Directors</i>		
Luo Jun	1/1	100%
Zhang Peng	1/1	100%
Han Xiaoming	1/1	100%
<i>Independent Non-executive Directors</i>		
Chan Yuk Tong	1/1	100%
Xiao Liping	1/1	100%
Fang Bingxi	1/1	100%

Corporate Governance Report

BOARD COMMITTEES

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

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

Name	Strategy and Investment Planning Committee	Audit Committee	Remuneration and Review Committee
<i>Executive Directors</i>			
He Zhiyong (Chairman)	N/A	N/A	N/A
Chen Yunhua (Vice Chairman)	N/A	N/A	N/A
Yang Miao	1/1	N/A	N/A
<i>Non-Executive Directors</i>			
Luo Jun	N/A	N/A	2/2
Zhang Peng	N/A	7/7	N/A
Han Xiaoming	1/1	N/A	N/A
<i>Independent Non-executive Directors</i>			
Chan Yuk Tong	N/A	7/7	2/2
Xiao Liping	N/A	N/A	2/2
Fang Bingxi	1/1	7/7	N/A

Corporate Governance Report

Strategy and Investment Planning Committee

The main responsibilities of the Strategy and Investment Planning Committee are to carry out research on the Company's long term development strategies and significant investment decisions and to make recommendations to the Board, etc.

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

During the Year, one meeting of the Strategy and Investment Planning Committee of the Board was convened, which reviewed the Investment Management System of the Company.

Audit Committee

The main responsibilities of the Audit Committee include: (1) proposing the engagement or removal of external audit institutions; (2) supervising the Company's internal audit system and its implementation; (3) being responsible for the communications between internal audit and external audit; (4) reviewing the Company's financial information and its disclosure; (5) reviewing the Company's internal control system; (6) performing the corporate governance responsibilities; and (7) reviewing and performing the risk management duties, etc.

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

During the Year, the Audit Committee of the Board convened a total of seven meetings. All committee members attended all the meetings in person and signed all written resolutions to consider the various resolutions including 2017 annual results, 2018 interim results and quarterly results, amendment to the Complaint Reporting System, continuing connected transactions, internal control and risk management issues of the Company, auditor's engagement, and review of the Company's compliance with the CG Code etc, to submit its opinions and recommendations to the Board, playing a positive role in helping the Board's decision-making.

The Board has designated the function of corporate governance and the function to review risk management and internal control systems to the Audit Committee to strengthen the internal control and risk management of the Company with a view to enhancing the overall corporate governance level of the Company. In 2018, through communicating with the Company's management, internal audit department, external auditors and internal control consultant, the Audit Committee conducted site inspections of business entities; reviewed the relevant documents provided by the Company; followed up on the Company's implementation of the management recommendations put forth by the auditors and internal control consultant; evaluated and monitored the formulation and implementation of internal control and corporate governance policies of the Company and the compliance with the CG Code by the Directors, Supervisors and senior management with their due performance of corporate governance duties and review of their risk management duties.

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

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

Remuneration and Review Committee

The main responsibilities of the Remuneration and Review Committee include: (1) examining the assessment criteria of the Company's Directors and senior management, conduct assessment and provide recommendations to the Board; (2) evaluating and examining the remuneration policies and proposals applicable to the Company's Directors and senior management, etc. Currently, the Company adopts a system where the Remuneration and Review Committee is delegated with the authority by the Board to determine the remuneration packages of individual executive Directors and management personnel.

The Remuneration and Review Committee of the fourth session of the Board comprises 3 Directors, current members being Mr. Chan Yuk Tong, Ms. Xiao Liping and Mr. Luo Jun. Mr. Chan Yuk Tong, an independent non-executive Director, is the chairman of the committee. All members of the Remuneration and Review Committee are non-executive Directors, among whom Mr. Chan Yuk Tong and Ms. Xiao Liping are independent non-executive Directors, and Mr. Luo Jun is a non-executive Director.

During the Year, the Remuneration and Review Committee of the fourth session of the Board convened a total of two meetings. All committee members signed all written resolutions. The meetings mainly considered the resolutions regarding the remuneration of operating management team for 2017 and remuneration appraisal proposal for 2018.

Nomination Committee

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

The Nomination Committee of the fourth session of the Board comprises three Directors, current members being Ms. Xiao Liping, Mr. Chan Yuk Tong and Mr. Luo Jun. Ms. Xiao Liping, an independent non-executive Director, is the chairlady of the committee. All members of the Nomination Committee are non-executive Directors, among whom Ms. Xiao Liping and Mr. Chan Yuk Tong are independent non-executive Directors, and Mr. Luo Jun is a non-executive Director.

During the Year, the Nomination Committee of the fourth session of the Board did not convene any meetings.

BOARD DIVERSITY

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

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

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

Corporate Governance Report

DIRECTORS

Appointment and Re-election of Directors

The Directors are elected at general meetings, with a term of office of 3 years. Where a director has not yet been re-elected upon the expiry of his/her term of office or the number of directors is less than the required quorum as a result of resignation of directors during their term of office, the existing director shall continue to serve as a director in accordance with the laws, administrative regulations and the Articles of Association until the newly elected director commences his/her term of office. The Directors are eligible for re-election upon expiry of the term of office. During the election of new session of the Board, the list of candidates should be proposed by the Board and put forward for consideration and approval at general meetings. The Directors of the new session of the Board are appointed by voting for each of the candidates for the directorship at general meetings.

The fourth session of the Board of the Company expired on 5 March 2018. As at the date of this report, the Board has not yet completed the election of a new session of the Board. The term of office of the members of the fourth session of the Board will be automatically extended until the fifth session of the Board is elected at the general meeting. The members of the fourth session of the Board shall continue to perform their duties prior to the election of the fifth session of the Board at the general meeting of the Company in strict compliance with the laws, regulations and the Articles of Association to safeguard the legitimate interest of the Company and its Shareholders and to ensure normal operation of the Company.

Nomination of Directors

Pursuant to the Articles of Association, the candidates for the appointment of Directors shall be nominated and proposed by the current Board, and Shareholder(s) who is/are jointly or severally holding more than 3% of the Shares of the Company can also nominate and propose candidates for Directors. The Board examines the qualifications and conditions of the candidates. Upon passing the board resolutions, the proposal will be submitted in writing to general meetings for consideration.

The Board has a Nomination Committee, which is mainly responsible for providing opinions and recommendations regarding the candidates, conditions, standards and procedures for the proposed Directors, general manager and other senior management of the Company.

Independence of Independent Non-executive Directors

The Company currently has 3 independent non-executive Directors with a term of not exceeding 6 years continuously for each independent non-executive Director, which is in compliance with the requirements of the number of members and qualifications prescribed by the Listing Rules. Independent non-executive Directors have no business and financial interests in the Company or its subsidiaries, nor do they assume any managerial position in the Company. Their independence is guaranteed. Independent non-executive Directors are experienced professionals from various industries including publishing and distribution, accounting and asset appraisal and have met the qualifications of independent non-executive directorship of the A Share listed companies who are familiar with the rights and obligations of directors and independent non-executive directors of listed companies.

Mr. Chan Yuk Tong, Ms. Xiao Liping and Mr. Fang Bingxi, the independent non-executive Directors of the Company, confirmed in writing to the Company that they had fulfilled the level of independence as required by Rule 3.13 of the Listing Rules this Year. According to their confirmations and to the understanding of the Board, all the independent non-executive Directors are independent persons in compliance with the requirements under Rule 3.13 of the Listing Rules.

Securities Transactions by Directors and Supervisors

For the purpose of governing securities transactions by the Directors and the Supervisors, the Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as a code of conduct for securities transactions by the Directors and Supervisors. Having made specific enquiries to each of the Directors and Supervisors, all Directors and Supervisors confirmed that they have complied with all the terms set out in the Model Code during the Year.

SHAREHOLDERS AND GENERAL MEETINGS

Details of Controlling Shareholder and Ultimate Controlling Shareholder

The controlling Shareholder of the Company is Sichuan Xinhua Publishing Group, which is a wholly-owned subsidiary of Sichuan Development. Sichuan Development is defacto controlled by SASAC of Sichuan, thus the Company is beneficially controlled by SASAC of Sichuan.

The Company is independent from the business operations of the controlling Shareholder in terms of personnel, organisation, assets and business. The controlling Shareholder conformed to the regulations and had never bypassed any general meetings to directly or indirectly interfere with the Company's operations and decision-making.

The shareholding details of the substantial Shareholders at the end of the Year are set out in the section "Report of the Directors" in this annual report.

General Meetings

The Company endeavours to ensure that all Shareholders of the Company, especially the minority shareholders, enjoy equal rights and can fully exercise their rights. The general meeting exercises its power in accordance with the law and is the highest authority of the Company.

In order to safeguard the interests and rights of Shareholders, the Company has put forward an independent resolution for each of the important events and presented to the general meetings for consideration in accordance with the relevant requirements under laws and regulations, the Articles of Association as well as the Listing Rules. The details of Shareholders' rights and the respective voting procedures are set out in the relevant circulars to Shareholders in accordance with the Articles of Association and the Listing Rules. The circulars are despatched to Shareholders prior to relevant deadline and are published on the website of the Stock Exchange, website of the SSE and the Company's self-established website.

During the Year, the Company had convened one annual general meeting. The meeting considered and passed many important resolutions such as the 2017 annual report, profit distribution proposal, engagement of auditors and internal audit functions, and continuing connected transactions, etc. The Directors, Supervisors and certain members of the senior management of the Company attended the meetings and answered the questions raised by the Shareholders. Each resolution was voted by poll after full communications among the Shareholders, Directors, Supervisors and management of the Company. The announcements regarding the poll results of general meetings are disclosed on the website of the Stock Exchange, website of the SSE and the Company's self-established website in a timely manner.

Corporate Governance Report

SUPERVISORY MECHANISM

Supervisory Committee

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

During the Year, the fourth session of the Supervisory Committee comprises 6 members, including 2 Supervisors recommended by Shareholders, 2 independent Supervisors and 2 Supervisors representing employees. The number of members and composition of the committee are in compliance with the requirements of relevant laws and regulations. Mr. Tang Xiongxing is currently the chairman of the fourth session of the Supervisory Committee. The Supervisors who are recommended by Shareholders and independent Supervisors are subject to election and removal by the Shareholders at general meetings; the Supervisors representing employees are subject to election and removal by the staff of the Company at the employee representative meetings, staff meetings or otherwise in a democratic manner. The term of office of Supervisors is effective on the day of passing the resolution by Shareholders at general meeting or staff democratic election until the date of the expiry of the term of the session of the Supervisory Committee. The term of each session of the Supervisory Committee is three years, and the Supervisors are eligible for re-election upon expiry of the term.

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

During the Year, the Supervisory Committee convened a total of five meetings. Details of work of the Supervisory Committee are set out in the section "Report of the Supervisory Committee" in this annual report.

Internal Control and Risk Management

The Board is responsible for establishing a comprehensive risk management and internal control system, evaluating its effectiveness, and reviewing the risk management and internal control functions of the Company on an on-going basis through the Audit Committee. The management is authorised by the Board to organise and lead the daily operation of the risk management and internal control of the enterprise. The Company has established a risk management work leadership team and an internal control work leadership team to comprehensively guide the risk management and internal control work of the Company, the implementation of which is organised by the affiliated risk management work office and internal control (joint) work team. In addition, a discipline inspection office is in place to handle matters on complaints reporting in accordance with disciplines and regulations, while a legal department checks economic contracts in advance and provides professional assistance when disputes arise. The Audit Department is responsible for independent internal audit. Apart from these, the Company has engaged an intermediary to carry out internal control audit of the Company to ensure the completeness and effectiveness of the internal control of the Company.

During the Year, the Company continued to enhance the internal control management capability and to engage consulting companies to assist the Company in the optimisation and improvement of the internal control system; carried out evaluations and follow-ups on the effectiveness of internal control every half year; commenced updating of the Internal Control Code in accordance with actual changes in business; through overseas training and professional cooperation with consultancy firms, facilitated the enhancement of the capabilities of internal control professionals; expanded the breadth and depth of self-assessment of internal control among relevant entities. During the year, no material and significant internal control defects were identified. The internal control system was complete and effective.

Corporate Governance Report

The Company also endeavoured to enhance the overall capabilities to resist risks and continued to engage consultancy firms to assist the Company to carry out risk assessment and review the risks of the Company. Through determining risks and preferences, the nature and extent of risks that the Company is willing to take were identified. The Company updated and improved its risk database through identification and analysis. Through assessing the Company's degree of monitoring of relevant risks, the risk management person-in-charge would monitor the risks and actively take measures to deal with them. Through targeted publicity and training on risk management and culture toward different hierarchical levels, the management officers at each level had strengthened their risk prevention and control awareness, paid attention to the balance of risks and returns in the course of business and voluntarily managed the uncertainties that may affect the accomplishment of business objectives. The Company's risk prevention capabilities continued to increase. During the Year, no risks that will materially affect the operations of the Company were identified. The Company's overall risks remained under control and risk management was effective.

The Company continued to enhance the mechanism to prevent the conflict of interests and processed various reported issues to form a multi-angle and multi-layered internal control system. In addition, the Company examined the legality and validity of economic contracts to safeguard the legal interests of the Company. The internal audit department acted independently and objectively, which fully demonstrated its role of supervision.

Placing great emphasis on the internal control of information disclosure, the Company has formulated the Information Disclosure System and the Insider Registration Management System, and implemented the information disclosure review and approval procedures based on the rules of the system. Before disclosure of inside information, the Company shall strictly carry out the review according to the procedures as stipulated in the Information Disclosure System and make disclosure after obtaining the consent from the Board. The Company has implemented the Insider Registration

Management System where the Board is responsible for the registration management tasks of inside information of the Company and ensuring the insider registration archives are true, accurate and complete; the secretary to the Board is responsible for filing of the insider registration archives of the Company; the person designated by the Board office is responsible for the inside information registration management tasks of the Company to ensure that the insider registration archives are true, accurate and complete; and the Supervisory Committee of the Company is responsible for supervising the implementation of the system.

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

AUDITORS AND THEIR REMUNERATIONS

Auditors and their Remunerations

At the 2017 annual general meeting held on 30 May 2018, the shareholders of the Company approved the re-engagement of Deloitte Touche Tohmatsu CPA as the Company's auditor and internal control auditor for 2018. The above two engagements shall continue until the conclusion of the forthcoming annual general meeting of the Company. The Board was authorised to determine the auditors' remunerations through individual negotiation in accordance with market practice.

During the Year, Deloitte Touche Tohmatsu CPA provided the following audit services to the Group: 1) professional audit services in respect of the annual report; 2) review procedures services on interim report; and 3) verification services on continuing connected transactions. The fees payable to the auditor in respect of the above services provided by the Group was RMB2.86 million (2017: RMB2.86 million). In addition, the auditor also provided audit services for internal control of the Group. The fees payable by the Group to the auditor amounted to RMB400,000 (2017: RMB400,000).

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In addition to the rendering of the above services, during the Year, Deloitte Touche Tohmatsu CPA received relevant fees from the Group for the provision of non-audit services, including: the service fee for assurance on the use of proceeds amounting to RMB80,000; and the service fee for the consulting services in accordance with the ESG of the Stock Exchange amounting to RMB100,000.

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

The Audit Committee of the Company has reviewed and monitored the independence of Deloitte Touche Tohmatsu CPA in compliance with Code Provision C.3.3 of Appendix 14 to the Listing Rules and Deloitte Touche Tohmatsu CPA has issued a written confirmation with respect to its independence to the Audit Committee of the Company as at the date of this report.

COMPANY SECRETARY

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

Mr. You received relevant professional training of no less than 15 hours for the year ended 31 December 2018.

DIRECTORS' RESPONSIBILITIES ON FINANCIAL STATEMENTS

The Directors have confirmed their responsibilities for the preparation of the financial statements. The Directors are responsible for monitoring the preparation of the Company's financial statements for each fiscal period so as to ensure that the financial statements give a true and objective view of the status of the Company's business conditions, results as well as cash flow of that period. The Directors are not aware of any issues or circumstances that may cause any material adverse effect on the ongoing operation of the Company.

RIGHTS OF SHAREHOLDERS AND INVESTORS RELATIONSHIP

Procedures for convening extraordinary general meetings by Shareholders

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

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

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

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

Procedures to make an inspection request to the Board

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

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

Procedures to make recommendations at general meetings

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

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

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

Dividend Payment Policy

In accordance with the Articles of Association, the Company adopts a sustainable and steady profit distribution policy. The distribution policy and the dividend distribution proposal shall be prepared, considered and passed by the Board before submitting to the general meeting for approval. When considering the profit distribution policy and the dividend distribution proposal, the Board shall pay due regard to opinions of independent Directors and the Supervisory Committee. The Company may make its dividends by means of cash, shares, a combination of both or otherwise as permitted by laws and regulations, where priority is given to cash. Conditions and payout of cash dividends: 1. Save for exceptional circumstances, priority shall be given to

Corporate Governance Report

cash dividends when the Company recorded profits and positive undistributed profits accrued for the year. Subject to laws, regulations and regulatory provisions, profit distribution of the Company in cash for a given year shall not be less than 30% of its distributable profits for such a year. 2. Save for exceptional circumstances, profit distribution of the Company in cash shall not be less than 80% of such distribution. 3. Under exceptional circumstances, profit distribution of the Company in cash shall not be less than 40% of such distribution.

Amendments to the Articles of Association

During the Year, the Company did not amend the Articles of Association.

Communications with investors and investor relations

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

- publication of annual reports regularly and provisional announcements of the Company in a timely manner in accordance with the regulatory requirements of the listing places of the Company;
- respect for Shareholders' right to question by providing the opportunity for minority shareholders to attend the general meetings;
- response to investors' inquiries promptly through investor relation hotline, facsimile, email and SSE E-interactive;
- reception of routine visits from investors and analysts;
- one-on-one communication with investors, analysts and financial media through analyst meetings, results presentations, strategic meetings of securities firms and road shows to increase the Shareholders' and investors' understanding of the Company; and

- provision of operational and management as well as corporate governance information, etc to investors through the websites of the stock exchanges and the Company.

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

The Company is in adherence to maintaining sound and effective two-way communication with Shareholders and investors. While strictly performing the statutory obligations on information disclosure and through a variety of investor relations activities, it allows investors locally and abroad to understand the operation and growth conditions of the Company in a timely and sufficient manner. In 2018, the Company carried out special discussions with domestic and overseas investors through online roadshows, attending strategic seminars of securities firms and investors' visits to the Company; maintained routine contact with domestic and overseas investors through telephone, mail, SSE E-interactive; and disclosed the operating and growth conditions of the Company through the websites of the stock exchanges and the Company in a voluntary and timely manner, thus increasing the information transparency of the Company and safeguarding the Company's good image in the capital market.

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

Profile of Directors, Supervisors, Senior Management and Employees

I. BASIC PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at 31 December 2018, the basic particulars of the incumbent and resigned Directors, Supervisors and senior management of the Company during the Reporting Period are as follows:

Name	Position (Note)	Gender	Age	Commencement date of term	End date of term	Total remuneration before tax received from the Company for the reporting period (RMB10,000)	Remuneration from related parties of the Company
He Zhiyong	Executive Director and Chairman	Male	58	29 December 2015	The date of the term expired of the fourth session of the Board	0	Yes
Chen Yunhua	Executive Director and Vice Chairman	Male	57	21 December 2017	The date of the term expired of the fourth session of the Board	0	Yes
Yang Miao	Executive Director and General Manager	Male	48	6 March 2015	The date of the term expired of the fourth session of the Board	153.10	No
Luo Jun	Non-executive Director	Male	52	30 July 2008	The date of the term expired of the fourth session of the Board	0	Yes
Han Xiaoming	Non-executive Director	Male	65	25 May 2017	The date of the term expired of the fourth session of the Board	10.80	No
Zhang Peng	Non-executive Director	Male	54	9 May 2013	The date of the term expired of the fourth session of the Board	0	Yes
Fang Bingxi (Former name: Fang Xite)	Independent Non-executive Director	Male	56	26 October 2017	The date of the term expired of the fourth session of the Board	18.40	No
Xiao Liping	Independent Non-executive Director	Female	62	6 March 2015	The date of the term expired of the fourth session of the Board	0	No
Chan Yuk Tong	Independent Non-executive Director	Male	56	18 February 2016	The date of the term expired of the fourth session of the Board	29.20	No
Tang Xiongxing	Chairman of Supervisory Committee	Male	52	21 December 2017	The date of the term expired of the fourth session of the Supervisory Committee	0	Yes

Profile of Directors, Supervisors, Senior Management and Employees

Name	Position (Note)	Gender	Age	Commencement date of term	End date of term	Total remuneration before tax received from the Company for the reporting period (RMB10,000)	Remuneration from related parties of the Company
Chao Hsun	Supervisor	Male	30	25 May 2017	The date of the term expired of the fourth session of the Supervisory Committee	5.90	No
Lan Hong	Supervisor	Female	51	11 June 2005	The date of the term expired of the fourth session of the Supervisory Committee	44.14	No
Wang Yan	Supervisor	Female	40	6 March 2015	The date of the term expired of the fourth session of the Supervisory Committee	39.79	No
Li Xu	Independent Supervisor	Male	56	18 February 2016	The date of the term expired of the fourth session of the Supervisory Committee	8.50	No
Liu Mixia	Independent Supervisor	Female	60	6 March 2015	The date of the term expired of the fourth session of the Board	8.20	No
Chen Dali	Deputy General Manager	Male	56	11 June 2005	The date of the term expired of the fourth session of the Board	114.47	No
An Qingguo	Deputy General Manager	Male	63	1 December 2010	3 April 2018	17.53	No
Li Qiang	Deputy General Manager	Male	45	6 March 2015	The date of the term expired of the fourth session of the Board	172.77	No
You Zugang	Secretary to the Board	Male	56	11 June 2005	The date of the term expired of the fourth session of the Board	106.65	No
Zhu Zaixiang	Chief Financial Officer	Male	57	11 June 2005	The date of the term expired of the fourth session of the Board	106.65	No
Total	/	/	/	/	/	836.10	/

Note: Total remuneration includes salary, bonus and various insurance payments paid by the enterprise.

Profile of Directors, Supervisors, Senior Management and Employees

II. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

In April 2018, Mr. An Qingguo resigned from deputy general manager of the Company due to advancing age with effect from 3 April 2018 upon approval from the Board.

III. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. He Zhiyong (何志勇), born in June 1960, currently Chairman and executive Director of the Company; director, president and member of the party committee of Sichuan Xinhua Publishing Group and president of the Listed Companies Association of Sichuan (四川省上市公司協會). Mr. He served as head of teaching and research office, associate professor, deputy department head and professor of the Economic and Trade Department at Southwestern University of Finance and Economics; vice president and executive vice president at Southwestern University of Finance and Economics; deputy head of Sichuan Provincial Press and Publication (Copyright) Bureau; editor-in-chief and deputy head of the management committee of Sichuan Publication Group; party secretary and head of the management committee of Sichuan Periodical Press Group. Mr. He has been the director, president and party committee member of Sichuan Xinhua Publishing Group since September 2015. Since December 2015, he has been appointed as Chairman of the Board and executive Director of the Company. Since May 2018, he has been appointed as president of the Listed Companies Association of Sichuan (四川省上市公司協會). Mr. He successively obtained a bachelor's degree in Economics from Sichuan Institute of Finance and Economics and a master's degree and a doctorate degree in Economics from Southwestern University of Finance and Economics.

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

Profile of Directors, Supervisors, Senior Management and Employees

Mr. Yang Miao (楊杪), born in May 1970, currently executive Director and general manager of the Company; and director of Sichuan Yaxinshengxiang Education Technology Co., Ltd. He held the positions of deputy sales manager, sales manager and deputy general manager of Sichuan Province Xinhua Bookstore Textbook Company; deputy general manager of Sichuan Xinhua Book & Trading Co., Ltd.; manager of the textbook distribution company of Sichuan Xinhua Publishing Group; deputy general manager and general manager of education service department deputy party secretary, general manager and executive Director of the Company from June 2005 to July 2008; deputy general manager of the Company from August 2008 to December 2013. He concurrently served as director of Ming Bo Education Technology Holdings Co., Ltd. from December 2009 to November 2015. He has been general manager of the Company since December 2013 and executive Director of the Company since March 2015. Mr. Yang graduated from the Faculty of Politics of the University of Chengdu with a bachelor's degree in public relations and economic law, subsequently he completed the research course at the School of Economics and Management of Tsinghua University and Renmin University of China, and later obtained a master's degree in business administration from Sichuan College of Business Administration. He is also an economist.

Non-Executive Directors

Mr. Luo Jun (羅軍), born in March 1966, currently non-executive Director of the Company; director and vice president of Sichuan Xinhua Publishing Group; chairman of Chengdu Wenjiang District Xingwen Technology Microfinance Co., Ltd. (成都市溫江區興文科技小額貸款有限責任公司). He worked at Guizhou Administration for Industry and Commerce and held the positions of secretary of the directly administered entities youth league committee (直屬機關團委書記), head of the personnel education department (人事教育處) for Sichuan Provincial Bureau of Press and Publication; chief officer of the training centre of Sichuan Provincial Bureau of Press and Publication (四川省新聞出版培訓中心主任) and director or chairman of various subsidiaries of Sichuan Xinhua Publishing Group. Mr. Luo was Supervisor of the Company from April 2006 to July 2008 and was appointed as chairman of the Supervisory Committee of the Company from May 2006 to July 2008. He has been vice president of Sichuan Xinhua Publishing Group since January 2006, director of Sichuan Xinhua Publishing Group since November 2007, chairman of Chengdu Wenjiang District Xingwen Technology Microfinance Co., Ltd. (成都市溫江區興文科技小額貸款有限責任公司) since October 2016 and non-executive Director of the Company since July 2008. Mr. Luo graduated from Shaanxi Institute of Finance and Economics (陝西財經學院) with an economics bachelor's degree and obtained a master's degree in economics management at the Central Chinese Communist Party School (中央黨校).

Profile of Directors, Supervisors, Senior Management and Employees

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

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

Profile of Directors, Supervisors, Senior Management and Employees

Independent Non-Executive Directors

Mr. Chan Yuk Tong (陳育棠), born in June 1962, currently independent non-executive Director and chairman of the Audit Committee of the Company; and independent non-executive director of FDG Electric Vehicles Limited (stock code: 729.HK) and Ground International Development Limited (stock code: 989.HK), which are companies listed in Hong Kong. He is also director of Ascenda Cachet CPA Limited. Mr. Chan served as audit principal and manager of Ernst & Young, director of G2000 (Apparel) and deputy general manager of the accounting and finance department of Dongfeng Motor Group Company Limited, respectively. He also served as director or independent non-executive director of a number of listed companies in both China and Hong Kong. During the last three years, he was an independent non-executive director of Ausnutria Dairy Corporation Ltd. (stock code: 1717.HK), Daisho Microline Holdings Limited (stock code: 567.HK), Global Sweeteners Holdings Limited (stock code: 3889.HK) and Kam Hing International Holdings Limited (stock code: 2307.HK). Mr. Chan was an independent non-executive Director of the Company, chairman of the Audit Committee and a member of the Remuneration and Review Committee from April 2006 to July 2013. He was re-appointed as independent non-executive Director of the Company from February 2016. Mr. Chan successively obtained a Bachelor's degree in Commerce from the University of Newcastle of Australia and a Master's degree in Business Administration from the Chinese University of Hong Kong. Mr. Chan is a practicing fellow member of the Hong Kong Institute of Certificate Public Accountants and a member of CPA Australia.

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

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

Profile of Directors, Supervisors, Senior Management and Employees

SUPERVISORS

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

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

Ms. Lan Hong (蘭紅), born in January 1967, currently Supervisor of the Company and deputy head of the board office. She held the positions of deputy section chief of the finance section of Chengdu City Xinhua Bookstore; section chief of the finance and audit section of the audit office of Sichuan Xinhua Publishing Group; and deputy head of the audit department of the Company. She has been Supervisor of the Company since June 2005 and deputy head of the board office of the Company since June 2007. Ms. Lan graduated from Sichuan Self-study University (四川自修大學) and obtained a graduate certificate in accounting conferred jointly by Sichuan Self-study University and Southwestern University of Finance and Economics. She later completed the course of accounting in Sichuan Radio and Television University. She is a member of the International Institute of Certified Internal Auditors and also a senior accountant.

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

Profile of Directors, Supervisors, Senior Management and Employees

INDEPENDENT SUPERVISORS

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

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

SENIOR MANAGEMENT

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

Mr. Chen Dali (陳大利), born in October 1962, currently deputy general manager of the Company; director of Sichuan Winshare Yuntu Wenchuang Technology Co., Ltd., Ren Min Eastern (Beijing) Book Industry Co., Ltd. and Hainan Publishing House Co., Ltd. He held the positions of vice president at Sichuan Bashu Book Shop; deputy general manager of Sichuan Xinhua Publishing Group and general manager of Xinhua Publication Company; and general manager of the publication department of the Company. He has been deputy general manager of the Company since June 2005. Mr. Chen obtained his master's degree in the history of Chinese language from Sichuan Normal University and a PhD degree in ancient Chinese literature from Sichuan University. He possesses the professional qualification as an editor.

Mr. Li Qiang (李強), born in May 1973, currently deputy general manager and general manager of the education service department of the Company; chairman of Sichuan Winshare Education Technology Co., Ltd. (四川文軒教育科技有限公司); and director of Sichuan Yaxinshengxiang Education Technology Co., Ltd. He held the positions of deputy manager of the sales department and manager of the marketing center and operations centre of Sichuan Xinhua Publishing Group Textbook Company, assistant to general manager and deputy manager of the textbook distribution department (currently known as the education service department) of the Company, as well as general manager of Sichuan Winshare Education Technology Co., Ltd. (四川文軒教育科技有限責任公司). Mr. Li served as a Supervisor of the Company from June 2005 to September 2011. He has been general manager of the education service department of the Company since October 2006 and deputy general manager of the Company since March 2015. Mr. Li graduated from Wuhan University with a bachelor's degree in Book Publication. He is also an economist.

Profile of Directors, Supervisors, Senior Management and Employees

Mr. You Zugang (游祖剛), born in October 1962, currently secretary to the Board of the Company and director of Bank of Chengdu. He held the positions of deputy head of the finance department of Sichuan Province Xinhua Bookstore; deputy general manager of Guangyuan City Xinhua Bookstore; person-in-charge of Sichuan Audiovisual Products Wholesale Market Operations Office (四川圖書音像批發市場辦公室); deputy head of the planning and finance department and head of the audit office of Sichuan Province Xinhua Bookstore; deputy head of the financial management department, head of the audit office, and head of the manager's office of Sichuan Xinhua Publishing Group; head of Guangyuan City Management Centre; and director of Chengdu Xinhui Industrial Co., Ltd. He has been secretary to the Board of the Company since June 2005. From June 2005 to July 2008, he served as chief administrative officer of the Company. Mr. You has been director of Bank of Chengdu since January 2010. He obtained a master's degree in business administration from Renmin University of China. He is a member of the Institute of International Internal Auditors and an accountant.

Mr. Zhu Zaixiang (朱在祥), born in March 1961, currently chief financial officer of the Company; director of Winshare Investment and Sichuan Xinhua Shang Paper Co., Ltd.; vice president of Accounting Society of Sichuan; and chairman of the financial and management working committee of China Xinhua Bookstore Association. He held the positions of deputy section chief of the audit section, section chief of the planning and finance section and head of the planning and finance department of Sichuan Province Xinhua Bookstore; head of the financial management department and chief accountant of Sichuan Xinhua Publishing Group. He has been chief financial officer of the Company since June 2005. He has been director of Sichuan Xinhua Shang Paper Co., Ltd. since 2010 and director of Winshare Investment since 2014. Mr. Zhu graduated from Southwestern University of Finance and Economics and completed an MBA course of Renmin University of China. He is a senior qualified accountant.

IV. PARTICULARS OF EMPLOYEES

1. Particulars of Employees

As at 31 December 2018, the Group has a total of 7,724 (31 December 2017: 7,642) employees. For details of the employees, please refer to the Environmental, Social and Governance Report set out in this annual report.

2. Employee Remuneration and Benefits Protection Policies

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

For the year ended 31 December 2018, the total contributions made by the Group for its employees pursuant to the pension plan and annuity plan amounted to RMB127.16 million (2017: RMB116.08 million). For details of these plans, please refer to note (VI) 23 to the consolidated financial statements of this annual report.

Profile of Directors, Supervisors, Senior Management and Employees

3. Employee Training

The Company attaches great importance to the growth and development of 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. With respect to employee training, the Company follows the principle of standardised management and hierarchical organisational implementation and continues to optimise the contents and types of training to build a multi-level and multi-format training system. The training contents cover operational management, position skills, cultural literacy, professional qualifications and teambuilding in various forms such as internal training, external training, online learning and quizzes. During the year, details of the employee training are set out in the Environmental, Social and Governance Report set out in this annual report.

4. Employee Relations

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

Environmental, Social and Governance Report

ABOUT THIS REPORT

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

The Board is responsible for the environmental, social and governance strategies and report of the Company, and has set up an environmental, social and governance work liaison mechanism led by the Board office and coordinated by the relevant departments. The report is prepared by the Company in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules, which covers the period from 1 January 2018 to 31 December 2018. The scope of disclosure of the Report is the same as that in the annual report of the Company and the Report has been reviewed by the Board.

The following sets out the ESG matters and the scope of ESG Reporting Guide in relation to relevant matters which are deemed important as far as the Company is concerned based on the evaluations of the Company. The report covers the Company and its subsidiaries. Details of corporate governance of the Company for the Year are set out in the section headed "Corporate Governance Report" in this annual report.

I. RESPONSIBILITY MANAGEMENT

1. CORPORATE MISSION

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

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

Environmental, Social and Governance Report

2. IDENTIFICATION OF STAKEHOLDERS

Stakeholder engagement takes a crucial role in the ESG management of the Company. The Company identifies the stakeholders from the parties dealt with in the course of daily operations of the

Company and communicates with the stakeholders through various means to understand their requests and make active response through actions. The stakeholders identified by the Company and their requests are summarised as follows.

Stakeholders	Expectation	Means of communication	Response
Readers	<ul style="list-style-type: none"> High quality products Extensive cultural knowledge input To enhance reading experience enhancement 	<ul style="list-style-type: none"> Official website, public accounts and etc. Customer service hotline Offline stores 	<ul style="list-style-type: none"> Strengthen the quality control of each product aspect Support and explore outstanding works for publication Establish people-friendly online and offline operating entities and efficient logistics network Optimise customer compliant procedures to understand customers' views
Employees	<ul style="list-style-type: none"> Equal and diversified employment opportunities Statutory remuneration and benefits Sound working environment and training opportunities 	<ul style="list-style-type: none"> Employee representative meetings Intranet, email, forum and internal publications Training activities 	<ul style="list-style-type: none"> Optimise the internal management system including staff recruitment and promotion, respect employees' rights, and treat each employee equally Provide sound remuneration and benefits Provide diversified training on position skills
Shareholders	<ul style="list-style-type: none"> To regulate corporate governance Steady performance growth To enhance corporate value 	<ul style="list-style-type: none"> Shareholders' meetings Regular reports and interim announcements Roadshow and other information disclosure channels 	<ul style="list-style-type: none"> Improve the internal compliance system Formulate and implement development strategies Establish a regulated information disclosure system
Schools	<ul style="list-style-type: none"> Affordable education To enhance books, teaching materials quality and stabilise supply To innovate education equipment 	<ul style="list-style-type: none"> Field researches and interviews Public welfare events Regular communication 	<ul style="list-style-type: none"> Curriculum development and teacher training Effective printing, logistics, education service system Innovate R&D Support the education in deprived regions

Environmental, Social and Governance Report

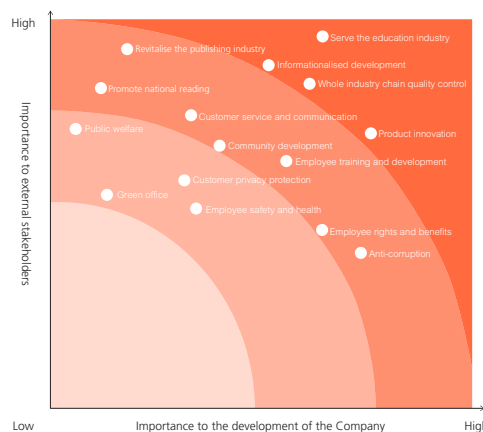
Stakeholders	Expectation	Means of communication	Response
Government and regulatory authorities	<ul style="list-style-type: none"> To comply with the PRC laws, regulations and industry standards Compliant operations To revitalise cultural industry 	<ul style="list-style-type: none"> Regular reports and corporate announcements On-site inspection and off-site supervision Event meetings 	<ul style="list-style-type: none"> Comply with laws and regulations Information disclosure in a timely and accurate manner Build a comprehensive internal control system of the enterprise and enhance the level of corporate governance Promote national reading
Partners	<ul style="list-style-type: none"> To facilitate healthy industry development To comply with business ethics Mutual benefits and joint development 	<ul style="list-style-type: none"> Peer and enterprise cooperation, exchange and research Industry association Official website and public accounts 	<ul style="list-style-type: none"> Participate in the promotion of industry standards and regulations Establish a sound internal management system Build a stable communication and cooperation mechanism

3. IDENTIFICATION OF ESG MATERIAL ISSUES

To systematically identify the key areas of ESG management, the Company, after taking into account the corporate development strategy, national policies, development trends of the publishing and media enterprises, has carried out a materiality assessment on the relevant ESG issues of the Company from two perspectives, namely, its own development and the external stakeholders, and formed the materiality matrix for the ESG issues of the Company in 2018 as basis for the content selection of the Report and the relevant ESG works to be carried out subsequently by the Company.

4. ANTI-CORRUPTION

The Company is in strict compliance with the Supervision Law of the People's Republic of China, the Rules for the Supervision and Discipline of the Chinese Communist Party's Disciplinary Inspection Organs and the relevant laws and regulations relating to anti-corruption and bribery. Through implementing the cadre anti-corruption undertaking, optimising the internal control system, carrying out anti-corruption education and discipline inspection training and stressing the complaint reporting works, the Company endeavours to push ahead the compliance management and operations of the Company at various levels in strict adherence to business ethics.



Environmental, Social and Governance Report

During the Reporting Period, the Company implemented the Measures for the Evaluation of Cadres' Clean Practice and entered into the letter of undertaking on cadre anti-corruption to regulate the person-in-charge of various bodies on the ethical standards and to define the regulated duties of the education and supervision staff and to strengthen the anti-corruption risk management. The disciplinary monitoring office of the Company is responsible for monitoring the tender and procurement of paper and TMS system. The Company actively organises seminars on anti-corruption to carry out disciplinary monitoring business training on cadres specialising in disciplinary monitoring both by hierarchy and category in a targeted manner. During the Reporting Period, there were more than 1,200 participants cumulatively.

With respect to complaint reporting, in strict compliance with the Complaint Reporting System and the Regulation on Preventing Conflicts of Interest, the Company has set up a smooth complaint reporting platform to resolutely resist business bribery, corruption and frauds. During the Reporting Period, the Company processed a total of 11 complaints and investigated and processed the tips of irregularities per the management authorisation in a timely manner.

II. VALUE CHAIN ENHANCEMENT

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

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

At the same time, the Company attaches great importance to safeguarding the intellectual property rights. During the Reporting Period, the Company applied for 24 new trademarks and successfully renewed 59 trademarks. As at the end of the Reporting Period, the Company held 252 trademarks, 2,432 copyrights, 5,642 publication rights and 4,314 book binding and design rights.

Environmental, Social and Governance Report

1. STRICT CONTROL OVER PRODUCT QUALITY

The quality assurance of the Company's products is inseparable from the quality control of the entire industry chain from topic selection, editing, proofreading to printing of books and textbooks. Each segment is under strict management.

Publication Quality

Focusing on publishing good books and adhering to the target of social benefits and economic benefits, the Company has set up a flexible and effective system which exercises strict control over the quality of publications. In 2018, Winshare Publishing closely centred around the "three key publishing" concepts of targeted publishing, refined publishing and quality publishing to strictly supervise all its publishing units to carry out the "three key publishing" concepts throughout each segment of publishing. To exercise strict control over the quality of publications, the Company has seriously assessed the annual topics and supplementary topics of the publishing units. During the Reporting Period, the Company evaluated the editing process of nine book publishing houses and supervised the publishing houses to optimise the publishing quality control system in strict compliance with the publishing procedures of "review thrice and proofread thrice" in the course of publishing.

At the initial stage of topic selection for approval, the Company strictly screens the topic orientation of the publications. In 2018, the Company reviewed 110 applications for approval regarding annual topics and supplementary topics covering 6,130 genres. Of which more than 60 topics were advised to be registered

as important topics and more than 70 sensitive topics were submitted to the experts and committees for review. During the Reporting Period, no inspection or punishment as a result of orientation issues was identified.

At the stage of script review, the Company has a stringent review process to ensure the quality of publications. The review mainly focuses on the quality of the script contents and the quality of editing and proofreading so as to identify and amend issues including knowledge-based errors, obsolete contents, plagiarism and lack of originality, citation deviation and comment errors. In 2018, the Company reviewed 72 sets of scripts with a wordcount of 19 million words in aggregate.

Printing Quality

The Company revised Xinhua Winshare's Measures on Random Inspection of Printing Quality of Textbooks and Supplementary Materials during the Reporting Period to raise the standard of printing quality. The Company's Xinhua Printing possesses the ISO 9001:2015 quality management system certification. The Company has a quality control department to enhance its level of quality control through raising the awareness on the quality of printing and stepping up the random inspection and inspection of production processes to eliminate substandard inventory in the warehouse. For products with quality issues, if they have not yet delivered to customers, printer rectification or retirement is demanded based on specific circumstances. If they have been delivered to customers, the Company will recall the products and arrange for replacement and registration according to the standard product return protocol of the Company.

Environmental, Social and Governance Report

2. SERVICE VALUE ENHANCEMENT

The Company fully utilises its own product organisation, supply and service strengths in an effort to build a diversified and people-friendly reading service project and national reading base coupled with online and offline resources to improve and innovate the model of service so as to enhance the value of reading service.

To cater for the growing cultural needs of customers, the Company devotes great efforts to develop the online reading platform and sales platform. The Company has an online sales platform of paper books “winxuan.com”, a digital content pushing platform “September Online” and the publication industry third party network collaboration platform “publication collaborative trading platform”. During the Reporting Period, the Company optimised the product interaction and enhanced the user experience of different terminals to enhance the standard of service. During the Reporting Period, the Company recorded 46.47 million copies of paper books sold online and 487,500 copies of e-books sold in aggregate from 4.91 million users of winxuan.com for online sales of paper books out of a total of more than 25.30 million users of winxuan.com.

In addition, as to offline service, the Company endeavours to carry out transformation and upgrade of offline bookstores. To enhance readers’ reading experience and interaction, focusing on a range of cultural needs of the public, the Company has strengthened the regional cooperation. During the Reporting Period, it set up new concept offline bookstores such as “Xinhua Winshare • Youth Home”, “Kids Winshare” and “Winshare • Gezhi

Bookstore” (文軒•格致書館) and launched many offline experience events to boost readers’ reading experience. As at the end of the Reporting Period, the Company had 167 offline bookstores and 7 community bookstores.

At the same time, to enhance reader experience, the Company opens up the service experience between the online, offline channels and the readers with focus on enhancing the logistics capabilities. During the Reporting Period, the Company’s logistics department promoted and upgraded the “infor-WMS logistics operating system” and the “TMS transportation management system”, which significantly increased the efficiency of delivery by expediting the logistics’ internal circulation of new arrivals and additional orders from bookstores and reducing the time where the products stay at the logistics department, thus allowing new products to go on shelf for sale in the bookstore promptly.

With respect to product recalls and quality issues, the Company has established a sound system for tackling this. The Company has a complaint hotline which is printed on the copyright page in every book where readers may directly call to file their complaints and feedbacks. To step up efforts of after-sales services, the Company implements the first inquiry accountability system for readers to feedback on quality issues and guarantees that substandard products are exchanged in a timely manner so as to provide quality services to the readers. During the Reporting Period, the Company carried out the after-sales survey regarding the quality of printing and binding of textbooks and supplementary materials so as to provide quality services to users.

Environmental, Social and Governance Report

Case study

“Textbooks are ready before class” successfully completed

The supply of textbooks for schools is the most important business of the Company as well as a mission for the society. Compared with the distribution of two-season textbooks in last year, the total number of textbooks for the two seasons during the Reporting Period increased by more than 64 million copies, representing an increase of 8.7%. However, given the factors of revision and printing, the concentrated operation time for the two quarters decreased by approximately 10 days as compared to that for the same period of last year. Through careful organisation and advance preparation, especially in face of high temperature, short operating time and continuous rainstorms during autumn, the Company designated manpower to work 24/7 at the warehouse, thus setting the record of highest single-day packaging volume of 75,000 pieces and biggest single-day shipment volume of 85,000 pieces. Upholding the solemn undertaking of “Everyone as a textbook in hand ready before class” (“課前到書，人手一冊”), Winshare has tackled all the challenges on the way and completed the mission of textbook distribution where “Textbooks are ready before class” for four decades consecutively.

3. STRENGTHENING OF SUPPLIER MANAGEMENT

While strengthening the management of the segments in its own industry chain, the Company also applies such requirements on the management of suppliers, attaches importance to the environmental, social and management related performance of suppliers and strengthens qualifications management to ensure product procurement is compliant and fair and the product quality is in line with the standards. The Company maintains good communication with suppliers to build a responsible supply chain together. As at the end of the Reporting Period, the Company mainly had 75 printing equipment and supplies suppliers, 793 publication suppliers and 56 textbooks and supplementary materials printer suppliers.

The Company strictly controls the entry of suppliers. When screening the suppliers, certain conditions must be fulfilled: The printing equipment and supplies suppliers invite suppliers that are well received nationwide and their

product quality must meet the national standards and the latest test reports or other competent certifications must be provided. The publication suppliers must fulfil the orientation and topic selection requirements where there is no material mistake and the printers of textbooks and supplementary materials must provide the China Environmental Labelling Product Certification.

With respect to the printing of textbooks and supplementary materials, the Company endeavours to strengthen the daily supervision of printing quality of printers and has formulated the Administrative Measures on the Printing by Printers of Textbooks and Supplementary Materials, the Measures on the Assessment of Printers of Textbooks and Supplementary Materials and the Measures on the Random Checking of the Quality of Printing and Packaging of Textbooks and Supplementary Materials. The Company will record and score based on the integrity of the printers and the printers are evaluated regularly and ranked by a designated evaluation group on the quality

Environmental, Social and Governance Report

of the materials used by the printers where they are rewarded or punished according to the incentive measures. The evaluated performance, ranking, reward/punishment results and recommendations are eventually submitted to the tendering team to exercise control over product quality. If the printers are identified with quality issues, they will be cut their job volume or even taken out of the vendor list. On the contrary, printers with excellent quality and supply will be given more business at the Company's discretion.

On top of this, the Company puts strong emphasis on the supply chain environment and community, and enhances the transparency of supplier management. The Company requires printers of textbooks and supplementary materials to obtain the China Environmental Labelling Product Certification and suppliers of printing equipment and supplies to provide non-toxic and non-hazardous paper and ink to reduce the impacts on the environment. The Company will put the list of printers shortlisted for the printing of textbooks on the official website and publicly state the materials used and the standards the materials comply with for social supervision.

III. EMPLOYEE DEVELOPMENT

Insisting on the "people-oriented" human resources principle, the Company takes the management approaches of "a horse race lies in a good horse" (賽馬識好馬) and "hard work makes talent" (實幹造就人才). The Company actively facilitates employee development, safeguard the employee interest, physical and mental health as part of its efforts to care for the employees with a view to achieving the target of co-development between employees and the enterprise.

1. Employee rights

The Company perseveres in equal employment and prohibits employment discrimination and forced labour in strict compliance with the Labour Law, Labour Contract Law, Law on the Protection of Minors, Provisions on the Prohibition of Using Child Labour and other relevant laws and regulations. Child labour is strictly prohibited. During the Reporting Period, no incident of irregular employment or forced labour was identified.

The Company continues to optimise the human resources structure to provide open and fair employment opportunities. Based on the job requirements, the Company will carry out open recruitment according to the recruitment procedures. The recruitment channels of the Company include campus recruitment, online recruitment, internal referral and etc. The Company enters into the labour contract in writing with employees under the principles of fairness, willingness and unanimous agreement. The Company respects the employees in the areas of the number of working hours, leave, promotion and etc. The Employee Manual allows employees to understand the fundamental particulars of the Company including the operational and management models, values and concepts, at the same time guides and regulates the work behaviours of employees.

The Company endeavours to improve and optimise the employee remuneration policies and remuneration management system of the Company and has built a performance-oriented incentive mechanism. The standard remuneration package of the Company includes basic salary, performance-based bonus and benefits. Fringe benefits including pension insurance, medical insurance,

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unemployment insurance, work injury insurance, maternity insurance, housing welfare funds and corporate annuity plan are also provided to the employees. In addition, in response to the medical system reform and to better safeguard the physical and mental health of employees so that they can receive timely treatment and assistance after being admitted to the

hospital, since 2017, the Company has rolled out the "Employee Hospital Medical Assistance Insurance Plan". In 2018, the Company purchased such insurance for 5,750 eligible employees.

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

Classification	No. of employees in 2018	No. of employees in 2017
Total no. of existing employees	7,724	7,642
No. of employees by gender		
Male	3,241	3,234
Female	4,483	4,408
No. of employees by profession		
Operations	462	500
Sales	3,817	3,696
Technical	690	648
Finance	388	402
Management	631	677
Others	1,736	1,719
No. of employees by education level		
Master's degree and above	340	306
Bachelor's degree	1,971	1,874
Diploma	2,942	2,848
Senior high and below	2,471	2,614
No. of employees by age		
Aged 30 and below	1,696	1,613
31-40	2,410	2,376
41-50	2,650	2,674
Aged 51 and above	968	979

Environmental, Social and Governance Report

2. Training development

The Company adopts a standardised management and hierarchical implementation approach as to employee training and endeavours to optimise the contents and types of training, thus building a multi-level and multi-form training system. The Company's training covers a number of areas from operational management through position and skills, cultural quality, occupational qualifications to teambuilding in various forms such as inbound and outbound training, online learning and knowledge contest with focus on the relevance and effectiveness of training in order to effectively enhance the employees' skills and professional qualities, mindsets and expand their scope of work.

During the Reporting Period, the first cultural enterprise post-doctoral scientific research work station within Sichuan Province was established within the Company. The cooperation among the "industry, academic institution and research institute", on the one hand, strengthened the Company's innovation and research capabilities, and on the other hand, provided support to cultivate more senior-level publishing media talents for shaping Sichuan Province with a strong culture and the development of publishing industry.

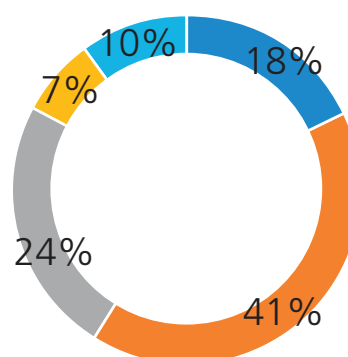
Based on the Company's strategic objectives, coupled with the business focus of the Company this year, during 2018, the Company aimed at revitalising the publishing industry in Sichuan and strengthening physical bookstores and carried out the following targeted trainings for different types of employees:

i) It continued to start with the talent training projects to boost the development

of backup pool of talents for the key positions of the Company, including the designation of financial officer for the selection of training projects, education service department's cadre rotation training, retail business department's store employee development programme and etc.; ii) It facilitated the operational and management personnel to widen their horizon and enhance their operational and management capabilities. At the same time, based on business development needs, it focused on the training of professional employees to strengthen the enhancement of the employees' professional capabilities, including the "Winshare Big Lecture", the senior customer manager training project, and the store manager training project; and iii) It continued to organised training on conventional skills, new joiner training and employee qualities enhancement to improve employees' general skills and integrated qualities.

Percentage of different types of trainings of the company

- Operational management
- Position knowledge and skills
- Cultures and qualities
- Policies and procedures
- Occupational qualifications/continuing education



Environmental, Social and Governance Report

3. Health and safety

Abiding by the Law of on Prevention and Control of Occupational Diseases of the People's Republic of China, Provisions on the Supervision and Administration of Occupational Health at Work Sites, Regulation on Work-Related Injury Insurances and other relevant laws and regulations, the Company puts the health and safety of employees as top priority. During the Reporting Period, the Company continued to organise employee body checks, fire drills and fire prevention trainings.

The Company's Xinhua Printing has obtained the occupational health and safety management system certification in line with the OHSAS 18001:20017 and GB/T 28001-2011. Xinhua Printing ensures that all safety management personnel and personnel in charge of special operations must undergo training and repeated training and are certified for the post before they are on board. Necessary work protective supplies are provided in accordance with the Protective Supplies Management System and the Health Supervision and Management System and there are designated personnel to carry out safety patrol and conduct safety briefing and training. It also organises the occupational health check for all employees.

During the Reporting Period, no material occupational health and safety incident was identified.

IV. WIN-WIN COMMUNITY

The Company continues to attach great importance to the social benefits generated from the place of operation. Bearing in mind its corporate social responsibilities and putting them into practice, the Company endeavours to promote the harmonious development in the community and carry out public welfare work by fully capitalising on the strengths of its principal business of publishing and distribution as well as the positive influence of the cultural industry in an effort to drive the popularisation of national reading and enjoy the innovation achievements of the community.

During the Reporting Period, the Group made a donation totalling RMB24.51 million.

Environmental, Social and Governance Report

1. National reading

Bearing in mind the corporate mission to repay the community and serve the cultural industry, while centring around the responsibility to serve the scholarly community, the Company capitalises on the strength of its principal business of publishing as well as the strengths of the vertical and horizontal reading service network to launch a series of cultural related public welfare events. Centring around the theme of “national reading”, the Company continues to launch the “Seven Scholarly Entrance” reading programme to build a “Scholarly Paradise” to promote the development of the public

cultural service system and achieve the target of developing the trend of reading.

2. Promoting the Chinese Culture

The publishing industry takes a crucial role in the process of inheriting and promoting the Chinese culture. Sichuan Province, as a key place of origin of the Chinese culture, has a rich collection of historical literature classics with very high publishing potential and publishing value. The Company, as a key cultural enterprise in Sichuan Province, shoulders the social mission of inheriting the Bashu culture and promoting the Chinese culture externally.



Xinhua Winshare • Youth Home – “I’m a reader” solo verse speaking contest



“National Reading”



“Xinhua Winshare Celebrity Campus Tour” – Claire McFall, author of *Ferryman* in Chengdu

Environmental, Social and Governance Report

During the Reporting Period, the Group centred around inheriting the Bashu culture and actively pushed ahead the publication of ancient books with local characteristics. Firstly, the Company explored the local historical cultural resources and engaged its publishing house to plan the “Historical Celebrities in Sichuan” series. Among which, the key topics selected were under editing for publication. Secondly, the Company strengthened the collation of the ancient books and published quality publications including the ancient book “Collected Prescriptions for Divine Relief from Suffering, Reissued in the Dade Reign”(《大德重校聖濟總錄》) under the National 13th Five-Year Plan’s key publication of ancient books. Thirdly, the Company put great emphasis on the collation special fund and publication of minority cultures and texts, and completed Xinhua Winshare’s Research Report on the Publication of the Topic Liangshan Yi Minority and Topic Planning (《新華文軒涼山彝族主題出版調研報告及選題規劃》) and published minority cultures and texts publications including “Special Edition of Short Stories of Contemporary Tibetan Authors” (《當代藏族作家散文精編叢書》), “Masterpieces of Contemporary Tibetan Mother Tongue Authors” (in Tibetan language) (《當代藏族母語作家代表作選譯》), “Legends on the Roof of the World – Tibet (1949-1960) (Special edition in both Chinese and Tibetan languages)” (《雪域長歌——西藏1949—1960 (精编版漢藏對照本)》), “Sichuan Tibetan History: Politics and Economics” (《四川藏區史：政治經濟卷》) and “Dong Minority Herbal Medicine” (《尋訪侗族草醫》). During the Reporting Period, 16 key books

including “Contemporary Social History of China (Six Volumes)” (《當代中國社會史 (全六卷)》) were shortlisted for the projects funded by the National Publication Fund for 2018 and theme publication project; three projects including “Art and Language of Song Dynasty” (《宋代藝話全編》) were shortlisted for the ancient book collation and publication projects in China; and ten additional books including “Tibetan Civilisation and Plateau Silk Road” (《吐蕃文明與高原絲綢之路》) were shortlisted under the National 13th Five-Year Plan’s key publication of the year. The “Tibetan Ancient Manuscripts in Kham” (Second edition) was granted with the fund for publication of texts of Chinese minorities in 2018 and five books including “Ancient Towers of Tibetan and Qiang Minorities in Tibetan Plateau” (《青藏高原藏羌古蹟》) were shortlisted for the additional projects under the national folk publication projects.

During the Reporting Period, the Company pushed ahead and improved the “going out” evaluation proposal and laid down the “going out” strategy. The Company set up a number of cross-country editing departments including the “Europe Book Centre”, “China – Latin America Literature Workshop” and “South Asia Publishing Centre” and entered into the “Silk Road International Library Alliance” to strengthen the international cultural exchange. While promoting the Chinese culture, the Company introduced new opportunities to the cultural market locally and abroad. During the Reporting Period, the Company exported 272 copyrights, up by approximately 55% from last year, indicating sound continuous growth.

Environmental, Social and Governance Report

3. Serving the Education Industry

Focusing on enhancing the quality of education service and capitalising on the strengths of its own principal businesses, the Company continues to carry out teacher training and enhance the quality of education service to facilitate the professional development of teachers. During the Reporting Period, the Company organised 47 teacher trainings. More than 7,500 teachers participated. The trainings covered 13 municipalities in Sichuan with topics ranging from pre-school education, college entrance exam preparation through enhancement of the teachers' and principal's management capabilities to students' mental health.

The Company remains committed to promoting the in-depth integration of information technology and education. Digitalised education is also one of the key areas of the Company in serving the education industry. During the Reporting Period, the Company continued to power up in the smart education area. Leverage on its accumulated experience in digitalised education and education equipment development over the years, the Company made use of the Internet of things, big data and other technologies to achieve seamless integration between various hardware equipment and software systems within the campus to develop a smart campus solution featuring modern school office, education and teaching, and facilitated the school management, teachers and students to improve the model of management, teaching and learning so as to enhance the scientific accuracy and efficiency of school management, education and teaching. At various expos held during the year, smart

education products such as "Winshare Smart Campus One-Stop Solution", "New College Entrance Exam One-Stop Solution", "Winshare Maintenance Service Solution", "Winshare Medium-Level Vocational School Smart Campus Solution" and "Chengdu Digital School" received wide attention from many educationalists and media bodies.

Since 2012, the Company has kicked off the "Rural Education Dream Come True Programme" (Rural Primary School) under the "Star Sun Public Welfare Campaign" to support the development of rural education in Sichuan. During the Reporting Period, centring around the "Star Sun Public Welfare Campaign", the Company organised public welfare events including the rural student summer camp exchange and the celebrity teacher class in rural areas as well as teacher training works. As organiser, the Company established and enrolled in the alliance to revitalise rural schools in Sichuan Province and convened the academic seminar themed "Caring for the difference in students and enhancing the quality of education", inviting education experts from Beijing and Sichuan Province and various educationalists within the province to have an exchange to explore the works of education quality. In 2018, the campaign covered the rural primary schools, teaching points of all rural centre schools across Sichuan Province and their principals, teachers and students, helping schools, teachers and students in Sichuan to make more than 4,000 dreams come true by providing more than 1,500 supporting projects. Approximately 150,000 teachers and students directly benefited and over 600,000 people indirectly benefited from the campaign.

Environmental, Social and Governance Report



Winshare Smart Campus

V. GREEN DEVELOPMENT

Faced with the severe global climate, the Company actively responds to the state's call for green development. On the one hand, it is in strict compliance with the Environmental Protection Law, the Energy Conservation Law and the Law on Promoting Clean Production and actively promotes environmental protection and takes practical actions in the areas of emission reduction, resource consumption and green commuting to fully implement green operations in the whole process of operations and management of the Company. On the other hand, the Company focuses on developing green charity and environmental protection with a view to promoting the green industry development.

1. Green operations

Being an enterprise primarily engaging in publishing and sales with low energy consumption and low-level pollution, the Group is not involved in mass production and is not engaged in businesses that have a material impact on the environment and natural resources apart from a small portion of its own printing business. The Group insists on applying the green strategy throughout its businesses. The Company and its subsidiaries have formulated the Manual of Hazardous Waste Management and the Quality, Environment and Occupational Health and Safety Management System to implement standardised procedures over environment related segments and to set out the procedures on recycling of waste products, solid wastes, energy consumption management and hazardous wastes. During the Reporting Period, no material incident that affects the environment and natural resources nor punishment or litigation in relation to the environment was identified.

Environmental, Social and Governance Report

Use of resources

The energy consumed in the course of operations of the Group mainly includes office related electricity consumption, gasoline of company vehicles, canteen and printing related natural gas consumption; the resources consumed include office related water consumption and logistics related packaging materials, which mainly include packaging paper, packing tape, express envelopes and etc.

The Company manages the environmental issues in accordance with the stated environmental system and management procedures. At its logistics department, diesel trucks are gradually replaced by

electric trucks. Vehicles for office use are put up at auction. The Company reduces the use and demand for the use of vehicles for office use and encourages commuting by public transportation. "Save water" promotional posters are posted in the toilets and washrooms in the places of operation and office premises. Production units introduce incentive measures based on the target of use of resources and plan their own resources utilisation management based on the ESG management system and the resource utilisation plan formulated by the local government.

During the Reporting Period, the utilisation of major resources of the Group is as follows:

Indicator	Unit	2018	2017
Electricity consumption	10,000 kWh	25,859.97	2,357.76
Gasoline consumption	10,000 L	105.78	124.50
Diesel consumption	10,000 L	8.95	9.40
Natural gas consumption	10,000 cubic metres	29.44	29.54
Gross comprehensive energy consumption	tonnes of standard coal equivalent	4,818	4,746
Comprehensive energy consumption per capita	tonnes of standard coal equivalent/person	0.62	0.62
Gross water consumption	10,000 tonnes	21.39	22.32
Gross water consumption per capita	tonne/person	27.70	29.08
Packaging materials consumption	tonne	2,351	1,746

Emission management

The Group is mainly engaged in office operations and the emissions mainly comprise the greenhouse gas emissions directly and indirectly produced from the use of vehicles, natural gas combustion

and use of electricity; packaging waste, domestic waste and domestic sewage from logistics and daily office operations; whereas hazardous wastes mainly comprise scrap printing boards, scrap ink cartridges and other hazardous wastes produced from the production units.

Environmental, Social and Governance Report

As to emission disposal and reduction, the Group achieves emission reduction by energy and resources conservation and recycling. The packaging waste, domestic waste and other non-hazardous wastes as well as domestic sewage produced by the Group are treated by the municipal government. The Group promotes recycling of resources to achieve emission reduction through repeated use of paper and packaging materials. With respect to the scrap printing boards, scrap ink cartridges and other hazardous wastes produced, the Group assigns designated places, labels and designated persons-in-charge for their collection, storage, delivery and treatment, and keeps an account record. All hazardous wastes are treated by competent treatment companies or recycled by the original

manufacturers. Such wastes must be discharged in a compliant manner and no deliberate discharge is allowed. During the Reporting Period, the Company's only production unit, Sichuan Xinhua Printer newly purchased the VOC gas collection treatment facilities, installed the cell hood and dust removal facilities and used low-volatile ink and hot melt glue to reduce the production and emission of hazardous wastes and centralise waste treatment in a safe manner. The Company also recycled the paper debris produced in production and gathered them for recycling by the paper factory.

During the Reporting Period, major discharges and greenhouse gas emissions of the Group are as follows:

Indicator	Unit	2018	2017
Gross office and domestic waste produced ¹	tonne	580	533
Gross sewage discharge ²	10,000 tonnes	18.18	18.97
Scrap packaging materials produced by the logistics department	tonne	59	60
Direct greenhouse gas emissions	tonnes of carbon dioxide equivalent	3,202	3,625
Indirect greenhouse gas emissions	tonnes of carbon dioxide equivalent	15,768	15,447
Greenhouse gas emissions	tonnes of carbon dioxide equivalent	18,970	19,073
Greenhouse gas emissions per capita	tonnes of carbon dioxide equivalent/person	2.46	2.50
Scrap printing boards produced in production	tonne	40	27.90
Scrap ink cartridges produced in production	tonne	7.51	4.10
Other hazardous wastes produced in production	tonne	15.56	18.80

Notes:

- 1 Estimated based on the domestic wastes produced per capita nationwide
- 2 Estimated based on the discharge coefficient of 0.85 with reference to the "National Standard of Urban Sewage Engineering Planning Specification (《國家標準城市排水工程規劃規範》)"

Environmental, Social and Governance Report

2. Green living

The Group not only strictly manages its own green operations, but also practises the social responsibilities as a publishing and media enterprise to actively promote green living. In addition to using non-toxic and non-hazardous paper, it reduces the use of paper.

With respect to the use of non-toxic and non-hazardous paper, the publication and printing segment of the Company strictly requires the upstream printing companies and raw and supplementary materials suppliers to obtain the green printing qualifications and drives the downstream printing companies to actively and voluntarily develop toward the direction of green operations. Starting from the source, the Company controls the flow of printing products in ensuring the paper is non-toxic and non-hazardous, which in turn, reduces the pollution on the environment.

With respect to the reduction of use of paper, inside the office, the Company fully implements the information management platform to reduce printing and promote a paperless office. At the printing factory, the Company collects paper debris and gathers them for the paper factory to re-produce paper. During the Reporting Period, the printer produced 3,300 tonnes of scrap paper. As to the logistics, the Company strengthens the recycling of waste packaging materials used in logistics and uses the waste packaging materials as packaging of returned products at the stores. During the Reporting Period, the Company recycled packaging paper of 16.75 tonnes. During publication, the Company strongly promotes the publication and use of e-products to reduce the society's reliance on paper books and paper.

Environmental, Social and Governance Report

Case study

“One more green” public welfare efforts

In April 2018, the Company took the lead to organise the “One more green” public welfare campaign in Bazhong, being the first stop of the Company public welfare efforts themed environmental protection and education across Sichuan Province. The “One more green” public welfare campaign centred around the theme of “Saving paper, trees for the environment” to disseminate the message of environmental protection to primary and secondary school students, and encouraged donation of used books and exercise books. Leverage on its campus service network over the primary and secondary schools across the province, the Company centralised the collection of used books for recycling by the paper factory. The proceeds of which would be used to support the public welfare activities regarding environmental protection education and the poverty alleviation via education in primary and secondary schools, thus taking practical actions to execute the new development concepts of “innovation, coordination, greening, openness and sharing”.

As at the end of the Reporting Period, the “One more green” public welfare campaign had its kickoff ceremonies and environmental protection related book donation activities in more than 80 counties (prefectures) in 18 municipalities across Sichuan Province, inviting the participation of two million students from approximately 2,000 schools. Approximately 970 tonnes of used books were received through donation, which is estimated to be translated into approximately 860 tonnes of new paper through recycling.

The “One more green” public welfare campaign is a key innovative initiative of the Company to serve and repay the education industry and to set foot in the environmental protection and public welfare arenas. Looking ahead, the Company will continue to push ahead the “One more green” public welfare campaign in various regions across Sichuan so as to allow more teachers and students to get in touch and to disseminate the green and energy efficient lifestyle, thus boosting the development of a green and environmental friendly society, while attracting more like-minded entities, enterprises and organisations to get in touch to further promote the campaign to government authorities, units, communities and families. Great influence starts from little things around you. Disseminate the message of leading a low-carbon and energy-efficient lifestyle. Let us work together toward the mission of building “bluer skies, clearer waters and fresher air”.



Report of the Supervisory Committee

In 2018, the Supervisory Committee carried out its supervisory duties in a diligent and responsible manner in accordance with the Company Law, the Listing Rules and the Articles of Association and provisions and requirements of other relevant laws to effectively supervise the various aspects of the Company including lawful operation, financial position, major decision making and performance of duties of Directors and senior management officers, as well as to protect the interests of the Company and all Shareholders.

1. MEETINGS HELD BY THE SUPERVISORY COMMITTEE

During the Year, the Company convened five Supervisory Committee meetings, at which the number of Supervisors present was in compliance with relevant provisions of the Company Law and the Articles of Association. Several resolutions including the resolutions regarding the Company's Report of Supervisory Committee for 2017, the Audited Consolidated Financial Report for 2017, the Internal Control Evaluation and Risk Management Report for 2017, the Social Responsibility Report for 2017, the Profit Distribution Proposal for 2017, the Annual Report for 2017, the First Quarterly Report for 2018, the Half-Yearly Report for 2018, the Third Quarterly Report for 2018, the Special Report on the Placement and Actual Use of Proceeds for 2017, the Amendments to the Complaint Reporting System of the Company as well as the Change in Accounting Policies were considered and approved at the meetings of the Supervisory Committee. Supervisors at the Supervisory Committee duly reviewed and discussed the relevant resolutions, effectively exercising the supervisory function of the Supervisory Committee.

2. SUPERVISION AND INSPECTION CONDUCTED BY THE SUPERVISORY COMMITTEE

During the Year, the Supervisory Committee duly carried out its supervisory duties fulfilling its responsibility towards the Company and its Shareholders. In order to supervise the legality and compliance in the critical decision-making process of the Company, matters to be resolved, and the performance of duties of Board members and senior management officers, members of the Supervisory Committee were present at each Board meeting and general meeting of the Company, communicated with the Company's management and annual auditors, and reviewed the operating and management information provided by the Company regularly with a view to understanding and grasping the Company's operating and management condition, financial position, investment condition and business operations in a timely manner. The Supervisory Committee considered that the decision-making procedures of each Board meeting and general meeting of the Company during the Year were legitimate and that the Board had duly implemented the resolutions of the general meetings and faithfully carried out their fiduciary duties. The Supervisory Committee was not aware of any act of the Directors and senior management officers of the Company that was in breach of the Articles of Association and other laws, regulations or detrimental to the interests of the Company and an infringement of the interests of the Shareholders in the course of performance of their duties.

Report of the Supervisory Committee

3. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON CERTAIN MATTERS OF THE COMPANY IN 2018

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

The Supervisory Committee considered that: during the year 2018, the Company operated and regulated its management in accordance with the laws. Its operating results were fair and true, with an internal control system operating effectively. The Directors and senior management officers of the Company acted carefully and diligently in its business operation and management process and aggressively progressed. The Supervisory Committee was not aware of any act of the Directors and senior management officers of the Company that was in breach of laws and regulations and detrimental to the interests of the Company and its Shareholders as a whole in the course of performance of their duties.

(2) Financial position of the Company

During the Reporting Period, the Supervisory Committee considered and reviewed regular reports including the quarterly, half-yearly and annual financial reports. The consolidated financial report of the Company for 2018 was audited by Deloitte Touche Tohmatsu CPA, its auditor for the Year, and the audited report with an unqualified opinion was issued. After duly inspecting and auditing the financial position and operating results of the Group for the year 2018, the Supervisory Committee is of the view that the preparation of the financial report for the Year was in compliance with the relevant requirements of the Accounting Standards for Business Enterprises and truly, objectively and accurately reflected the financial position and operating results of the Group for the Year.

Report of the Supervisory Committee

(3) Connected transactions of the Company

The Supervisory Committee sat in on the meetings of the Board to consider the Company's connected transactions, and monitored the approval procedures, abstention, disclosure and implementation of the Board. It was confirmed that, upon approving the connected transactions by the Board, the connected Directors had abstained from voting according to the rules and the approval procedures were legitimate. The Board was also not aware of any connected transactions that were not conducted at fair prices and were against the interests of the Company and minority Shareholders.

(4) Internal control work report of the Company

The Supervisory Committee considered and reviewed the Internal Control Evaluation Report for 2018 and Risk Assessment Report for 2018 of the Company, and Deloitte Touche Tohmatsu Certified Public Accountants LLP, the internal control auditor of the Company, expressed an unqualified opinion on the Internal Control Audit Report for 2018. The Supervisory Board considered that the Company has built a relatively sound internal control system based on its own actual conditions and pursuant to the requirements of relevant laws which has been effectively implemented. The internal control self-assessment report for 2018 has truly and objectively reflected the development and operation of the internal control system of the Company.

(5) Actual use of proceeds of the Company

The Supervisory Committee monitored the placement and use of proceeds of the Company. It was confirmed that the placement and actual use of proceeds were in compliance with the relevant requirements of CSRC and SSE on special deposit and use of proceeds and the actual use of proceeds in projects was in line with the intended use in the projects. During the reporting period, there was no actual change to the investment projects and no violation regarding the use of proceeds identified by the Company.

Based on the foregoing, the Supervisory Committee seriously performed its duties as ascribed to the Supervisory Committee by the laws and regulations and the Articles of Association during the Reporting Period. In 2019, the Supervisory Committee will continue to strictly supervise the daily duties of the Directors and senior management officers and examine the finance of the Company in compliance with the applicable laws, regulations and provisions of the Articles of Association, and pay attention to the coordinated operations of decision-making bodies, authorities and operating entities, taking an active role in promoting the lawful operation and regulated operation of the Company.

By order of the Supervisory Committee

Tang Xiongxing

Chairman

27 March 2019



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

1. OPINION

We have audited the financial statements of Xinhua Winshare Publishing and Media Co., Ltd. (hereinafter referred to as "**Xinhua Winshare**"), which comprise the consolidated and Company's balance sheets as at 31 December 2018, and the consolidated and Company's income statements, the consolidated and Company's statements of changes in shareholders' equity and the consolidated and Company's cash flow statements for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying financial statements of Xinhua Winshare is prepared and present fairly, in all material respects, the consolidated and Company's financial position as of 31 December 2018, and the consolidated and Company's results of operations and consolidated and Company's cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

2. BASIS FOR OPINION

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

3. KEY AUDIT MATTERS

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

3. KEY AUDIT MATTERS *(Continued)*

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

1. Description

As shown in the Note (VI) 34 and Note (XVI) 22 to the financial statements, the revenue generated from the sales of textbooks and supplementary materials for the current year is RMB4,015,378,800, accounting for a proportion of 49 % and 62% of Xinhua Winshare's consolidated and the Company's operating income respectively. Considering that the proportion of the revenue generated from the sales of textbooks and supplementary materials is significant and the main profit source of Xinhua Winshare, which affects the key performance indicators, and such sales transactions are frequently occurred and involved with many branches, the inherent risk of misstatement is high. We take into account the recognition for the revenue generated from the sales of textbooks and supplementary materials as a key audit matter.

2. Audit Response

Our main audit procedures for this key audit matter include:

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

4. OTHER INFORMATION

The management of Xinhua Winshare is responsible for other information. The other information comprises the information included in the annual report 2018 of Xinhua Winshare, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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

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

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

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

De Shi Bao (Shen) Zi (19) No. P01876
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6. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

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

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

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

Deloitte Touche Tohmatsu LLP
Shanghai, China

Chinese Certified Public Accountant

Xie Yanfeng
(Engagement Partner)

Li Yangang

27 March 2019

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

Consolidated Balance Sheet

At 31 December 2018

RMB

ITEM	Note	31 December 2018	31 December 2017
Current Assets:			
Cash and bank balances	(VI) 1	2,608,612,572.01	1,885,682,217.83
Held-for-trading financial assets	(VI) 2	1,262,431,274.52	N/A
Notes receivable and accounts receivable	(VI) 3	1,617,030,048.35	1,280,220,854.76
Prepayments	(VI) 4	71,487,222.26	79,865,675.12
Other receivables	(VI) 5	99,002,826.00	109,354,915.49
Inventories	(VI) 6	1,921,544,765.26	1,764,445,460.22
Other current assets	(VI) 7	70,874,065.89	1,184,329,531.05
Non-current assets due within one year	(VI) 8	–	280,000,000.00
Total Current Assets		7,650,982,774.29	6,583,898,654.47
Non-current Assets:			
Available-for-sale financial assets		N/A	2,116,088,000.42
Long-term receivables	(VI) 9	267,742,224.79	194,801,883.56
Long-term equity investments	(VI) 10	374,130,558.86	356,585,702.56
Other equity instrument investments	(VI) 11	1,452,054,632.09	N/A
Other non-current financial assets	(VI) 12	507,656,767.91	N/A
Investment properties	(VI) 13	53,919,142.25	70,688,502.05
Fixed assets	(VI) 14	1,284,362,282.11	1,293,739,079.58
Construction in progress	(VI) 15	671,459,973.65	622,149,298.16
Intangible assets	(VI) 16	334,741,307.45	340,754,220.83
Development cost		47,521,564.75	44,550,953.70
Goodwill	(VI) 17	500,590,036.14	500,590,036.14
Long-term prepaid expenses	(VI) 18	21,063,047.60	19,098,549.65
Deferred tax assets	(VI) 19	11,674,788.33	10,257,055.60
Other non-current assets	(VI) 20	109,813,352.57	133,503,704.60
Total Non-current Assets		5,636,729,678.50	5,702,806,986.85
TOTAL ASSETS		13,287,712,452.79	12,286,705,641.32
Current Liabilities:			
Notes payable and accounts payable	(VI) 21	3,620,513,916.23	3,144,291,382.23
Advance from customers		–	310,646,140.33
Contract liabilities	(VI) 22	338,681,880.89	N/A
Employee benefits payable	(VI) 23	338,084,927.10	322,778,103.03
Taxes payable	(VI) 24	48,138,758.54	42,878,058.50
Other payables	(VI) 25	286,639,643.77	264,369,944.04
Deferred income	(VI) 26	98,377,250.58	102,969,706.98
Provisions	(VI) 27	48,879,492.72	11,891,779.02

Consolidated Balance Sheet

At 31 December 2018

RMB

ITEM	Note	31 December 2018	31 December 2017
Total Current Liabilities		4,779,315,869.83	4,199,825,114.13
Non-current Liabilities:			
Deferred tax liabilities	(VI) 19	32,156,680.02	43,830,724.30
Deferred income	(VI) 28	70,210,541.84	86,227,572.50
Total Non-current Liabilities		102,367,221.86	130,058,296.80
TOTAL LIABILITIES		4,881,683,091.69	4,329,883,410.93
Shareholders' Equity:			
Share capital	(VI) 29	1,233,841,000.00	1,233,841,000.00
Capital reserve	(VI) 30	2,572,524,766.32	2,572,587,684.82
Other comprehensive income	(VI) 31	1,021,506,867.83	1,230,619,792.07
Surplus reserve	(VI) 32	711,068,358.95	625,743,635.42
Retained profits	(VI) 33	2,941,622,541.24	2,364,509,602.80
Total Shareholder's Equity Attributable to equity holders of the Company		8,480,563,534.34	8,027,301,715.11
Non-controlling Interests		(74,534,173.24)	(70,479,484.72)
TOTAL SHAREHOLDERS' EQUITY		8,406,029,361.10	7,956,822,230.39
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		13,287,712,452.79	12,286,705,641.32

The accompanying notes form part of the financial statements.

The financial statements on pages 102 to 288 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 31 December 2018

RMB

ITEM	Notes	31 December 2018	31 December 2017
Current Assets:			
Cash and bank balances	(XVI) 1	1,747,274,865.08	1,107,004,995.34
Held-for-trading financial assets		1,260,641,274.52	N/A
Notes receivable and accounts receivable	(XVI) 2	952,202,293.41	977,264,568.14
Prepayments	(XVI) 3	14,540,721.77	38,146,741.68
Other receivables	(XVI) 4	785,461,799.31	749,257,609.73
Inventories	(XVI) 5	461,402,357.67	1,267,888,034.33
Other current assets	(XVI) 6	33,369,425.01	1,156,865,130.99
Non-current assets due within one year	(VI) 8	–	280,000,000.00
Total Current Assets		5,254,892,736.77	5,576,427,080.21
Non-current Assets:			
Available-for-sale financial assets		N/A	1,655,576,832.80
Long-term receivables		117,235,224.30	57,782,527.52
Long-term equity investments	(XVI) 7	3,481,334,206.35	3,206,109,361.15
Other equity instrument investments	(VI) 11	1,450,835,200.00	N/A
Other non-current financial assets	(VI) 12	94,837,468.07	N/A
Investment properties	(XVI) 8	20,788,699.30	21,688,889.32
Fixed assets	(XVI) 9	845,414,947.25	842,948,046.79
Construction in progress		667,163,884.76	621,339,829.29
Intangible assets	(XVI) 10	143,191,480.50	144,677,299.19
Long-term prepaid expenses	(XVI) 11	17,116,365.91	12,832,910.42
Other non-current assets	(XVI) 12	552,718,628.57	596,408,980.60
Total Non-current Assets		7,390,636,105.01	7,159,364,677.08
TOTAL ASSETS		12,645,528,841.78	12,735,791,757.29

The Company's Balance Sheet

At 31 December 2018

RMB

ITEM	Notes	31 December 2018	31 December 2017
Current Liabilities:			
Notes payable and accounts payable	(XVI) 13	3,596,410,411.15	4,150,733,662.61
Advance from customers		–	229,900,017.25
Contract liabilities	(XVI) 14	251,659,068.56	N/A
Employee benefits payable	(XVI) 15	213,806,252.35	212,907,765.25
Taxes payable	(XVI) 16	18,328,608.19	18,382,724.24
Other payables	(XVI) 17	489,001,781.64	419,773,590.84
Deferred income		–	10,797,781.88
Provisions		18,023,264.95	3,826,315.05
Total Current Liabilities		4,587,229,386.84	5,046,321,857.12
Deferred income		10,841,255.11	17,250,635.60
Total Non-current Liabilities		10,841,255.11	17,250,635.60
TOTAL LIABILITIES		4,598,070,641.95	5,063,572,492.72
Shareholders' Equity:			
Share capital	(VI) 29	1,233,841,000.00	1,233,841,000.00
Capital reserve	(XVI) 18	2,631,057,328.10	2,631,057,328.10
Other comprehensive income	(XVI) 19	1,023,108,206.10	1,136,163,193.05
Surplus reserve	(XVI) 20	710,233,608.82	624,908,885.29
Retained profits	(XVI) 21	2,449,218,056.81	2,046,248,858.13
TOTAL SHAREHOLDERS' EQUITY		8,047,458,199.83	7,672,219,264.57
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		12,645,528,841.78	12,735,791,757.29

The accompanying notes form part of the financial statements.

Consolidated Income Statement

For the year ended 31 December 2018

RMB

ITEM	Notes	Amount recognized in the current year	Amount recognized in the prior year
I. Operating income	(VI) 34	8,186,582,966.73	7,345,882,957.66
Less: Operating costs	(VI) 34	5,115,028,020.85	4,686,978,912.13
Taxes and levies	(VI) 35	36,982,584.14	37,577,186.66
Selling expenses	(VI) 36	1,010,672,983.29	892,516,374.83
Administrative expenses	(VI) 37	1,115,342,053.40	1,065,185,674.93
Research and development expenditure		13,592,602.42	5,820,875.63
Finance expenses	(VI) 38	(24,410,724.03)	(24,360,291.07)
Including: Interest expenses		516,412.05	–
Interest income		35,998,426.65	28,193,203.46
Impairment losses of assets	(VI) 39	57,346,713.77	80,753,079.75
Loss on credit impairment	(VI) 40	83,756,073.61	N/A
Add: Other income	(VI) 43	62,444,933.44	65,255,198.89
Investment income	(VI) 42	126,882,215.06	272,154,816.43
Including: income from investments in associates and joint ventures		20,614,370.74	10,286,556.13
Gains (losses) from changes in fair values	(VI) 41	(38,181,032.61)	10,279.16
Gains from disposal of assets		1,430,228.33	2,837,854.36
II. Operating profit		930,849,003.50	941,669,293.64
Add: Non-operating income	(VI) 44	10,614,766.98	8,691,686.24
Less: Non-operating expenses	(VI) 45	25,543,150.09	33,320,723.97
III. Total profit		915,920,620.39	917,040,255.91
Less: Income tax expenses	(VI) 46	(10,795,846.37)	559,885.21
IV. Net profit		926,716,466.76	916,480,370.70
(I) Categorized by the nature of continuing operation			
1. Profit from continuing operations		926,716,466.76	916,480,370.70
(II) Categorized by ownership:			
1. Non-controlling interests		(5,468,337.30)	(7,364,129.34)
2. Net profit attributable to shareholders of the Company		932,184,804.06	923,844,500.04

Consolidated Income Statement

For the year ended 31 December 2018

RMB

ITEM	Notes	Amount recognized in the current year	Amount recognized in the prior year
V. Other comprehensive income, net of tax	(VI) 31	(388,763,766.33)	(815,201,000.16)
Other comprehensive income attributable to shareholders of the Company, net of tax		(388,763,766.33)	(815,201,000.16)
(I) Other comprehensive income not reclassified to profit or loss			
1. Changes in other equity instrument investment at fair value		(388,763,766.33)	N/A
(II) Other comprehensive income to be reclassified to profit or loss	(VI) 31		
1. Share of other comprehensive income that will be reclassified into profit or loss by the investee under the equity method		N/A	21,163,104.62
2. Profit or loss on changes in fair value of available-for-sale financial assets		N/A	(836,364,104.78)
Other comprehensive income attributable to non-controlling interests, net of tax		–	–
VI. Total comprehensive income		537,952,700.43	101,279,370.54
Total comprehensive income attributable to shareholders of the Company		543,421,037.73	108,643,499.88
Total comprehensive income attributable to non-controlling interests		(5,468,337.30)	(7,364,129.34)
VII. Earnings per share:			
Basic earnings per share	(VI) 47	0.76	0.75
Diluted earnings per share		N/A	N/A

The accompanying notes form part of the financial statements.

The Company's Income Statement

For the year ended 31 December 2018

RMB

ITEM	Notes	Amount recognized in the current year	Amount recognized in the prior year
I. Operating income	(XVI) 22	6,487,346,371.20	5,887,412,464.66
Less: Operating costs	(XVI) 22	4,429,640,326.61	4,108,017,831.24
Taxes and levies	(XVI) 23	16,827,396.49	16,169,783.20
Selling expenses	(XVI) 24	724,458,893.51	649,227,085.01
Administrative expenses	(XVI) 25	828,146,117.94	767,637,306.59
Finance expenses	(XVI) 26	(10,610,202.40)	(16,731,359.91)
Including: Interest expenses		4,292,615.77	1,681,285.95
Interest income		23,329,147.08	19,588,593.79
Impairment losses of assets	(XVI) 27	2,061,235.77	53,779,949.61
Loss on credit impairment	(XVI) 28	30,368,697.12	N/A
Add: Other income	(XVI) 30	3,612,061.44	6,007,170.75
Investment income	(XVI) 29	399,074,811.68	570,288,952.02
Including: income from investments in associates and joint ventures		27,176,545.20	13,423,993.37
Gains from changes in fair values		7,302,293.11	10,279.16
Gains from disposal of assets		26,124.33	69,682.81
II. Operating profit		876,469,196.72	885,687,953.66
Add: Non-operating income	(XVI) 31	1,577,426.34	7,092,349.04
Less: Non-operating expenses	(XVI) 32	24,799,387.80	30,993,621.95
III. Total profit		853,247,235.26	861,786,680.75
Less: Income tax expenses		–	–
IV. Net profit		853,247,235.26	861,786,680.75
(I) Net profit from continuing operations		861,786,680.75	
V. Other comprehensive income, net of tax		(387,912,000.00)	(872,234,843.78)
(I) Other comprehensive income not reclassified to profit or loss			
1. Changes in other equity instrument investment at fair value	(XVI) 19	(387,912,000.00)	N/A
(II) Other comprehensive income to be reclassified to profit or loss		N/A	(872,234,843.78)
1. Profit or loss on changes in fair value of available-for-sale financial assets		(387,912,000.00)	(872,234,843.78)
VI. Total comprehensive income:		465,335,235.26	(10,448,163.03)

The accompanying notes form part of the financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2018

RMB

ITEM	Notes	Amount recognized in the current year	Amount recognized in the prior year
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		8,428,611,018.96	7,429,249,050.43
Receipts of tax refunds		2,859,806.40	29,900,529.02
Other cash receipts relating to operating activities	(VI) 48(1)	128,901,806.29	57,301,876.32
Sub-total of cash inflows from operating activities		8,560,372,631.65	7,516,451,455.77
Cash payments for goods purchased and services received		5,339,129,538.40	5,111,264,615.40
Cash payments to and on behalf of employees		1,023,749,106.97	862,234,494.55
Payments of various types of taxes		101,761,373.63	118,673,819.23
Other cash payments relating to operating activities	(VI) 48(2)	1,102,282,340.68	1,078,656,656.15
Sub-total of cash outflows from operating activities		7,566,922,359.68	7,170,829,585.33
Net Cash Flow from Operating Activities	(VI) 49(1)	993,450,271.97	345,621,870.44
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		2,517,083,314.41	2,834,752,682.94
Cash receipts from investment income		108,667,864.64	92,781,341.62
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		4,535,883.74	948,697.97
Net cash receipts from disposals of subsidiaries and other business units		393,915.64	66,946,783.23
Other cash receipts relating to investing activities	(VI) 48(3)	283,561,027.40	150,212,625.38
Sub-total of cash inflows from investing activities		2,914,242,005.83	3,146,822,149.24
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		160,006,970.69	245,938,614.43
Cash payments to acquire investments		2,628,735,897.95	2,493,519,157.58
Sub-total of cash outflows from investing activities		2,788,742,868.64	2,739,457,772.01
Net Cash Flow from Investing Activities		125,499,137.19	407,364,377.23

Consolidated Cash Flow Statement

For the year ended 31 December 2018

RMB

ITEM	Notes	Amount recognized in the current year	Amount recognized in the prior year
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		5,035,000.00	–
Including: cash receipts from capital contributions from non-controlling shareholders of subsidiaries		5,035,000.00	–
Other cash receipts relating to financing activities	(VI) 48(4)	–	10,423,573.81
Sub-total of cash inflows from financing activities		5,035,000.00	10,423,573.81
Cash payments for distribution of dividends and settlement of interest expenses		371,076,380.06	502,733,430.03
Including: payments for distribution of dividends to non-controlling shareholders of subsidiaries		205,439.69	202,228.29
Other cash payments relating to financing activities	(VI) 48(5)	1,780,947.00	69,271,000.00
Sub-total of cash outflows from financing activities		372,857,327.06	572,004,430.03
Net Cash Flow from Financing Activities		(367,822,327.06)	(561,580,856.22)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		–	–
V. Net Increase in Cash and Cash Equivalents	(VI) 49(1)	751,127,082.10	191,405,391.45
Add: Opening balance of Cash and Cash Equivalents	(VI) 49(2)	1,825,572,649.15	1,634,167,257.70
VI. Closing Balance of Cash and Cash Equivalents	(VI) 49(3)	2,576,699,731.25	1,825,572,649.15

The accompanying notes form part of the financial statements.

The Company's Cash Flow Statement

For the year ended 31 December 2018

RMB

ITEM	Notes	Amount for the current year	Amount for the prior year
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		6,738,121,459.60	5,786,776,405.78
Receipts of tax refunds		–	–
Other cash receipts relating to operating activities	(XVI) 33(1)	78,264,836.82	24,618,272.21
Sub-total of cash inflows from operating activities		6,816,386,296.42	5,811,394,677.99
Cash payments for goods purchased and services received		4,139,923,742.13	3,623,733,193.55
Cash payments to and on behalf of employees		678,319,076.34	552,083,662.37
Payments of various types of taxes		18,191,755.50	17,351,481.50
Other cash payments relating to operating activities	(XVI) 33(2)	891,963,192.88	827,332,785.10
Sub-total of cash outflows from operating activities		5,728,397,766.85	5,020,501,122.52
Net Cash Flow from Operating Activities	(XVI) 34(1)	1,087,988,529.57	790,893,555.47
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		2,496,073,314.41	2,455,808,196.56
Cash receipts from investment income		94,298,266.48	80,576,357.77
Cash receipts from interest of entrusted loans		–	11,549,730.42
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		501,146.39	559,565.43
Net cash receipts from disposals of subsidiaries and other business units		–	134,319,106.68
Other cash receipts relating to investing activities		300,525,214.32	648,700,901.83
Sub-total of cash inflows from investing activities		2,891,397,941.60	3,331,513,858.69
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		125,887,487.71	213,517,979.95
Cash payments to acquire investments		2,862,784,197.95	2,641,353,925.31
Other cash payments relating to investing activities		55,000,000.00	531,000,000.00
Sub-total of cash outflows from investing activities		3,043,671,685.66	3,385,871,905.26
Net Cash Flow from Investing Activities		(152,273,744.06)	(54,358,046.57)

The Company's Cash Flow Statement

For the year ended 31 December 2018

				<i>RMB</i>
ITEM	Notes	Amount for the current year	Amount for the prior year	
III. Cash Flows from Financing Activities:				
Cash receipts from capital contributions		–	–	
Other cash receipts relating to financing activities		146,500,000.00	48,200,000.00	
Sub-total of cash inflows from financing activities		146,500,000.00	48,200,000.00	
Cash payments for distribution of dividends and settlement of interest expenses		374,444,915.77	504,414,715.95	
Cash payments for acquisition of non-controlling interests		–		
Other cash payments relating to financing activities		65,500,000.00	91,000,000.00	
Sub-total of cash outflows from financing activities		439,944,915.77	595,414,715.95	
Net Cash Flow from Financing Activities		(293,444,915.77)	(547,214,715.95)	
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents				
		–		
V. Net Increase in Cash and Cash Equivalents	(XVI) 34(1)	642,269,869.74	189,320,792.95	
Add: Opening balance of Cash and Cash Equivalents	(XVI) 34(2)	1,105,004,995.34	915,684,202.39	
VI. Closing Balance of Cash and Cash Equivalents	(XVI) 34(2)	1,747,274,865.08	1,105,004,995.34	

The accompanying notes form part of the financial statements.

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2018

RMB

ITEM	The current year							
	Equity attributable to shareholders of the Company						Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained profits			
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 for the current year	-	-	(388,763,766.33)	-	932,184,804.06	(5,468,337.30)	537,952,700.43	
(I) Total comprehensive income	-	-	(388,763,766.33)	-	932,184,804.06	(5,468,337.30)	537,952,700.43	
(II) Shareholders' contributions and reduction in capital	-	-	-	-	-	-	-	
1. Capital increase by non-controlling shareholders	-	-	-	-	-	5,035,000.00	5,035,000.00	
2. Equity transactions with non-controlling shareholders	-	(62,918.50)	-	-	-	(3,415,911.53)	(3,478,830.03)	
3. Others	-	-	-	-	-	-	-	
(III) Profit distribution	-	-	-	-	-	-	-	
1. Transfer to surplus reserve	-	-	-	85,324,723.53	(85,324,723.53)	-	-	
2. Distributions to shareholders	-	-	-	-	(370,152,300.00)	(205,439.69)	(370,357,739.69)	
31 December 2018	1,233,841,000.00	2,572,524,766.32	1,021,506,867.83	711,068,358.95	2,941,622,541.24	(74,534,173.24)	8,406,029,361.10	

RMB

ITEM	The prior year							
	Equity attributable to shareholders of the Company						Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained profits			
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 for the current year	-	-	(815,201,000.16)	-	923,844,500.04	(7,364,129.34)	101,279,370.54	
(I) Total comprehensive income	-	-	(815,201,000.16)	-	923,844,500.04	(7,364,129.34)	101,279,370.54	
(II) Shareholders' contributions and reduction in capital	-	-	-	-	-	-	-	
1. Equity transactions with non-controlling shareholders	-	(47,286,089.47)	-	-	-	(21,984,910.53)	(69,271,000.00)	
2. Liquidation of subsidiaries	-	-	-	-	-	284,793.18	284,793.18	
3. Others	-	406,244.18	-	-	-	-	406,244.18	
(III) Profit distribution	-	-	-	-	-	-	-	
1. Transfer to surplus reserve	-	-	-	86,178,668.08	(86,178,668.08)	-	-	
2. Distributions to shareholders	-	-	-	-	(370,152,300.00)	(202,228.29)	(370,354,528.29)	
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	

The accompanying notes form part of the financial statements.

The Company's Statement of Changes in Shareholders' Equity

For the year ended 31 December 2018

RMB

Item	The current year					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 (Note (III) 25)	-	-	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 for the current year						
(I) Total comprehensive income	-	-	(387,912,000.00)	-	853,247,235.26	465,335,235.26
(II) Shareholders' contributions and reduction in capital						
1. Others	-	-	-	-	-	-
(II) Profit distribution						
1. Transfer to surplus reserve	-	-	-	85,324,723.53	(85,324,723.53)	-
2. Distributions to shareholders	-	-	-	-	(370,152,300.00)	(370,152,300.00)
31 December 2018	1,233,841,000.00	2,631,057,328.10	1,023,108,206.10	710,233,608.82	2,449,218,056.81	8,047,458,199.83

RMB

Item	The prior year					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 current year						
(I) Total comprehensive income	-	-	(872,234,843.78)	-	861,786,680.75	(10,448,163.03)
(II) Shareholders' contributions and reduction in capital						
1. Others	-	406,244.18	-	-	-	406,244.18
(II) Profit distribution						
1. Transfer to surplus reserve	-	-	-	86,178,668.08	(86,178,668.08)	-
2. Distributions to shareholders	-	-	-	-	(370,152,300.00)	(370,152,300.00)
3. The effect of transferring cost method to equity method for accounting of long-term equity investment due to disposal of equity in subsidiary	-	-	-	-	(6,538,821.10)	(6,538,821.10)
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

The accompanying notes form part of the financial statements.

Notes to the Financial Statements

For the year ended 31 December 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 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 with the share capital of RMB733,370,000.

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

The Company was listed in Hong Kong on 30 May 2007 by way of public offering of 401,761,000 shares of overseas listed foreign shares (including over-allotment) ("**H Shares**"). The share's par value was RMB1 and its issue price was HK\$5.80 per share. Upon completion, the share capital of the Company was changed into RMB1,135,131,000.00.

As approved by Reply on Approval of IPO of Xinhua Winshare Publishing and Media Co., Ltd. (filed as Zheng Jian Xu Ke [2016] No.1544) issued by China Securities Regulatory Commission, the Company publicly offered 98,710,000 shares of RMB ordinary shares ("**A Shares**") at Shanghai Stock Exchange on 8 August 2016 at the issue price of RMB7.12 per share. Upon completion, the share capital of the Company was changed into RMB1,233,841,000.00.

The legal representative of the Company is He Zhiyong. The registered address is located at Unit 1, 1/F, Block 4, No. 239, Jinshi Road, Jinjiang District, Chengdu, China and the headquarters is located at No.6 Wenxuan Road, Rongbei Shangmao Avenue, Chengdu, Sichuan.

Notes to the Financial Statements

For the year ended 31 December 2018

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

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

The Company and its subsidiaries (hereinafter referred to as the “**Group**”) are mainly engaged in: sales of books, newspapers, journals, electronic publications; wholesale of audio-visual products (for exclusive purpose of chain store); manufacture of electronic publications and audio-visual products; production of audio tapes, video tapes; logistics; and wholesale and retail of pre-packaged food, dairy products (not including infant formula, solely operated by branch office management); printing of publications, printed matters of package and decoration and other printed matters; (the valid period of the above business scope is subject to the approval of licenses). Plate-leased printing and supply of textbooks; investments in publications and assets management; leasing of properties; business services; wholesale and retail of goods; import and export business; vocational skills training; 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 (VIII) INTERESTS IN OTHER ENTITIES.

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

Notes to the Financial Statements

For the year ended 31 December 2018

(II) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Basis of preparation

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

Basis of accounting and principle of measurement

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

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

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

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

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

Going concern

The Group assessed its ability to continue as a going concern for the 12 months subsequent to 31 December 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.

Notes to the Financial Statements

For the year ended 31 December 2018

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of compliance with the ASBE

The financial statements have been prepared in accordance with ASBE, and present truly and completely, the Company's and consolidated financial position as at 31 December 2018, and the Company's and consolidated results of operations and cash flows for the period from 1 January 2018 to 31 December 2018.

2. Accounting period

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

3. Operation cycle

An operating cycle refers to the period since when an enterprise purchases assets for processing purpose until the realization of those assets in cash or cash equivalents. The Group's operation cycle is 12 months.

4. Functional currency

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

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

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

5.1 Business combinations involving enterprises under common control

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

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

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

Notes to the Financial Statements

For the year ended 31 December 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 remeasured at its fair value at the acquisition date, with any difference between its fair value and its carrying amount being recognized as investment income. The other comprehensive income of the acquiree before the acquisition date relating to the previously held interest in the acquiree is transferred to investment income.

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

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

Notes to the Financial Statements

For the year ended 31 December 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.

Notes to the Financial Statements

For the year ended 31 December 2018

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

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

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

7. Classification of joint arrangements

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

Notes to the Financial Statements

For the year ended 31 December 2018

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

9. Transactions denominated in foreign currencies

9.1 Transactions denominated in foreign currencies

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

9.2 Translation of financial statements denominated in foreign currencies

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2018

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

10. Financial instruments

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

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).

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.

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. Such financial assets include bank and cash, notes receivable and accounts receivable, other receivables, long-term receivables and etc.

Notes to the Financial Statements

For the year ended 31 December 2018

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

10. Financial instruments *(Continued)*

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

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, which are presented under held-for-trading financial assets. Those that are held over one year from the balance sheet date and expected to be held for over one year are presented under other non-current financial assets.

- 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.

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. Such financial assets are presented under other equity instrument investments.

10.1.1 Financial assets classified as at amortized cost

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

Interest income from the Group's financial assets measured at amortized cost 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 other than the following conditions:

- 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

For the year ended 31 December 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 designated at fair value through other comprehensive income (FVTOCI)

Upon designation of non-trading equity instrument investments as financial assets at fair value through other comprehensive income, the 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 such non-trading 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.

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

Financial assets at fair value through profit or loss 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.

10.2 Impairment of financial assets

The Group carries out impairment testing of and recognizes the loss allowance for financial assets 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 assets, 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 assets since initial recognition. If the credit risk of the above financial assets 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 asset has not increased significantly since initial recognition, the Group recognizes loss allowance based on 12-month ECL of the financial asset. Increase in or reversal of credit loss allowance is included in profit or loss as loss or gain on impairment.

Notes to the Financial Statements

For the year ended 31 December 2018

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

10. Financial instruments *(Continued)*

10.2 Impairment of financial assets *(Continued)*

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.

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 regulatory, 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

For the year ended 31 December 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.

Notes to the Financial Statements

For the year ended 31 December 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

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.

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.

Notes to the Financial Statements

For the year ended 31 December 2018

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

10. Financial instruments *(Continued)*

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.

10.4 Classification of financial liabilities and equity instruments

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.

Notes to the Financial Statements

For the year ended 31 December 2018

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

10. Financial instruments *(Continued)*

10.4 Classification of financial liabilities and equity instruments *(Continued)*

10.4.1 Classification and measurement of financial liabilities

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities. The Group's financial liabilities are all other financial liabilities, mainly including notes payable, accounts payable, and other payables.

10.4.1.1 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.

10.4.2 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.

Notes to the Financial Statements

For the year ended 31 December 2018

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

10. Financial instruments *(Continued)*

10.4 Classification of financial liabilities and equity instruments *(Continued)*

10.4.3 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.

10.5 Offsetting financial assets and financial liabilities

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

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.

Notes to the Financial Statements

For the year ended 31 December 2018

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

11. Inventories *(Continued)*

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

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2018

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

11. Inventories *(Continued)*

11.4 Inventory count system

The perpetual inventory system is maintained for stock system.

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

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

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.

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 investment cost and the carrying amount of the assets given, liabilities incurred or assumed is different, the difference is adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

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

Notes to the Financial Statements

For the year ended 31 December 2018

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

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

12.2 Determination of initial investment cost *(Continued)*

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

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

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.

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

Notes to the Financial Statements

For the year ended 31 December 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, the Group recognises its share of the net profit or loss and other comprehensive income of the investee for the period as investment income or loss and other comprehensive income for the period. The Group recognises its share of the investee's net profit or loss based on the fair value of the investee's individual separately identifiable assets, etc. at the acquisition date after making appropriate adjustments to conform with the Group's accounting policies and accounting period. Unrealized profits or losses resulting from the Group's transactions with its associates and joint ventures are recognized as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated. However, unrealized losses resulting from the Group's transactions with its investees which represent impairment losses on the transferred assets are not eliminated. Changes in owners' equity of the investee other than net profit or loss, other comprehensive income and profit distribution are correspondingly adjusted to the carrying amount of the long-term equity investment, and is included in the capital reserve.

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

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 originally included in other comprehensive income will be dealt with in corresponding proportion and on the same basis as the assets or liabilities directly disposed of by the investees.

Notes to the Financial Statements

For the year ended 31 December 2018

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

13. Investment property

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

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

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

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

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

For the year ended 31 December 2018

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

14. Fixed assets *(Continued)*

14.2 Depreciation of each category of fixed assets

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

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

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

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.

Notes to the Financial Statements

For the year ended 31 December 2018

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

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 capitalised before it is ready for intended use and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset when it is ready for intended use.

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 amortised over its estimated useful life using the straight-line method. The useful life for each category of intangible assets are as follows:

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2018

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

16. Intangible assets *(Continued)*

16.2 Research and development expenditure *(Continued)*

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2018

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

18. Long-term prepaid expenses

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

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

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

19.2 Accounting treatment of post-employment benefits

The entire post-employment benefits are defined contribution plan.

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

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: (1) when the Group cannot unilaterally withdraw the offer of termination benefits because of the termination plan or a curtailment proposal; and (2) when the Group recognises costs or expenses related to restructuring that involves the payment of termination benefits.

Notes to the Financial Statements

For the year ended 31 December 2018

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

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.

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.

Notes to the Financial Statements

For the year ended 31 December 2018

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

21. Revenue *(Continued)*

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.

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.

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

For the year ended 31 December 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.

Notes to the Financial Statements

For the year ended 31 December 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.

Notes to the Financial Statements

For the year ended 31 December 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 evenly amortized to profit or loss over the useful life of the related asset.

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.

Notes to the Financial Statements

For the year ended 31 December 2018

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

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.

23.2 Deferred tax assets and deferred tax liabilities

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

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

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

Notes to the Financial Statements

For the year ended 31 December 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)*

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future. At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realized or the liability is settled.

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2018

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

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

For the year ended 31 December 2018

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

25. Impacts of changes in significant accounting policies on the consolidated and company financial statements

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 related 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) In addition to provision of more extensive disclosures of revenue transactions, effects of implementation of the New Revenue Standard on relevant items of consolidated balance sheet of the Group at the beginning of the current year are as follows:

				<i>RMB</i>
Item		31 December 2017	Reclassification	1 January 2018
Current assets:				
Other current assets	Note 1	1,184,329,531.05	42,946,827.33	1,227,276,358.38
Current liabilities:				
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	11,891,779.02	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

For the year ended 31 December 2018

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

25. Impacts of changes in significant accounting policies on the consolidated and company financial statements (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

	RMB		
Item	Balance as at 31 December 2018 under New Revenue Standard	Adjustment	Balance as at 31 December 2018 under Original Revenue Standard
Current assets:			
Other current assets	70,874,065.89	(37,695,738.35)	33,178,327.54
Current liabilities:			
Contract liabilities	338,681,880.89	(338,681,880.89)	–
Advance from customers	–	325,898,982.87	325,898,982.87
Provisions	48,879,492.72	(37,695,738.35)	11,183,754.37
Deferred income	98,377,250.58	12,782,898.02	111,160,148.60

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.

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.

Notes to the Financial Statements

For the year ended 31 December 2018

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

25. Impacts of changes in significant accounting policies on the consolidated and company financial statements *(Continued)*

Financial Instrument Standard *(Continued)*

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.

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 of adoption of the New Financial Instrument Standard by the Group at 1 January 2018 on the consolidated balance sheet of the Group are as follows:

Notes to the Financial Statements

For the year ended 31 December 2018

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

25. Impacts of changes in significant accounting policies on the consolidated and company financial statements (Continued)

Financial Instrument Standard (Continued)

RMB

Item	Carrying value presented according to original standards 31 December 2017	Total impacts from implementation of the New Revenue Standard	Effects of implementation of the New Financial Instrument Standard			Carrying value presented according to the New Financial Instrument Standard 1 January 2018
			Transferred from financial assets previously classified as available-for-sale (Note 1)	Reclassification Transferred from financial assets previously designated as at fair value through profit or loss (Note 2)	Re-measurement Share of other comprehensive income of the investee under equity method transferred from other comprehensive income to retained earnings From cost to fair value (Note 1)	
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 assets	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)	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

For the year ended 31 December 2018

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

25. Impacts of changes in significant accounting policies on the consolidated and company financial statements *(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 FVTOCI 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 investments 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

For the year ended 31 December 2018

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

25. Impacts of changes in significant accounting policies on the consolidated and company financial statements (Continued)

Transferred from available-for-sale financial assets to other non-current financial assets (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		1 January 2018
		implementation of New Revenue Standard	implementation of New Financial Instrument Standard	
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 instruments 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
Total effects on assets	N/A	42,946,827.33	280,056,000.00	N/A
Advance from customers	310,646,140.33	(310,646,140.33)	–	–
Contract liabilities	N/A	321,443,922.21	–	321,443,922.21
Provisions	11,891,779.02	42,946,827.33	–	54,838,606.35
Deferred income	102,969,706.98	(10,797,781.88)	–	92,171,925.10
Total effects on liabilities	N/A	42,946,827.33	–	N/A
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
Total effects on shareholders' equity	N/A	–	280,056,000.00	N/A

RMB

Notes to the Financial Statements

For the year ended 31 December 2018

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

25. Impacts of changes in significant accounting policies on the consolidated and company financial statements (Continued)

Transferred from available-for-sale financial assets to other non-current financial assets (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 Company's assets, liabilities, and shareholders' equity are as follows:

RMB

Item	31 December 2017	Effects of implementation of New Revenue Standard	Effects of implementation of New Financial Instrument Standard	1 January 2018
Held-for-trading financial assets	N/A	–	1,135,028,233.14	1,135,028,233.14
Other current assets	1,156,865,130.99	14,256,455.91	(1,135,028,233.14)	36,093,353.76
Available-for-sale financial assets	1,655,576,832.80	–	(1,655,576,832.80)	N/A
Other equity instruments investments	N/A	–	1,838,747,200.00	1,838,747,200.00
Other non-current financial assets	N/A	–	96,885,632.80	96,885,632.80
Total effects on assets	N/A	14,256,455.91	280,056,000.00	N/A
Advance from customers	229,900,017.25	(229,900,017.25)	–	–
Contract liabilities	N/A	240,697,799.13	–	240,697,799.13
Provisions	3,826,315.05	14,256,455.91	–	18,082,770.96
Deferred income	10,797,781.88	(10,797,781.88)	–	–
Total effects on liabilities	N/A	14,256,455.91	–	N/A
Other comprehensive income	1,136,163,193.05	–	274,857,013.05	1,411,020,206.10
Retained earnings	2,046,248,858.13	–	5,198,986.95	2,051,447,845.08
Total effects on shareholders' equity	N/A	–	280,056,000.00	N/A

Notes to the Financial Statements

For the year ended 31 December 2018

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

25. Impacts of changes in significant accounting policies on the consolidated and company financial statements *(Continued)*

Format of presentation of financial statements

Since the preparation of the financial statements for 2018, the Group has implemented the 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. Cai Kuai Document No.15 has made amendments to the items presented in the balance sheet and income statement. Items such as “notes receivable and accounts receivable”, “notes payable and accounts payable” and “R&D expenses” are incorporated. The contents presented in the items such as “other receivables”, “fixed assets”, “construction in progress”, “other payables”, “long-term payables” and “administrative expenses” are revised. Items such as “notes receivable”, “accounts receivable”, “dividends receivable”, “interests receivable”, “fixed assets clearance”, “construction materials”, “notes payable” “accounts payable”, “interests payable”, “dividends payable” and “special accounts payable” are no longer included. Items such as “Including: interest expenses” and “interest income” are presented under “finance costs” and some items in the income statement are presented differently. With respect to the changes in the above presented items, the Group has made adjustments as compared to the comparable data for prior year.

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2018

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

Critical judgement in applying accounting policies

Operating lease commitment – the Group as lessee

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

Operating lease commitment – the Group as lessor

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

Classification of investment properties and self-occupied fixed assets

The Group determines if a fixed asset falls within the scope of definition for investment properties, and set out criteria for such judgements. Investment property is property held to earn rentals or for capital appreciation or both. 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.

Key assumptions and uncertainties in accounting estimates

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

Notes to the Financial Statements

For the year ended 31 December 2018

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

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

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

Impairment loss of goodwill

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

Notes to the Financial Statements

For the year ended 31 December 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	Turnover tax paid	5%/7%
Education surcharges	Turnover tax paid	3%
Local education surcharges	Turnover tax paid	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.

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 [2019] No. 16) 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 for five years since the registration date of system reform. Enterprises which have completed transformation prior to 31 December 2018 may continue to be exempted from enterprise income tax for five years from 1 January 2019.

Notes to the Financial Statements

For the year ended 31 December 2018

(V) TAXES *(Continued)*

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

Enterprise income tax *(Continued)*

According to the above provisions, the Company and its subsidiaries, Beijing Shuchuan Xinhua Bookstore Book Distribution Co., Ltd. ("**Beijing Shuchuan**"), Sichuan Xinhua Online Network Co., Ltd. ("**Xinhua Online**"), Sichuan Xinhua Culture Communication Co., Ltd. ("**Sichuan Culture Communication**") and the Company's thirteen publishing units enjoy income tax exemption until 31 December 2023.

The Company's subsidiary, Sichuan Winshare Education Technology Co., Ltd. ("**Winshare Education Technology**"), falls within the encouraged industries included in the Notice to the Enterprise Income Tax on the Implementation of the Catalogue of Encouraged Industries in the Western Region (Guo Shui [2015] No.14), which has also been confirmed by Chengdu National Development and Reform Commission's Government Approval Letter [2016] No.38. Income tax of Winshare Education Technology is calculated at the rate of 15% of the taxable income according to the relevant tax provisions. Beijing Aerospace Cloud Education Technology Co., Ltd. ("**Beijing Aerospace Cloud**"), a subsidiary of the Company, obtained the high-tech enterprise certificate of No. GR201611000716 on 1 December 2016, with a validity until 30 November 2019, of which the income tax is calculated at 15% of the taxable income according to the relevant tax provisions.

Value-added tax

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

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.

Notes to the Financial Statements

For the year ended 31 December 2018

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

RMB

Item	31 December 2018			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	3,311,719.53	1.0000	3,311,719.53	2,497,605.27	1.0000	2,497,605.27
Bank balances:						
RMB (Note 1)	2,573,213,817.04	1.0000	2,573,213,817.04	1,822,902,944.82	1.0000	1,822,902,944.82
USD	22,633.96	6.8632	155,341.36	24,279.01	6.5342	158,643.93
EUR	84.92	7.8473	666.43	85.41	7.8023	666.43
HKD	20,756.55	0.8762	18,186.89	15,299.32	0.8359	12,788.70
Other currency funds						
RMB (Note 2)	31,912,840.76	1.0000	31,912,840.76	60,109,568.68	1.0000	60,109,568.68
Total			2,608,612,572.01			1,885,682,217.83

Note 1: At the end of the current year, the bank balances include 3-month time deposits amounting RMB207,312,093.99, with an interest rate of 1.54% to 2.80%.

Note 2: Restricted currency funds are set out in Note (VI) 50.

Notes to the Financial Statements

For the year ended 31 December 2018

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

2. Held-for-trading financial assets

		<i>RMB</i>
Item		31 December 2018 Carrying value
Financial assets at FVTPL (Note)		1,262,431,274.52
Including: Bank wealth management products		1,261,790,000.00
Investment in A-share listed companies		641,274.52
Total		1,262,431,274.52

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

3. Notes receivable and accounts receivable

(1) Categories of notes receivable and accounts receivable

			<i>RMB</i>
Category	31 December 2018	31 December 2017	
Accounts receivable	1,612,611,248.17	1,278,160,854.76	
Notes receivable	4,418,800.18	2,060,000.00	
Including: Bank acceptances	2,578,416.58	60,000.00	
Commercial acceptances	1,840,383.60	2,000,000.00	
Total	1,617,030,048.35	1,280,220,854.76	

Notes to the Financial Statements

For the year ended 31 December 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	31 December 2018				31 December 2017			
	Amount	Proportion	Bad debt		Amount	Proportion	Bad debt	
		(%)	provision	Carrying amount		(%)	provision	Carrying amount
Within 1 year	1,644,384,840.30	88.05	(77,209,352.59)	1,567,175,487.71	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	117,597,470.68	6.30	(67,742,910.04)	49,854,560.64	95,540,246.76	6.59	(54,195,743.78)	41,344,502.98
More than 2 years but not exceeding 3 years	34,325,001.94	1.84	(34,325,001.94)	-	18,051,674.54	1.25	(14,690,372.23)	3,361,302.31
More than 3 years	71,081,969.28	3.81	(71,081,969.28)	-	70,815,456.09	4.89	(68,423,653.51)	2,391,802.58
Total	1,867,389,282.20	100.00	(250,359,233.85)	1,617,030,048.35	1,449,310,802.92	100.00	(169,089,948.16)	1,280,220,854.76

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

Notes to the Financial Statements

For the year ended 31 December 2018

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

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

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

Item	RMB	
	Amount derecognized at the end of the year	Amount not derecognized at the end of the year
Bank acceptances	17,646,200.91	–

Note: At the end of the current year, the Group's endorsed but not yet due bank acceptance bills were RMB17,646,200.91 (at the end of prior year: RMB21,048,232.73). The Group derecognized the endorsed but not yet due bank acceptance bills at the balance sheet date. See Note (IX) 2 for details.

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

The bad debt provision for the current year is RMB87,474,280.65, and the reversal of bad debt provision is RMB6,204,994.96. See Note (IX) for details regarding the recognition of credit losses.

Notes to the Financial Statements

For the year ended 31 December 2018

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

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

(5) Accounts receivable written off for the current year

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

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

<i>RMB</i>					
Name of entity	Relationship with the Group	31 December 2018	Aging	As a percentage of the total accounts receivable (%)	Bad debt provision Closing balance
People's Education Press Co., Ltd.	Third party	132,111,500.49	Within 1 year	7.07	(3,963,345.01)
Education Bureau of Anyue County	Third party	89,339,286.30	Within 1 year	4.78	(1,776,775.68)
Education Technology Equipment Institute of Enyang District, Bazhong Municipality	Third party	35,544,694.00	Within 1 year	1.90	(746,438.57)
Education and Technology Bureau of Hejiang County	Third party	35,000,000.00	Within 1 year	1.87	-
Information Technology and Education Equipment Institute of Gulin County	Third party	34,540,451.62	Within 1 year	1.85	-
Total		326,535,932.41		17.47	(6,486,559.26)

Notes to the Financial Statements

For the year ended 31 December 2018

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

4. Prepayments

(1) Aging analysis of prepayments is as follows:

Aging	RMB			
	31 December 2018		31 December 2017	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	55,165,030.36	77.17	71,069,967.04	88.99
More than 1 year but not exceeding 2 years	8,382,650.24	11.73	2,280,866.33	2.86
More than 2 years but not exceeding 3 years	1,900,160.28	2.66	429,647.47	0.54
More than 3 years	6,039,381.38	8.44	6,085,194.28	7.61
Total	71,487,222.26	100.00	79,865,675.12	100.00

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

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

RMB				
Name of entity	Relationship with the Group	31 December 2018	Aging	Reasons for unsettlement
Sichuan Shengxue Education and Technology Co., Ltd.	Third party	6,440,406.48	Within 1 year	Goods not yet received
Beijing Shangpin Weiye Trade Co., Ltd.	Third party	3,816,000.00	6-7 years	Transaction price not yet confirmed
Walt Disney Company (Hong Kong) Limited	Third party	3,266,825.67	Within 1 year	Goods not yet received
STEM Innovations Ltd.	Third party	2,970,373.87	Within 1 year, 1-2 years	Goods not yet received
Sichuan Donghuayi Technology Ltd.	Third party	2,298,302.16	Within 1 year	Goods not yet received
Total		18,791,908.18		

Notes to the Financial Statements

For the year ended 31 December 2018

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

5. Other receivables

(1) Disclosure of other receivables by aging:

Aging	31 December 2018				31 December 2017			
	Amount	Proportion (%)	Bad debt provision	Carrying amount	Amount	Proportion (%)	Bad debt provision	Carrying amount
	Within 1 year	71,271,472.89	63.36	(673,327.09)	70,598,145.80	84,508,823.24	70.22	(848,099.55)
More than 1 year but not exceeding 2 years	20,150,588.68	17.91	(948,106.94)	19,202,481.74	20,074,107.73	16.68	(1,732,198.73)	18,341,909.00
More than 2 years but not exceeding 3 years	7,352,996.53	6.54	(3,570,936.51)	3,782,060.02	4,402,651.13	3.65	(752,283.27)	3,650,367.86
More than 3 years	13,712,669.26	12.19	(8,292,530.82)	5,420,138.44	11,367,446.83	9.45	(7,665,531.89)	3,701,914.94
Total	112,487,727.36	100.00	(13,484,901.36)	99,002,826.00	120,353,028.93	100.00	(10,998,113.44)	109,354,915.49

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

The bad debt provision for the current year is RMB4,542,861.77, and the reversed amount of bad debt provision is RMB2,056,073.85. See Note (IX) for details regarding the recognition of credit losses.

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

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

(4) Other receivable presented by nature

Nature of other receivables	31 December 2018	31 December 2017
	Accounts receivable from related parties	1,079,617.10
Deposit/security deposit	62,834,040.16	53,206,907.36
Petty cash	2,291,262.58	5,594,669.27
Interest from time deposits	326,203.09	10,789,780.86
Others	45,956,604.43	50,761,671.44
Total	112,487,727.36	120,353,028.93

Notes to the Financial Statements

For the year ended 31 December 2018

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

5. Other receivables (Continued)

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

RMB

Name of entity	Nature	31 December 2018	Aging	Proportion of the amount to the total other receivables (%)	Closing balance of bad debt provision
Anhui Sihe Digital Technology Development Co., Ltd	Others	5,269,196.00	6-7 years	4.68	(5,269,196.00)
Finance Bureau of Xuyong County	Deposit/guarantee deposit	3,647,499.60	Within 1 year	3.24	-
Chengdu Zhonghang Real Estate Development Co., Ltd.	Deposit/ guarantee deposit	3,113,802.00	Within 1 year, 1-2 years	2.77	-
Sichuan Longyang Tianfu New District Construction Investment Co., Ltd.	Deposit/ guarantee deposit	2,228,867.24	Within 1 year	1.98	-
Yibin Finance and Accounting Education Management Center	Deposit/ guarantee deposit	2,487,288.63	1-2 years	2.21	-
Total		16,746,653.47		14.88	(5,269,196.00)

6. Inventories

(1) Categories of inventories

RMB

Item	31 December 2018			31 December 2017		
	Carrying amount	Provision for decline in value of inventories	Net carrying amount	Carrying amount	Provision for decline in value of inventories	Net carrying amount
Goods on hand	1,878,279,312.31	(173,068,922.90)	1,705,210,389.41	1,747,020,907.57	(160,116,806.30)	1,586,904,101.27
Work-in-progress	161,510,325.29	-	161,510,325.29	118,847,540.30	-	118,847,540.30
Raw materials	58,095,851.77	(3,271,801.21)	54,824,050.56	61,965,619.86	(3,271,801.21)	58,693,818.65
Total	2,097,885,489.37	(176,340,724.11)	1,921,544,765.26	1,927,834,067.73	(163,388,607.51)	1,764,445,460.22

Notes to the Financial Statements

For the year ended 31 December 2018

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

6. Inventories (Continued)

(2) Provision for decline in value of inventories

<i>RMB</i>				
Category of inventories	31 December 2017	Increase in the current year	Decrease in the current year Reversals/write-off	31 December 2018
Goods on hand	160,116,806.30	40,817,713.77	(27,865,597.17)	173,068,922.90
Raw materials	3,271,801.21	–	–	3,271,801.21
Total	163,388,607.51	40,817,713.77	(27,865,597.17)	176,340,724.11

Note: As the expected net realisable value is below the cost of inventories at the end of the reporting period, a provision for decline in value of inventories amounting to RMB40,817,713.77 is made in the current year. The provision for decline in value of goods on hand amount RMB23,970,634.22 is written off as such inventories are retired. As the goods that are provided for decline in value of inventories have been sold, the provision for decline in value of inventories amounting to RMB3,894,962.95 is reversed.

7. Other current assets

<i>RMB</i>		
Item	31 December 2018	31 December 2017
Bank wealth management products	N/A	1,157,800,000.00
Refund costs receivable	37,695,738.35	N/A
VAT input tax to be deducted (Note)	33,178,327.54	26,501,297.91
Stock in investment in listed companies	N/A	28,233.14
Total	70,874,065.89	1,184,329,531.05

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.

Notes to the Financial Statements

For the year ended 31 December 2018

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

8. Non-current assets due within one year

<i>RMB</i>		
Item	31 December 2018	31 December 2017
Time deposit (Note)	–	280,000,000.00
Total	–	280,000,000.00

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

9. Long-term receivables

<i>RMB</i>						
Item	31 December 2018			31 December 2017		
	Carrying amount	Provision for impairment	Net carrying amount	Carrying amount	Provision for impairment	Net carrying amount
Goods sold by installments (Note)	267,742,224.79	–	267,742,224.79	194,801,883.56	–	194,801,883.56

Note: Receivables of goods sold by installments are the Group's amounts of sales of equipment and software, which shall be collected by installments in accordance with the contract. The agreed period in the contract is 2-5 years and the Group has discounted at a discount rate of 4.75%-5.00%.

Notes to the Financial Statements

For the year ended 31 December 2018

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

10. Long-term equity investments

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

Investee	31 December 2017	Changes for the current year							Provision for impairment 31 December 2018
		Increase in investments	Decrease in investments	Investment profit or loss under equity method	Adjustment of other comprehensive income	Changes in other equity	Distribution of cash dividends or profit declared	Provision for impairment loss	
Joint Ventures									
Hainan Publishing House Co., Ltd. ("Hainan Publishing")	131,622,920.10	-	-	16,604,538.54	-	-	-	-	148,227,458.64
Sichuan Fudou Technology Co., Ltd. (Note 1)	135,584.70	-	-	105,045.69	-	-	-	-	240,630.39
Tibet Winshare Equity Investment Co., Ltd. (Note 2)	393,935.96	-	(393,935.96)	-	-	-	-	-	-
Shenzhen Xuancai Venture Capital Investment Fund Management Co., Ltd. (Note 3)	612,351.78	-	-	(4,343.47)	-	-	-	-	608,008.31
Liangshan Xinhua Winshare Education Technology Co. Ltd. (Note 4)	4,151,258.65	14,700,000.00	-	686,244.41	-	-	-	-	19,537,503.06
Subtotal	136,916,051.19	14,700,000.00	(393,935.96)	17,391,485.17	-	-	-	-	168,613,600.40
Associates									
Sichuan Winshare BLOGS Supply Chain Co., Ltd (Note 5)	45,014,743.75	-	-	(191,119.64)	-	-	-	-	44,823,624.11
Commercial Press (Chengdu) Co., Ltd.	2,495,042.07	-	-	191,840.76	-	-	-	2,626,882.83	-
Ren Min Eastern (Beijing) Book Industry Co., Ltd.	10,620,350.30	-	-	2,702,454.78	-	(2,400,000.00)	-	-	10,922,805.08
Guizhou Xinhua Winshare Book Audio-Visual Product Chairstore Co., Ltd. ("Guizhou Winshare")	-	-	-	-	-	-	-	-	-
Ming Bo Education Technology Holdings Co., Ltd.	32,007,766.13	-	-	4,987,119.63	-	-	-	-	36,994,885.76
Shanghai Jingjie Information Technology Co., Ltd.	1,983,768.64	-	-	175,209.72	-	-	-	-	2,158,978.36
Sichuan Winshare Preschool Educational Management Co., Ltd. ("Winshare Preschool")	3,968,925.78	-	-	1,608,473.29	-	-	-	-	5,577,399.07
Chongqing Yunhan Internet and Media Co., Ltd.	45,760,782.62	-	-	(1,861,303.61)	-	-	(16,529,000.00)	-	27,370,479.01 (16,529,000.00)
Chengdu Winshare Venture Capital Investment Fund Management Co., Ltd.	30,017,149.67	-	-	(4,151,002.80)	-	-	-	-	25,866,146.87
Sichuan Education and Science Forum Magazine Press Co., Ltd. ("Education Forum")	-	-	-	143,598.78	-	-	-	-	143,598.78
Sichuan Tianhe Culture Co., Ltd.	146,578.48	-	-	-	-	-	-	(146,578.48)	-
Tibet Winshare Venture Capital Investment Fund Partnership (Limited Partnership) (Note 6)	27,762,802.35	1,700,000.00	-	(811,704.84)	-	-	-	-	28,651,097.51
Sichuan Jiaoyang Shihuo Film Co., Ltd.	34,045.55	-	-	33,445.71	-	-	-	-	67,491.26
Xinhua Yingxuan (Beijing) Screen Culture Co., Ltd. ("Xinhua Yingxuan")	19,917,696.03	-	-	395,873.79	-	-	-	-	20,313,569.82
Subtotal	219,669,651.37	1,700,000.00	-	3,222,885.57	-	(2,400,000.00)	(16,529,000.00)	(146,578.48)	205,516,958.46 (16,529,000.00)
Total	356,585,702.56	16,400,000.00	(393,935.96)	20,614,370.74	-	(2,400,000.00)	(16,529,000.00)	(146,578.48)	374,130,558.86 (16,529,000.00)

RMB

Notes to the Financial Statements

For the year ended 31 December 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., who 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 later inherited all the rights of Winshare Education Technology in Sichuan Fudou Technology Co., Ltd.

Note 2: According to the articles of association of Tibet Wenxuan Equity Investment Co., Ltd., Wenxuan Investment, a subsidiary of the Company, holds 40% of the voting rights in the shareholders' meeting and the other two shareholders respectively hold 30% of the voting right in the shareholders' meeting respectively. Resolutions of annual financial budget plans, final accounts, profit distribution and make up losses made by the shareholders of Tibet Wenxuan Equity Investment Co., Ltd. shall be approved by over 75% of the votes from the shareholders. As a result, Wenxuan Investment and the other two shareholders shall have joint control over Tibet Wenxuan Equity Investment Co., Ltd. and accounts Tibet Wenxuan Equity Investment Co., Ltd. as a joint venture of the Group. The cancellation registration of Tibet Wenxuan Equity Investment Co., Ltd. was done at industrial and commercial administration in March 2018.

Note 3: According to the articles of association of Shenzhen Xuan Choi Venture Capital Management Co., Ltd., Winshare Investment, a subsidiary of the Company, has 40% of the voting rights in the shareholders' meeting and the other two shareholders will enjoy 30% of the voting rights respectively. Resolutions of annual financial budget plans, final accounts, profit distribution and make up losses made by the shareholders' meeting of Shenzhen Xuan Choi Venture Capital Fund Management Co., Ltd. shall be approved by over 75% of the votes from the shareholders. Therefore, Winshare Investment and the other two shareholders have joint control over Shenzhen Xuan Choi Venture Capital Fund Management Co., Ltd. which is a joint venture of the Group.

Note 4: In March 2017, the Company and Xichang Xinhua Bookstore entered into an investment agreement, jointly establishing Liangshan Xinhua Winshare Education Technology Co. Ltd., with proportion of shareholding of 49% and 51% respectively. According to the articles of association, the resolution of Liangshan Xinhua Winshare Education Technology Co. Ltd. on the events such as annual financial budget plan, final accounting plan, profit distribution and making up losses etc. must be approved by the shareholders representing 2/3 of the voting power. Therefore, the Company and the other shareholder have common control over Liangshan Xinhua Winshare Education Technology Co. Ltd. So that Liangshan Xinhua Winshare Education Technology Co. Ltd. is a joint venture of the Group.

Note 5: In June 2017, Sichuan Wenchuan Logistics Co., Ltd. ("**Wenchuan Logistics**"), a subsidiary of the Company, entered into the Investment Agreement with BLOGIS Holdings Limited and Chengdu Longchuang Investment Management Center (Limited Partnership) to jointly establish Sichuan Winshare BLOGIS Supply Chain Co., Ltd. with the shareholding of 45%, 40% and 15%, respectively. According to the Articles of Association, it takes over 50% of the voting to adopt the resolution on the annual financial budget plan, final accounting plan, profit distribution and loss make-up. Therefore, Sichuan Winshare BLOGIS Supply Chain Co., Ltd. is an associate of the Group.

Note 6: As a limited partner, Winshare Investment, a subsidiary of the Company, invested RMB30,300,000.00 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. During the current year, Winshare Investment completed the remaining capital contributions of RMB1,700,000.00. According to the partnership agreement of Tibet Winshare Venture Capital Fund (Limited Partnership), the Investment Decision-making Committee is responsible for the decision of fund projects. Winshare Investment holds 25% of the voting rights in the Investment Decision-making Committee, by which it can exert significant influence on Tibet Winshare Venture Capital Fund (Limited Partnership). As a result, Tibet Winshare Venture Capital Fund (Limited Partnership) is an associate of the Group.

Notes to the Financial Statements

For the year ended 31 December 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	31 December 2018		31 December 2017	
	Reversed but unrecognized investment losses for the current year	Accumulated unrecognized investment losses	Unrecognized investment losses reversed for the prior year	Accumulated unrecognized investment losses
Guizhou Winshare Education Forum	–	5,557,990.70	–	5,557,990.70
Sichuan Jiaoyang Sihuo Film Co., Ltd.	(106,711.55)	–	(92,013.30)	106,711.55
	–	–	(82,198.49)	–
Total	(106,711.55)	5,557,990.70	(174,211.79)	5,664,702.25

RMB

11. Other equity instrument investments

Other equity instrument investments designated at FVTOCI

Item	31 December 2018 Carrying amount
Anhui Xinhua Media Co., Ltd. (“Wanxin Media”) (Note 1)	832,595,200.00
Jiangsu Hagong Intelligent Robot Co., Ltd. (“HGZN”) (Note 2)	844,038.28
Bank of Chengdu Co., Ltd.* (“BoCD”) (Note 3)	618,240,000.00
Others	375,393.81
Total	1,452,054,632.09

RMB

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

Notes to the Financial Statements

For the year ended 31 December 2018

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

11. Investment properties *(Continued)*

Other equity instrument investments designated at FVTOCI *(Continued)*

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. Changes in fair value of Wanxin Media's shares for current year are losses of RMB486,096,000.00, and are recognized in other comprehensive income. The Company's dividends received of RMB21,188,800.00 from Wanxin Media for current year are recognized in investment income. As at 31 December 2018, 100,000 shares held by the Company in Wanxin Media were used for securities lending.

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. The fair value was RMB783,556.84 on the acquisition date. Subsequent changes in fair value for current year are losses of RMB1,135,688.45, and are recognized in other comprehensive income. The Company received dividend of RMB2,688.02 from HGZN for the current year, recognized in investment 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 year are gains of RMB98,184,000.00, and are recognized in other comprehensive income. The Company received dividends of RMB22,400,000.00 from BoCD for current year, recognized in investment income.

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

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

Notes to the Financial Statements

For the year ended 31 December 2018

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

12. Other non-current financial assets

<i>RMB</i>	
Item	31 December 2018
Citic M&A Investment Fund (Shenzhen) Partnership (Limited Partnership)* (Note 1)	94,837,468.07
Winshare Hengxin (Shenzhen) Equity Investment Fund Partnership (Limited Partnership) (Note 2)	248,097,708.00
Qingdao Goldstone Zhixin Investment Center (Limited Partnership)	148,790,378.40
Taizhou Xinheng Zhongrun Investment Fund (Limited Partnership)	15,931,213.44
Total	507,656,767.91

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

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. In 2017 and 2018, the Company recovered investments of RMB5,085,525.25 and RMB9,477,898.92 respectively.

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 year are gains of RMB7,429,734.19, 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 year are losses of RMB21,326,876.74, and are recognized in losses from changes in fair values.

Notes to the Financial Statements

For the year ended 31 December 2018

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

12. Other non-current financial assets (Continued)

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 RMB12,800,284.84 from Qingdao Goldstone Zhixin Investment Center (Limited Partnership) for current year, and recognized such dividends in investment income.

Changes in fair value for current year are losses of RMB4,461,696.20, and are recognized in the losses 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 account 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. Winshare Investment received dividend of RMB416,209.90 from Taizhou Xinheng Zhongrun Investment Fund (Limited Partnership) for the current year, recognized in investment income.

Changes in fair value for current year are losses of RMB19,694,752.78, and are recognized in the losses from changes in fair values.

Please refer to Notes (X) for details of the fair value measurement of the other non-current financial assets above.

13. Investment properties

Investment properties measured at cost

	<i>RMB</i>
Item	Buildings
I. Cost	
1. 31 December 2017	112,060,675.07
2. Decrease in the current year	(30,652,484.23)
(1) Transfer to fixed assets	(30,652,484.23)
3. 31 December 2018	81,408,190.84
II. Accumulated depreciation	
1. 31 December 2017	(41,372,173.02)
2. Increase in the current year	(3,007,276.14)
(1) Provision	(3,007,276.14)
3. Decrease in the current year	16,890,400.57
(1) Transfer to fixed assets	16,890,400.57
4. 31 December 2018	(27,489,048.59)
III. Net book value	
1. 31 December 2018	53,919,142.25
2. 31 December 2017	70,688,502.05

Notes to the Financial Statements

For the year ended 31 December 2018

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

14. Fixed assets

(1) Fixed assets

RMB					
Item	Buildings	Machinery and equipment	Electronic equipment and others	Transportation vehicles	Total
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 current year	70,941,826.01	3,458,924.63	19,682,517.29	3,186,157.77	97,269,425.70
(1) Acquisition	164,821.04	2,614,390.58	19,682,517.29	3,186,157.77	25,647,886.68
(2) Transfer from construction in progress	39,081,404.84	844,534.05	-	-	39,925,938.89
(3) Transfer from investment property	30,652,484.23	-	-	-	30,652,484.23
(4) Other transfers	1,043,115.90	-	-	-	1,043,115.90
3. Decrease in the current year	(3,511,902.05)	(5,522,409.87)	(18,344,184.11)	(4,871,869.71)	(32,250,365.74)
(1) Disposal	(3,511,902.05)	(5,522,409.87)	(18,344,184.11)	(4,871,869.71)	(32,250,365.74)
4. 31 December 2018	1,629,817,140.12	277,190,144.34	166,079,310.71	108,951,209.50	2,182,037,804.67
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 current year	(61,285,939.17)	(16,638,010.47)	(16,929,585.10)	(8,687,033.02)	(103,540,567.76)
(1) Provision	(44,395,538.60)	(16,638,010.47)	(16,929,585.10)	(8,687,033.02)	(86,650,167.19)
(2) Transfer from investment property	(16,890,400.57)	-	-	-	(16,890,400.57)
3. Decrease in the current year	1,847,029.60	4,584,825.69	17,251,775.13	4,456,366.32	28,139,996.74
(1) Disposal	1,847,029.60	4,584,825.69	17,251,775.13	4,456,366.32	28,139,996.74
4. 31 December 2018	(466,042,775.32)	(208,231,224.23)	(131,548,866.66)	(91,852,656.35)	(897,675,522.56)
III. Provision for impairment of fixed assets					
1. 31 December 2017	-	-	(1,004,713.59)	-	(1,004,713.59)
2. Decrease in the current year	-	-	1,004,713.59	-	1,004,713.59
(1) Disposal	-	-	1,004,713.59	-	1,004,713.59
3. 31 December 2018	-	-	-	-	-
IV. Net carrying amount					
1. 31 December 2018	1,163,774,364.80	68,958,920.11	34,530,444.05	17,098,553.15	1,284,362,282.11
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

For the year ended 31 December 2018

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

12. Fixed assets *(Continued)*

(2) Fixed assets of which certificates of title have not been obtained at the end of the year

		<i>RMB</i>
Item	Net carrying amount	Reasons why certificates of title have not been obtained
Office building (Beijing Branch)	63,165,989.66	In process
Commercial building (Guang'an Book City)	19,274,339.19	In process
Warehouse and office building (Sichuan Jiange)	5,799,820.20	In process
Warehouse and office building (Sichuan Xichong)	6,732,121.83	In process
Warehouse and office building (Sichuan Nanchong)	31,167,843.27	In process
Warehouse and office building (Sichuan Longquan)	8,134,285.37	In process
Warehouse and office building (Sichuan Peng'an)	4,956,857.32	In process
Warehouse and office building (Sichuan Guang'an)	8,995,937.05	In process
Warehouse and office building (Sichuan Bazhong)	16,027,292.57	In process
Total	164,254,486.46	

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

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

Notes to the Financial Statements

For the year ended 31 December 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	31 December 2018			31 December 2017		
	Carrying amount	Provision for impairment	Net carrying amount	Carrying amount	Provision for impairment	Net carrying amount
Publishing Media Creation Center*	577,034,488.41	-	577,034,488.41	514,035,070.57	-	514,035,070.57
Bazhong warehouse and office building*	-	-	-	11,395,765.67	-	11,395,765.67
Yilong textbook distribution center project*	99,099.10	-	99,099.10	13,071,297.31	-	13,071,297.31
Ziyang textbooks transfer station project*	29,373,389.91	-	29,373,389.91	20,787,545.27	-	20,787,545.27
Lezhi branch company complex *	14,637,028.47	-	14,637,028.47	9,937,771.68	-	9,937,771.68
Quxian library warehouse and office building*	-	-	-	290,000.00	-	290,000.00
Mianyang warehouse property*	46,019,878.87	-	46,019,878.87	45,953,382.79	-	45,953,382.79
Yuechi warehouse and office building*	-	-	-	5,868,996.00	-	5,868,996.00
Others	4,296,088.89	-	4,296,088.89	809,468.87	-	809,468.87
Total	671,459,973.65	-	671,459,973.65	622,149,298.16	-	622,149,298.16

Notes to the Financial Statements

For the year ended 31 December 2018

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

15. Construction in progress (Continued)

(2) Changes in construction in progress for the current year

Name of item	Budget amount	31 December 2017	Increase in the current year	Transfer to fixed assets for the current year	Transfer to others	31 December 2018	Amount injected as a proportion of budget amount (%)	Construction progress (%)	Amount of accumulated capitalised interest for the current year	Including: capitalised interest for the current year	Interest capitalisation rate for the year (%)	Source of funds	RMB
Nanchong Northeast Sichuan delivery center*	18,500,000.00	-	25,887.00	(25,887.00)	-	-	0.30	0.30	-	-	-	self-financing	
Publishing media creation center*	736,000,000.00	514,035,070.57	62,999,417.84	-	-	577,034,488.41	78.40	78.40	-	-	-	self-financing	
Bazhong warehouse and office building*	21,200,000.00	11,395,765.67	4,664,986.80	(16,060,752.47)	-	-	79.13	79.13	-	-	-	self-financing	
Yilong textbook distribution center project*	21,900,000.00	13,071,297.31	2,513,290.50	(15,485,488.71)	-	99,099.10	87.26	87.26	-	-	-	self-financing	
Ziyang textbooks transfer station project*	30,000,000.00	20,787,545.27	8,585,844.64	-	-	29,373,389.91	97.91	97.91	-	-	-	self-financing	
Wusheng subsidiary base project*	3,000,000.00	-	21,400.00	(21,400.00)	-	-	45.26	45.26	-	-	-	self-financing	
Anyue Branch-office building and warehouse *	13,600,000.00	-	47,135.64	(47,135.64)	-	-	36.45	36.45	-	-	-	self-financing	
Xindu textbook warehouse*	7,800,000.00	-	12,566.94	(12,566.94)	-	-	0.25	0.25	-	-	-	self-financing	
Lezhi branch complex*	31,000,000.00	9,937,771.68	4,699,256.79	-	-	14,637,028.47	47.16	47.16	-	-	-	self-financing	
Quxian library warehouse and office building*	11,800,000.00	290,000.00	-	-	(290,000.00)	-	2.46	2.46	-	-	-	self-financing	
Mianyang warehouse property*	52,700,000.00	45,953,382.79	66,496.08	-	-	46,019,878.87	87.33	87.33	-	-	-	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	4,217,903.35	(287,679.56)	(443,603.77)	4,296,088.89	-	-	-	-	-	self-financing	
Total	958,620,000.00	622,149,298.16	89,970,218.15	(39,925,938.89)	(733,603.77)	671,459,973.65							

* It is also the construction in progress of the Company

Notes to the Financial Statements

For the year ended 31 December 2018

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

16. Intangible assets

(1) Intangible assets

<i>RMB</i>						
Item	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 current year	571,309.20	1,767,764.43	11,312,525.31	-	-	13,651,598.94
(1) Acquisition	571,309.20	1,767,764.43	4,282,303.22	-	-	6,621,376.85
(2) Transfer from development expenses	-	-	7,030,222.09	-	-	7,030,222.09
3. Decrease in the current year	-	-	-	-	-	-
(1) Disposal	-	-	-	-	-	-
4. 31 December 2018	356,454,080.19	7,232,248.23	122,637,586.29	44,944,000.00	4,850,056.44	536,117,971.15
II. Total 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 current year	(8,334,010.50)	(830,377.76)	(7,230,932.26)	(3,161,066.64)	(108,125.16)	(19,664,512.32)
(1) Provision	(8,334,010.50)	(830,377.76)	(7,230,932.26)	(3,161,066.64)	(108,125.16)	(19,664,512.32)
3. Decrease in the current year	-	-	-	-	-	-
(1) Other reductions	-	-	-	-	-	-
4. 31 December 2018	(83,909,704.38)	(3,474,062.93)	(75,899,497.50)	(23,460,799.84)	(2,632,599.05)	(189,376,663.70)
III. Total provision for impairment						
1. Opening balance	-	-	-	(12,000,000.00)	-	(12,000,000.00)
2. Closing balance	-	-	-	(12,000,000.00)	-	(12,000,000.00)
IV. Total net book value						
1. 31 December 2018	272,544,375.81	3,758,185.30	46,738,088.79	9,483,200.16	2,217,457.39	334,741,307.45
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

For the year ended 31 December 2018

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

17. Goodwill

(1) Original carrying amount of goodwill

				<i>RMB</i>
Name of the investee and item resulting in goodwill	31 December 2017	Increase in the current year	Decrease in the current year	31 December 2018
Acquisitions of 15 publishing companies (Note)	500,571,581.14	–	–	500,571,581.14
Others	3,870,061.53	–	–	3,870,061.53
Total	504,441,642.67	–	–	504,441,642.67

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2018

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

17. Goodwill (Continued)

(2) Provision for impairment loss of goodwill

<i>RMB</i>				
Name of the investee and item resulting in goodwill	31 December 2017	Increase in the current year	Decrease in the current year	31 December 2018
Others	(3,851,606.53)	-	-	(3,851,606.53)

18. Long-term prepaid expenses

<i>RMB</i>				
Item	31 December 2017	Increase in the current year	Amortisation for the year	31 December 2018
Leasehold improvement	16,732,282.15	19,636,568.35	(16,892,641.97)	19,476,208.53
Rent	2,366,267.50	188,124.37	(967,552.80)	1,586,839.07
Total	19,098,549.65	19,824,692.72	(17,860,194.77)	21,063,047.60

Notes to the Financial Statements

For the year ended 31 December 2018

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

19. Deferred tax assets (liabilities)

(1) Deferred tax assets

Item	31 December 2018		31 December 2017	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment losses of assets	29,700,413.80	7,425,103.45	23,064,198.00	5,766,049.50
Employee benefits payable	16,998,739.52	4,249,684.88	17,964,024.40	4,491,006.10
Total	46,699,153.32	11,674,788.33	41,028,222.40	10,257,055.60

RMB

(2) Deferred tax liabilities

Item	31 December 2018		31 December 2017	
	Deductible temporary differences	Deferred tax liabilities	Deductible temporary differences	Deferred tax liabilities
Differences between carrying amount and fair value in acquisitions of subsidiary	36,830,474.16	9,207,618.54	40,234,758.64	10,058,689.66
Relocation compensation	37,428,724.80	9,357,181.20	37,428,724.80	9,357,181.20
Changes in the fair value of available-for-sale financial assets	N/A	N/A	97,659,413.76	24,414,853.44
Changes in the fair value of other equity instrument investments	544,770.96	136,192.74	N/A	N/A
Changes in the fair value of other non-current financial assets	53,822,750.16	13,455,687.54	N/A	N/A
Total	128,626,720.08	32,156,680.02	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.

Notes to the Financial Statements

For the year ended 31 December 2018

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

19. Deferred tax assets (liabilities) (Continued)

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

<i>RMB</i>		
Item	31 December 2018	31 December 2017
Deductible temporary differences	138,180,146.15	95,718,796.75
Deductible taxable losses	261,953,962.25	365,361,371.55
Total	400,134,108.40	461,080,168.30

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

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

<i>RMB</i>		
Year	31 December 2018	31 December 2017
2018	–	71,455,722.52
2019	45,459,185.02	72,221,359.17
2020	98,199,940.27	116,214,195.66
2021	45,528,559.27	60,238,737.55
2022	41,901,272.05	45,231,356.65
2023	30,865,005.64	–
Total	261,953,962.25	365,361,371.55

20. Other non-current assets

<i>RMB</i>		
Item	31 December 2018	31 December 2017
Prepaid land funds	35,355,837.99	35,355,837.99
VAT input tax to be deducted (Note)	36,718,628.58	60,408,980.61
Others	37,738,886.00	37,738,886.00
Total	109,813,352.57	133,503,704.60

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

Notes to the Financial Statements

For the year ended 31 December 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	
	31 December 2018	31 December 2017
Accounts payable	3,598,337,771.59	3,083,435,509.23
Notes payable	22,176,144.64	60,855,873.00
Including: Bank acceptances	22,176,144.64	60,855,873.00
Total	3,620,513,916.23	3,144,291,382.23

At the end of the current year, the Group's deposit for the above-mentioned bank acceptance bills was RMB7,355,024.39.

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

(2) Details of aging analysis of notes payable and accounts payable is as follows:

Item	RMB	
	31 December 2018	31 December 2017
Within 1 year	2,568,299,566.78	2,055,792,171.10
More than 1 year but not exceeding 2 years	714,272,450.41	739,468,072.03
More than 2 years but not exceeding 3 years	212,033,704.35	219,192,756.38
More than 3 years	125,908,194.69	129,838,382.72
Total	3,620,513,916.23	3,144,291,382.23

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

Notes to the Financial Statements

For the year ended 31 December 2018

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

22. Contract liabilities

(1) Presentation of contract liabilities:

<i>RMB</i>	
Item	31 December 2018
Advanced receipts for sold goods	325,898,982.87
Membership card points	12,782,898.02
Total	338,681,880.89

- (2) The Group's recognized revenue of RMB270,511,708.90, including the carrying amount of contract liabilities at the beginning of the period, for current year includes contract liabilities of RMB270,131,882.91 arising from advanced receipts for sold goods, and contract liabilities of RMB379,825.99 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.

The Group's retail outlets offer a membership card to the customers, and the points for customers who earn a certain amount of points can be converted to cash upon purchase. The Group distributes the consideration for sale between the goods sold and the points awarded according to the relative standalone price. The sales price allocated to the reward points is recognized as contract liabilities and recognized as income when the reward points are redeemed.

Notes to the Financial Statements

For the year ended 31 December 2018

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

23. Employee benefits payable

(1) Employee benefits payable

				<i>RMB</i>
Item	31 December 2017	Increase in the current year	Decrease in the current year	31 December 2018
I. Short-term benefits	321,480,876.50	911,894,067.67	(896,144,107.75)	337,230,836.42
II. Post-employment benefit – defined contribution plan	1,297,226.53	127,161,863.37	(127,604,999.22)	854,090.68
Total	322,778,103.03	1,039,055,931.04	(1,023,749,106.97)	338,084,927.10

(2) Short-term benefits

				<i>RMB</i>
Item	31 December 2017	Increase in the current year	Decrease in the current year	31 December 2018
I. Wages or salaries, bonuses, allowances and subsidies	266,486,095.62	763,845,081.03	(755,789,897.13)	274,541,279.52
II. Staff welfare	3,878.55	11,149,509.85	(11,148,929.85)	4,458.55
III. Social security contributions	534,794.18	47,344,314.55	(47,552,240.60)	326,868.13
Including: Medical insurance	453,148.63	41,380,722.28	(41,590,432.08)	243,438.83
Work injury insurance	40,662.15	1,999,845.49	(1,989,974.68)	50,532.96
Maternity insurance	36,831.50	3,613,629.48	(3,621,742.62)	28,718.36
Other insurances	4,151.90	350,117.30	(350,091.22)	4,177.98
IV. Housing funds	1,662,534.83	60,841,500.57	(61,115,890.43)	1,388,144.97
V. Union running costs and employee education costs	52,585,657.60	26,377,820.45	(18,221,873.68)	60,741,604.37
VI. Others	207,915.72	2,335,841.22	(2,315,276.06)	228,480.88
Total	321,480,876.50	911,894,067.67	(896,144,107.75)	337,230,836.42

Notes to the Financial Statements

For the year ended 31 December 2018

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

23. Employee benefits payable (Continued)

(3) Defined contribution plan

				<i>RMB</i>
Item	31 December 2017	Increase in the current year	Decrease in the current year	31 December 2018
I. Basic pension insurance	914,381.20	98,393,200.95	(98,592,372.06)	715,210.09
II. Unemployment insurance expense	64,577.78	3,125,631.89	(3,119,952.45)	70,257.22
III. Enterprise annuity	318,267.55	25,643,030.53	(25,892,674.71)	68,623.37
Total	1,297,226.53	127,161,863.37	(127,604,999.22)	854,090.68

24. Taxes payable

			<i>RMB</i>
Item	31 December 2018	31 December 2017	
Income tax	3,774,290.71	3,838,352.86	
Value added tax	19,323,294.47	17,644,303.85	
City construction and maintenance tax	620,659.25	704,739.47	
Education surcharges	432,111.36	498,872.93	
Housing property tax	1,499,669.09	2,541.43	
Individual income tax	4,010,239.94	2,110,173.84	
Others	18,478,493.72	18,079,074.12	
Total	48,138,758.54	42,878,058.50	

Notes to the Financial Statements

For the year ended 31 December 2018

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

25. Other Payables

	<i>RMB</i>	
Item	31 December 2018	31 December 2017
Amounts due to related parties	6,929,554.20	1,424,969.89
Security deposit/deposit/quality warranty/ performance security	67,959,185.69	84,046,594.06
Construction and infrastructure construction expenses	27,578,598.79	22,661,563.29
Amounts due to/from other entities	62,825,482.23	52,565,352.62
Dividends payable	–	202,228.29
Others	121,346,822.86	103,469,235.89
Total	286,639,643.77	264,369,944.04

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

26. Deferred income

	<i>RMB</i>	
Item	31 December 2018	31 December 2017
Government grants (Note)	98,377,250.58	92,171,925.10
Membership card points	N/A	10,797,781.88
Total	98,377,250.58	102,969,706.98

Notes to the Financial Statements

For the year ended 31 December 2018

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

26. Deferred income (Continued)

Items involving with government subsidies:

<i>RMB</i>					
Item	31 December 2017	New grants for the current year	Amount accounted into other income for the current year	31 December 2018	Related to an asset/related to income
Books subsidies	92,171,925.10	33,030,529.49	(26,825,204.01)	98,377,250.58	Related to income
Total	92,171,925.10	33,030,529.49	(26,825,204.01)	98,377,250.58	

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 distributed, 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.

27. Provisions

<i>RMB</i>		
Item	31 December 2018	31 December 2017
Provisions for sales return	48,879,492.72	11,891,779.02

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

Notes to the Financial Statements

For the year ended 31 December 2018

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

28. Deferred income

RMB		
Item	31 December 2018	31 December 2017
Government grants	70,210,541.84	86,227,572.50

Items related to government grants:

RMB					
Item	31 December 2017	New grants for the current year	Amount recognized in other income for the current year	31 December 2018	Related to an asset/related to income
Copyright protection of audio and video cloud application system	1,364,902.86	-	(148,898.49)	1,216,004.37	related to an asset
Integration and Application Demonstration of Key Technology in Digital Education	5,285,880.89	-	(3,589,133.37)	1,696,747.52	related to an asset
Construction of Full Media Center of "Tibetan-Chinese Bilingual Language"	361,012.50	-	(291,100.42)	69,912.08	related to an asset
Western Culture Logistics and Distribution Base	1,700,529.20	-	(256,039.93)	1,444,489.27	related to an asset
CNONIX National Standard Application Promotion Demonstration – Based on Supply Chain Collaborative E – Commerce Platform	2,930,265.33	-	(1,133,749.79)	1,796,515.54	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	-	(4,210,487.84)	15,612,541.49	related to an asset
Wisdom Bookstore Project	3,710,590.18	-	(540,917.64)	3,169,672.54	related to an asset
UClass Digital Teaching Application System	5,518,894.93	-	(1,251,864.33)	4,267,030.60	related to an asset
Winshare Cloud Digital Campus Development and Application Promotion	993,299.91	-	(519,494.60)	473,805.31	related to an asset
Special fund for Winshare Bookstores	827,004.80	-	(794,635.67)	32,369.13	related to an asset
Network Construction of Shuxiang Tianfu, Wisdom Xinhua Physical Bookstore – finance	4,000,000.00	-	(250,335.82)	3,749,664.18	related to an asset
Xinhua Winshare Longquan Bookstore Construction Project	3,000,000.00	-	(287,043.81)	2,712,956.19	related to an asset
Digital Media Education Service System Construction	500,000.00	-	(207,996.21)	292,003.79	related to an asset
Digital Evaluation Platform	1,050,000.00	-	(241,603.28)	808,396.72	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	-	(326,327.24)	2,665,005.75	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	-	(1,508,149.38)	3,491,850.62	related to an asset
Others	550,000.00	-	(74,807.21)	475,192.79	related to an asset
	26,620,829.58	1,394,545.29	(1,778,990.92)	26,236,383.95	related to an asset
Total	86,227,572.50	1,394,545.29	(17,411,575.95)	70,210,541.84	

Notes to the Financial Statements

For the year ended 31 December 2018

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

29. Share capital

Items							RMB
	31 December 2017	Issue of new shares	Changes for the current year			Subtotal	31 December 2018
			Bonus issue	Capitalisation of surplus reserve	Others		
For the current year:							
Promoter's shares	692,468,091.00	-	-	-	-	-	692,468,091.00
National Council for Social Security Fund	725,809.00	-	-	-	-	-	725,809.00
Foreign shares listed overseas	441,937,100.00	-	-	-	-	-	441,937,100.00
Domestically-listed RMB ordinary shares	98,710,000.00	-	-	-	-	-	98,710,000.00
Total	1,233,841,000.00	-	-	-	-	-	1,233,841,000.00
For the prior year:							
Promoter'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
Total	1,233,841,000.00	-	-	-	-	-	1,233,841,000.00

Notes to the Financial Statements

For the year ended 31 December 2018

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

30. Capital reserve

For the current year

				<i>RMB</i>
Item	31 December 2017	Increase in the current year	Decrease in the current year	31 December 2018
Share capital premium				
Including: Capital contributed by investors	2,623,214,037.85	–	–	2,623,214,037.85
Effect of business combination involving enterprises under common control	(24,511,900.00)	–	–	(24,511,900.00)
Equity transaction with non-controlling shareholders	(55,352,491.06)	–	(62,918.50)	(55,415,409.56)
Deemed acquisition of additional interests in subsidiaries	(2,865,206.59)	–	–	(2,865,206.59)
Other capital reserve				
Including: Transfer from capital reserve under the previous accounting system	23,281,007.10	–	–	23,281,007.10
Conversion of appreciation of net assets arising from associates to subsidiaries on pro-rata basis	9,820,616.03	–	–	9,820,616.03
Treasury shares	(998,378.51)	–	–	(998,378.51)
Total	2,572,587,684.82	–	(62,918.50)	2,572,524,766.32

Notes to the Financial Statements

For the year ended 31 December 2018

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

30. Capital reserve (Continued)

For the prior year

				<i>RMB</i>
Item	31 December 2017	Increase in the current year	Decrease in the current year	31 December 2018
Share capital premium				
Including: Capital contributed by investors	2,622,807,793.67	406,244.18	–	2,623,214,037.85
Effect of business combination involving enterprises under common control	(24,511,900.00)	–	–	(24,511,900.00)
Equity transaction with non-controlling shareholders	(8,066,401.59)	–	(47,286,089.47)	(55,352,491.06)
Deemed acquisition of additional interests of subsidiaries	(2,865,206.59)	–	–	(2,865,206.59)
Other capital reserve				
Including: Transfer from capital reserve under the previous accounting system	23,281,007.10	–	–	23,281,007.10
Conversion of appreciation of net assets arising from associated companies to subsidiaries on pro-rata basis	9,820,616.03	–	–	9,820,616.03
Treasury shares	(998,378.51)	–	–	(998,378.51)
Total	2,619,467,530.11	406,244.18	(47,286,089.47)	2,572,587,684.82

Notes to the Financial Statements

For the year ended 31 December 2018

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

31. Other comprehensive income

RMB

Item	31 December 2017	Effects of implementation of New Financial Instrument Standards (Note (III) 25)	Amount before income tax for the current year	Changes for the current year		Income tax expenses	Post-tax amount attributable to the owner of the Company	Post-tax amount attributable to non- controlling shareholders	31 December 2018
				Less: amount included in other comprehensive income in the prior period that is transferred to profit or loss for the period	Less: amount included in other comprehensive income in the prior period that is transferred to profit or loss for the period				
For the current year:									
Other comprehensive income that cannot be reclassified into profit or loss	1,230,619,792.07	179,650,842.09	(389,047,688.45)	-	283,922.12	(388,763,766.33)	-	-	1,021,506,867.83
Profit or loss on changes in fair value of other equity instrument investments	1,209,044,536.39	201,226,097.77	(389,047,688.45)	-	283,922.12	(388,763,766.33)	-	-	1,021,506,867.83
Share of other comprehensive income of the investee under equity method transferred from other comprehensive income to retained earnings	21,575,255.68	(21,575,255.68)	-	-	-	-	-	-	-
For the prior year:									
Other comprehensive income that will be reclassified in profit or loss in the subsequent years	2,045,820,792.23	N/A	(802,650,953.30)	(593,133.85)	(11,956,913.01)	(815,201,000.16)	-	-	1,230,619,792.07
Share of other comprehensive income of the investee that will be reclassified into profit or loss under equity method	412,151.06	N/A	21,163,104.62	-	-	21,163,104.62	-	-	21,575,255.68
Profit or loss arising from changes in fair value of available-for-sale financial assets	2,045,408,641.17	N/A	(823,814,057.92)	(593,133.85)	(11,956,913.01)	(836,364,104.78)	-	-	1,209,044,536.39

Notes to the Financial Statements

For the year ended 31 December 2018

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

32. Surplus reserve

RMB				
Item	31 December 2017	Increase in the current year	Decrease in the current year	31 December 2018
For the current year:				
Statutory surplus reserve	625,743,635.42	85,324,723.53	–	711,068,358.95
For the prior year:				
Statutory surplus reserve	539,564,967.34	86,178,668.08	–	625,743,635.42

33. Retained profits

RMB			
Item	31 December 2018	31 December 2017	Proportion of appropriation or distribution
Retained profits at the end of the prior year	2,364,509,602.80	1,896,996,070.84	
Effects of implementation of new standards for financial instruments (Note (III) 25)	100,405,157.91	N/A	
Retained profits at the beginning of the current year	2,464,914,760.71	1,896,996,070.84	
Add: Net profit attributable to shareholders of the Company for the current year	932,184,804.06	923,844,500.04	
Less: Appropriation to statutory surplus reserve	(85,324,723.53)	(86,178,668.08)	(1)
Dividends payable on ordinary shares	(370,152,300.00)	(370,152,300.00)	(2)
Retained profits at the end of the year	2,941,622,541.24	2,364,509,602.80	

(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.

Notes to the Financial Statements

For the year ended 31 December 2018

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

33. Retained profits *(Continued)*

(2) Cash dividends approved at shareholders' meeting

On 25 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 year: RMB0.30) and the total cash dividends of RMB370,152,300.00 (tax-inclusive) (Prior year: RMB370,152,300.00) was distributed.

(3) Appropriation to surplus reserve by subsidiaries

At the end of the current year, the balance of the Group's retained profits includes the surplus reserve of RMB98,503,003.33 (at the end of prior year: RMB73,622,609.60) appropriated to subsidiaries.

34. Operating income and operating costs

(1) Operating income and operating costs

	<i>RMB</i>	
Item	Amount recognized in the current year	Amount recognized in the prior year
Principal operating income	8,030,201,485.50	7,198,251,200.57
Other operating income	156,381,481.23	147,631,757.09
Including: Gross revenue from concessionaire sales	345,326,801.27	345,054,551.69
Gross cost from concessionaire sales	(294,767,927.97)	(293,807,996.13)
Commissions from concessionaire sales	50,558,873.30	51,246,555.56
Operating costs	5,115,028,020.85	4,686,978,912.13

Notes to the Financial Statements

For the year ended 31 December 2018

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

34. Operating income and operating costs (Continued)

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

RMB

Item	Operating income		Operating costs	
	Current year	Prior year	Current year	Prior year
Publishing segment				
Textbooks and supplementary materials	1,345,807,273.62	1,172,894,868.57	877,132,171.24	762,010,153.65
General books	785,957,302.01	577,749,851.37	525,166,730.75	389,827,557.63
Printing and supplies	314,596,381.76	281,968,891.26	298,662,824.04	264,390,854.55
Others	88,528,783.00	70,761,979.98	35,021,216.36	28,650,067.14
Subtotal	2,534,889,740.39	2,103,375,591.18	1,735,982,942.39	1,444,878,632.97
Distribution segment				
Education services	4,771,871,961.65	4,301,711,418.08	3,080,866,254.21	2,800,422,693.93
Including: Textbooks and supplementary materials	4,015,378,780.29	3,690,378,349.61	2,417,525,533.74	2,263,749,308.30
Educational informatization and equipment business	756,493,181.36	611,333,068.47	663,340,720.47	536,673,385.63
Online sales	1,266,527,032.62	1,233,750,213.85	1,129,994,562.12	1,147,120,250.02
Retailing	712,736,714.59	663,943,796.06	425,835,034.77	401,583,134.58
Others	394,194,316.53	367,293,786.32	235,682,434.56	255,289,842.26
Subtotal	7,145,330,025.39	6,566,699,214.31	4,872,378,285.66	4,604,415,920.79
Others	306,094,538.83	204,925,712.87	267,410,310.19	171,953,989.91
Less: Inter-segment elimination	(1,799,381,337.88)	(1,529,117,560.70)	(1,760,743,517.39)	(1,534,269,631.54)
Total	8,186,582,966.73	7,345,882,957.66	5,115,028,020.85	4,686,978,912.13

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

Notes to the Financial Statements

For the year ended 31 December 2018

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

35. Taxes and levies

<i>RMB</i>		
Item	Amount recognized in the current year	Amount recognized in the prior year
City construction and maintenance tax	4,522,883.04	5,313,179.38
Education surcharges	3,241,006.84	3,791,848.05
Property tax	16,436,332.66	16,242,072.80
Urban land use tax	3,935,507.12	3,253,236.44
Stamp duty	2,427,842.83	2,501,640.32
Vessel and vehicle tax	335,803.90	342,282.60
Disabled Person Security Fund	5,851,945.74	5,886,722.37
Others	231,262.01	246,204.70
Total	36,982,584.14	37,577,186.66

36. Selling expenses

<i>RMB</i>		
Item	Amount recognized in the current year	Amount recognized in the prior year
Wages and other human costs	393,188,474.66	342,080,752.79
Transportation costs	229,599,106.26	212,218,146.06
Business conference fees	43,689,098.09	40,491,419.39
Vehicle fees	23,750,139.71	32,249,027.31
Travel expenses	24,625,163.15	22,303,159.47
Advertising and promotion fees	89,715,568.53	82,666,157.89
Distribution commission	39,829,692.76	24,297,382.93
Packing expenses	12,463,545.89	13,557,268.31
Others	153,812,194.24	122,653,060.68
Total	1,010,672,983.29	892,516,374.83

Notes to the Financial Statements

For the year ended 31 December 2018

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

37. Administrative expenses

<i>RMB</i>		
Item	Amount recognized in the current year	Amount recognized in the prior year
Wages and other human costs	575,793,642.70	527,669,106.52
Business entertainment fees	114,143,335.00	105,376,744.30
Lease payments	121,601,442.21	107,852,458.11
Depreciation and amortisation expenses	95,825,402.07	106,292,508.31
Conference fees	26,357,152.49	21,498,296.16
Property management fees	32,725,409.10	28,820,703.37
Travelling expenses	8,558,292.31	9,960,268.97
Energy costs	19,367,466.73	19,519,887.95
Office expenses	8,304,490.64	8,020,849.05
Repair charges	24,624,051.60	15,883,396.32
Audit and other non-audit service fees	3,245,283.02	3,670,000.00
Others	84,796,085.53	110,621,455.87
Total	1,115,342,053.40	1,065,185,674.93

38. Finance expenses

<i>RMB</i>		
Item	Amount recognized in the current year	Amount recognized in the prior year
Interest expense	516,412.05	–
Interest income	(22,848,178.36)	(21,976,422.91)
Interest income of long-term receivables	(13,150,248.29)	(6,216,780.55)
Bank charges	5,743,066.04	4,795,450.04
Exchange gains or losses and others	5,328,224.53	(962,537.65)
Total	(24,410,724.03)	(24,360,291.07)

Notes to the Financial Statements

For the year ended 31 December 2018

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

39. Impairment losses of assets

<i>RMB</i>		
Item	Amount recognized in the current year	Amount recognized in the prior year
Bad debt losses	N/A	24,498,499.59
Losses of decline in value of inventories	40,817,713.77	55,249,866.57
Impairment losses of fixed assets	–	1,004,713.59
Impairment losses of long-term equity investments	16,529,000.00	–
Total	57,346,713.77	80,753,079.75

40. Loss on credit impairment

<i>RMB</i>	
Item	Amount recognized in the current year
Credit impairment losses of notes receivables and accounts receivable	81,269,285.69
Impairment losses of other receivables	2,486,787.92
Total	83,756,073.61

41. Gains (losses) from fair value change

<i>RMB</i>		
Source resulting in gains (losses) from fair value change	Amount recognized in the current year	Amount recognized in the prior year
Financial assets at FVTPL	(38,181,032.61)	10,279.16
Total	(38,181,032.61)	10,279.16

Notes to the Financial Statements

For the year ended 31 December 2018

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

42. Investment income

	<i>RMB</i>	
Item	Amount recognized in the current year	Amount recognized in the prior year
Income from long-term equity investments		
Including: Income from investments under equity method	20,614,370.74	10,286,556.13
Investment income on disposal of long-term equity investments	(20.32)	166,604,192.41
Investment income from disposal of available-for-sale financial assets		
Including: Investment income from available-for-sale financial assets measured at cost	N/A	33,026,709.60
Investment income from available-for-sale financial assets measured at fair value	N/A	29,832,588.02
Investment income from disposal of available-for-sale financial assets	N/A	593,133.85
Investment income from other non-current financial assets	13,216,494.74	N/A
Investment income from other equity instrument investments	43,591,488.02	N/A
Investment income from disposal of financial assets at FVTPL	49,459,881.88	26,768,910.15
Gains from any retained interest is re-measured at its fair value after control is lost	-	5,042,726.27
Total	126,882,215.06	272,154,816.43

43. Other income

	<i>RMB</i>	
Item	Amount recognized in the current year	Amount recognized in the prior year
Book publishing subsidies	26,825,204.01	14,170,235.94
VAT first levied then returned	10,537,649.87	29,900,529.02
Other financial subsidies	25,082,079.56	21,184,433.93
Total	62,444,933.44	65,255,198.89

Notes to the Financial Statements

For the year ended 31 December 2018

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

44. Non-operating income

(1) Details of non-operating income is as follows:

<i>RMB</i>			
Item	Amount recognized in the current year	Amount recognized in the prior year	Amount included in non-recurring profit and loss for the current year
Others	10,614,766.98	8,691,686.24	10,614,766.98
Total	10,614,766.98	8,691,686.24	10,614,766.98

45. Non-operating expenses

<i>RMB</i>			
Item	Amount recognized in the current year	Amount recognized in the prior year	Amount included in non-recurring profit and loss for the current year
Donations	24,505,352.02	32,148,012.97	24,505,352.02
Penalty cost	2,967.82	17,974.25	2,967.82
Others	1,034,830.25	1,154,736.75	1,034,830.25
Total	25,543,150.09	33,320,723.97	25,543,150.09

Notes to the Financial Statements

For the year ended 31 December 2018

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

46. Income tax

<i>RMB</i>		
Item	Amount recognized in the current year	Amount recognized in the prior year
Current tax calculated according to tax laws and relevant requirements	2,012,008.52	3,837,124.49
Deferred income tax expenses	(12,807,854.89)	(3,277,239.28)
Total	(10,795,846.37)	559,885.21

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

<i>RMB</i>		
Item	Amount recognized in the current year	Amount recognized in the prior year
Accounting profit	915,920,620.39	917,040,255.91
Income tax expenses calculated at 25%	228,980,155.10	229,260,063.98
Tax concessions	(257,159,208.89)	(248,488,081.74)
Effect of expenses that are not deductible for tax purposes	25,652,991.76	23,906,432.06
Effect of non-assessable income	(10,897,200.00)	(13,411,909.75)
Effect of unrecognized deductible temporary differences	10,615,337.35	704,205.69
Effect of unrecognized deductible losses (use of deductible losses in prior years)	(7,987,921.69)	8,064,021.17
Payment for income tax of prior years	-	525,153.80
Total	(10,795,846.37)	559,885.21

Notes to the Financial Statements

For the year ended 31 December 2018

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

47. Calculation process of basic earnings per share

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

	<i>RMB</i>	
	2018	2017
Net profit for the current period attributable to ordinary shareholders	932,184,804.06	923,844,500.04
Including: Net profit from continuing operations	932,184,804.06	923,844,500.04

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

	<i>Shares</i>	
	2018	2017
Number of ordinary shares outstanding at the beginning of year	1,233,841,000	1,233,841,000
Number of ordinary shares outstanding at the end of year	1,233,841,000	1,233,841,000

Earnings per share:

	<i>RMB</i>	
	2018	2017
Number of ordinary shares outstanding at the end of year divided by net profit for the current period attributable to ordinary shareholders	0.76	0.75
Number of ordinary shares outstanding at the end of year divided by net profit for the current period attributable to ordinary shareholders and attributable to continuing operation	0.76	0.75

The Company has no dilutive potential ordinary shares.

Notes to the Financial Statements

For the year ended 31 December 2018

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

48. Notes to items in the cash flow statement

(1) Other cash receipts relating to operating activities

<i>RMB</i>		
Item	Amount recognized in the current year	Amount recognized in the prior year
Interests	29,750,728.73	11,901,431.61
Government grants	40,552,455.82	35,112,698.64
Recovery of amounts due to/from other entities	58,598,621.74	10,287,746.07
Total	128,901,806.29	57,301,876.32

(2) Other cash payments relating to operating activities

<i>RMB</i>		
Item	Amount recognized in the current year	Amount recognized in the prior year
Selling expenses	617,484,508.63	550,435,622.04
Of which: Transportation costs	229,599,106.26	212,218,146.06
Advertising and promotion fees	89,715,568.53	82,666,157.89
Business conference fees	43,689,098.09	40,491,419.39
Distribution commission	39,829,692.76	24,297,382.93
Travel expenses	24,625,163.15	22,303,159.47
Vehicle fees	23,750,139.71	32,249,027.31
Administrative expenses	458,436,070.93	407,575,002.81
Of which: Lease payment	115,402,547.41	107,852,458.11
Business entertainment fees	114,143,335.00	105,376,744.30
Property management fees	32,725,409.10	28,820,703.37
Conference fees	26,357,152.49	21,498,296.16
Repair charges	24,624,051.60	15,883,396.32
Energy costs	19,367,466.73	19,519,887.95
Others	26,361,761.12	120,646,031.30
Total	1,102,282,340.68	1,078,656,656.15

Notes to the Financial Statements

For the year ended 31 December 2018

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

48. Notes to items in the cash flow statement *(Continued)*

(3) Other cash receipts relating to investing activities

<i>RMB</i>		
Item	Amount recognized in the current year	Amount recognized in the prior year
Receipt of time deposit over 3 months	280,000,000.00	30,212,625.38
Recovery of interest from time deposit	3,561,027.40	–
Recovery of entrustment loans	–	120,000,000.00
Total	283,561,027.40	150,212,625.38

(4) Other cash receipts relating to financing activities

<i>RMB</i>		
Item	Amount recognized in the current year	Amount recognized in the prior year
Government grants	–	10,423,573.81

(5) Other cash payments relating to financing activities

<i>RMB</i>		
Item	Amount recognized in the current year	Amount recognized in the prior year
Acquisition of equity of Winshare Sports Culture Development Co., Ltd. (“ Winshare Sports Culture ”) held by non-controlling shareholders	–	69,271,000.00
Payment for Capital Reduction by non-controlling shareholders of Sichuan Xinhua Winshare Media Co., Ltd. (“ Winshare Media ”)	1,780,947.00	–
Total	1,780,947.00	69,271,000.00

Notes to the Financial Statements

For the year ended 31 December 2018

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

49. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

	Amount recognized in the current year	Amount recognized in the prior year
<i>RMB</i>		
Supplementary information		
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	926,716,466.76	916,480,370.70
Add: Provision for impairment losses of assets and provision for credit impairment	141,102,787.38	80,753,079.75
Depreciation of fixed assets	86,650,167.19	89,439,285.91
Depreciation of investment properties	3,007,276.14	4,396,390.86
Amortisation of intangible assets	19,664,512.32	21,360,233.83
Amortisation of long-term prepaid expenses	17,860,194.77	18,110,557.23
Gains on disposal of fixed assets, intangible assets and other long-term assets	(1,430,228.33)	(208,309.60)
Differences between fair value and book value arising from establishing an associate by contributing capitals in form of intangible assets and construction in progress	-	(2,629,544.76)
Losses from changes in fair value (Less: gains)	38,181,032.61	(10,279.16)
Finance expenses	(14,424,020.16)	(13,760,088.56)
Interest income of entrusted loans	-	(1,180,018.10)
Investment income	(126,882,215.06)	(272,154,816.43)
Increase in deferred tax assets	(1,417,732.73)	(1,428,938.10)
Decrease in deferred tax liabilities	(11,390,122.16)	(1,848,301.18)
Increase in inventories	(197,917,018.81)	(383,785,190.49)
Increase in receivables from operating activities	(420,728,726.85)	(634,686,473.66)
Increase in payables from operating activities	534,457,898.90	526,773,912.20
Net cash flow from operating activities	993,450,271.97	345,621,870.44
2. Net changes in cash and cash equivalents:		
Closing balance of cash	2,576,699,731.25	1,825,572,649.15
Less: Opening balance of cash	(1,825,572,649.15)	1,634,167,257.70
Net increase in cash and cash equivalents	751,127,082.10	191,405,391.45

Notes to the Financial Statements

For the year ended 31 December 2018

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

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

(2) Cash and cash equivalents

<i>RMB</i>		
Item	Closing balance	Opening balance
Cash	2,576,699,731.25	1,825,572,649.15
Including: Cash on hand	3,311,719.53	2,497,605.27
Bank deposits readily available for payment	2,573,388,011.72	1,823,075,043.88
Balance of cash and cash equivalents	2,576,699,731.25	1,825,572,649.15

50. Assets with restricted ownership

<i>RMB</i>		
Assets with restricted ownership	Closing balance	Opening balance
Cash and bank balances (Note)	31,912,840.76	60,109,568.68

Note: At the end of the current year, the Group's cash and bank balances with limited ownership consist of security deposit for the issuance of bank acceptance bills of RMB7,355,024.39 (at the end of prior year: RMB18,634,761.90); the special fund for housing reform and housing repair of RMB24,557,816.37 (at the end of prior year: RMB24,474,806.78). Other deposit is nil (at the end of prior year: RMB17,000,000.00).

Notes to the Financial Statements

For the year ended 31 December 2018

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

51. Net current assets

<i>RMB</i>		
Item	Closing balance	Opening balance
Current assets	7,650,982,774.29	6,583,898,654.47
Less: Current liabilities	(4,779,315,869.83)	(4,199,825,114.13)
Net current assets	2,871,666,904.46	2,384,073,540.34

52. Total assets less current liabilities

<i>RMB</i>		
Item	Closing balance	Opening balance
Total assets	13,287,712,452.79	12,286,705,641.32
Less: Current liabilities	(4,779,315,869.83)	(4,199,825,114.13)
Total assets less current liabilities	8,508,396,582.96	8,086,880,527.19

(VII) CHANGES IN SCOPE OF CONSOLIDATION

1. Changes in scope of consolidation due to other reasons

In April 2018, the Company contributed capital of RMB50 million to establish a new wholly-owned subsidiary Sichuan Winshare Xuankehui Cultural Development Co., Ltd. (“**Xuankehui**”).

Notes to the Financial Statements

For the year ended 31 December 2018

(VIII) INTERESTS IN OTHER ENTITIES

1. Subsidiaries:

(1) Subsidiaries incorporated by investments

								<i>RMB</i>
Full name of subsidiary	Type of the subsidiary	Place of incorporation	Nature of business	Registered capital	Business scope	Proportion of ownership interests (%)	Proportion of voting power (%)	Consolidated statements or not
Sichuan People's Education Times Xinhua Audio and Video Co., Ltd. (" People's Education Times ")	LLC	Chengdu	Sales of audio and video product	2,000,000.00	Sales and production of audio and video product	80.00	80.00	Y
Winshare Media	LLC	Chengdu	Periodicals	3,990,000.00	Sales of books and periodicals, etc.	100.00	100.00	Y
Winshare Education Technology	LLC	Chengdu	Retail and wholesale	330,000,000.00	Software development and sales of electronic equipment	100.00	100.00	Y
Wenchuan Logistics	LLC	Chengdu	Storage and distribution	350,000,000.00	Storage and distribution of goods	100.00	100.00	Y
Xinhua Winshare Commercial Chain (Beijing) Co., Ltd. (" Beijing Winshare Commercial ")	LLC	Beijing	Sales of publications	180,000,000.00	Sales of books, newspaper and periodicals	51.00	51.00	Y
Sichuan Winshare Arts Investment and Management Co., Ltd. (" Arts Investment ")	LLC	Chengdu	Sales of artwork	20,000,000.00	Project investment and management, sales of artwork	100.00	100.00	Y
Sichuan Winshare Online E-commerce Co., Ltd. (" Winshare Online ")	LLC	Chengdu	Sales of publications	60,000,000.00	Online sales of various products	75.00	75.00	Y
Washington Winshare Media, Inc.	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. (" Watch Panda ")	LLC	Chengdu	Periodicals	2,000,000.00	Sales of periodicals	100.00	100.00	Y
Winshare VVI Advertising Media (Chengdu) Co., Ltd. (" VVI Advertising ")	LLC	Chengdu	Advertising	7,500,000.00	Advertising	53.00	53.00	Y
Sichuan Winshare Cloud Image Culture Innovation Technology Co., Ltd. (" Winshare Cloud Image ")	LLC	Chengdu	Software maintenance	25,000,000.00	Sales of software and hardware support kit	100.00	100.00	Y

Notes to the Financial Statements

For the year ended 31 December 2018

(VIII) INTERESTS IN OTHER ENTITIES (Continued)

1. Subsidiaries: (Continued)

(1) Subsidiaries incorporated by investments (Continued)

								<i>RMB</i>
Full name of subsidiary	Type of the subsidiary	Place of incorporation	Nature of business	Registered capital	Business scope	Proportion of ownership interests (%)	Proportion of voting power (%)	Consolidated statements or not
Winshare Investment	LLC	Chengdu	Investment	200,000,000.00	Venture investment, business investment	100.00	100.00	Y
Winshare International Cultural Communication Co., Ltd. ("Winshare International")	LLC	Chengdu	Business advisory services	50,000,000.00	Organisation and planning cultural and art exchange activities, business consulting, conference and exhibition services	100.00	100.00	Y
Winshare Quan Media (Beijing) Culture Communication Co., Ltd. ("Winshare Quan Media")	LLC	Beijing	Business advisory services	10,000,000.00	Organisation of cultural and art exchange activities	100.00	100.00	Y
Sichuan Winshare Music Culture Communication Co., Ltd. ("Winshare Music")	LLC	Chengdu	Business services	10,000,000.00	Business services and sales of musical instrument	100.00	100.00	Y
Beijing Aerospace Cloud	LLC	Beijing	Technical Services	31,783,300.00	Computer software development and system services	70.00	70.00	Y
Beijing Huaxia Shengxuan Book Co., Ltd. ("Huaxia Shengxuan")	LLC	Beijing	Sales of publications	15,000,000.00	Sales of publications, etc.	100.00	100.00	Y
Xuankehui	LLC	Chengdu	Wholesale and retail	50,000,000.00	Wholesale and retail of books	100.00	100.00	Y

Notes to the Financial Statements

For the year ended 31 December 2018

(VIII) INTERESTS IN OTHER ENTITIES (Continued)

1. Subsidiaries: (Continued)

(2) Subsidiaries acquired in business combination involving enterprises under common control

								RMB
Full name of subsidiary	Type of the subsidiary	Place of incorporation	Nature of business	Registered capital	Business scope	Proportion of ownership interests (%)	Proportion of voting power (%)	Consolidated statements or not
Xinhua Online	LLC	Chengdu	Sales of publications	50,000,000.00	Internet Publishing	100.00	100.00	Y
Beijing Shuchuan	LLC	Beijing	Sales of publications	2,000,000.00	Sales of publications	100.00	100.00	Y
Sichuan Culture Communication	LLC	Chengdu	Advertising agency and leasing	20,523,700.00	Advertising agency and leasing	100.00	100.00	Y

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

								RMB
Full name of subsidiary	Type of the subsidiary	Place of incorporation	Nature of business	Registered capital	Business scope	Proportion of ownership interests (%)	Proportion of voting power (%)	Consolidated statements or not
Sichuan Xinhua Shang Paper Co., Ltd. ("Xinhua Shang")	LLC	Chengdu	Sales of paper	15,000,000.00	Sales of pulp, paper and paper products	51.00	51.00	Y
Winshare Sports Culture	LLC	Chengdu	Venue leasing	100,000,000.00	Provision of venue management service, advertising and leasing of self-owned properties	100.00	100.00	Y
Sichuan People's Publishing House Co., Ltd. ("People's Publishing House")	LLC	Chengdu	Publication	34,000,000.00	Publication of books	100.00	100.00	Y
Sichuan Publication Printing Co., Ltd. ("Publication Printing")	LLC	Chengdu	Publication	50,000,000.00	Textbook stenciling-rent and printing	100.00	100.00	Y
Sichuan Education Publishing House Co., Ltd. ("Education Publishing House")	LLC	Chengdu	Publication	10,000,000.00	Publication of books	100.00	100.00	Y
Sichuan Youth and Children's Publishing House Co., Ltd. ("Youth and Children's Publishing House")	LLC	Chengdu	Publication	110,000,000.00	Publication of books and periodicals	100.00	100.00	Y
Sichuan Science & Technology Publishing House Co., Ltd. ("Science & Technology Publishing House")	LLC	Chengdu	Publication	4,000,000.00	Publication of books	100.00	100.00	Y

Notes to the Financial Statements

For the year ended 31 December 2018

(VIII) INTERESTS IN OTHER ENTITIES (Continued)

1. Subsidiaries: (Continued)

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

Full name of subsidiary	Type of the subsidiary	Place of incorporation	Nature of business	Registered capital	Business scope	Proportion of ownership interests (%)	Proportion of voting power (%)	RMB
								Consolidated statements or not
Sichuan Discovery of Nature Magazine Press Co., Ltd. ("Discovery of Nature Magazine Press")	LLC	Chengdu	Publication	300,000.00	Publication of books	100.00	100.00	Y
Sichuan Fine Arts Publishing House Co., Ltd. ("Fine Arts Publishing House")	LLC	Chengdu	Publication	16,250,000.00	Publication of books	100.00	100.00	Y
Sichuan Lexicographical Publishing House Co., Ltd. ("Lexicographical Publishing House")	LLC	Chengdu	Publication	20,000,000.00	Publication of books	100.00	100.00	Y
Sichuan Literature & Art Publishing House Co., Ltd. ("Literature & Art Publishing House")	LLC	Chengdu	Publication	45,000,000.00	Publication of books	100.00	100.00	Y
Sichuan Tiandi Publishing House Co., Ltd. ("Tiandi Publishing House")	LLC	Chengdu	Publication	130,634,700.00	Publication of books	100.00	100.00	Y
Sichuan Times English Cultural Communication Co., Ltd. ("Times English")	LLC	Chengdu	Publication	600,000.00	Publication of books	51.00	51.00	Y
Sichuan Bashu Publishing House Co., Ltd. ("Bashu Publishing House")	LLC	Chengdu	Publication	42,000,000.00	Publication of books	100.00	100.00	Y
Printing Materials	LLC	Chengdu	Retail and wholesale	30,000,000.00	Provision of printing related supplies	100.00	100.00	Y
Sichuan Digital Publishing & Media Co., Ltd. ("Digital Publishing & Media")	LLC	Chengdu	Publication	10,000,000.00	Publication of books	100.00	100.00	Y
Sichuan Reader's Journal Press Co., Ltd. ("Reader's Journal Press")	LLC	Chengdu	Publication	1,500,000.00	Publication of Reader's Journal Press, advertising, commodity wholesale and retail, provision of software and information technology service	100.00	100.00	Y
Sichuan Pictorial Co., Ltd. ("Pictorial")	LLC	Chengdu	Publication	1,500,000.00	Publication of periodicals	100.00	100.00	Y
Sichuan Xinhua Printing	LLC	Chengdu	Publication	100,160,000.00	Printing of publications	100.00	100.00	Y

Notes to the Financial Statements

For the year ended 31 December 2018

(VIII) INTERESTS IN OTHER ENTITIES (Continued)

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

RMB

Full name of subsidiary	Proportion of ownership interests held by non-controlling shareholders (%)	Proportion of voting power held by non-controlling shareholders (%)	Gains(losses) attributable to non-controlling shareholders		Non-controlling interests	
			Current year	Prior year	End of current year	End of prior year
Beijing Winshare Commercial	49.00	49.00	(4,516,868.14)	(4,530,799.27)	(55,968,250.28)	(51,451,382.14)
Winshare Online	25.00	25.00	871,944.68	(3,518,003.51)	(19,914,153.70)	(20,786,098.38)

a. Beijing Winshare Commercial

RMB

	Closing balance	Opening balance
Current assets	139,896,495.59	142,526,596.98
Non-current assets	11,471,455.58	14,691,052.80
Current liabilities	212,819,482.35	209,451,082.71

	Amount in the current year	Amount in the prior year
Operating income	148,790,238.83	169,369,393.98
Operating costs and expenses	158,008,337.08	178,615,923.12
Total loss, net loss	(9,218,098.25)	(9,246,529.14)
Net cash flow from operating activities	308,675.03	(2,666,392.61)
Net cash flow from investing activities	(590,002.10)	(481,299.24)
Net cash flow from financing activities	–	–

Notes to the Financial Statements

For the year ended 31 December 2018

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

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

b. Winshare Online

	<i>RMB</i>	
	Closing balance	Opening balance
Current assets	1,401,150,849.38	358,281,419.34
Non-current assets	47,585,386.61	50,148,254.20
Current liabilities	1,527,763,850.80	490,945,067.06
Non-current liabilities	629,000.00	629,000.00
	Amount in the current year	Amount in the prior year
Operating income	1,626,346,146.77	1,182,365,468.47
Operating costs and expenses	1,622,858,368.06	1,196,437,482.52
Total profit (loss), net profit (loss)	3,487,778.71	(14,072,014.05)
Net cash flow from operating activities	(49,485,660.35)	(110,461,860.22)
Net cash flow from investing activities	55,209.50	71,121,674.28
Net cash flow from financing activities	-	-

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

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

	<i>RMB</i>
	Winshare Media (Note)
Cost of acquisition	3,478,830.00
Less: share of net assets of subsidiary calculated in proportion to the equity obtained	3,415,911.50
Difference	62,918.50
Including: adjustment of capital reserve	62,918.50

Note: Winshare Media is originally a subsidiary held by the Company with a shareholding percentage of 70%, the other 30% shareholding percentage is held by Sichuan Youth Press. Sichuan Youth Press completed the capital reduction in December 2018. Upon the capital reduction, Winshare Media has become a wholly owned subsidiary of the Company.

Notes to the Financial Statements

For the year ended 31 December 2018

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

4. 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. (Note)	Chongqing	Chongqing	Online wholesale of publications	50	Equity method
Sichuan Winshare Baowan Supply Chains Co., Ltd.	Chengdu	Chengdu	Logistics transportation	45	Equity method

Note: Pursuant to the articles of association of Chongqing Yunhan Internet and Media Co., Ltd., Winshare Online, the subsidiary of the Company, holds 51% of the voting rights in the shareholders' meeting, and the resolutions made in shareholder's meeting regarding the annual financial budget plan, final accounts plan, profit distribution and make up losses shall be approved by over 2/3 of the shareholders with the voting rights, over which Winshare Online and the other three shareholders are not able to exercise control solely. Therefore, Chongqing Yunhan Internet and Media Co., Ltd. is the associate of the Company.

Notes to the Financial Statements

For the year ended 31 December 2018

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

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

(2) Key financial information of significant joint ventures

a. Hainan Publishing

	End of current year/ current year	<i>RMB</i> End of prior year/ prior year
Current assets	370,752,403.01	159,022,014.28
Including: cash and cash equivalents	35,812,005.50	26,717,240.75
Non-current assets	65,206,688.56	172,574,248.26
Total assets	435,959,091.57	331,596,262.54
Current liabilities	180,650,371.95	110,281,572.05
Non-current liabilities	18,620,000.00	17,496,226.00
Total liabilities	199,270,371.95	127,777,798.05
Interests attributable to the Company's shareholders	234,983,855.32	201,774,778.25
Non-controlling interests	1,704,864.30	2,043,686.24
Net assets calculated on pro-rata basis of shareholding	117,491,927.66	100,887,389.12
Adjustments	–	–
Goodwill	30,735,530.98	30,735,530.98
Carrying amount of equity investments in joint ventures	148,227,458.64	131,622,920.10
Operating income	155,123,350.97	139,353,106.89
Net profit and total comprehensive income	32,870,255.13	17,906,102.93
Profit or loss attributable to non-controlling shareholders	(338,821.95)	2,043,686.24
Interest income	73,558.98	88,082.91
Interest expense	–	21,965.72
Income tax	110,409.96	192,783.47
Dividends receipts from joint ventures for the current year	–	–

Notes to the Financial Statements

For the year ended 31 December 2018

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

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

(3) Key financial information of significant associates

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

	End of current year/ current year	<i>RMB</i> End of prior year/ prior year
Current assets	103,843,732.68	80,576,300.70
Non-current assets	5,338,301.76	5,948,661.03
Total assets	109,182,034.44	86,524,961.73
Current liabilities and total liabilities	54,568,009.06	33,423,210.24
Share of net assets calculated based on proportion of shareholding	10,922,805.08	10,620,350.30
Book value of equity investments in joint ventures	10,922,805.08	10,620,350.30
Operating income	78,158,279.42	61,792,606.30
Net profit and total comprehensive income	13,512,273.89	15,200,023.46
Dividends receipts from associates for the current year	2,400,000.00	2,560,000.00

Notes to the Financial Statements

For the year ended 31 December 2018

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

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

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

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

	End of current year/ current year	<i>RMB</i> End of prior year/ prior year
Current assets	134,504,113.82	123,439,751.08
Non-current assets	91,609,360.11	70,132,240.85
Total assets	226,113,473.93	193,571,991.93
Current liabilities	36,585,960.76	28,310,035.96
Non-current liabilities	8,180,033.95	8,361,141.60
Total liabilities	44,765,994.71	36,671,177.56
Share of net assets calculated based on proportion of shareholding	36,994,885.76	32,007,766.13
Book value of equity investments in associates	36,994,885.76	32,007,766.13
Operating income	145,422,094.60	64,740,452.77
Net profit and total comprehensive income	24,446,664.85	15,197,039.97
Dividends receipts from associates for the current year	-	-

Notes to the Financial Statements

For the year ended 31 December 2018

(VIII) INTERESTS IN OTHER ENTITIES (Continued)

4. Interests in joint ventures or associates (Continued)

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

c. *Chongqing Yunhan Internet and Media Co., Ltd.*

		<i>RMB</i>
	End of current year/ current year	End of prior year/ prior year
Current assets	609,632.65	18,977,146.98
Non-current assets	75,632,532.13	66,711,578.40
Total assets	76,242,164.78	85,688,725.38
Current liabilities	1,500,396.78	7,224,350.16
Non-current liabilities	20,000,000.00	20,000,000.00
Total liabilities	21,500,396.78	27,224,350.16
Share of net assets calculated based on proportion of shareholding	27,370,884.00	29,232,187.61
Adjustments		
Goodwill	16,528,595.01	16,528,595.01
Book value of equity investments in associates	27,370,479.01	45,760,782.62
Operating income	1,778,302.22	3,145,902.60
Net loss and total comprehensive income	(3,722,607.22)	(721,409.13)
Dividends receipts from associates for the current year	-	-

Notes to the Financial Statements

For the year ended 31 December 2018

(VIII) INTERESTS IN OTHER ENTITIES (Continued)

4. Interests in joint ventures or associates (Continued)

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

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

	Closing balance/amount recognized in the current year	Opening balance/amount recognized in the prior year
		RMB
Current assets	83,521,529.51	67,528,616.30
Non-current assets	44,021,819.52	38,993,845.79
Total assets	127,543,349.03	106,522,462.09
Current liabilities	26,916,900.15	6,489,698.20
Non-current liabilities	481,592.76	–
Total liabilities	27,398,492.91	6,489,698.20
Interests attributable to shareholders of the parent	99,608,053.57	100,032,763.89
Non-controlling interests	536,802.55	–
Share of net assets calculated based on proportion of shareholding	44,823,624.11	45,014,743.75
Book value of equity investment in associates	44,823,624.11	45,014,743.75
Operating income	100,849,564.27	12,948,025.77
Net loss and total other comprehensive income	(437,906.77)	32,763.89
Non-controlling interests	(13,196.45)	–
Dividends received from associates in the current year	–	–

Notes to the Financial Statements

For the year ended 31 December 2018

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

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

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

	<i>RMB</i>	
	End of current year/ current year	End of prior year/ prior year
Insignificant joint ventures		
Total carrying amount of investments	20,386,141.76	5,293,131.09
Sum of net loss and total comprehensive income calculated based on according to proportion of investment	786,946.63	(2,548,620.17)
Insignificant associates		
Total carrying amount of investments	85,405,164.50	86,266,008.57
Total net loss	(2,414,265.59)	(637,220.29)
Total other comprehensive income	–	21,163,104.62
Total comprehensive income calculated based on proportion of investment	(2,414,265.59)	20,525,884.33

Notes to the Financial Statements

For the year ended 31 December 2018

(IX) 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 instrument investments and payables. Risk exposures associated with these financial instruments and the risk management strategy to reduce the risk is set out below. The management of the Group manages and monitors the risk exposures to ensure the risks are controlled at a certain level.

1. Risk management objectives and policies

The Group's risk management objectives are to achieve a proper balance between risks and yield, minimize the adverse impacts of risks on the Group's operation performance, and maximize the benefits of the shareholders and other stakeholders. Based on these risk management objectives, the Group's basic risk management strategy is to identify and analyze the Group's exposure to various risks, establish an appropriate maximum tolerance to risk, implement risk management, and monitor regularly and effectively these exposures to ensure the risks are monitored at a certain level.

1.1 Market risk

1.1.1 Currency risk

The Group mainly operates in China, and the sales and purchases of the Group are mainly denominated and settled in RMB. At each balance sheet date, the balance of the Group's assets and liabilities are both denominated in RMB except that the assets and liabilities set out below. The management believes that the RMB exchange rates may have no significant impact on the net profit and the shareholders' equity of the Group.

<i>RMB</i>		
Item	Closing amount	Opening amount
Cash and bank balances		
USD	155,341.36	158,643.93
EUR	666.43	666.43
HKD	18,186.89	12,788.70

1.1.2 Interest rate risk

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

Notes to the Financial Statements

For the year ended 31 December 2018

(IX) RISK EXPOSURES ASSOCIATED WITH FINANCIAL INSTRUMENTS *(Continued)*

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

1.1 Market risk *(Continued)*

1.1.3 Other price risk

The Group measured the investment in listed shares of Wan Xin Media, those of HGZN (formerly known as Youli Holdings) and those of 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 or the quoted prices are its key inputs (Note (VI) 11). The directors of the Company regularly monitor the share prices of Wan Xin Media, HGZN and BoCD. In 2018, the direct investments in the equity of Wan Xin Media, HGZN and BoCD recognized in other comprehensive income by the Group resulted in loss of RMB486,096,000.00, a loss of RMB1,135,688.45 and a gain of RMB98,184,000.00, respectively.

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

		<i>RMB</i>	
Item	Price fluctuation	Effect on other comprehensive income and shareholders' equity	
		Current year	Prior year
Other equity instrument investments			
Wan Xin Media	Stock prices rise 5%	41,629,760.00	65,934,560.00
Youli Holdings	Stock prices rise 5%	42,201.91	98,986.34
BoCD	Stock prices rise 5%	30,912,000.00	N/A
Other equity instrument investments			
Wan Xin Media	Stock prices fall 5%	(41,629,760.00)	(65,934,560.00)
Youli Holdings	Stock prices fall 5%	(42,201.91)	(98,986.34)
BoCD	Stock prices fall 5%	(30,912,000.00)	N/A

Notes to the Financial Statements

For the year ended 31 December 2018

(IX) RISK EXPOSURES ASSOCIATED WITH FINANCIAL INSTRUMENTS *(Continued)*

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

1.2 Credit risk

As at 31 December 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 of the Group measured at amortized cost.

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.

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.

The following sets out the credit risk exposure of the financial assets of the Group:

<i>RMB</i>		
Item	Future 12-month/lifetime expected credit losses	Carrying value 31 December 2018
Financial assets measured at amortized cost:		
Bank and cash	Future 12-month expected credit losses	2,608,612,572.01
Notes receivable and accounts receivable	Lifetime expected credit losses (not credit-impaired)	1,644,384,840.30
	Lifetime expected credit losses (credit-impaired)	223,004,441.90
Other receivables	Future 12-month expected credit losses	93,021,526.26
	Lifetime expected credit losses (not credit-impaired)	–
	Lifetime expected credit losses (credit-impaired)	17,174,938.52
Long-term receivables	Future 12-month expected credit losses	267,742,224.79

Notes to the Financial Statements

For the year ended 31 December 2018

(IX) RISK EXPOSURES ASSOCIATED WITH FINANCIAL INSTRUMENTS *(Continued)*

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

1.2 Credit risk *(Continued)*

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 involves 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 31 December 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	4.70%	1,644,384,840.30	(77,209,352.59)
1-2 years	57.61%	117,597,470.68	(67,742,910.04)
2-3 years	100.00%	34,325,001.94	(34,325,001.94)
More than 3 years	100.00%	71,081,969.28	(71,081,969.28)
Total	13.41%	1,867,389,282.20	(250,359,233.85)

The expected average rate of loss above 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 31 December 2018, the Group's assessment method and significant assumptions did not change.

Changes in bad debt provision for accounts receivable

	Lifetime expected credit loss (credit impairment that has not occurred)	Lifetime expected credit loss (incurred credit impairment)	Total
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	–	(6,204,994.96)	(6,204,994.96)
Adjustment of expected credit loss for the current year	65,181,335.17	22,292,945.48	87,474,280.65
31 December 2018	65,181,335.17	185,177,898.68	250,359,233.85

Notes to the Financial Statements

For the year ended 31 December 2018

(IX) RISK EXPOSURES ASSOCIATED WITH FINANCIAL INSTRUMENTS *(Continued)*

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

1.2 Credit risk *(Continued)*

Other receivables

Bad debt provision for other receivables:

RMB

	Stage 1 Future 12-month expected credit losses	Stage 2 Lifetime expected credit losses (not credit- impaired)	Stage 3 Lifetime expected credit losses (credit- impaired)	Total
Bad debt provision				
Balance as at 1 January 2018	–	–	10,998,113.44	10,998,113.44
Adjustment of expected credit losses for the current year	193,633.14	–	4,349,228.63	4,542,861.77
Transfer of credit impairment	–	–	(2,056,073.85)	(2,056,073.85)
Balance as at 31 December 2018	193,633.14	–	13,291,268.22	13,484,901.36

Long-term receivables

The long-term receivables of the Group refer to the receivables are all from the government authorities and schools and are not due. The management consider that the credit risk of long-term receivables is low.

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 in order to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group aims at maintaining a balance between capital return and flexibility through operating activities and the issuance of other interest-bearing borrowings as the main source of funding. The Group manages the financing activities by maintaining adequate cash so as to finance the Group's operations. The Group also ensures that bank credit facilities are available to meet any short-term funding needs.

Notes to the Financial Statements

For the year ended 31 December 2018

(IX) RISK EXPOSURES ASSOCIATED WITH FINANCIAL INSTRUMENTS *(Continued)*

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

1.3 Liquidity risk *(Continued)*

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

End of the current year

	RMB		
Item	Within 1 year	1 to 5 years	Total
Notes and accounts payable	3,620,513,916.23	–	3,620,513,916.23
Other payables	275,086,663.52	–	275,086,663.52
Total	3,895,600,579.75	–	3,895,600,579.75

End of the prior year

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

2. Transfer of Financial Assets

At the end of the current year, the amount of bank acceptance bills that the Group had endorsed but not yet due was RMB17,646,200.91 (at the end of prior year: 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 current year, if the accepting bank fails to accept the notes due, the maximum loss which may be incurred by the Group is equivalent to the same amount payable by the Group to the suppliers for such endorsed notes.

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

Notes to the Financial Statements

For the year ended 31 December 2018

(X) DISCLOSURE OF FAIR VALUE

1. Fair value

1.1 Financial assets measured at fair value on a recurring basis:

The Group's investment of equity securities in listed company, unlisted private equity and partnership, trust products and parts of bank wealth management products are measured at fair value at the end of each reporting period. The fair value measurements for such financial assets are detailed as follows:

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
	31 December 2018	31 December 2017					
Other equity instrument investments – shares of A share listed company – Wan Xin Media	832,595,200.00	1,318,691,200.00	Level 1	Quoted prices in active markets	N/A	N/A	
Other equity instrument investments – shares of A share listed company – Youli Holding	844,038.28	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	641,274.52	28,233.14	Level 1	Quoted prices in active markets	N/A	N/A	
Held-for-trading financial assets – bank wealth management products	810,000,000.00	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, final exchange rate of conversion of USD to HKD on observation date, spot exchange rate of conversion of AUD to USD, the fixing price of London Bullion Market	N/A	N/A	

Notes to the Financial Statements

For the year ended 31 December 2018

(X) DISCLOSURE OF FAIR VALUE (Continued)

1. Fair value (Continued)

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

Financial assets	Fair value at the end of each reporting period		Fair value hierarchy	Valuation method and inputs	Significant unobservable inputs	Relationship between unobservable inputs and fair value	RMB
	31 December 2018	31 December 2017					
Other equity instrument investments – shares of A share listed company – BoCD	618,240,000.00	N/A	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) (“CITIC Buyout Fund”)	94,837,468.07	96,885,632.80	Level 3	Market approach, method of discounted future cash flow	<ul style="list-style-type: none"> Price earnings ratio, liquidity discount, enterprise value multiple Discount rate in line with expected risk level 	<ul style="list-style-type: none"> The higher the price earnings ratio and enterprise value multiple, the higher the fair value; The lower the liquidity discount, the higher the fair value 	
Other non-current financial assets – Winshare Hengxin (Shenzhen) Equity Investment Fund (Limited Partnership) (“Winshare Hengxin”)	248,097,708.00	269,424,584.74	Level 3	Adjusted quoted prices in active markets, method of discounted future cash flow	<ul style="list-style-type: none"> Liquidity discount Discount rate in line with expected risk level 	<ul style="list-style-type: none"> The lower the liquidity discount, the higher the fair value The lower the discount rate, the higher the fair value 	
Other non-current financial assets – Taizhou Xinheng Zhongrun Investment Fund (Limited Partnership)	15,931,213.44	35,625,966.22	Level 3	Adjusted quoted prices in active markets	Liquidity discount	The lower the liquidity discount, the higher the fair value	

Notes to the Financial Statements

For the year ended 31 December 2018

(X) DISCLOSURE OF FAIR VALUE (Continued)

1. Fair value (Continued)

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

Financial assets	Fair value		Valuation method and inputs	Significant unobservable inputs	Relationship between unobservable inputs and fair value
	at the end of each reporting period	hierarchy			
	31 December 2018	31 December 2017			
Other non-current financial assets – Qingdao Jinshi Zhixin Investment Center (Limited Partnership)	148,790,378.40	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"> Expected recoverable amount; Discount rate in line with expected risk level 	<ul style="list-style-type: none"> The higher the expected recoverable amount, the higher the fair value; The lower the discount rate, the higher the fair value
Held-for-trading financial assets – bank wealth management products	451,790,000.00	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"> Expected recoverable amount; Discount rate in line with expected risk level 	<ul style="list-style-type: none"> The higher the expected recoverable amount, the higher the fair value; The lower the discount rate, the higher the fair value

Notes to the Financial Statements

For the year ended 31 December 2018

(X) DISCLOSURE OF FAIR VALUE *(Continued)*

1. Fair value *(Continued)*

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

1.1.1 Reconciliation of Level 3 fair value measurements:

	RMB	
	Current year	Prior year
31 December 2017	957,988,258.36	894,561,104.37
From measured at amortised cost to fair value	520,284,815.33	N/A
1 January 2018	1,478,273,073.69	N/A
Included in gains or losses arising from changes in fair value in the current year	(38,053,591.53)	–
Included in other comprehensive income of the current year	98,184,000.00	47,032,467.21
Increase in the current year	1,270,146,578.48	1,153,017,832.26
Reclassified to investment income from other comprehensive income upon disposal of available-for-sale financial assets for the current year	–	(593,133.85)
Disposals in the current year	(1,230,487,898.92)	(1,136,030,011.63)
Closing balance	1,578,062,161.72	957,988,258.36

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

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

(XI) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent of the Company

								RMB10,000	
Name of the parent	Type of the entity	Place of incorporation	Legal representative	Nature of business	Registered capital	Proportion of the Company's ownership interest held by the parent (%)	Proportion of the Company's voting power held by the parent (%)	Ultimate controlling party of the Company	
Sichuan Xinhua Publishing Group	LLC	Chengdu	Zhu Danfeng	Goods wholesale and retail, house lease, real estate, project investment	59,382.20	49.11 (Note)	49.11 (Note)	SASAC of Sichuan	

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

Notes to the Financial Statements

For the year ended 31 December 2018

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

2. Subsidiaries of the Company

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

3. Joint ventures and associates

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

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

Name of other related party	Relationship between other related parties and the Company
The Commercial Press (Chengdu) Co., Ltd.	Associates
Shanghai Jingjie Information Technology Co., Ltd.	Associates
Sichuan Jiaoyang Sihuo Film Co., Ltd.	Associates
Chengdu Winshare Equity Investment Funds Management Co., Ltd.	Associates
Xinhua Yingxuan (Beijing) Screen Culture Co., Ltd.	Associates
Liangshan Xinhua Winshare Education Technology Co. Ltd.	Joint ventures
Sichuan Wenxuan Zhuotai Investment Co., Ltd. (" Sichuan Wenzhuo ")	Note

Note: In April 2017, the Company transferred 48% equity interests in Sichuan Wenzhuo to an independent third party, Sichuan Taihe Property Group Co., Ltd.

4. Other related parties of the Company

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

Notes to the Financial Statements

For the year ended 31 December 2018

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

5. Related party transactions

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

Purchase of goods/receipt of services

				<i>RMB</i>	
Related party	Type of related party transaction	Details of related party transaction	Pricing and decision-making procedures of related party transactions	Amount incurred in the current year	Amount incurred in the prior year
Sichuan Xinhua International Hotel Co., Ltd.	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	327,685.73	328,486.07
Sichuan Guanghan Sanxingdui Qushanyuan Cultural Ltd.	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	797,899.67	615,656.00
Chengdu Huang Peng Property Co., Ltd.	Receipt of services	Payments for property management service fees	Price negotiated by both parties	9,539,433.06	7,490,235.38
Sichuan Xinhua Publishing Group Co., Ltd Huadao Resort Hotel	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	114,358.58	209,729.00
Ming Bo Education Technology Holdings Co., Ltd.	Purchase of goods and receipt of services	Payments for goods purchased and service fees	Price negotiated by both parties	13,345,488.44	16,828,239.37
The Commercial Press (Chengdu) Co., Ltd.	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	26,735,090.45	-
Ren Min Eastern (Beijing) Book Industry Co., Ltd.	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	3,018,867.92	3,066,037.75
Hainan Publishing House	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	5,150,546.53	3,425,374.02
Sichuan Chongwenju Forest Hotel Co., Ltd.	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	-	23,782.11
Sichuan Xinhua Haiyi Cultural Development Co., Ltd.	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	356,524.82	471,135.98
Sichuan Xinhua Haiyi Hotel Co., Ltd.	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	118,911.80	23,113.96
Sichuan Jiaoyang Sihuo Film Co., Ltd.	Purchase of goods	Payment of royalty	Price negotiated by both parties	-	762,410.72
Liangshan Xinhua Winshare Education Technology Co., Ltd.	Purchase of goods and receipt of services	Payments for goods purchased and service fees	Price negotiated by both parties	875,347.82	-
Total				60,380,154.82	33,244,200.36

Notes to the Financial Statements

For the year ended 31 December 2018

(XI) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

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

Sales of goods/provision of services

				RMB	
Related party	Type of related party transaction	Details of related party transaction	Pricing and decision-making procedures of related party transactions	Amount incurred in the current year	Amount incurred in the prior year
Sichuan Xinhua Publishing Group	Sales of goods	Sales of publications and provision of services	Price negotiated by both parties	973,357.04	719,620.00
Sichuan Publishing Group	Provision of copyright license	Payment of royalty	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	3,264.15
Sichuan Guanghan Sanxingdui Qushanyuan Cultural Ltd.	Provision of services	Provision of post-sale service	Price negotiated by both parties	-	2,018.87
Liangshan Xinhua Winshare Education Technology Co. Ltd.	Sales of goods	Sales of goods	Price negotiated by both parties	1,446,847.31	158,717.94
Sichuan Xinhua Haiyi Cultural Development Co., Ltd.	Provision of services	Provision of promotion service	Price negotiated by both parties	44,713.34	6,977.50
Sichuan Xinhua Haiyi Hotel Co., Ltd.	Provision of services	Provision of promotion service	Price negotiated by both parties	-	150,000.00
Sichuan Xinhua Fanyue Culture Media Co., Ltd.	Provision of services	Provision of design services	Price negotiated by both parties	22,415.00	-
Sichuan Xinhua Silicon Valley Paradise Equity Investment Fund Management Co., Ltd.	Provision of services	Provision of design services	Price negotiated by both parties	1,560.00	-
Sichuan Xinhua Lezhi Education Technology Co., Ltd.	Provision of services	Provision of design services	Price negotiated by both parties	360.00	-
Total				2,494,739.97	1,304,749.40

Notes to the Financial Statements

For the year ended 31 December 2018

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

5. Related party transactions *(Continued)*

(2) Leases with related parties

Leases where the Group is the lessor:

RMB

Name of lessor	Name of lessee	Type of leased assets	Commencement date of leases	Expiration date of leases	Basis of determining the lease income	Lease income recognized in the current year	Lease income recognized in the prior year
The Company	Sichuan Xinhua Publishing Group	Buildings	2016.1.1	2018.12.31	Contractual price negotiated by both parties	1,279,575.77	1,279,575.78
The Company	Xinhua Yingxuan	Buildings	2017.3.1	2019.2.28	Contractual price negotiated by both parties	998,815.61	-

Leases where the Group is the lessee:

RMB

Name of lessor	Name of lessee	Type of leased assets	Commencement date of leases	Expiration date of leases	Basis of determining the lease income	Lease payment recognized in the current year	Lease payment recognized in the prior year
Sichuan Xinhua Publishing Group	The Group	Buildings	2016.1.1	2018.12.31	Contractual price negotiated by both parties	38,334,917.02	38,529,905.09
Sichuan Publication Group	The Group	Buildings	2017.1.1	2019.12.31	Contractual price negotiated by both parties	13,348,199.15	13,336,427.32
Sichuan Hengxi Property Management Co., Ltd.	The Group	Buildings	2017.1.1	2019.12.31	Contractual price negotiated by both parties	2,948,642.12	3,023,132.35
Chengdu Winshare Venture Capital Investment Fund Management Co., Ltd.	The Group	Buildings	2017.6.1	2020.5.31	Contractual price negotiated by both parties	919,528.20	536,391.45

Notes to the Financial Statements

For the year ended 31 December 2018

(XI) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(3) Receipts of interest

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

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

(4) Borrowings/loans with related parties

<i>RMB</i>				
Related party	Amount of borrowings/loans	Commencement date	Due date	31 December 2018
Chengdu Winshare Venture Capital Investment Fund Management Co., Ltd.	1,000,000.00	7 August 2018	24 December 2018	–

(5) Payments for interest

<i>RMB</i>		
Name of entity	Current year Amount	Prior year Amount
Chengdu Winshare Venture Capital Investment Fund Management Co., Ltd.	16,565.75	–
Total	16,565.75	–

Notes to the Financial Statements

For the year ended 31 December 2018

(XI) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(6) Advance payments from a related party

Name of entity	Current year		Prior year	
	Advance payments	Fund appropriation fee	Advance payments	Fund appropriation fee
Sichuan Winshare BLOGIS Supply Chain Co., Ltd (Note)	21,011,013.77	499,846.29	–	–
Total	21,011,013.77	499,846.29	–	–

Note: The fund appropriation fee incurred during the current year amounted to RMB499,846.29 in aggregate and represented the advance payment of Sichuan Winshare BLOGIS Supply Chain Co., Ltd. for Beijing Commercial Supermarket of RMB21,011,013.77.

(7) Compensation for key management personnel

Item	Accumulated in the current year	Accumulated in the prior year
	Compensation for key management personnel	8,361,013.17

Key management personnel are those personnel having the authority and responsibility for planning, directing and controlling the activities of the entity, including director, supervisor and other personnel who perform similar strategic functions. Compensation for key management personnel includes basic salaries, bonuses and various subsidies.

Notes to the Financial Statements

For the year ended 31 December 2018

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

5. Related party transactions *(Continued)*

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

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

RMB'000

	Director		Supervisor	
	Current year	Prior year	Current year	Prior year
Emoluments	530	515	190	169
Other remunerations:				
Salaries and allowances	540	489	426	416
Performance linked bonus	991	929	342	299
Retirement benefit contribution	54	49	108	99
Subtotal	1,585	1,467	876	814
Total	2,115	1,982	1,066	983

(a) Independent non-executive directors

Emoluments and other remunerations paid to independent non-executive directors for the current year are as follows:

RMB'000

	Amount recognized in the current year			Amount recognized in the prior year		
	Emolument	Salaries and allowances	Total remuneration	Emolument	Salaries and allowances	Total remuneration
Independent non-executive directors:						
Mr. Fang Bingxi (Note 1)	160	24	184	27	3	30
Mr. Han Liyan (Note 2)	-	-	-	175	15	190
Mr. Chan Yuk Tong	280	12	292	238	15	253
Ms. Xiao Liping	-	-	-	-	-	-
Total	440	36	476	440	33	473

Notes to the Financial Statements

For the year ended 31 December 2018

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

5. Related party transactions *(Continued)*

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

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

Note 1: Has been an independent non-executive director since 26 October 2017.

Note 2: Has no longer been an independent non-executive director since 26 October 2017.

The remunerations for the above independent non-executive directors are remunerations paid for their services as the Company's directors.

There are no other remunerations payable to independent non-executive directors for the current year and the prior year.

(b) Executive and non-executive directors

RMB'000

	Amount recognized in the current year				Total remuneration
	Emolument	Salaries and allowances	Performance linked bonus	Retirement Benefit contribution	
Executive directors:					
Mr. He Zhiyong (Chairman) (Note 3)	-	-	-	-	-
Mr. Chen Yunhua (Note 4 and Note 6)	-	-	-	-	-
Mr. Yang Miao	-	486	991	54	1,531
Subtotal	-	486	991	54	1,531
Non-executive directors:					
Mr. Luo Jun (Note 3)	-	-	-	-	-
Mr. Zhang Peng (Note 4)	-	-	-	-	-
Mr Han Xiaoming (Note 8)	90	18	108	-	216
Subtotal	90	18	-	-	108
Total	90	504	991	54	1,639

Notes to the Financial Statements

For the year ended 31 December 2018

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

5. Related party transactions *(Continued)*

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

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

RMB'000

	Emolument	Salaries and allowances	Prior year Performance linked bonus	Retirement Benefit contribution	Total remuneration
Executive directors:					
Mr. He Zhiyong (Chairman) (Note 3)	-	-	-	-	-
Mr. Luo Yong (Note 4 and Note 5)	-	-	-	-	-
Mr. Chen Yunhua (Note 4 and Note 6)	-	-	-	-	-
Mr. Yang Miao	-	441	929	49	1,419
Subtotal	-	441	929	49	1,419
Non-executive directors:					
Mr. Luo Jun (Note 3)	-	-	-	-	-
Mr. Zhang Peng (Note 4)	-	-	-	-	-
Mr. Zhao Junhuai (Note 7)	22	3	-	-	25
Mr. Han Xiaoming (Note 8)	53	12	-	-	65
Subtotal	75	15	-	-	90
Total	75	456	929	49	1,509

Note 3: The remuneration of the director is paid by Sichuan Xinhua Publishing Group. The Group did not pay any remuneration to this director during the current year and the prior year.

Note 4: The remuneration is paid by Sichuan Publication Group, which is a wholly owned by Sichuan Development (Holding) Co., Ltd. The Group did not pay any remuneration to this director during the current year and the prior year.

Note 5: Has no longer been an executive director since March 2017.

Note 6: Has been an executive director since 21 December 2017.

Note 7: Has no longer been a non-executive director since 30 March 2017.

Note 8: Has been a non-executive director since 25 May 2017.

The remunerations for the above executive directors are mainly remunerations paid for their services provided for the management of the Company and the Group.

The remunerations for the above non-executive directors are remunerations paid for their services as the Company's directors.

Notes to the Financial Statements

For the year ended 31 December 2018

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

5. Related party transactions *(Continued)*

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

(c) Supervisors

RMB'000

	Amount recognized in the current year				Total remuneration
	Emolument	Salaries and allowances	Performance linked bonus	Retirement Benefit contribution	
Supervisors:					
Mr. Tang Xiongxing (Note 9 and Note 12)	-	-	-	-	-
Ms. Lan Hong	205	183	54	442	
Mr. Li Xu	70	15	-	-	85
Ms. Liu Mixia	70	12	-	-	82
Ms. Wang Yan	-	185	159	54	398
Mr. Chao Hsun (Note 14)	50	9	-	-	59
Total	190	426	342	108	1,066

RMB'000

	Prior year				Total remuneration
	Emolument	Salaries and allowances	Performance linked bonus	Retirement Benefit contribution	
Supervisors:					
Mr. Xu Ping (Note 9 and Note 11)	-	-	-	-	-
Mr. Tang Xiongxing (Note 9 and Note 12)	-	-	-	-	-
Mr. Xu Yuzheng (Note 10 and Note 13)	-	-	-	-	-
Ms. Lan Hong	-	194	156	50	400
Mr. Li Xu	70	9	-	-	79
Ms. Liu Mixia	70	21	-	-	91
Ms. Wang Yan	-	177	143	49	369
Mr. Chao Hsun (Note 14)	29	15	-	-	44
Total	169	416	299	99	983

Notes to the Financial Statements

For the year ended 31 December 2018

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

5. Related party transactions *(Continued)*

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

(c) Supervisors *(Continued)*

Note 9: The remuneration is paid by Sichuan Publication Group. The Group did not pay any remuneration to this supervisor during the current year and the prior year.

Note 10: The remuneration is paid by Sichuan Xinhua Publishing Group. The Group did not pay any remuneration to this supervisor during the current year and the prior year.

Note 11: Has no longer been a supervisor since 21 December 2017.

Note 12: Has been a supervisor since 21 December 2017.

Note 13: Has no longer been a supervisor since 29 February 2017.

Note 14: Has been a supervisor since 25 May 2017.

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

During the current year and the prior year, the remuneration of the above directors and supervisors fell within the range of HK\$0 to HK\$1,000,000.00 (equivalent to RMB876,200.00), except for one director whose remuneration fell within the range of HK\$1,500,000.00 (equivalent to RMB1,314,300.00) to HK\$2,000,000.00 (equivalent to RMB1,752,400.00).

Notes to the Financial Statements

For the year ended 31 December 2018

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

5. Related party transactions *(Continued)*

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

(d) Staff of top five remunerations

During the current year and the prior year, the Group's staff of top five remunerations included a director whose remuneration was set out in the table above. The remuneration of the remaining four highest paid staff who were not directors or supervisors of the Company is set out as follows:

	<i>RMB'000</i>	
	Amount recognized in the current year	Amount recognized in the prior year
Salaries, allowances and benefits-in-kind	1,674	1,520
Performance linked bonus	3,344	2,850
Retirement benefit contribution	215	198
Total	5,233	4,568

During the current year and the prior year, the remuneration of the above four highest paid staff fell within the range of HK\$1,000,000.00 (equivalent to RMB876,200.00) to HK\$1,500,000.00 (equivalent to RMB1,314,300.00), except for one individual whose remuneration fell within the range of HK\$1,500,000.00 (equivalent to RMB1,314,300.00) to HK\$2,000,000.00 (equivalent to RMB1,752,400.00).

Notes to the Financial Statements

For the year ended 31 December 2018

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

6. Amount due/from related parties

		<i>RMB</i>	
Item	Related party	Closing balance	Opening balance
Notes and accounts receivable	Shanghai Jingjie Information Technology Co., Ltd.	195,984.00	195,984.00
	Sichuan Xinhua Haiyi Cultural Development Co., Ltd.	19,424.00	6,977.50
	Sichuan Xinhua Haiyi Hotel Management Co., Ltd.	–	75,000.00
Total		215,408.00	277,961.50
Prepayments	Ming Bo Education Technology Holdings Co., Ltd.	1,200,000.00	–
Total		1,200,000.00	–
Other receivables	Sichuan Xinhua Publishing Group	10,500.00	–
	Xinhua Yingxuan (Beijing) Screen Culture Co., Ltd.	1,058,638.30	–
	Shanghai JINGJIE Information Technology Co., Ltd.	10,478.80	–
Total		1,079,617.10	–
Accounts payable	The Commercial Press (Chengdu) Co., Ltd.	8,096,016.99	10,190,017.68
	Hainan Publishing House	–	112,499.36
	Ming Bo Education Technology Holdings Co., Ltd.	190.00	100,157.79
	Shanghai Jingjie Information Technology Co., Ltd.	18,941.36	18,941.36
Total		8,115,148.35	10,421,616.19
Advance from customers	Ming Bo Education Technology Holdings Co., Ltd.	N/A	1,360,000.00
	Liangshan Xinhua Winshare Education Technology Co. Ltd.	N/A	300,000.00
Total		N/A	1,660,000.00
Contract liabilities	Ming Bo Education Technology Holdings Co., Ltd.	1,360,000.00	N/A
Total		1,360,000.00	N/A
Other payables	Ming Bo Education Technology Holdings Co., Ltd.	–	88,084.04
	Chengdu Huang Peng Property Co., Ltd.	208,130.64	704,065.32
	Sichuan Publication Group	612,886.38	632,820.53
	Sichuan Winshare BLOGIS Supply Chain Co., Ltd.	6,108,537.18	–
Total		6,929,554.20	1,424,969.89

Notes to the Financial Statements

For the year ended 31 December 2018

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

7. Transactions with Bank of Chengdu

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

(1) Dividends income

<i>RMB</i>			
Current year		Prior year	
Amount	Proportion (%)	Amount	Proportion (%)
22,400,000.00	18.54	20,000,000.00	7.35

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

(2) Purchase of financial products

<i>RMB</i>			
Current year		Prior year	
Amount	Proportion (%)	Amount	Proportion (%)
–	–	40,000,000.00	1.63

The Group purchased financial products amounting RMB0 from Bank of Chengdu during the current year. The shown proportion represent the proportion of this transaction in the total financial products purchased.

Notes to the Financial Statements

For the year ended 31 December 2018

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

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

(3) Interest income

<i>RMB</i>			
Current year		Prior year	
Amount	Proportion (%)	Amount	Proportion (%)
1,246,203.52	5.45	985,624.67	4.48

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

(4) Amount due/from related parties

<i>RMB</i>		
Item	End of the current year	End of the prior year
Bank balances	71,059,856.45	112,673,200.58

(XII) CONTINGENCIES

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

Notes to the Financial Statements

For the year ended 31 December 2018

(XIII) COMMITMENTS

Capital commitments

	<i>RMB</i>	
	Closing balance	Opening balance
Commitment for acquisition and construction of long-term assets that have been entered into but have not been recognized in the financial statements	102,880,017.28	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

	<i>RMB</i>	
	Closing balance	Opening balance
Minimum lease payments under non-cancellable operating leases	–	
1st year subsequent to the balance sheet date	102,140,586.69	109,053,199.45
2nd year subsequent to the balance sheet date	69,204,211.64	42,039,561.22
3rd year subsequent to the balance sheet date	57,943,030.65	13,142,340.51
Subsequent periods	46,383,549.02	19,647,000.65
Total	275,671,378.00	183,882,101.83

The Group as lessor

	<i>RMB</i>	
	Closing balance	Opening balance
Minimum lease receipts under non-cancellable operating leases	–	
1st year subsequent to the balance sheet date	17,364,975.53	15,339,552.44
2nd year subsequent to the balance sheet date	10,026,797.09	8,110,230.99
3rd year subsequent to the balance sheet date	2,977,490.00	2,634,946.45
Subsequent periods	2,206,450.00	2,727,800.00
Total	32,575,712.62	28,812,529.88

Notes to the Financial Statements

For the year ended 31 December 2018

(XIV) EVENTS AFTER THE BALANCE SHEET DATE

The following significant events of the Group took place after the balance sheet date:

Dividends distribution

The Company held the meeting of Board of Directors on 27 March 2019 and passed the profit distribution proposal of 2018. The retained profits at the year end of 2018 shall be distributed as per RMB0.3 (tax inclusive) per share, share dividends of RMB370,152,300.00 (tax inclusive) are planned to be distributed. The above proposal regarding dividends distribution is effective upon approval at the annual general meeting of 2018 to be held on 21 May 2019.

(XV) OTHER SIGNIFICANT EVENTS

1. Capital management

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

- Cash and cash equivalents;
- Paid-in capital, capital reserve, surplus reserve and retained profit.

The Group's management reviews the capital structure according to the interim or annual financial statements. During the review, the management considers the capital cost and risks corresponding to various type of capital. The Group optimize the overall capital structure through issuing extra shares or borrowing or repayment of borrowings on the basis of the choice of the management.

Notes to the Financial Statements

For the year ended 31 December 2018

(XV) OTHER SIGNIFICANT EVENTS *(Continued)*

2. Segment reporting

Based on the Group's internal organization structure, management requirements and internal reporting system, the operations of the Group are classified into 2 reporting segments, which are publication segment and distribution segment. The reporting segments are determined based on the Company's business type. The Group's management periodically evaluates the operating results of these reporting segments to make decisions about resources to be allocated to the segments and assess their performance.

Major products and services delivered or provided by each of the reporting segments of the Group 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 education equipment service for secondary and primary school education; retailing, distribution and online sales of publications;

Other segment of the Group covers sales of paper pulp, advertising service and sales of art work etc. However, these operating businesses do not separately satisfy the definition of reportable segment. The relevant financial information of such operating businesses are consolidated and presented as "others" in the following table.

Segment information is disclosed in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to management. The measurement criteria are consistent with the accounting and measurement criteria in the preparation of the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2018

(XV) OTHER SIGNIFICANT EVENTS (Continued)

2. Segment reporting (Continued)

(1) Segment information

Current year	RMB					
	Publication segment	Distribution segment	Others	Unallocated items	Inter-segment eliminations	Total
External revenue	864,251,212.90	7,136,146,560.32	186,185,193.51	-	-	8,186,582,966.73
Inter-segment revenue	1,670,638,527.49	9,183,465.07	119,909,345.32	-	(1,799,731,337.88)	-
Total operating income	2,534,889,740.39	7,145,330,025.39	306,094,538.83	-	(1,799,731,337.88)	8,186,582,966.73
Operating profit (loss)	521,114,885.04	444,397,849.47	(41,043,334.73)	23,190,656.47	(16,811,052.75)	930,849,003.50
Non-operating income	8,027,681.92	1,564,313.60	1,022,771.46	-	-	10,614,766.98
Non-operating expenses	472,227.92	25,038,794.42	32,127.75	-	-	25,543,150.09
Total profit (loss)	528,670,339.04	420,923,368.65	(40,052,691.02)	23,190,656.47	(16,811,052.75)	915,920,620.39
Total assets	5,928,141,661.98	6,858,243,833.58	1,142,806,514.23	3,045,595,975.16	(3,687,075,532.16)	13,287,712,452.79
Total liabilities	2,257,741,209.44	5,606,706,333.34	505,267,828.86	57,388,208.39	(3,545,420,488.34)	4,881,683,091.69
Supplementary information						
Depreciation	22,655,833.42	55,217,167.98	11,784,441.93	-	-	89,657,443.33
Amortisation	3,286,482.45	30,005,190.76	4,233,033.88	-	-	37,524,707.09
Interest income	3,042,918.47	14,863,412.66	268,862.69	19,064,371.36	(1,241,138.53)	35,998,426.65
Impairment losses recognized in the current period	34,842,390.82	105,341,000.89	919,395.67	-	-	141,102,787.38
Investment income from long-term equity investment under equity method	177,044.49	25,490,451.31	(5,053,125.06)	-	-	20,614,370.74
Long-term equity investments under equity method	211,090.04	254,192,458.57	119,727,010.25	-	-	374,130,558.86
Capital expenditure	7,353,933.25	117,718,904.60	7,167,476.97	-	-	132,240,314.82
Including: Expenditure arising from construction in progress	1,815,819.03	85,758,531.80	2,395,867.32	-	-	89,970,218.15
Expenditure arising from purchase of fixed assets	3,672,348.02	17,238,645.98	4,736,892.68	-	-	25,647,886.68
Expenditure arising from purchase of intangible assets	1,865,766.20	4,720,893.68	34,716.97	-	-	6,621,376.85
Development expenditure	-	10,000,833.14	-	-	-	10,000,833.14

Notes to the Financial Statements

For the year ended 31 December 2018

(XV) OTHER SIGNIFICANT EVENTS (Continued)

2. Segment reporting (Continued)

(1) Segment information (Continued)

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

Notes to the Financial Statements

For the year ended 31 December 2018

(XV) OTHER SIGNIFICANT EVENTS *(Continued)*

2. Segment reporting *(Continued)*

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

More than 99% of the Group's income is sourced from a PRC customer 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 year is RMB975,801,904.87 (prior year: RMB892,179,091.64), 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 year and prior year.

Inter-segment transfers are measured on the basis of prices negotiated between different segment entities. Segment revenue and segment expenses are determined on the basis of actual revenue and expenses of each segment. Segment assets and liabilities are allocated according to the attributable assets employed by a segment in its operating activities and the attributable liabilities resulting from the operating activities of a segment.

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

1. Cash and bank balances

Item	<i>RMB</i>					
	31 December 2018			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	2,938,456.77	1.0000	2,938,456.77	1,936,851.07	1.0000	1,936,851.07
Bank balances:						
RMB	1,744,291,829.19	1.0000	1,744,291,829.19	1,103,029,588.02	1.0000	1,103,029,588.02
USD	3,845.47	6.8632	26,392.23	3,943.49	6.5342	25,767.55
HKD	20,756.55	0.8762	18,186.89	15,299.32	0.8359	12,788.70
Other currency funds:						
RMB	-	-	-	2,000,000.00	1.0000	2,000,000.00
Total			1,747,274,865.08			1,107,004,995.34

Notes to the Financial Statements

For the year ended 31 December 2018

(XVI) 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:

RMB

Aging	31 December 2018				31 December 2017			
	Amount	Proportion (%)	Bad debt provision	Carrying amount	Amount	Proportion (%)	Bad debt provision	Carrying amount
Within 1 year	970,108,931.93	90.92	(36,595,551.88)	933,513,380.05	968,019,840.92	90.94	(8,484,144.99)	959,535,695.93
More than 1 year but not exceeding 2 years	38,274,890.59	3.59	(19,585,977.23)	18,688,913.36	36,958,405.88	3.47	(19,229,533.67)	17,728,872.21
More than 2 years but not exceeding 3 years	11,041,549.53	1.03	(11,041,549.53)	-	12,059,754.21	1.13	(12,059,754.21)	-
More than 3 years	47,639,639.97	4.46	(47,639,639.97)	-	47,440,179.92	4.46	(47,440,179.92)	-
Total	1,067,065,012.02	100.00	(114,862,718.61)	952,202,293.41	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 year

Bad debt provision in the current year is RMB32,565,865.31, and the reversal of bad debt provision is RMB4,916,759.49.

(3) Accounts receivable written off in the current year

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

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

RMB

Name of entity	Relationship with the Company	31 December 2018	Aging	Proportion of the amount to the total accounts receivable (%)	Closing balance of bad debt provision
Winshare Education Technology	Subsidiary	205,530,799.83	Within 1 year	19.26	-
Winshare Online	Subsidiary	179,379,072.73	Within 1 year	16.81	-
Beijing Winshare Commercial	Subsidiary	102,403,282.99	Within 1 year	9.6	-
Hejiang Education Bureau	Third party	35,000,000.00	1-2 years	3.28	-
Anyue Education Bureau	Third party	30,113,430.30	Within 1 year	2.82	-
Total		552,426,585.85		51.77	-

Notes to the Financial Statements

For the year ended 31 December 2018

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

3. Prepayments

(1) Aging analysis of prepayments is as follow:

Aging	31 December 2018		31 December 2017	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	12,098,289.24	83.21	27,804,204.94	72.89
1-2 years	2,190,138.89	15.06	10,151,627.00	26.61
2-3 years	90,464.00	0.62	–	–
More than 3 years	161,829.64	1.11	190,909.74	0.50
Total	14,540,721.77	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.

(2) Entities of top five prepayments

Name of entity	Relationship with the Company	31 December 2018	Period	Reasons for unsettlement
STEM Innovations Co., Ltd.	Third party	2,970,373.87	Within 1 year, 1-2 years	Goods not yet received
Sichuan Zhengcheng Education Technology Co., Ltd.	Third party	2,542,001.40	Within 1 year	Goods not yet received
Shenzhen Meicloud Technology Co., Ltd.	Third party	2,055,107.30	Within 1 year	Goods not yet received
Lianyi Technology Co., Ltd.	Third party	1,758,902.08	Within 1 year	Goods not yet received
Sichuan Sensen Display Equipment Co., Ltd.	Third party	639,621.57	Within 1 year	Goods not yet received
Total		9,966,006.22		

Notes to the Financial Statements

For the year ended 31 December 2018

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

4. Other receivables

(1) Disclosure of other receivables by aging:

RMB

Aging	31 December 2018				31 December 2017			
	Amount	Proportion (%)	Bad debt provision	Carrying amount	Amount	Proportion (%)	Bad debt provision	Carrying amount
Within 1 year	589,217,886.85	74.20	(352,269.53)	588,865,617.32	523,029,780.76	69.26	(379,620.11)	522,650,160.65
More than 1 year but not exceeding 2 years	81,541,344.79	10.27	(53,625.48)	81,487,719.31	84,158,698.84	11.14	(60,294.47)	84,098,404.37
More than 2 years but not exceeding 3 years	32,603,197.63	4.11	(68,394.47)	32,534,803.16	39,643,281.31	5.25	(83,366.78)	39,559,914.53
More than 3 years	90,693,424.72	11.42	(8,119,765.20)	82,573,659.52	108,300,312.20	14.35	(5,351,182.02)	102,949,130.18
Total	794,055,853.99	100.00	(8,594,054.68)	785,461,799.31	755,132,073.11	100.00	(5,874,463.38)	749,257,609.73

(2) Bad debt provision for the current year

The amount of bad debt provision for the current year is RMB2,743,103.18, bad debts reversed is RMB23,511.88.

(3) Other receivables written off in the current year

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

(4) Other receivables disclosed by their nature

RMB

Nature of other receivables	30 December 2018	31 December 2017
Other receivables from related parties	477,384,415.63	456,235,514.34
Dividends receivable	280,000,000.00	260,000,000.00
Deposit/security deposit	29,876,616.46	19,726,012.20
Petty cash	1,874,166.45	3,231,041.30
Interest from time deposits	326,203.09	10,789,780.86
Others	4,594,452.36	5,149,724.41
Total	794,055,853.99	755,132,073.11

Notes to the Financial Statements

For the year ended 31 December 2018

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

4. Other receivables (Continued)

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

RMB					
Name of entity	Nature	31 December 2018	Aging	Proportion of the amount to the total other receivables (%)	Closing balance of bad debt provision
Education Publishing House	Dividends receivable	230,000,000.00	Within 1 year	28.97	-
Printing Materials	Receivables from subsidiaries				
Publication Printing	Dividends receivable	199,708,418.05	Within 1 year, 1-2 years and 5-6 years	25.15	-
Tiandi Publishing House	Receivables from subsidiaries	50,000,000.00	Within 1 year	6.30	-
Reader's Journal Press	Receivables from subsidiaries	40,415,335.62	Within 1 year	5.09	-
Arts Investment	Receivables from subsidiaries	35,536,975.25	More than 3 years	4.48	-
Total		555,660,728.92		69.99	-

5. Inventories

(1) Categories of inventories

RMB						
Item	31 December 2018			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	517,933,860.49	(66,871,592.11)	451,062,268.38	1,351,222,720.97	(92,617,146.21)	1,258,605,574.76
Work-in-progress	7,607,552.60	-	7,607,552.60	7,580,957.18	-	7,580,957.18
Raw materials	2,732,536.69	-	2,732,536.69	1,701,502.39	-	1,701,502.39
Total	528,273,949.78	(66,871,592.11)	461,402,357.67	1,360,505,180.54	(92,617,146.21)	1,267,888,034.33

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

Notes to the Financial Statements

For the year ended 31 December 2018

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

5. Inventories (Continued)

(2) Provision for decline in value of inventories

					RMB
Category of inventories	31 December 2017	Increase in the current year	Decrease in the current year		31 December 2018
			Reversals	Write-off	
Goods on hand	92,617,146.21	2,061,235.77	-	(27,806,789.87)	66,871,592.11

6. Other current assets

			RMB
Item	31 December 2018	31 December 2017	
VAT input tax to be deducted	19,344,485.83	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	14,024,939.18	N/A	
Total	33,369,425.01	1,156,865,130.99	

Notes to the Financial Statements

For the year ended 31 December 2018

7. Long-term equity investment

(1) Investment in subsidiaries

RMB

Investee	Opening balance	Addition in investment	Reduction in investment	Closing balance	Closing balance of provision for impairment
Xinhua Online	40,000,000.00	-	-	40,000,000.00	(2,072,032.00)
People's Education Times	2,106,941.60	-	-	2,106,941.60	-
Winshare Media	3,990,000.00	-	-	3,990,000.00	-
Winshare Sports Culture	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	-
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	9,000,000.00	-	24,294,897.94	-
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	11,748,300.00	-	22,248,300.00	-
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	-
Total	3,008,032,747.66	235,748,300.00	-	3,243,781,047.66	(2,072,032.00)

Notes to the Financial Statements

For the year ended 31 December 2018

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

7. Long-term equity investment (Continued)

(2) Investment in joint ventures or associates

RMB

Investee	31 December 2017	Change for the year								31 December 2018	Closing balance of impairment provision
		Addition in investment	Reduction 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	-	-	16,604,538.54	-	-	-	-	-	148,227,458.64	-
Liangshan Xinhua Winshare Education Technology Co. Ltd.	4,151,258.65	14,700,000.00	-	686,244.41	-	-	-	-	-	19,537,503.06	-
Subtotal	135,774,178.75	14,700,000.00	-	17,290,782.95	-	-	-	-	-	167,764,961.70	-
II. Associates											
Ahe Commercial Press (Chengdu) Co., Ltd.	2,435,042.07	-	-	191,840.76	-	-	-	-	-	2,626,882.83	-
Ren Min Eastern (Beijing) Book Industry Co., Ltd.	10,620,350.30	-	-	2,702,454.78	-	-	(2,400,000.00)	-	-	10,922,805.08	-
Guizhou Winshare	-	-	-	-	-	-	-	-	-	-	-
Ming Bo Education Technology Holdings Co., Ltd.	32,007,766.13	-	-	4,987,119.63	-	-	-	-	-	36,994,885.76	-
Winshare Preschool	2,364,306.48	-	-	1,608,473.29	-	-	-	-	-	3,972,779.77	-
Xinhua Yingxuan	14,874,969.76	-	-	395,873.79	-	-	-	-	-	15,270,843.55	-
Subtotal	62,302,434.74	-	-	9,885,762.25	-	-	(2,400,000.00)	-	-	69,788,196.99	-
Total	198,076,613.49	14,700,000.00	-	27,176,545.20	-	-	(2,400,000.00)	-	-	237,553,158.69	-

Notes to the Financial Statements

For the year ended 31 December 2018

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

8. Investment properties

Investment properties measured at cost

Item	RMB	
	Buildings	
I. Cost		
1. 31 December 2017 and 31 December 2018		33,651,290.75
II. Accumulated depreciation		
1. 31 December 2017		(11,962,401.43)
2. Increase in the current year		(900,190.02)
(1) Provision		(900,190.02)
3. 31 December 2018		(12,862,591.45)
III. Net book value		-
1. 31 December 2018		20,788,699.30
2. 31 December 2017		21,688,889.32

8. Fixed assets

Item	RMB				
	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	127,765,280.32	86,873,938.57	1,421,709,146.25
2. Increase in the current year	39,081,404.84	1,595,285.65	12,902,757.10	2,497,509.94	56,076,957.53
(1) Acquisition	-	1,038,431.16	12,902,757.10	2,497,509.94	16,438,698.20
(2) Transfer from construction in progress	39,081,404.84	556,854.49	-	-	39,638,259.33
3. Decrease in the current year	(69,918.47)	(1,263,651.90)	(14,668,086.08)	(3,497,207.67)	(19,498,864.12)
(1) Disposal	(69,918.47)	(1,263,651.90)	(14,668,086.08)	(3,497,207.67)	(19,498,864.12)
4. 31 December 2018	1,165,638,574.29	80,774,473.19	125,999,951.34	85,874,240.84	1,458,287,239.66
II. Accumulated depreciation:					
1. 31 December 2017	(345,902,776.03)	(63,718,933.62)	(99,310,821.36)	(69,828,568.45)	(578,761,099.46)
2. Increase in the current year	(32,294,073.67)	(3,213,574.28)	(10,815,846.48)	(6,811,540.58)	(53,135,035.01)
(1) Provision	(32,294,073.67)	(3,213,574.28)	(10,815,846.48)	(6,811,540.58)	(53,135,035.01)
3. Decrease in the current year	47,918.47	1,215,669.27	14,748,520.67	3,011,733.65	19,023,842.06
(1) Disposal	47,918.47	1,215,669.27	14,748,520.67	3,011,733.65	19,023,842.06
4. 31 December 2018	(378,148,931.23)	(65,716,838.63)	(95,378,147.17)	(73,628,375.38)	(612,872,292.41)
III. Net book value					
1. 31 December 2018	787,489,643.06	15,057,634.56	30,621,804.17	12,245,865.46	845,414,947.25
2. 31 December 2017	780,724,311.89	16,723,905.82	28,454,458.96	17,045,370.12	842,948,046.79

Notes to the Financial Statements

For the year ended 31 December 2018

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

10. Intangible assets

Intangible assets are as follows:

Item	RMB			
	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 current year	571,309.20	4,149,584.48	–	4,720,893.68
(1) Acquisition	571,309.20	4,149,584.48	–	4,720,893.68
(2) Transfer from construction in progress	–	–	–	–
3. 31 December 2018	188,210,645.50	71,284,434.19	167,700.00	259,662,779.69
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 current year	(5,018,201.20)	(1,188,511.17)	–	(6,206,712.37)
(1) Provision	(5,018,201.20)	(1,188,511.17)	–	(6,206,712.37)
3. 31 December 2018	(63,691,575.57)	(52,612,023.62)	(167,700.00)	(116,471,299.19)
III. Net book value				
1. 31 December 2018	124,519,069.93	18,672,410.57	–	143,191,480.50
2. 31 December 2017	128,965,961.93	15,711,337.26	–	144,677,299.19

11. Long-term prepaid expenses

Item	RMB			
	31 December 2017	Increase in the current year	Amortisation in the current year	31 December 2018
Leasehold improvement	12,688,836.07	19,265,581.03	(14,934,100.94)	17,020,316.16
Rents	144,074.35	–	(48,024.60)	96,049.75
Total	12,832,910.42	19,265,581.03	(14,982,125.54)	17,116,365.91

Notes to the Financial Statements

For the year ended 31 December 2018

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

12. Other non-current assets

<i>RMB</i>		
Item	31 December 2018	31 December 2017
Receivables from subsidiaries	516,000,000.00	536,000,000.00
VAT input tax to be deducted (Note)	36,718,628.57	60,408,980.60
Total	552,718,628.57	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

<i>RMB</i>		
Item	31 December 2018	31 December 2017
Within 1 year	2,477,641,611.59	3,008,879,033.36
More than 1 year but not exceeding 2 years	751,506,438.70	755,864,875.28
More than 2 years but not exceeding 3 years	228,769,482.47	235,762,230.64
More than 3 years	138,492,878.39	150,227,523.33
Total	3,596,410,411.15	4,150,733,662.61

14. Contract liabilities

(1) Disclosure of contract liabilities:

<i>RMB</i>	
Item	31 December 2018
Advanced receipts for sold goods	238,876,170.54
Membership card points	12,782,898.02
Total	251,659,068.56

- (2) The Group's recognized revenue of RMB216,867,393.19, including the carrying amount of contract liabilities at the beginning of the year, for current year includes contract liabilities of RMB216,487,567.20 arising from advanced receipts for sold goods, and contract liabilities of RMB379,825.99 arising from membership card points.

Notes to the Financial Statements

For the year ended 31 December 2018

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

15. Employee benefits payable

(1) Disclosure of employee benefits payable

<i>RMB</i>				
Item	31 December 2017	Increase in the current year	Decrease in the current year	31 December 2018
I. Short-term employee benefits	211,869,595.17	590,571,780.23	(589,250,131.61)	213,191,243.79
II. Post-employment benefit – defined contribution plan	1,038,170.08	88,645,783.21	(89,068,944.73)	615,008.56
Total	212,907,765.25	679,217,563.44	(678,319,076.34)	213,806,252.35

(2) Short-term employ benefits

<i>RMB</i>				
Item	31 December 2017	Increase in the current year	Decrease in the current year	31 December 2018
I. Wages or salaries, bonuses, allowance and subsidies	172,705,846.60	496,116,096.30	(501,214,875.32)	167,607,067.58
II. Staff welfare	3,478.55	6,767,732.32	(6,767,152.32)	4,058.55
III. Social security contributions	312,073.67	30,690,601.42	(30,880,546.38)	122,128.71
Including: Medical insurance	275,646.88	26,571,001.09	(26,766,188.71)	80,459.26
Work-related injury insurance	13,731.75	1,549,560.76	(1,537,718.47)	25,574.04
Maternity insurance	22,695.04	2,335,927.41	(2,342,527.04)	16,095.41
Other insurances	–	234,112.16	(234,112.16)	–
IV. Housing funds	1,578,460.32	39,776,264.45	(40,078,087.82)	1,276,636.95
V. Union running costs and employee education costs	37,061,820.31	17,336,213.57	(10,424,597.60)	43,973,436.28
VI. Others	207,915.72	(115,127.83)	115,127.83	207,915.72
Total	211,869,595.17	590,571,780.23	(589,250,131.61)	213,191,243.79

(3) Defined benefit plans

<i>RMB</i>				
Item	31 December 2017	Increase in the current year	Decrease in the current year	31 December 2018
I. Basic pension insurance	687,488.98	64,992,820.07	(65,171,905.82)	508,403.23
II. Unemployment insurance	32,413.55	2,102,752.58	(2,097,184.17)	37,981.96
III. Enterprise annuity	318,267.55	21,550,210.56	(21,799,854.74)	68,623.37
Total	1,038,170.08	88,645,783.21	(89,068,944.73)	615,008.56

Notes to the Financial Statements

For the year ended 31 December 2018

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

16. Taxes payable

<i>RMB</i>		
Item	31 December 2018	31 December 2017
City construction and maintenance tax	73,432.48	47,397.23
Education surcharges	32,434.52	30,416.70
Individual income tax	932,056.20	1,027,069.32
Others	17,290,684.99	17,277,840.99
Total	18,328,608.19	18,382,724.24

17. Other payables

<i>RMB</i>		
Item	31 December 2018	31 December 2017
Amounts due to related parties	387,325,273.85	295,776,678.71
Security deposit/deposit/quality warranty/ performance security	56,060,477.28	69,602,640.62
Construction and infrastructure construction expenses	27,090,838.32	22,138,815.54
Others	18,525,192.19	32,255,455.97
Total	489,001,781.64	419,773,590.84

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

Notes to the Financial Statements

For the year ended 31 December 2018

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

18. Capital reserve

For the current year

				<i>RMB</i>
Item	31 December 2017	Increase in the current year	Decrease in the current year	31 December 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
Total	2,631,057,328.10	-	-	2,631,057,328.10

For the prior year

				<i>RMB</i>
Item	31 December 2017	Increase in the current year	Decrease in the current year	31 December 2018
Share capital premium				
Including: Capital contributed by investors	2,621,627,617.97	406,244.18	-	2,622,033,862.15
Effects of business combination involving enterprises under common control	(14,325,593.72)	-	-	(14,325,593.72)
Other capital reserve				
Including: Transfer from capital reserve under the previous accounting system	23,349,059.67	-	-	23,349,059.67
Total	2,630,651,083.92	406,244.18	-	2,631,057,328.10

Notes to the Financial Statements

For the year ended 31 December 2018

(XVI) 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 year before income tax	Changes in the year				31 December 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	Post-tax amount attributable to owners of the Company	Post-tax amount attributable to non-controlling interests	
Current year								
Other comprehensive income that cannot be reclassified into profit or loss	1,136,163,193.05	274,857,013.05	(387,912,000.00)	-	-	(387,912,000.00)	-	1,023,108,206.10
Gains or losses arising from changes in fair value of other equity instrument investments	1,136,163,193.05	274,857,013.05	(387,912,000.00)	-	-	(387,912,000.00)	-	1,023,108,206.10
Prior year								
Other comprehensive income that will be reclassified into profit or loss in subsequent years	2,008,398,036.83	N/A	(872,234,843.78)	-	-	(872,234,843.78)	-	1,136,163,193.05
Gains or losses arising from changes in fair value of other equity instrument investments	2,008,398,036.83	N/A	(872,234,843.78)	-	-	(872,234,843.78)	-	1,136,163,193.05

20. Surplus reserve

RMB

Item	31 December 2017	Increase in the current year	Decrease in the current year	31 December 2018
Current year				
Statutory surplus reserves	624,908,885.29	85,324,723.53	-	710,233,608.82
Prior year				
Statutory surplus reserve	538,730,217.21	86,178,668.08	-	624,908,885.29

According to the Company Law of the People's Republic of China and the Articles of Association, the Company is required to transfer 10% of its net profit to the statutory surplus reserve. The transfer may be ceased if the balance of the statutory surplus reserve has reached 50% of the Company's registered capital.

The statutory surplus reserve may be used for making up the losses of the Company and expanding the production operation or increasing the registered share capital of the Company.

Notes to the Financial Statements

For the year ended 31 December 2018

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

21. Retained profits

<i>RMB</i>			
Item	31 December 2018	31 December 2017	Proportion of appropriation
Retained profits at the end of prior year	2,046,248,858.13	1,647,331,966.56	
Effect of implementation of new standards for financial instruments	5,198,986.95		
Retained profits at the beginning of current year	2,051,447,845.08	1,647,331,966.56	
Add: Net profit for the current year	853,247,235.26	861,786,680.75	
Less: Appropriation to statutory surplus reserve	(85,324,723.53)	(86,178,668.08)	Note (VI) 34(1)
Declaration of dividends on ordinary shares	(370,152,300.00)	(370,152,300.00)	Note (VI) 34(2)
Effect of accounting for long-term equity investment in subsidiary using equity method instead of cost method due to disposal of subsidiary	-	(6,538,821.10)	-
Retained profits at the end of the year	2,449,218,056.81	2,046,248,858.13	

22. Operating income and operating costs

<i>RMB</i>		
Item	Amount recognized in the current year	Amount recognized in the prior year
Principal operating income	6,371,359,690.08	5,765,867,257.44
Including: textbooks and supplementary materials	4,015,378,780.29	3,690,378,349.61
Other operating income	115,986,681.12	121,545,207.22
Including: Associated goods income	345,002,338.50	345,054,551.69
Associated goods cost	(294,508,518.83)	(293,807,996.13)
Net income from associated goods	50,493,819.67	51,246,555.56
Operating costs	4,429,640,326.61	4,108,017,831.24

Notes to the Financial Statements

For the year ended 31 December 2018

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

23. Taxes and levies

RMB		
Item	Amount recognized in the current year	Amount recognized in the prior year
City construction and maintenance tax	80,589.52	50,085.56
Education surcharges	57,449.57	35,775.40
Property tax	10,918,867.42	11,141,849.15
Urban land use tax	2,156,521.04	615,586.19
Stamp duty	243,515.05	501,923.33
Vessel and vehicle tax	230,713.96	284,174.80
Disabled person security fund	3,101,728.53	3,510,260.46
Others	38,011.40	30,128.31
Total	16,827,396.49	16,169,783.20

24. Selling expenses

RMB		
Item	Amount recognized in the current year	Amount recognized in the prior year
Wages or salaries and welfares	313,027,272.68	271,448,560.59
Transportation costs	141,823,513.96	120,917,502.17
Business conference fees	42,491,556.29	39,595,130.78
Vehicle fees	20,782,909.95	28,204,664.81
Travel expenses	19,954,030.70	17,903,869.82
Advertisement and promotion expenses	27,912,252.03	29,506,635.99
Publication charges	39,829,692.76	24,297,382.93
Packing expenses	11,794,271.47	12,416,614.17
Others	106,843,393.67	104,936,723.75
Total	724,458,893.51	649,227,085.01

Notes to the Financial Statements

For the year ended 31 December 2018

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

25. Administrative expenses

<i>RMB</i>		
Item	Amount recognized in the current year	Amount recognized in the prior year
Wages or salaries and welfares	362,927,747.25	320,993,802.37
Business entertainment fees	107,686,766.20	98,624,834.95
Lease payments	114,947,331.44	102,877,567.31
Depreciation and amortisation expenses	73,704,620.78	82,851,446.31
Conference fees	24,863,981.64	20,227,402.46
Energy costs	17,289,198.46	17,026,584.09
Property management fees	25,807,107.45	22,310,994.46
Travel expenses	5,456,754.10	6,549,578.07
Repair charge	23,473,945.40	14,842,218.65
Office expenses	5,678,630.67	5,290,615.02
Audit and other non-audit service fees	3,245,283.02	3,670,000.00
Others	63,064,751.53	72,372,262.90
Total	828,146,117.94	767,637,306.59

26. Finance expenses

<i>RMB</i>		
Item	Amount recognized in the current year	Amount recognized in the prior year
Interest expenses	4,292,615.77	1,681,285.95
Interest income	(19,406,293.32)	(18,709,932.25)
Interest income from long-term receivables	(3,922,853.76)	(878,661.54)
Fees and commissions	3,188,224.80	2,235,787.57
Foreign exchange gains or losses and others	5,238,104.11	(1,059,839.64)
Total	(10,610,202.40)	(16,731,359.91)

Notes to the Financial Statements

For the year ended 31 December 2018

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

27. Impairment losses of assets

<i>RMB</i>		
Item	Amount recognized in the current year	Amount recognized in the prior year
Bad debt provision	N/A	10,354,027.83
Losses of decline in value of inventories	2,061,235.77	43,425,921.78
Total	2,061,235.77	53,779,949.61

28. Loss on credit impairment

<i>RMB</i>		
Item	Amount recognized in the current year	Amount recognized in the prior year
Bad debt losses for notes receivable and accounts receivable	27,649,105.82	N/A
Impairment losses of other receivables	2,719,591.30	N/A
Total	30,368,697.12	N/A

Notes to the Financial Statements

For the year ended 31 December 2018

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

29. Investment income

	<i>RMB</i>	
Item	Amount recognized in the current year	Amount recognized in the prior year
Income from long-term equity investments		
Including: Investment income under cost method	280,000,000.00	260,000,000.00
Including: Investment income under equity method	27,176,545.20	13,423,993.37
Investment income on disposal of long-term equity investments	–	218,848,600.88
Investment income from holding available-for-sale financial assets		
Including: Investment income from available-for-sale financial assets that are subsequently measured at cost	N/A	33,000,000.00
Investment income from available-for-sale financial assets that are subsequently measured at fair value	N/A	20,647,638.99
Investment income from other equity instrument investments	43,588,800.00	N/A
Investment income from disposal of financial assets at FVTPL	48,309,466.48	24,368,718.78
Total	399,074,811.68	570,288,952.02

Notes to the Financial Statements

For the year ended 31 December 2018

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

30. Other income

<i>RMB</i>		
Item	Amount recognized in the current year	Amount recognized in the prior year
Other fiscal subsidies	3,612,061.44	6,007,170.75
Total	3,612,061.44	6,007,170.75

31. Non-operating income

(1) Details of non-operating income are as follows:

<i>RMB</i>		
Item	Amount recognized in the current year	Amount recognized in the prior year
Others	1,577,426.34	7,092,349.04
Total	1,577,426.34	7,092,349.04

32. Non-operating expenses

<i>RMB</i>		
Item	Amount recognized in the current year	Amount recognized in the prior year
Donations	24,374,938.23	30,947,301.58
Penalties	738.10	26.05
Others	423,711.47	46,294.32
Total	24,799,387.80	30,993,621.95

Notes to the Financial Statements

For the year ended 31 December 2018

33. Notes to items in the cash flow statement

(1) Other cash receipts relating to operating activities

<i>RMB</i>		
Item	Amount recognized in the current year	Amount recognized in the prior year
Interest income	28,099,027.61	8,481,815.95
Others	50,165,809.21	16,136,456.26
Total	78,264,836.82	24,618,272.21

(2) Other cash payments relating to operating activities

<i>RMB</i>		
Item	Amount recognized in the current year	Amount recognized in the prior year
Selling expenses	411,431,620.83	376,145,926.19
Of which: Transportation costs	141,823,513.96	120,917,502.17
Business conference fees	42,491,556.29	39,595,130.78
Distribution commission	39,829,692.76	24,297,382.93
Advertising and promotion fees	27,912,252.03	29,506,635.99
Vehicle fees	20,782,909.95	28,204,664.81
Travel expenses	19,954,030.70	17,903,869.82
Administrative expenses	391,513,749.91	363,737,170.39
Of which: Lease payment	114,947,331.44	102,877,567.31
Business entertainment fees	107,686,766.20	98,624,834.95
Property management fees	25,807,107.45	22,310,994.46
Conference fees	24,863,981.64	20,227,402.46
Repair charges	23,473,945.40	14,842,218.65
Energy costs	17,289,198.46	17,026,584.09
Amount due/from subsidiaries	4,677,459.45	33,847,476.39
Others	84,340,362.69	53,602,212.13
Total	891,963,192.88	827,332,785.10

Notes to the Financial Statements

For the year ended 31 December 2018

(XVI) 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

	<i>RMB</i>	
Supplementary information	Current year	Prior year
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	853,247,235.26	861,786,680.75
Add: Provision for impairment losses of assets and provision for credit impairment	32,429,932.89	53,779,949.61
Depreciation of fixed assets	53,135,035.01	58,848,753.10
Depreciation of investment properties	900,190.02	900,190.03
Amortisation of intangible assets	6,206,712.37	8,498,008.73
Amortisation of long-term prepaid expenses	14,982,125.54	15,559,572.00
Net gains on disposal of fixed assets, intangible assets and other long-term assets	(26,124.33)	(69,682.81)
Gains from changes in fair value	(7,302,293.11)	(10,279.16)
Finance expenses	369,762.01	802,624.41
Interest income from loans	–	(11,549,730.42)
Investment Income	(399,074,811.68)	(570,288,952.02)
Increase in inventories	804,424,440.89	(17,337,318.21)
Increase in receivables from operating activities	60,762,019.50	(406,165,668.61)
Increase in payables from operating activities	(332,065,694.80)	796,139,408.07
Net cash flow from operating activities	1,087,988,529.57	790,893,555.47
2. Net changes in cash and cash equivalents:		
Closing balance of cash	1,747,274,865.08	1,105,004,995.34
Less: Opening balance of cash	1,105,004,995.34	915,684,202.39
Net increase in cash and cash equivalents	642,269,869.74	189,320,792.95

(2) Cash and cash equivalents

	<i>RMB</i>	
Item	Current year	Prior year
Cash	1,747,274,865.08	1,105,004,995.34
Including: Cash on hand	2,938,456.77	1,936,851.07
Bank deposits readily withdrawn on demand	1,744,336,408.31	1,103,068,144.27
Balance of cash and cash equivalents	1,747,274,865.08	1,105,004,995.34

Notes to the Financial Statements

For the year ended 31 December 2018

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

35. Related party relationship and transactions

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

Purchase of goods/receipt of services

					<i>RMB</i>
Related party	Type of related party transaction	Details of related party transaction	Pricing and decision-making procedures of related party transactions	Amount recognized in the current year	Amount recognized in the prior year
Sichuan Xinhua International Hotel Co., Ltd.	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	315,430.75	308,764.99
Sichuan Guanghan Sanxingdui Qushanyuan Cultural Ltd.	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	752,487.67	615,656.00
Chengdu Huang Peng Property Co., Ltd.	Receipt of services	Payments for property management fees	Price negotiated by both parties	6,699,380.04	4,732,877.46
Sichuan Xinhua Haiyi Cultural Development Co., Ltd.	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	355,109.73	455,518.51
Sichuan Xinhua Publishing Group Co., Ltd Huadao Holiday Hotel	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	48,286.00	187,173.00
The Commercial Press (Chengdu) Co., Ltd.	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	26,735,090.45	-
Hainan Publishing	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	5,150,546.53	3,425,374.02
Bashu Publishing House	Purchase of goods	Payments for goods purchased and receiving service	Price negotiated by both parties	16,801,381.07	16,751,867.57
Education Publishing House	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	690,300,597.43	601,442,805.75
Publication Printing	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	279,494,991.40	247,581,467.20
Printing Materials	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	3,093,645.91	2,318,465.45
Lexicographical Publishing House	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	6,635,696.88	4,080,722.89
Science & Technology Publishing House	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	5,103,728.23	6,048,125.92
Fine Arts Publishing House	Purchase of goods	Payments for goods purchased and receiving service	Price negotiated by both parties	29,925,890.86	29,377,855.18
People's Publishing House	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	49,710,626.08	39,814,213.83
Youth and Children's Publishing House	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	2,148,386.23	9,875,022.86
Tiandi Publishing House	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	24,898,615.15	26,712,876.17

Notes to the Financial Statements

For the year ended 31 December 2018

(XVI) 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	RMB	
				Amount recognized in the current year	Amount recognized in the prior year
Literature & Art Publishing House	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	25,522,015.46	30,893,696.77
Digital Publishing	Purchase of goods	Payments for goods purchased and receiving service	Price negotiated by both parties	139,178.85	201,819.34
Pictorial	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	15,915.09	26,400.00
Xinhua Online	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	12,215,381.47	30,345,560.96
Winshare Education Technology	Receipt of services	Payments for goods purchased	Price negotiated by both parties	21,478,819.44	51,149,783.95
Beijing Shuchuan	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	206,843,744.62	108,552,648.21
Wenchuan Logistics	Receipt of services	Commissioned logistics cost	Price negotiated by both parties	13,231,593.96	80,536,512.34
Winshare Online	Purchase of goods	Payments for goods purchased and receiving service	Price negotiated by both parties	318,081,916.30	753,501.61
Sichuan Xinhua Printing	Receipt of services	Payments for printing service	Price negotiated by both parties	616,088.04	262,297.39
Sichuan Culture Communication	Purchase of goods	Payment for goods purchased	Price negotiated by both parties	1,556,484.73	1,729,731.19
Winshare Cloud Image	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	6,601,109.80	1,698,579.61
Xinhua Haiyi Hotel Co., Ltd.	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	118,911.80	23,113.96
Reader's Journal Press	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	30,188.67	
Winshare Music	Receipt of services	Payments for conference service fees	Price negotiated by both parties	165,106.80	
Liangshan Xinhua Winshare Education Technology Co., Ltd.	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	714,587.00	
Total				1,755,500,932.44	1,299,902,432.13

Notes to the Financial Statements

For the year ended 31 December 2018

(XVI) 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	RMB	
				Amount recognized in the current year	Amount recognized in the prior year
Sichuan Xinhua Publishing Group	Sales of goods	Receipts for goods sold	Price negotiated by both parties	63,927.27	-
Winshare Online	Sales of goods	Receipts for goods sold	Price negotiated by both parties	981,142,847.86	921,892,620.87
Xinhua Online	Sales of goods	Receipts for goods sold	Price negotiated by both parties	-	61,161,962.50
Beijing Winshare Commercial	Sales of goods	Receipts for goods sold and transportation service rendered	Price negotiated by both parties	-	651,168.00
Winshare Education Technology	Sales of goods	Receipts for goods sold	Price negotiated by both parties	98,380,152.81	86,969,637.20
Sichuan Xinhua Printing	Sales of goods	Receipts for goods sold	Price negotiated by both parties	390,837.62	681,669.64
Winshare Cloud Image	Sales of goods	Receipts for books	Price negotiated by both parties	596,714.14	-
Xuankehui	Sales of goods	Receipts for books	Price negotiated by both parties	901,847.78	-
Liangshan Xinhua Winshare Education Technology Co. Ltd.	Sales of goods	Receipts for goods sold	Price negotiated by both parties	27,580.17	-
Literature & Art Publishing House	Provision of services	Receipts for exhibition booth	Price negotiated by both parties	26,810.00	-
Lexicographical Publishing House	Provision of services	Receipts for promotion	Price negotiated by both parties	8,500.00	-
Total				1,081,539,217.65	1,071,357,058.21

(2) Guarantees for subsidiaries

The Company has not provided any guarantee for subsidiaries for the current year.

Notes to the Financial Statements

For the year ended 31 December 2018

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

35. Related party relationship and transactions (Continued)

(3) Leases with related parties

The Company as lessor:

RMB

Name of lessor	Name of lessee	Type of leased assets	Commencement date of leases	Expiration date of leases	Basis of determining the lease income	Lease income recognized in the current year	Lease income recognized in the prior year
The Company	Sichuan Xinhua Publishing Group	Buildings	2016.1.1	2018.12.31	Contractual price negotiated by both parties	1,279,575.77	1,279,575.78
The Company	Printing materials	Buildings	2017.1.1	2019.12.31	Contractual price negotiated by both parties	411,607.45	409,729.73
The Company	Bashu Publishing House	Buildings	2017.1.1	2019.12.31	Contractual price negotiated by both parties	785,640.82	782,056.80
The Company	Youth and Children's Publishing House	Buildings	2017.1.1	2019.12.31	Contractual price negotiated by both parties	1,018,815.20	1,014,167.46
The Company	Literature & Art Publishing House	Buildings	2017.1.1	2019.12.31	Contractual price negotiated by both parties	749,238.82	745,820.86
The Company	People's Publishing House	Buildings	2017.1.1	2019.12.31	Contractual price negotiated by both parties	1,524,504.31	1,521,251.18
The Company	Science & Technology Publishing House	Buildings	2017.1.1	2019.12.31	Contractual price negotiated by both parties	809,891.88	786,694.47
The Company	Tiandi Publishing House	Buildings	2017.1.1	2019.12.31	Contractual price negotiated by both parties	749,679.72	746,259.75
The Company	Lexicographical Publishing House	Buildings	2017.1.1	2019.12.31	Contractual price negotiated by both parties	590,339.08	587,646.01
The Company	Publication Printing	Buildings	2017.1.1	2019.12.31	Contractual price negotiated by both parties	550,454.52	549,334.90
The Company	Reader's Journal Press	Buildings	2018.8.15	2019.8.14	Contractual price negotiated by both parties	428,571.43	-
The Company	Xinhua Yingxuan	Buildings	2017.3.1	2019.2.28	Contractual price negotiated by both parties	998,815.61	-
Total						9,897,134.61	8,422,536.94

The Company as lessee:

RMB

Name of lessor	Name of lessee	Type of leased assets	Commencement date of leases	Expiration date of leases	Basis of determining the lease income	Lease income recognized in the current year	Lease income recognized in the prior year
Sichuan Xinhua Publishing Group	The Company	Buildings	2016.1.1	2018.12.31	Contractual price negotiated by both parties	37,943,318.92	38,230,038.10
Sichuan Publication Group	The Company	Buildings	2017.1.1	2019.12.31	Contractual price negotiated by both parties	13,348,199.15	13,336,427.32
Sichuan Hengxi Property Management Co., Ltd.	The Company	Buildings	2017.1.1	2019.12.31	Contractual price negotiated by both parties	552,401.65	578,177.64

Notes to the Financial Statements

For the year ended 31 December 2018

(XVI) 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	Balance at the end of the current year		Balance at the end of the prior year	
	Current year	Prior year	Prior year	Prior year
<i>RMB</i>				
Borrowings				
Winshare Media	7,000,000.00	–	6,000,000.00	–
Sichuan Culture Communication	20,000,000.00	–	20,000,000.00	–
Winshare International	–	–	13,500,000.00	13,697,090.75
Pictorial	5,000,000.00	–	5,000,000.00	–
Bashu Publishing House	20,000,000.00	–	–	–
Science & Technology Publishing House	20,000,000.00	20,000,000.00	–	–
Fine Arts Publishing House	20,000,000.00	20,003,000.00	–	–
Winshare Quan Media	9,500,000.00	9,500,000.00	–	–
Xuankehui	45,000,000.00	46,079,630.14	–	–
Total	146,500,000.00	95,582,630.14	44,500,000.00	13,697,090.75
Loans				
Winshare Investment	–	238,162,840.21	25,000,000.00	254,848,680.96
Wenchuan Logistics	–	162,979,584.65	156,000,000.00	156,000,000.00
Winshare Education Technology	30,000,000.00	194,089,712.34	125,000,000.00	177,507,506.86
Sichuan Xinhua Printing	–	34,808,686.64	–	43,321,046.23
Printing Materials	–	199,708,418.05	140,000,000.00	200,575,247.10
Reader's Journal Press	–	35,536,975.25	–	34,587,354.37
Huaxia Shengxuan	–	–	80,000,000.00	–
Bashu Publishing House	–	–	5,000,000.00	–
Winshare Cloud Image	5,000,000.00	5,000,000.00	–	–
Tiandi Publishing House	40,000,000.00	40,415,335.62	–	–
Total	75,000,000.00	910,701,552.76	531,000,000.00	866,839,835.52

Notes to the Financial Statements

For the year ended 31 December 2018

(XVI) 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	Accumulated in the current year		Accumulated in the prior year	
	Amount	Proportion (%)	Amount	Proportion (%)
Youth and Children's Publishing House	–	–	851,098.46	53.66
Winshare Media	268,429.82	6.63	158,626.25	10.00
Sichuan Culture Communication	762,600.16	18.83	280,434.22	17.68
Winshare International	467,615.02	11.55	185,934.67	11.72
Pictorial	219,525.72	5.42	110,025.20	6.94
Bashu Publishing House	391,341.42	9.66	–	–
Science & Technology Publishing House	225,903.33	5.58	–	–
Fine Arts Publishing House	404,368.06	9.99	–	–
Winshare Quan Media	291,334.97	7.19	–	–
Xuankehui	1,018,519.00	25.15	–	–
Total	4,049,637.50	100.00	1,586,118.80	100.00

Notes to the Financial Statements

For the year ended 31 December 2018

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

35. Related party relationship and transactions (Continued)

(6) Receipts of interest

Interest received from the Company's borrowings/loans with related parties is as follows:

	<i>RMB</i>	
Name the entity	Accumulated in the current year	Accumulated in the prior year
Sichuan Wenzhuo	–	1,180,180.10
Sichuan Xinhua Printing Printing Materials	1,403,434.35 3,271,053.02	1,839,811.64 2,948,372.74
Winshare Investment	8,847,706.14	8,711,383.75
Reader's Journal Press	895,868.76	895,868.76
Winshare Cloud Image	95,707.87	–
Wenchuan Logistics	6,401,886.79	10,369,550.32
Huaxia Shengxuan	–	1,611,152.76
Winshare Education Technology	6,209,627.81	2,365,572.51
Bashu Publishing House	–	105,686.23
Tiandi Publishing House	490,766.35	–
Total	27,616,051.09	30,027,578.81

Notes to the Financial Statements

For the year ended 31 December 2018

(XVI) 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>	
	Related party	Closing balance	Opening balance
Notes and accounts receivable	Winshare Online	179,379,072.73	424,427,160.80
	Xinhua Online	-	4,548,418.63
	Beijing Winshare Commercial	102,403,282.99	102,403,282.99
	Education Technology	205,530,799.83	125,410,537.48
	Winshare Cloud Image	426,607.76	-
Total		487,739,763.31	656,789,399.90
Prepayments	Wenchuan Logistics	-	20,000,000.00
	Xinhua Shang	35,595.86	-
	Winshare Cloud Image	542,466.77	-
Total		578,062.63	20,000,000.00
Other receivables	Publication Printing	50,000,000.00	60,000,000.00
	Education Publishing House	230,000,000.00	200,000,000.00
	Sichuan Xinhua Publishing Group	10,500.00	-
	Xinhua Yingxuan	1,058,638.30	-
	Printing Materials	199,708,418.05	200,575,247.10
	Winshare Education Technology	59,089,712.34	22,507,506.86
	Beijing Shuchuan	-	10,235,415.56
	Tiandi Publishing House	40,415,335.62	-
	Xinhua Shang	2,500,000.00	2,500,000.00
	Reader's Journal Press	35,536,975.25	34,587,354.37
	Digital Publishing	17,935,711.48	17,935,711.48
	Winshare Sports Culture	3,357,255.44	3,357,255.44
	Arts Investment	28,183,930.13	28,183,930.13
	Science & Technology Publishing House	3,281,226.73	3,096,527.33
	Beijing Winshare Commercial	20,266,215.65	20,266,215.65
	Lexicographical Publishing House	-	1,349,856.78
	Winshare Investment	13,162,840.21	29,848,680.96
	Literature & Art Publishing House	4,400,796.32	4,063,201.90
	People's Publishing House	1,688,588.82	12,288,563.23
	Youth and Children's Publishing House	-	21,125,725.88
	Fine Arts Publishing House	-	993,275.44
	Sichuan Xinhua Printing	34,808,686.64	43,321,046.23
Winshare Cloud Image	5,000,000.00	-	
Wenchuan Logistics	6,979,584.65	-	
Total		757,384,415.63	716,235,514.34

Notes to the Financial Statements

For the year ended 31 December 2018

(XVI) 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>	
	Related party	Closing balance	Opening balance
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		516,000,000.00	536,000,000.00
Accounts payable	The Commercial Press (Chengdu) Co., Ltd.	8,096,016.99	10,190,017.68
	Hainan Publishing House	-	112,499.36
	Shanghai Jingjie Information Technology Co., Ltd.	-	18,941.36
	Huaxia Shengxuan	-	8,823.00
	Publication Printing	435,397,338.77	433,971,031.21
	Education Publishing House	939,234,727.62	911,375,501.39
	People's Publishing House	47,248,145.14	39,495,790.22
	Youth and Children's Publishing House	28,544,991.85	33,694,595.65
	Winshare Education Technology	11,062,134.58	4,411,481.22
	Digital Publishing	139,178.85	8,941.59
	Lexicographical Publishing House	6,860,893.36	7,550,574.29
	Tiandi Publishing House	18,234,998.28	16,003,327.16
	Literature & Art Publishing House	51,165,542.80	41,602,605.87
	Science & Technology Publishing House	8,963,121.43	15,900,743.44
	Fine Arts Publishing House	19,995,590.54	19,660,834.03
	Bashu Publishing House	16,856,089.77	11,375,937.02
	Winshare Sports Culture	-	43,158.09
	Xinhua Online	1,805,893.78	48,976,586.20
	Printing Materials	-	276,469.51
	Beijing Shuchuan	126,136,542.87	77,915,566.53
Winshare Cloud Image	4,436,244.00	-	
Winshare Online	33,810,361.13	-	
Total		1,757,987,811.76	1,672,593,424.82

Notes to the Financial Statements

For the year ended 31 December 2018

(XVI) 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>	
	Related party	Closing balance	Opening balance
Other payables	Youth and Children's Publishing House	23,161,400.00	23,161,400.00
	Xinhua Shang	200,000.00	200,000.00
	Sichuan Xinhua Printing	200,000.00	200,000.00
	People's Publishing House	3,000.00	3,000.00
	Publication Printing	258,449,177.96	258,449,177.96
	Fine Arts Publishing House	20,003,000.00	3,000.00
	Digital Publishing & Media	50,000.00	50,000.00
	Winshare International	-	13,697,090.75
	Winshare Quan Media	9,500,000.00	-
	Xuankehui	46,079,630.14	-
	Science & Technology Publishing House	20,000,000.00	-
	Winshare Education Technology	31,860.00	13,010.00
	Wenchuan Logistics	9,647,205.75	-
Total		387,325,273.85	295,776,678.71

(XVII) APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated and the Company's financial statements were approved by the Board of Directors on 27 March 2019.

Supplementary Information

1. BREAKDOWN OF NON-RECURRING PROFIT OR LOSS

RMB

Item	Current year
Gains or losses on disposal of non-current assets	1,430,228.33
Losses on disposal of long-term equity investments	(20.32)
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)	25,082,079.56
Investment income from disposal of available-for-sale financial assets at FVTPL	48,901,482.05
Profit or loss arising from changes in fair values of financial assets at FVTPL	7,302,293.11
Other non-operating income and expenses other than the aforesaid items	(14,928,383.11)
Sub-total	67,787,679.62
Tax effects	(1,514,682.25)
Effects attributable to non-controlling interests (after tax)	(1,679,018.75)
Total	64,593,978.62

Note: The principal business of Winshare Investment Co., Ltd., which is a subsidiary of the Group, is investment holding. Its investment income from disposal of financial assets at FVTPL are not recognized as non-recurring profit or loss, the investment income of such investments for the current year amounted to RMB558,399.83; Its investment income from holding financial assets at fair value through profit or loss is not recognized as non-recurring profit or loss. The investment loss of such investments for the current year amounted to RMB45,483,325.72.

2. RETURN ON NET ASSETS AND EARNINGS PER SHARE ("EPS")

The return on net assets and EPS have been prepared by the Company in accordance with *Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revised 2010)* issued by China Securities Regulatory Commission.

Profit for the reporting period	Weighted average return on net assets	EPS (RMB)	
	(%)	Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	11.49	0.76	N/A
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	10.69	0.70	N/A

The Company has no dilutive potential ordinary shares.



WINSHARE

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