



WINSHARE

新華文軒出版傳媒股份有限公司

XINHUA WINSHARE PUBLISHING AND MEDIA CO., LTD.*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 00811)



2019 | ANNUAL REPORT

* For identification purposes only

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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:

2019 AGM	the annual general meeting to be held by the Company on 21 May 2020
A Share(s)	Renminbi-denominated ordinary share(s) of the Company with a nominal value of RMB1.00 each, all of which are issued in China, subscribed in Renminbi and listed on the SSE
Articles of Association	the articles of association of the Company (as amended from time to time)
Audit Committee	the audit committee under the Board of the Company
Bank of Chengdu	Bank of Chengdu Co., Ltd.
Board	the board of directors of the Company
CG Code	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
CITIC Buyout Fund	CITIC Buyout Investment Fund (Shenzhen) Partnership (Limited Partnership)
Companies Ordinance	the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
Company Law	the Company Law of the People's Republic of China
Company, Xinhua Winshare or Listed Company	Xinhua Winshare Publishing and Media Co., Ltd.* (新華文軒出版傳媒股份有限公司)
Consolidated Statement of Changes in Shareholders' Equity	the details of movements of the Group's reserves for the Year
Controlling Shareholder or Sichuan Xinhua Publishing Group	Sichuan Xinhua Publishing Group Co., Ltd.
COVID-19	Coronavirus Disease 2019
CSRC	China Securities Regulatory Commission

Definitions

Deloitte Touche Tohmatsu CPA	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Director(s)	the director(s) of the Company
Dividend Entitlement Date	3 June 2020
Dividend for 2019	the payment of dividend for the year ended 31 December 2019 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.
Liaoning Publication Group	Liaoning Publication Group Co., Ltd.
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange and/or the Rules Governing the Listing of Stocks on the SSE, 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

Definitions

Nomination Committee	the nomination committee under the Board of the Company
Open Book Data	monitoring data publicly published by Beijing Open Book Information Technology Co., Ltd.
PRC	the People's Republic of China (for the purpose of this annual report, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan)
Qingdao Goldstone	Qingdao Goldstone Zhixin Investment Center (Limited Partnership)
Remuneration and Review Committee	the remuneration and review committee under the Board of the Company
RMB	Renminbi, the lawful currency of the PRC
Sales value	the list price of books printed at the back of each book
Sanzhou	Aba, Ganzi and Liangshan autonomous regions in Sichuan Province, the PRC
SASAC of Sichuan	State-owned Assets Supervision and Administration Commission of the Sichuan Provincial Government
September Online	the digital content push platform under Winshare Online
Shareholder(s)	H shareholder(s) and A shareholder(s) of the Company
Sichuan Daily Group	Sichuan Daily Newspaper Group
Sichuan Development	Sichuan Development (Holding) Co., Ltd.
Sichuan Education Publishing House	Sichuan Education Publishing House Co., Ltd.
Sichuan Xinhua Printing	Sichuan Xinhua Printing Co., Ltd.
Sichuan Youth and Children's Publishing House	Sichuan Youth and Children's Publishing House Co., Ltd.

Definitions

SPG	Sichuan Publication Group Co., Ltd.
SSE	Shanghai Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Limited
Strategy and Investment Planning Committee	the strategy and investment planning committee under the Board of the Company
Supervisor(s)	the supervisor(s) of the Company
Supervisory Committee	the supervisory committee of the Company
Taizhou Xinheng	Taizhou Xinheng Zhongrun Fund (Limited Partnership)
Tiandi Publishing House	Sichuan Tiandi Publishing House Co., Ltd.
Tibet Winshare	Tibet Winshare Venture Capital Investment Fund Partnership (Limited Partnership)
Wan Xin Media	Anhui Xinhua Media Co., Ltd.
Wenchuan Logistics	Sichuan Wenchuan Logistics Co., Ltd.
Winshare Dingsheng	Ningbo Meishan Free Trade Port Winshare Dingsheng Equity Investment Partnership (Limited Partnership)
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 2019 to 31 December 2019

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 and Mr. Chen Yunhua (both being executive Directors) who appointed Mr. He Zhiyong (the Chairman) and Mr. Zhang Peng (a non-executive Director) respectively as their proxies to vote on their behalf due to other business commitments, other Directors attended the 2020 second Board meeting for the fourth session of the Board held on 30 March 2020 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 2019 amounted to RMB1,139 million. For the profit distribution proposal for 2019, it is proposed that, on the basis of a total share capital of 1,233,841,000 Shares in issue, a cash dividend of RMB3.00 per Share (tax inclusive) for every 10 shares held 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 2019 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	2019	2018	2017	2016	2015
Operating income	884,245.77	818,658.30	734,588.30	635,616.81	573,269.31
Total profit	114,883.73	91,592.06	91,704.03	63,571.61	61,770.97
Net profit attributable to shareholders of the Company	113,904.76	93,218.48	92,384.45	64,746.23	64,726.95
Net profit attributable to shareholders of the Company after non-recurring profits or losses	105,174.95	86,759.08	72,610.53	61,456.93	59,902.77
Net cash flow from operating activities	136,441.05	99,345.03	34,562.19	68,342.73	101,665.02
Net assets attributable to shareholders of the Company	920,724.98	848,056.35	802,730.17	833,569.04	727,067.09
Total assets	1,532,450.35	1,328,771.25	1,228,670.56	1,225,517.66	1,074,328.91
Total liabilities	620,453.71	488,168.31	432,988.34	396,069.93	350,377.59
Basic earnings per share (RMB/share)	0.92	0.76	0.75	0.55	0.57
Diluted earnings per share (RMB/share)	N/A	N/A	N/A	N/A	N/A
Basic earnings per share after non-recurring profits or losses (RMB/share)	0.85	0.70	0.59	0.53	0.53
Weighted average return on net assets (%)	12.88	11.49	11.29	8.22	9.83
Weighted average return on net assets after non-recurring profits or losses (%)	11.89	10.69	8.87	7.80	9.10

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 2019.

He Zhiyong
Chairman

In 2019, the Group seized the opportunities arising from the developments of the cultural industry 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”, continuously promoting innovative development, pursuing high-quality development, deep-plowing the principal publishing and distribution business, and vertically pushing ahead the work to revitalise publishing. As a result, the dual-core driving force of “publishing + distribution” was further strengthened and the operation of the multicultural industry continued to improve. The industrial development was injected with new vitality, alongside with a relatively significant improvement in operating results to a record high and enhancing market competitiveness and social influence. In 2019, the Group recorded revenue of RMB8,842 million, representing an increase of 8.01% over 2018, with net profit of RMB1,125 million, representing an increase of 21.36% over 2018. Net profit attributable to shareholders of the Company was RMB1,139 million, representing an increase of 22.19% year-on-year. Basic earnings per share amounted to RMB0.92. Excluding

non-recurring gains or losses, net profit attributable to shareholders of the Company increased by 21.23% from that in the same period last year to RMB1,052 million.

I. TAKING THE ROAD TOWARDS THE DEVELOPMENT OF QUALITY GROWTH TO ACHIEVE A LEAP IN THE PUBLICATION BUSINESS

The Group continued to take “revitalising the publication business in Sichuan” as the guiding direction, and adhered to the “three key publishing” concepts of targeted publishing, refined publishing and quality publishing on the road towards the development of publication quality growth. As a result, the operational management level of its publication segment was enhanced significantly. While the growth of new book genres decreased, sales grew at a relatively significant rate. Its publication business achieved a leap in operational efficiency and the influence of the publication segment was further enhanced. Its national rankings continued to rise. According to the Open Book Data, in 2019, the Group ranked 7th in the mass publication market among

Chairman's Statement

36 publishing groups nationwide, up by six places year-on-year. Its Youth and Children's Publishing House and Tiandi Publishing House ranked 20th and 46th, respectively, among publishing houses nationwide. Books recording annual sales volume of more than 500,000 copies increased by 20 genres from 2018; and that recording annual sales volume of more than 20,000-100,000 copies increased by 120 genres from 2018, the highest level in recent years. In 2019, the Group had 33 genres shortlisted for various national-level projects, of which, ten genres were shortlisted for the projects funded by the National Publication Fund for 2019, four genres were shortlisted for the projects supported by special funds for ethnic writing, and seven genres were shortlisted for key publication projects in the national "13th Five-Year Plan". The publication segment's "going out" efforts achieved new results. Throughout the year, the Group exported 418 copyrights, up by 36% year-on-year. 13 genres were shortlisted for national-level external publication projects, and six genres won national-level external publishing awards. For the journal business, the pace of integrated media development was accelerated. Its all-media platforms "Watch Panda Platform" and "Digital Intellectual Property Service Platform" as well as new media such as "Sichuan Pictorial Public Account", "Publishing Business Weekly Public Account" and "Boyhood Public

Account" received much attention from users. A new pattern of "publishing + distribution" dual-core-driven industry development arising from the rapid emergence of the Group's publication business added stamina and space for the Group's industrial development, and laid a path for the sustainable and healthy development of its industries.

II. ACCELERATING THE PACE OF INNOVATIVE DEVELOPMENT TO ACHIEVE THE QUALITY GROWTH OF THE EDUCATION SERVICE BUSINESS

The Group's education service business actively coped with the new changes in the education service market. By continuously adopting an approach led by user demand and by strengthening the synergy between the market and upstream publishing resources, it enhanced product planning and product design capabilities and constantly promoted innovation in products, channels and mechanisms to enhance education service operating capabilities and market competitiveness. As a result, the education service business structure was further optimised and its market-oriented operating capabilities were significantly improved, alongside with a steady growth in operating performance. As to the textbook business, giving play to the advantages



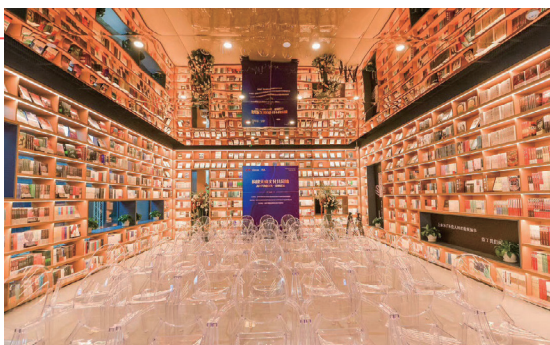
Award-winning books

Chairman's Statement



"Textbooks are ready before class" mission accomplished for 41 consecutive years

of integrated operation, it coordinated the overall planning and further improved the sales service system while further extending its service to the terminal school market. It optimised the "quality learning and quality teaching" online service platform, and explored ideas on the development of research and practices in the education business for building new business operation mechanisms to enhance the operating efficiency of the education service market. In 2019, revenue from the sales of textbooks amounted to RMB4,330 million, up by RMB315 million or 7.84% as compared with that in the same period last year, showing a steady increase in sales revenue. In addition, the Group actively promoted educational publication reform. In terms of educational publication operation mechanisms, with market-oriented operation as the direction, the education and publication branches, such as basic education, cultural education, and academics, were classified and organised to actively develop market-oriented book products, promoting a stable improvement in operational efficiency.



Winshare Chongzhou Bookstore

III. CONSTANTLY EXPANDING THE INFLUENCE OF READING SERVICE BRANDS ADHERING TO THE "THREE MULTI-" DEVELOPMENT STRATEGY

The Group voluntarily captured the new trend of cultural consumption and further pushed ahead the strategy to "revitalise the physical bookstores" while adhering to the "multi-brand building, multi-model development and multi-team operations" development strategy in building a multi-brand, multi-format modern reading service network system to improve the reading service capabilities of physical bookstores, thus satisfying the people's new demand for reading cultural consumption. Firstly, it continued to optimise the network layout of physical bookstores to consolidate the multi-brand development landscape. In 2019, a total of 13 stores were newly opened, upgraded and revamped with an area of more than 12,000 square meters. Among them, the "Kids WinShare" store in Global Centre provided modern reading services featuring "reading service by age and level + parent-child social experience", which enhanced the influence of its professional bookstore brand. Secondly, it strengthened merchandise organisation,



"winxuan.com is where the users are"

optimised the merchandise mix to improve business capabilities and expanded the size of sales around “key marketing seasons, key suppliers, and key merchandises”. In 2019, given the overall decline in sales among physical bookstores nationwide, the Group's physical bookstores recorded growth against the trend. Sales revenue from the book retail business amounted to RMB692 million, representing an increase of 4.55% as compared with that in the same period of 2018.

IV. COMPREHENSIVELY OPTIMISING INTERNET CHANNELS TO ACHIEVE A STEADY GROWTH IN THE INTERNET BUSINESS

The Group seized the opportunities from the Internet growth and endeavoured to drive the development of e-commerce, digital publication and publications supply chain service. Through more efforts on building the capabilities of the online publications supply chain in the areas of merchandise organisation, sales organisation, logistics and processing and technical support, the Company expanded the online sales channels and thus achieved a steady growth in the Internet business. As to merchandise organisation, it optimised the procurement structure and optimised the procurement workflow to establish a purchase/supply system that adapts to varying channels. Through marketing coordination, the sales of products from suppliers were expanded, which enhanced the publications supply chain efficiency and bargaining power with upstream suppliers, and effectively reduced operating costs, in addition to the remarkable results achieved in the healthy sales operation on the Internet. As to sales organisation, on the basis of consolidating the original channels and market position, it actively expanded emerging online channels such as Pinduoduo, which started off well. At the same time, by expanding the regions served by the industry's supply chain, increasing the number of users, improving the scope of services, and enhancing service capabilities, the

Group was widely recognised by customers, which consolidated its position as a major online publications seller in the PRC. As to logistics organisation, by integrating logistics distribution resources, and optimising operating processes and information technology, logistics service efficiency was improved and distribution costs were reduced. In 2019, sales revenue from the Group's online sales business amounted to RMB1,468 million, up by 15.91% year-on-year.

V. STRENGTHENING THE BUILDING OF ONE'S OWN LOGISTICS SERVICE CAPABILITIES TO CONTINUOUSLY EXPAND THE THIRD-PARTY LOGISTICS BUSINESS

With the aim of serving the market and customers, the Group continued to strengthen logistics operation and management to improve the quality and efficiency of logistics services, forming “dual-network” collaborative logistics service capabilities of the warehousing network and the transportation network. Relying on Internet cloud computing, a logistics and warehouse management system, a transportation management system and a big data analysis platform were built for the creation of a data cloud-based intelligent logistics distribution system to achieve productivity and efficiency improvements, providing strong support for the rapid development of publishing and distribution services. In 2019, total sales value of books circulated through the Company's logistics arm amounted to RMB24.1 billion, representing an increase of 10.55% as compared with that in the same period last year. At the same time, third-party logistics operation and management were further strengthened, coupled with the selection of key customers, to expand integrated warehouse distribution logistics service. In 2019, third party logistics revenue amounted to RMB241 million, representing an increase of 36.16% year-on-year.

Chairman's Statement

VI. STEADILY LAUNCHING THE DIVERSIFIED BUSINESS BY UTILISING THE COMPANY'S BRANDING AND RESOURCES

Closely following its development strategy for the diversified cultural service business, the Group firmly centred on the extended industry chain and actively sought to expand the room for the development of capital operations and diversified cultural service business. On the one hand, it boosted industrial development with capital and leveraged on Winshare Investment as the platform for the capital management business. After more than five years of efforts and practices, with a shift from exploration to growth while making use of tools including direct investment and equity investment fund, the capital management business was developed and the Winshare Cultural Industry Investment Fund investing in industrial projects was initiated and established to form a fund cluster. The size of fund managed was approximately RMB2,200 million, and investment gains increased significantly compared with 2018. On the other hand, leverage on the Company's branding and related resources, the Group continued to explore innovative operating mechanisms in the relevant cultural areas. Through innovating and optimising the business models of other cultural segments such as Winshare Sports and Cultural Communication, it 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 a journey of sound development further came into sight.

VII. FULFILLING ITS CORPORATE MISSION IN SUCCESSFULLY HOLDING THE FIRST TIANFU BOOK FAIR

In 2019, the Group successfully held the first Tianfu Book Fair with the theme of "Love Reading, Meeting Life". The main venue in Chengdu

Century City New International Convention & Exhibition Centre covered an area of 23,000 square meters. At the same time, more than 200 branch venues were set up in bookstores and related reading sites across 21 cities and prefectures in the province. The book fair received more than 1.1 million readers over a period of four days, with more than 500 interesting reading activities carried out and books worth of RMB29.92 million sold. The book fair successfully achieved the three goals of becoming a "high-standard industry event", a "national reading carnival" and an "influential national book fair", greatly enhancing the Group's brand presence nationwide, and playing an active role in promoting national reading and boosting the construction of a scholarly city, which is of great significance in improving the cultural image of Chengdu as the capital of Tianfu.



Tianfu Book Fair 2019

VIII. ACTIVELY FULFILLING SOCIAL RESPONSIBILITIES THROUGH SHARING THE FRUITS OF INNOVATION AND DEVELOPMENT

As a cultural media company, the Group shouldered the mission of inheriting the excellent Chinese culture and serving the society by fully capitalising on the cultural service strengths as a publishing and media enterprise. While steadily improving its financial performance and promoting industrial development, the Group also paid close attention to the enterprise's management and performance in environmental, social and governance terms with a view to

Chairman's Statement

achieving high-quality development throughout the enterprise's production and operation activities, actively fulfill its social responsibilities and intensively push ahead the sharing of the fruits of innovative development with society. On the one hand, it actively advocated green concepts, putting green operation into practice throughout the Company's business management processes to fulfill its social responsibilities, thus promoting healthy and sustainable development of the enterprise. On the other hand, as an important cultural player in Sichuan Province with the corporate mission of upholding its main theme and disseminating positive energy, it gave full play to its edge in the principal publishing and distribution business and the positive impact of the cultural industry to help the society and culture prosper. In 2019, the Company continued to promote the "One More Green" public welfare campaign. Leveraging on its service network over the primary and secondary schools across the province as the guarantee, the Company passed the obsolete and used books collected to paper production enterprises for recycling. The proceeds of which were 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". At the same time, it continued to promote the editing and publishing of "Historical Celebrities in Sichuan", and planned and published nearly 50 key topic-selected books such as "The Sun Rises in the East" and "The Spirit of the Red Boat" around the 70th anniversary of the founding of the People's Republic of China aiming at spreading the excellent Chinese culture and the Bashu culture.

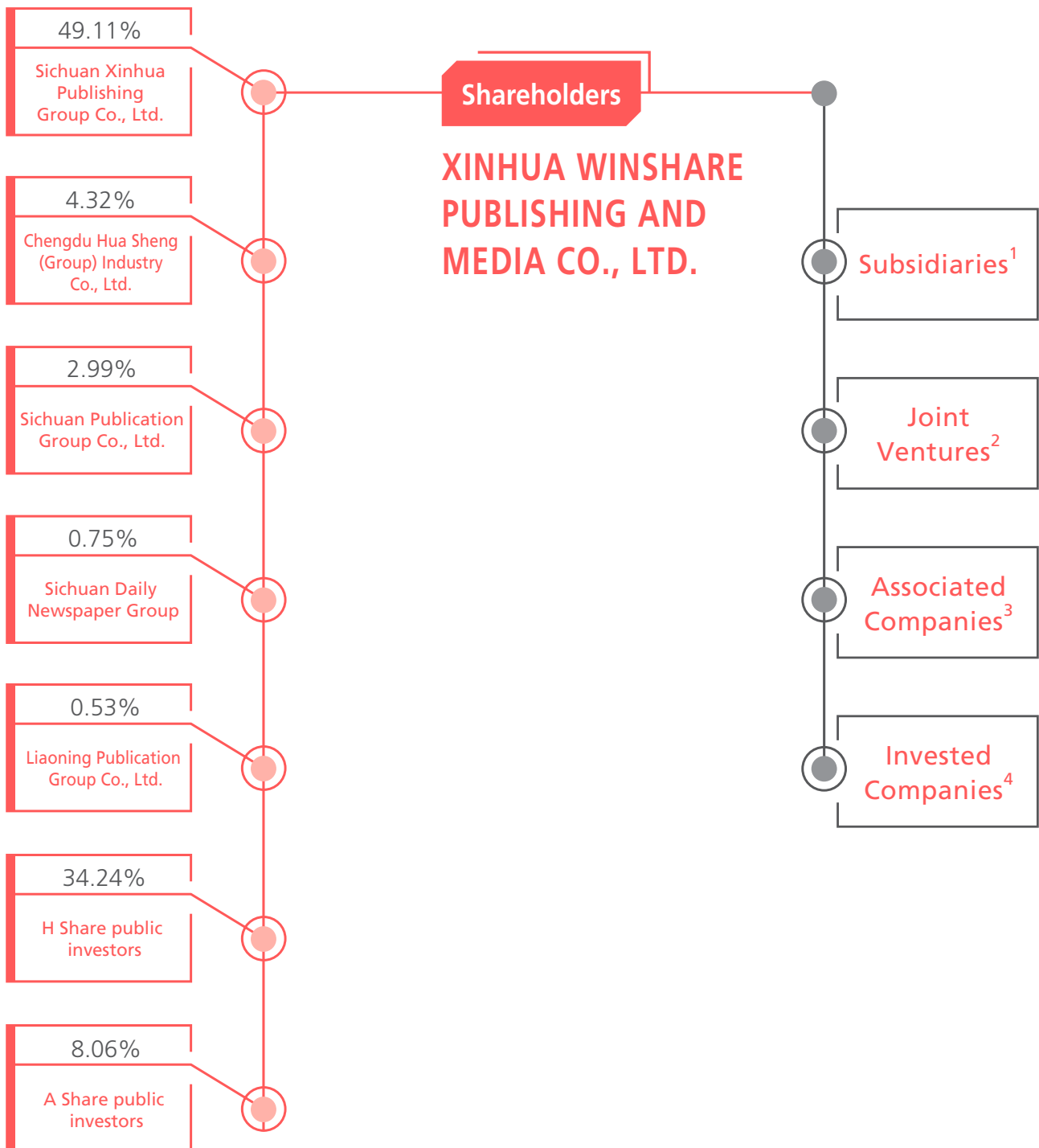
Going forward, the Group will continue to obtain a foothold on the nature of the publishing and media industry in seizing the opportunities arising from the development of the cultural industry. Through "Internet + capital" as the drivers of transformation, it will continue to further promote the strategy of "revitalising the publishing industry" adhering to the "three key publishing" concept so as to continuously promote the high quality development of publications of Winshare with the improvement in quality and efficiency. It will vigorously push ahead the "education service + Internet" action plan and achieve in-depth transformation and efficient development of the education service business. With a focus on big culture consumption services, it will endeavour to strengthen the construction of the physical bookstore network through operation for all genres, service to all customers, and coverage of all channels, and improve its service capabilities along the industry's supply chain on the basis of Internet channel sales to achieve improvement in the size of sales and profitability. It will construct a big culture consumption ecosystem striving to achieve crossover integration of traditional media and new media. It will fully capitalise on the capital operations platform to integrate quality social resources to drive synergistic development between industrial operations and capital operations, with the aim of building a publishing and media company with the greatest potential for innovation and growth in China, and becoming a comprehensive cultural service group with international 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

30 March 2020

Corporate Structure of the Group



Corporate Structure of the Group

Note 1: The subsidiaries mainly include the following companies:

No.	Company Name	Interests attributable to the Group (%)	Remarks
1	Sichuan Winshare Education Technology Co., Ltd. (四川文軒教育科技有限公司)	100.00	
2	Sichuan Xinhua Online Network Co., Ltd. (四川新華在線網絡有限責任公司)	100.00	
3	Sichuan Publication Printing Co., Ltd. (四川出版印刷有限公司)	100.00	
4	Sichuan Printing Materials Co., Ltd. (四川省印刷物資有限責任公司)	100.00	
5	Sichuan People's Publishing House Co., Ltd. (四川人民出版社有限公司)	100.00	
6	Sichuan Education Publishing House Co., Ltd. (四川教育出版社有限公司)	100.00	
7	Sichuan Youth and Children's Publishing House Co., Ltd. (四川少年兒童出版社有限公司)	100.00	
8	Sichuan Digital Publishing & Media Co., Ltd. (四川數字出版傳媒有限公司)	100.00	
9	Sichuan Literature & Art Publishing House Co., Ltd. (四川文藝出版社有限公司)	100.00	
10	Sichuan Fine Arts Publishing House Co., Ltd. (四川美術出版社有限公司)	100.00	
11	Sichuan Science & Technology Publishing House Co., Ltd. (四川科學技術出版社有限公司)	100.00	
11-1	Sichuan Discovery of Nature Magazine Press Co., Ltd. (四川大自然探索雜誌社有限公司)	100.00	Sichuan Science & Technology Publishing House Co., Ltd. owns 100% equity interest in such company.
12	Sichuan Lexicographical Publishing House Co., Ltd. (四川辭書出版社有限公司)	100.00	
13	Sichuan Bashu Publishing House Co., Ltd. (四川巴蜀書社有限公司)	100.00	
14	Sichuan Tiandi Publishing House Co., Ltd. (四川天地出版社有限公司)	100.00	
14-1	Sichuan Times English Cultural Communication Co., Ltd. (四川時代英語文化傳播有限公司)	51.00	Tiandi Publishing House owns 51% equity interest in such company.
14-2	Beijing Shu Chuan Xinhua Bookstore Book Distribution Co., Ltd. (北京蜀川新華書店圖書發行有限責任公司)	100.00	Tiandi Publishing House owns 100% equity interest in such company.
14-3	Beijing Huaxia Shengxuan Books Co., Ltd. (北京華夏盛軒圖書有限公司)	100.00	Tiandi Publishing House owns 100% equity interest in such company.
15	Sichuan Reader's Journal Press Co., Ltd. (四川讀者報社有限公司)	100.00	
16	Sichuan Pictorial Co., Ltd. (四川畫報社有限公司)	100.00	
17	Sichuan Wenchuan Logistics Co., Ltd. (四川文傳物流有限公司)	100.00	
18	Sichuan Watch Panda Magazine Co., Ltd. (四川看熊貓雜誌有限公司)	100.00	
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	
20	Sichuan Xinhua Printing Co., Ltd. (四川新華印刷有限責任公司)	100.00	
21	Winshare Investment Co., Ltd. (文軒投資有限公司)	100.00	
22	Winshare International Cultural Communication Co., Ltd. (文軒國際文化傳播有限公司)	100.00	
22-1	Washington Winshare Media, Inc. (華盛頓文軒媒體發展有限公司)	90.00	

Corporate Structure of the Group

No.	Company Name	Interests attributable to the Group (%)	Remarks
23	Winshare Quan Media (Beijing) Culture Communication Co., Ltd. (文軒全媒(北京)文化傳播有限公司)	100.00	
24	Sichuan Winshare Music Culture Communication Co., Ltd. (四川文軒音樂文化傳播有限公司)	100.00	
25	Beijing Aerospace Cloud Education Technology Co., Ltd. (北京航天雲教育科技有限公司)	70.00	
26	Sichuan Xinhua Culture Communication Co., Ltd. (四川新華文化傳播有限責任公司)	100.00	
27	Sichuan Winshare Arts Investment and Management Co., Ltd. (四川文軒藝術投資管理有限責任公司)	100.00	
28	Sichuan Winshare Yuntu Wenchuang Technology Co., Ltd. (四川文軒雲圖文創科技有限公司)	100.00	
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	
30-1	Chongqing Yunhan Internet and Media Co., Ltd. (重慶雲漢網絡傳媒有限責任公司)	100.00	In March 2019, due to capital reduction by the other shareholder, the shareholding of Winshare Online in such company changed from 50% to 100%.
31	Sichuan Xinhua Winshare Media Co., Ltd. (四川新華文軒傳媒有限公司)	100.00	
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公司)	34.00	
5	Ming Bo Education Technology Holdings Co., Ltd. (明博教育科技股份有限公司)	20.40	
6	Ren Min Eastern (Beijing) Book Industry Co., Ltd. (人民東方(北京)書業有限公司)	20.00	
7	Chengdu Winshare Equity Investment Funds Management Co., Ltd. (成都文軒股權投資基金管理有限公司)	45.45	Winshare Investment owns 45.45% equity interest in such company.
8	Sichuan Winshare BLOGIS Supply Chain Co., Ltd. (四川文軒寶灣供應鏈有限公司)	45.00	Wenchuan Logistics owns 45% equity interest in such company.
9	Shanghai JINGJIE Information Technology Co., Ltd. (上海景界信息科技有限公司)	42.00	Sichuan Winshare Education Technology Co., Ltd owns 42% equity interest in such company.
10	Xinhua Yingxuan (Beijing) Screen Culture Co., Ltd. (新華影軒(北京)影視文化有限公司)	15.00	
11	Tianjin Tianxi Zhongda Cultural Development Co., Ltd. (天津天喜中大文化發展有限公司)	40.00	Established in July 2019. Tiandi Publishing House owns 40% equity interest in such company.
12	Winshare Yinshi (Beijing) Cultural Communication Co., Ltd. (文軒銀時(北京)文化傳播有限公司)	40.00	Established in August 2019.
13	Sichuan Jiaoyang Sihuo Film Co., Ltd. (四川驕陽似火影業有限公司)	24.00	Sichuan Fire Arts Publishing House Co., Ltd. owns 24% equity interest in such company.
14	Sichuan Education and Science Forum Magazine Press Co., Ltd. (四川省教育科學論壇雜誌社有限公司)	40.00	Sichuan Education Publishing House Co., Ltd. owns 40% equity interests in such company.

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

No.	Company Name	Interests attributable to the Group (%)	Remarks
1	Anhui Xinhua Media Co., Ltd. (安徽新華傳媒股份有限公司)	6.27	
2	Bank of Chengdu Co., Ltd. (成都銀行股份有限公司)	2.21	
3	Jiangsu Hagong Intelligent Robot Co., Ltd (江蘇哈工智能機器人股份有限公司)	0.02	Sichuan Xiahua Printing owns 0.02% equity interests in such company.

Management Discussion and Analysis

INDUSTRY OVERVIEW

In recent years, “national reading” has been included in the Government Work Report for the sixth consecutive year. As the State Council attaches greater importance to and introduces more support for cultural undertakings and cultural industry, the General Office of the State Council, the CCP Propaganda Department and the Ministry of Finance have promulgated a series of concession policies covering system development, talent training, finance, tax concession and industrial integration. This has strongly boosted the confidence of the publishing and media enterprises in development and facilitated the strengthening, optimisation and expansion of cultural enterprises while vigorously pushing ahead the reform of the cultural and publishing sectors. As a result, the pace of development of publishing integration has accelerated significantly, laying a foundation for building the omnimedia publishing layout.

With the increasing cultural spending power and the changing reading styles among the people, demand for reading service showed a growing trend of digitalisation, networkitisation and intelligentisation with consumption features of personalisation, experience and diversity. The scale of the PRC book retail market grew steadily, among which, the publication of children’s books and themed books was faster with market focus gradually shifting to general book publication. While the transformation and upgrade of physical bookstores accelerated, online and offline integrated development further progressed deeply. The expedited progress of new technological R&D and application also provided strong support for the structural adjustment, integrated development, transformation and upgrade of the publishing and media industry. The integration of the traditional publishing and media industry with emerging technologies including the Internet, Artificial Intelligence (AI), big data and Augmented Reality/Virtual Reality (AR/VR) acted as a catalyst to the development of a series of new cultural business segments, injecting new vitality to the traditional publication and distribution industry.

Management Discussion and Analysis

RESULTS

During 2019, overall operating results of the Group grew steadily. Revenue of the Group amounted to RMB8,842 million, up by 8.01% as compared with that in the same period last year; net profit amounted to RMB1,125 million, up by 21.36% as compared with that in the same period last year; and net profit attributable to shareholders of the Company amounted to RMB1,139 million, up by 22.19% 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 RMB1,052 million, up by 21.23% as compared with that in the same period last year. The growth of operating results was mainly attributable to the increase in gross profit due to the growth in sales of businesses such as the book publication, online sales and education service during the Year, the investment income recognised for the capital business during the Year and the growth in gain on fair value changes as compared with that in the same period last year.

Revenue

During the Year, the Group recorded revenue of RMB8,842 million, up by 8.01% as compared to RMB8,187 million in the same period last year, which was mainly attributable to the growth in revenue from the general book publication, online sales and education service businesses.

OPERATING COSTS

During the Year, operating costs of the Group amounted to RMB5,460 million, representing an increase of 6.74% from RMB5,115 million in the same period last year, among which, costs of principal businesses amounted to RMB5,408 million, representing an increase of 6.17% as compared to RMB5,093 million in the same period last year. The increase in operating costs was mainly driven by the growth in sales. At the same time, the consolidated cost ratio decreased from last year.

Gross profit margin

During the Year, consolidated gross profit margin of the Group was 38.25%, up by 0.73 percentage points from 37.52% in the same period last year, among which, gross profit margin of the Group's principal businesses was 37.47%, up by 0.90 percentage points from 36.57% in the same period last year, mainly due to changes in sales structure and effective cost control.

Management Discussion and Analysis

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

RMB

Principal business by product						
Product	Revenue	Operating costs	Gross profit margin (%)	Change of revenue as compared with last year (%)	Change of operating costs as compared with last year (%)	Change of gross profit margin as compared with last year (ppt)
I. Publication	2,600,953,806.73	1,689,951,864.66	35.03	4.16	(1.87)	3.99
Textbooks and supplementary materials	1,365,400,296.92	823,110,321.45	39.72	1.46	(6.16)	4.90
General books	888,276,334.06	578,860,240.65	34.83	12.96	10.22	1.62
Printing and supplies	292,737,182.14	262,100,513.72	10.47	(6.90)	(12.24)	5.46
Newspapers and journals	39,269,642.68	20,059,435.06	48.92	4.18	15.47	(5.00)
Others	15,270,350.93	5,821,353.78	61.88	18.94	53.46	(8.57)
II. Distribution	7,474,165,322.93	5,174,829,166.14	30.76	6.36	6.32	0.02
Education service	4,999,021,879.42	3,151,508,386.35	36.96	4.76	2.29	1.52
Of which:						
Textbooks and supplementary materials	4,330,236,742.33	2,584,392,969.07	40.32	7.84	6.90	0.53
Education informatization and equipment business	668,785,137.09	567,115,417.28	15.20	(11.59)	(14.51)	2.89
Online sales	1,468,000,521.10	1,293,068,239.71	11.92	15.91	14.43	1.14
Retailing	692,191,434.80	455,097,562.57	34.25	4.55	6.87	(1.43)
Others	314,951,487.61	275,154,977.51	12.64	(3.53)	19.41	(16.78)
III. Others	389,416,178.21	339,422,425.33	12.84	31.16	28.24	1.99
Inter-segment elimination total	(1,817,066,545.42)	(1,796,651,098.22)				
Total	8,647,468,762.45	5,407,552,357.91	37.47	7.69	6.17	0.90

RMB

Principal business by region						
Region	Revenue	Operating costs	Gross profit margin (%)	Change of revenue as compared with last year (%)	Change of operating costs as compared with last year (%)	Change of gross profit margin as compared with last year (ppt)
Within Sichuan Province	6,166,897,986.31	3,301,026,263.42	46.47	5.24	1.12	2.18
Outside Sichuan Province	2,480,570,776.14	2,106,526,094.49	15.08	14.29	15.18	(0.66)
Total	8,647,468,762.45	5,407,552,357.91	37.47	7.69	6.17	0.90

Management Discussion and Analysis

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 supply of education informatization and equipment services for secondary and primary schools; retailing, distribution and online sales of publications.

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

	<i>RMBO,000</i>														
	Sales volume (10,000 copies)			Sales value			Revenue			Operating costs			Gross profit margin		
	Last	Current	Growth	Last	Current	Growth	Last	Current	Growth	Last	Current	Growth	Last	Current	Change
	year	year	rate (%)	year	year	rate (%)	year	year	rate (%)	year	year	rate (%)	year	year	(ppt)
Publication segment:															
Textbooks and supplementary materials	27,802.41	27,868.81	0.24	238,023.87	244,819.84	2.86	134,580.73	136,540.03	1.46	87,713.22	82,311.03	(6.16)	34.82	39.72	4.90
Of which: Self-compiled	12,500.68	11,934.00	(4.53)	122,059.69	125,083.71	2.48	62,084.09	63,718.23	2.63	35,085.36	32,725.35	(6.73)	43.49	48.64	5.15
Plate-lease	13,387.26	14,561.23	8.77	103,995.89	111,372.57	7.09	64,606.80	67,242.87	4.08	45,815.76	44,679.48	(2.48)	29.09	33.56	4.47
Printing on behalf of others	1,914.47	1,373.58	(28.25)	11,968.29	8,363.56	(30.12)	7,889.84	5,578.93	(29.29)	6,812.10	4,906.20	(27.98)	13.66	12.06	(1.60)
General books	7,416.36	7,763.48	4.68	220,212.38	269,939.22	22.58	78,634.32	88,827.63	12.96	52,516.67	57,886.02	10.22	33.21	34.83	1.62
Distribution segment:															
Textbooks and supplementary materials	42,984.30	45,081.66	4.88	419,234.47	450,465.07	7.45	401,537.88	433,023.67	7.84	241,752.55	258,439.30	6.90	39.79	40.32	0.53
General books	9,652.84	10,328.07	7.00	358,231.48	416,471.86	16.26	225,114.69	246,379.48	9.45	183,415.31	203,381.78	10.89	18.52	17.45	(1.07)

Management Discussion and Analysis

2. Operating data of various business segments

(1) Publication segment

Major cost breakdown of the publication segment

RMBO,000

	Publication of textbooks and supplementary materials			Publication of general books		
	Last year	Current year	Growth rate (%)	Last year	Current year	Growth rate (%)
Plate-leased textbooks and supplementary materials expenses	7,926.72	7,553.27	(4.71)	N/A	N/A	N/A
Copyright fee	2,894.03	3,141.48	8.55	N/A	N/A	N/A
Author's remuneration	3,611.70	3,073.11	(14.91)	13,867.10	18,614.00	34.23
Printing costs	23,196.05	21,926.87	(5.47)	26,874.37	23,895.38	(11.08)
Paper costs	47,865.86	44,560.15	(6.91)	7,802.93	11,269.16	44.42
Documentation fee	741.51	877.39	18.32	2,158.93	2,996.89	38.81
Others	1,477.35	1,178.76	(20.21)	1,813.34	1,110.59	(38.75)
Total	87,713.22	82,311.03	(6.16)	52,516.67	57,886.02	10.22

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

Sichuan Education Publishing House, a subsidiary of the Company, obtained the permit for book publication (Xin Chu Tu Zheng [Chuan] No.004) from the State Administration of Press, Publication, Radio, Film and Television of the PRC with a validity period from 1 January 2014 to 31 December 2021, and is qualified for the publication of supplementary materials on all subjects of primary and secondary schools.

As to textbooks and supplementary materials publication, according to the

changes in national education policies and the demand from compulsory education for teaching practice, Sichuan Education Publishing House has made amendments to the national curriculum for primary school English textbooks and regional textbooks such as "Information Technology" (《信息技術》), "A Guide to Chinese Calligraphy" (《書法練習指導》), "Lovely Sichuan" (《可愛的四川》), "Mental Health and Career Planning" (《心理健康與生涯規劃》) as well as supplementary materials such as "Learning Practice Corner for Primary School Students" (《小學生學習實踐園地》), "Practice and Exploration of New Curriculum" (《新課程實踐與探究》), "Evaluation of Test Paper" (《單元

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測評》) and “Test Paper” (《單元測試》) to further enhance quality, thus maintaining strong core competitiveness in Sichuan Province. New supplementary materials such as “Creative Writing Practice” (《創新作文同步全練》), “College Exam Past Paper • Heng Shui Jin Juan (Sichuan edition)” (《天府名校•衡水金卷(四川版)》) “Rongcheng Academy” (《蓉城學堂》) and “AR Exam Preparation • Geography for Junior Secondary” (《AR備考秘籍•初中地理》) and student extracurricular reading materials such as “Happy Reading” (“快樂讀書吧”) and “Curriculum Series for Reading Chinese Masterpieces” (“統編語文名著閱讀課程化叢書”) were launched and received positive market response. The “History” (Junior Secondary) (《歷史》(初中)) published by Sichuan Education Publishing House was withdrawn from the market entirely due to changes in national policies on textbooks.

Sichuan Education Publishing House actively and steadily pushed ahead the development of media integration and audiobooks such as “129 Ancient Poetries Must Read for Primary School Students” (《小學生必背古詩文129篇》) and “75+80 Ancient Poetries Must Read for Primary School Students” (《小學生必背古詩詞75+80首》) were launched on Ximalaya FM. The “Primary School English Intelligent Education Platform (Sichuan Teaching English App)” (“小學英語智慧教育平台(川教英語APP)”), developed by Sichuan Education Publishing House, had over a million registered users and was named the “K12 Publication and Quality Innovation Integration Project” (“K12出版融合品質創新項目”) at the fourth “Education • Publishing • Online” (“教育•出版•互聯”) summit. The textbooks and supplementary materials published by Sichuan Education Publishing House were primarily sold within Sichuan Province. In 2019, the

Company stepped up the promotion and marketing efforts of the supplementary materials on history for junior secondary schools authorised for compilation by people’s education press in Henan, Jiangxi and Jiangsu. As a result, sales value recorded substantial growth.

During the Year, the value from the sales of textbooks and supplementary materials under the publication segment of the Group amounted to RMB2,448 million. The sales revenue amounted to RMB1,365 million, up by 1.46% as compared with that in the same period last year. The cost of sales amounted to RMB823 million, down by 6.16% as compared with that in the same period last year. The gross profit margin was 39.72%, up by 4.90 percentage points from the same period last year, mainly attributable to changes in sales structure and effective cost control over the Group’s own education publications.

General book publication business

Adhering to the “three key publishing” concepts, the Group shifted from high quantity growth to high quality growth. According to the Open Book Data, in 2019, the Group’s market share in terms of sales value ranked 7th nationwide, up by six places from the same period last year, and came in the 1st place in terms of growth in ranking. During the Year, the publishing efficiency was 2.16 (Note: the publishing efficiency refers to the ratio of market share of the publisher in terms of sales value to market share in terms of genres, which is used to reflect the average of the publisher’s ability to generate revenue per single book) and ranked No.1 nationwide. In 2019, there were 3,132 new book genres, down by 223 genres

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from the same period last year. However, the number of best-selling genres grew rapidly. There were 292 genres of books with annual sales volume above 20,000 copies, up by 51% from the same period last year, among which, there were 20 more genres of books with annual sales volume above 500,000 copies as compared to that in 2018. Its capabilities to develop best-selling books increased significantly.

The Group continued to push ahead the key publication projects, and planned and published nearly 50 key topics including “70 Years of Memories: Me and My Motherland” (《拾掇70年的片段:我和我的祖國》) and “From China Story to China Wisdom” (《中國故事到中國智慧》) in celebration of the 70th anniversary of the founding of the People’s Republic of China. The research series, biographical series, historical novels and popular reading series under the “Collection of Historical Celebrities in Sichuan” (“四川歷史名人叢書”) have been published. Through the “Proposal on ‘Roof of the World’ Book Publication Project” (《“第三極”圖書出版工程策劃方案》), the Group secured the contract with famous writers including Alai, Kang Gesangyixi and Wang Renxiang and published more than 40 book genres covering humanity and history, nature and geography as well as environment and technology.

The Group stepped up its “going out” development efforts. In 2019, the Group exported 418 book copyrights, representing an increase of 36% as compared with that in the same period last year, among which, 13 book genres were nominated for the state-level external publications, and 6 genres obtained the honour of state-owned external publications. Several sino-foreign editorial departments of the Group’s publishing

houses realised overseas publication of tens of books. Projects including brand licensing, overseas exhibition and performance as well as cultural and travel integrated publications under the “same umbrella” have been kicked off, thus generating additional value to the Group in the international arena.

During the Year, the value from the sales of general books under the publication segment of the Group amounted to RMB2,699 million. The sales revenue amounted to RMB888 million, up by 12.96% as compared with that in the same period last year. The cost of sales amounted to RMB579 million, up by 10.22% as compared with that in the same period last year. The gross profit margin was 34.83%, up by 1.62 percentage points from the same period last year. The growth in revenue and gross profit was mainly due to the increasing book genres featuring children’s books developed by the Group that have a market influence. At the same time, the increase in gross profit margin also benefitted from the growth in sales and increase in single book benefits.

Journal business

The Group has two newspapers and 11 journals, totalling 13 newspaper and journal brands (including the own journal of the publishing house), covering culture, children, science, fashion and other categories. The audience covers all age groups from infants to middle-aged and elderly people, among which, the Reader’s Journal (《讀者報》) had a monthly circulation of more than 260,000 copies; the Hilarious School Diaries (《米小圈》) had a monthly circulation of more than 180,000 copies and the Red Scarf (《紅領巾》) had a monthly circulation of 130,000 copies. Capitalising on the major

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business model of “traditional publication + new media platform”, the journals realised integrated development between traditional media and new media.

During the Year, 9,362,300 copies of journals were sold by the Group. The sales revenue amounted to RMB39,269,600, up by 4.18% as compared with that in the same period last year. The operating costs amounted to RMB20,059,400, up by 15.47% as compared with that in the same period last year. The gross profit margin was 48.92%, down by 5.00 percentage points from the same period last year, mainly due to the bigger sales discount offered for journals and the decrease in revenue from advertising business.

(2) Distribution segment

Textbooks and supplementary materials distribution business

The Company is the only enterprise in Sichuan Province possessing the qualifications to engage in the distribution of primary to secondary textbooks. Being the supplier of the single source purchase in Sichuan Province regarding the supply of textbooks to primary and secondary school students during their compulsory education, the Company enters 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

school year. In 2019, the Company entered into the “purchase contract regarding free textbooks for students in urban-rural areas during compulsory education in Sichuan Province from 2019 to 2020” (四川省2019-2020學年城鄉義務教育階段學生免費教科書採購合同).

During the Year, 451 million copies of textbooks and supplementary materials with sales value of RMB4,505 million were sold by the Group. The sales revenue amounted to RMB4,330 million, up by 7.84% as compared with that in the same period last year, mainly due to the growth in the sales of supplementary materials. The gross profit margin was 40.32%, up by 0.53 percentage point from the same period last year.

Education informatization and equipment business

In 2019, the Group seized the market opportunities brought by college entrance exam curriculum reform and the education informatization 2.0 action plan and provided products and services such as professional subject classroom, innovative education equipment and smart campus. During the Year, revenue from education informatization and equipment business of the Group was RMB669 million, down by 11.59% as compared with that in the same period last year, mainly due to the decline in overall market share upon reaching certain market scale with respect to the education equipment business.

Management Discussion and Analysis

General books distribution business

In recent years, the overall general book market environment has been undergoing tremendous changes where new media and social media have become new breakthrough points. Faced with these opportunities and challenges, the Group strengthened the development of the multi-segment scenario and optimised the multi-channel and multi-brand sales model to better cater for consumer needs. With the changes in readers' consumption habits, major media groups have increased their investment in online channels and seized market share, resulting in intensifying competition. In order to adapt to market changes, adhering to the philosophy of "xinxuan.com is where the users are" and after a decade of development, channel layout has become increasingly established. Online distribution chains such as professional store, comprehensive store, cross-platform, new media e-commerce, e-commerce community and points mall have been formed to achieve the whole network and all media layout. In 2019, as to online channel, the sales of publications through the major e-commerce platforms maintained an industry leading position. In addition, the Group also further expanded the genre operating capabilities and fully cooperated with publishing houses. By adopting customised marketing means, the Group developed its key operating genres, up by 30% from 2018. At the same time,

the speed of logistics delivery increased substantially from the past years where the time from order placement to delivery was shortened by approximately eight hours on average.

During the Year, 103 million copies of general books with sales value of RMB4,165 million were sold by the Group. The sales revenue amounted to RMB2,464 million, up by 9.45% as compared with that in the same period last year. The operating costs amounted to RMB2,034 million, up by 10.89% as compared with that in the same period last year. The gross profit margin was 17.45%, down by 1.07 percentage points from the same period last year, mainly due to the increased promotion and marketing efforts. Among which, revenue from online sales amounted to RMB1,468 million, up by 15.91% as compared with that in the same period last year, mainly benefitting from the enhancement of capabilities of the Group in areas of product mix operation, sales organisation and logistics service. Sales revenue from online sales secured through third-party e-commerce platforms amounted to RMB1,067 million, accounting for 73.70% of the total revenue of online sales business.

Management Discussion and Analysis

EXPENSES

During the Year, the selling expenses of the Group amounted to RMB1,120,000,000, which represents an increase of 10.79% as compared to RMB1,011,000,000 that in the same period last year. The expenses margin increased by 0.32 percentage point as compared with that in the same period last year. The increase in selling expenses was mainly due to the growth in sales, resulting in the growth in labour costs of sales personnel, promotion expenses and logistics expenses.

During the Year, the administrative expenses of the Group amounted to RMB1,254,000,000, which represents an increase of 12.43% as compared to RMB1,115,000,000 in the same period last year. The expenses margin increased by 0.56 percentage point as compared with that in the same period last year. The increase in administrative expenses was mainly due to growth in labour costs.

During the Year, the finance expenses of the Group amounted to RMB-32,981,000, as compared to RMB-24,410,700 in the same period last year. Upon the implementation of the New Lease Standard since 1 January 2019, interest expense on lease liabilities recognised during the Year amounted to RMB19,248,800. At the same time, interest income on bank deposits and receivables collected by instalments from the education informatization and equipment business increased from the same period last year.

During the Year, the R&D expenses of the Group amounted to RMB3,255,600, down by 76.05% from RMB13,592,600 in the same period last year, mainly due to the decrease in the part expensed under R&D commitments in the area of education informatization business during the Year as compared with that in the same period last year.

CREDIT IMPAIRMENT LOSS

During the Year, the Group made provision for credit impairment loss of RMB111,000,000, representing an increase of 32.56% as compared to RMB83,756,100 in the same period last year, mainly due to the increase

in provision for credit loss made as compared to that in the same period last year as a result of the increase in receivables from education informatization and equipment businesses and the impact of extension of aged receivables.

ASSET IMPAIRMENT LOSS

During the Year, the Group made provision for asset impairment loss of RMB60,917,200, representing an increase of 6.23% as compared to RMB57,346,700 in the same period last year, mainly due to the increase in provision for decline in value of inventory as a result of the revision of textbooks.

GAIN/LOSS ON FAIR VALUE CHANGE

During the Year, the gain/loss on fair value change of the Group resulted in the gain of RMB37,980,100, as compared with a loss of RMB38,181,000 in the same period last year, mainly due to fair value change of investments held by the Group such as Citic M&A Fund, Winshare Hengxin and Qingdao Jinshi.

INVESTMENT INCOME

During the Year, the Group recognised investment income of RMB209,000,000, representing an increase of 64.64% as compared to RMB127,000,000 in the same period last year, mainly due to the growth in profit of Tibet Winshare, an associate of the Group for the Year, which resulted in the growth in revenue from investment in associate using equity accounting, and the increase in dividend received by the Company from companies such as Wan Xin Media and Bank of Chengdu during the Year as compared with that in the same period last year.

OTHER INCOMES

During the Year, other incomes of the Group amounted to RMB105,000,000, representing an increase of 68.45% as compared to RMB62,444,900 in the same period last year, mainly due to the increase in the refund of value-added tax received during the Year as compared with that in the same period last year as a result of the difference in the timing of implementation of policies.

Management Discussion and Analysis

NON-OPERATING EXPENSES

During the Year, non-operating expenses of the Group amounted to RMB42,470,000, representing an increase of 66.27% as compared to RMB25,543,200 in the same period last year, mainly due to the increase in external donation expenses of the Group as compared with that in the same period last year.

GAIN ON ASSET DISPOSAL

During the Year, gain on asset disposal of the Group amounted to RMB3,870,100, representing an increase of 170.59% as compared to RMB1,430,200 in the same period last year, mainly due to the increase in gain on disposal of vehicles for office use and the gain on disposal of properties by a subsidiary of the Company during the Year.

INCOME TAX EXPENSES

During the Year, income tax expenses of the Group amounted to RMB24,172,100, as compared to RMB-10,795,800 in the same period last year, mainly due to the growth of revenue from investment in Tibet Winshare, associates of the Company recognized by Winshare Investment, a subsidiary of the Company, using equity accounting and the changes in deferred income tax expense on fair value changes of funds such as Winshare Hengxin held by the Company.

OTHER COMPREHENSIVE INCOME

During the Year, net other comprehensive income after tax of the Group amounted to RMB-42,209,000, as compared to RMB-389,000,000 in the same period last year, mainly due to the fluctuations in the market price of shares of listed companies including Wan Xin Media and Bank of Chengdu held by the Company.

PROFIT

Net profit for the Year of the Group amounted to RMB1,125,000,000, up by 21.36% from that in the same period last year. Net profit attributable to the shareholders of the Company amounted to RMB1,139,000,000, up by 22.19% 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 RMB1,052,000,000, up by 21.23% from that in the same period last year, mainly due to the increase in gross profit due to the growth in sales of businesses such as the book publication, online sales and education service during the Year, the investment income recognised for the capital business during the Year and the growth in gain on fair value changes as compared with 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 RMB0.92, which represents an increase by 21.05% as compared to RMB0.76 in the same period last year. For details regarding the calculation of earnings per share, please refer to note (VI)51 to the consolidated financial statements in this annual report.

R&D COMMITMENTS

Breakdown of R&D commitments

RMB

R&D expenses for the current year	3,255,571.48
R&D commitments capitalised for the current year	21,513,718.34
Total R&D commitments	24,769,289.82
Total R&D commitments as a percentage of revenue (%)	0.28
Total no. of R&D personnel of the Company (person)	59
No. of R&D personnel as a percentage of total no. of personnel of the Company (%)	0.76
Percentage of R&D commitments capitalised (%)	86.86

The R&D commitments of the Group amounted to RMB24,769,300, which represents a slight increase as compared to RMB23,593,400 in the same period last year.

Management Discussion and Analysis

ANALYSIS OF CHANGES IN CASH FLOW

During the Year, net cash inflow from operating activities of the Group amounted to net inflow of RMB1,364,000,000, up by 37.34% from RMB993,000,000 in the same period last year, mainly due to the increase in sales receivables from online sales and education service businesses and the increase in refund of value-added tax received during the Year as compared with the same period last year.

During the Year, net cash outflow from investing activities of the Group amounted to RMB93,051,900, as compared to net inflow of RMB125,000,000 in the same period last year, mainly due to the increase in cash outflow from deposits for a term of more than three months during the Year as compared with that in the same period last year.

During the Year, net cash outflow from financing activities amounted to RMB454,000,000, representing an increase of 23.47% as compared to net cash outflow of RMB368,000,000 in the same period last year, mainly due to the inclusion of cash outflow from repayment of lease principal and interests recognised under the New Lease Standard during the Year under financing activities.

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

RMB

Item	January to December 2019	January to December 2018	Change (%)	Analysis of major changes
Cash receipts from the sale of goods and the rendering of services	8,952,187,684.21	8,428,611,018.96	6.21	–
Receipts of tax refunds	60,860,279.90	2,859,806.40	2,028.13	Mainly due to the increase in refund of value-added tax received during the Year as compared with the same period last year as a result of the difference in the timing of implementation of policies.
Cash payments for goods purchased and services rendered	5,375,936,171.42	5,339,129,538.40	0.69	–
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	9,381,280.95	4,535,883.74	106.82	Mainly due to the increase in cash flow arising from the disposal of vehicles for office use and the gain on disposal of properties by a subsidiary of the Company during the Year.
Net cash receipts from acquisition of subsidiaries	3,020,764.08	–	N/A	–
Other cash receipts relating to investing activities	58,434,629.84	283,561,027.40	(79.39)	Mainly due to the recovery of two-year term deposits amounting to RMB280 million in the same period last year.
Other cash payments relating to investing activities	134,000,000.00	–	N/A	Due to the increase in cash outflow in term deposits of more than three months.
Cash payments to acquire investments	3,000,000.00	5,035,000.00	(40.42)	Due to the capital increase received by a subsidiary from minority shareholders.
Other cash payments relating to financing activities	86,531,160.25	1,780,947.00	4,758.72	Mainly due to the inclusion of cash outflow from repayment of lease principal and interests under financing activities pursuant to the requirements of the New Lease Standard during the Year.

Management Discussion and Analysis

ASSETS AND LIABILITIES ANALYSIS

As at 31 December 2019, the position of the Group's major assets and liabilities and their movements are as follows:

RMB

Item	At the end of the year	Amount as at the end of the current year as a percentage of the total assets (%)	At the beginning of the year	Amount as at the end of the comparative period last year as a percentage of the total assets (%)	Change (%)	Analysis of major changes
Bank and cash	3,512,103,793.03	22.92	2,608,612,572.01	19.63	34.63	Mainly due to the increase in net cash inflow from operating activities during the Year.
Notes receivable	2,218,450.46	0.01	4,418,800.18	0.03	(49.80)	Mainly due to the reclassification of receivables with financing feature to financing receivables at the end of the Year. The closing balance represents the amount of commercial acceptance bills.
Accounts receivable	1,761,441,147.35	11.49	1,347,803,513.05	10.14	30.69	Mainly due to the increase in receivables from the education informatization and equipment business, general book publication business and third-party logistics business as a result of their business expansion as compared to the beginning of the Year.
Financing receivables	7,007,859.79	0.05	-	-	N/A	Mainly due to the reclassification of notes receivable with financing feature to this item at the end of the Year. The notes received by the third-party logistics and sales of printing materials businesses of the Group increased as compared with the beginning of the Year.
Non-current assets due within one year	125,609,106.15	0.82	264,807,735.12	1.99	(52.57)	Mainly due to the decrease in closing balance of the portion of long-term receivables due in the coming 12 months a result of the collection by instalments from the education informatization and equipment business as compared with that at the beginning of the Year.
Long-term receivables	350,957,672.37	2.29	267,742,224.79	2.01	31.08	Mainly due to the increase in long-term receivables as a result of collection by instalments from the Group's education informatization and equipment business.
Right-of-use assets	437,964,136.29	2.86	-	-	N/A	Pursuant to the New Lease Standard, right to lease the asset of the Group as lessee during the lease term is recognised as right-of-use assets subject to depreciation.

Management Discussion and Analysis

RMB

Item	At the end of the year	Amount as at the end of the current year as a percentage of the total assets (%)	At the beginning of the year	Amount as at the end of the comparative period last year as a percentage of the total assets (%)	Change (%)	Analysis of major changes
Development expenditure	15,224,896.49	0.10	47,521,564.75	0.36	(67.96)	Mainly due to the capitalisation of part of the R&D expenses of the Group's education informatization business during the Year, which were carried forward to intangible assets.
Deferred income tax assets	16,124,167.44	0.11	11,674,788.33	0.09	38.11	Mainly due to the increase in deductible temporary differences arising from the increase in provision for asset impairment loss, resulting in the increase in deferred income tax assets.
Notes payable	14,054,710.75	0.09	22,176,144.64	0.17	(36.62)	Mainly due to the decrease in the balance which was settled by the Company's education informatization business using notes as compared with the beginning of the Year.
Non-current liabilities due within one year	93,885,902.56	0.61	-	-	N/A	Pursuant to the New Lease Standard, present value of the lease payment of the Group as lessee during the lease term is recognised as lease liabilities and presented as "Non-current liabilities due within one year" and "Lease liabilities" according to liquidity.
Lease liabilities	353,248,365.44	2.31	-	-	N/A	Same as above.
Deferred income tax liabilities	54,883,601.32	0.36	32,156,680.02	0.24	70.68	Mainly due to the growth in profit of Tibet Winshare, an associate invested by Winshare Investment, a subsidiary of the Company for the Year, which resulted in the growth in revenue from investment in associate using equity accounting, and the fair value changes of funds such as Winshare Hengxin held by the Company.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group had cash and short-term deposits of approximately RMB3,512 million (31 December 2018: RMB2,609 million). The Group did not have any interest-bearing bank and other borrowings.

As at 31 December 2019, the gearing ratio (calculated by dividing total liabilities by total assets) of the Group was 40.49%, up by 3.75 percentage points as compared with 36.74% as at 31 December 2018, mainly due to the implementation of the New Lease Standard and the expansion of marketing scale. The Group's overall financial structure remained relatively stable.

General particulars of entrusted wealth management

On 29 October 2019, the 7th meeting of the fourth session of the Board in 2019 was convened by the Company at which the "Resolution regarding the Renewal of Mandate to Acquire Wealth Management Products with Idle Self-owned Funds" 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 2019, all of the bank wealth management products purchased by the Group amounting to RMB1,280 million were wealth management products of the banks with high security, good liquidity and low risks due within one year.

RMB

Type	Source of funding	Amount incurred	Balance not yet due	Amount due but not yet recovered
Wealth management	Self-owned	1,298,790,000.00	1,280,000,000.00	0

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any material contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2019, the Group's pledged deposit balance amounted to RMB5,649,700 (31 December 2018: RMB7,355,000) as security deposits placed with the bank for the issuance of the bank's acceptance bill and letter of guarantee. 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 2019	31 December 2018
Current ratio	1.6	1.6
Inventory turnover days	136.3	131.5
Trade receivables turnover days	72.2	64.4
Trade payables turnover days	265.3	239.2

As at 31 December 2019, 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 136.3 days and trade receivables turnover days were 72.2 days, both remaining substantially the same as that of last year; trade payables turnover days were 265.3 days, which represents an increase by 26.1 days from that of last year, mainly due to the increase in trade payables due within one year. 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.

Note: The trade payables turnover days is arrived at based on the aggregate of accounts receivable and long-term receivables due within one year.

OVERVIEW OF MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the Year, the Group focused on its growth strategies and improved existing industrial layout. While developing its principal businesses, the Group pushed ahead the integration of business and finance with a view to establishing the Group as a first-class cultural media group in the PRC.

To achieve integration of publication and media, Tiandi Publishing House, a wholly-owned subsidiary of the Company, jointly established Tianxi Zhongda with Shanghai Zhengda Ximalaya Network Technology Co., Ltd. in July 2019. Tiandi Publishing House made a capital contribution of RMB20,000,000, representing a 40% shareholding.

To push ahead the formation of a capital operation layout with reasonable revenue and rolling development, Winshare Investment, a wholly-owned subsidiary of the Company entered into the Partnership Admission Agreement and the Partnership Agreement in July 2019 to subscribe for the shares in Winshare Dingsheng Fund. Winshare Dingsheng Fund has a registered share capital of RMB500,000,000, subscribed as to RMB200,000,000 by Winshare Investment.

To seize the historical opportunities arising from “three links and two platforms” interconnection and application of the education informatization service sector and college entrance exam curriculum reform, and to enhance the Company’s competitive advantages in the education informatization service area, the Company and Beijing Jinshi Bohui Technology Co., Ltd. (北京金石博惠科技有限公司) jointly made a capital increase in Beijing Aerospace Cloud Education Technology Co., Ltd. proportionate to their shareholdings in cash. During the Year, the Company contributed RMB7 million to the capital increase. Up to 31 December 2019, the Company has already contributed all of the investment amount of RMB18,748,300.

The Company was interested in 80,000,000 shares of Bank of Chengdu and its shareholding was 2.21%. During the Year, the Company received a dividend amounting to RMB28,000,000 (tax inclusive) from Bank of Chengdu. The shares held by the Company are subject to a lock-up period of one year from the date of listing of Bank of Chengdu, which have been unlocked for sale since 31 January 2019. As at 31 December 2019, the market capitalisation of the shares held by the Company in Bank of Chengdu was RMB726,000,000.

Management Discussion and Analysis

The Company was interested in 6.27% shares of Wan Xin Media. During the Year, the Company received a dividend income of RMB21,812,000 (tax inclusive). As at 31 December 2019, the market capitalisation of the shares held by the Company in Wan Xin Media was RMB683,000,000.

Wan Xin Media and Bank of Chengdu are financial investments of the Company which generate steady dividend income to the Group for the period and generate higher capital appreciation to the Group in the future. The Company will monitor the price trends of the A Share market and these two stocks from time to time. Coupled with the funding needs for industrial development, the Company will formulate corresponding investment strategies so as to generate finance income to the Company in a continuous and steady manner.

In addition, during the Year, the Company also received a dividend of RMB2,400,000 from Ren Min Eastern (Beijing) Book Industry Co., Ltd. and a dividend of RMB2,743,800 from Citic M&A Fund.

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

During the Year, details of the external investments made by the Group are set out in notes (VI)11, 12 and 13 to the consolidated financial statements in this annual report.

Information of the major subsidiaries

RMB0,000

Name of subsidiary	Nature of business	Shareholding percentage (%)	Registered capital	2019		As at 31 December 2019	
				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	78,284.17	36,621.62	129,833.10	75,135.59
Sichuan Publication Printing Co., Ltd.	Publishing and wholesaling of publications and related publications	100	5,000.00	32,031.63	11,017.39	82,873.43	62,812.33
Sichuan Tiandi Publishing House Co., Ltd. (consolidated)	Publishing and wholesaling of publications and related publications	100	13,063.47	28,522.51	5,162.79	45,411.60	27,094.64
Sichuan Youth and Children's Publishing House Co., Ltd.	Publishing and wholesaling of publications and related publications	100	11,000.00	38,808.10	9,742.32	58,710.00	46,194.59
Sichuan Printing Materials Co., Ltd.	Provision of printing related materials	100	3,000.00	55,911.18	93.47	39,473.92	3,967.11
Sichuan Winshare Education Technology Co., Ltd.	Software development and sales of electronic equipment	100	33,000.00	51,025.18	222.77	101,858.95	34,163.36
Sichuan Winshare Online E-commerce Co., Ltd.	Online sales of various products	75	6,000.00	201,013.01	(1,535.42)	189,311.29	(9,501.08)
Sichuan Wenchuan Logistics Co., Ltd.	Storage and distribution	100	35,000.00	36,872.84	605.09	57,646.02	33,576.98

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. Continue to push ahead the strategy of “revitalising the publishing sector in Sichuan” while adhering to the “three key publishing” concepts with focus on building the brand as a publisher, and push ahead the implementation of themed publications and other major publication projects to achieve quality and efficiency enhancement of the publication business.
2. Promote the optimisation and upgrading of the education service business channel and business integration development to vigorously push ahead the “education service + Internet” action plan and achieve in-depth transformation and efficient development of the education service business; continue to expand the education informatization and equipment business, push ahead the development of innovative businesses including research education and teachers’ training; and carry out in-depth research on market demand for after-school services and cultural and creative products, and explore feasible business models.
3. Enhance the industry supply chain service capabilities based on online sales channels, optimise the cooperation with upstream suppliers and downstream sales channels and expand the scope and number of channels while increasing the means of competition to enhance competitiveness and optimising internal control and incentive mechanisms to achieve enhancement in both sales size and profitability.
4. Strengthen the building of physical reading service network and continue to promote the optimisation and adjustment of the operation and management mechanism; explore the business model and path of proprietary cultural and creative industry and seek new profit growth points.

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 and distribution business; further strengthen the third-party logistics operation and management with focus on key customers 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; enhance the investment expansion capabilities and post-investment management level and increase the revenue from capital operation to drive synergistic development between industrial operations and capital operations.
7. Strengthen its efforts of guiding the media integration development ideas and directions of various newspapers and magazines based on the existing platform in the media sector, solidly promote the key work of Panda culture and national reading, and combine traditional media, new media and cross-border integration to open up a new dimension for the media industry.

(III) Potential risks

In recent years, the Company has capitalised on the development trends of industry and technology integration and taken a forward-looking approach in exploring the application of emerging technologies to drive the integration between the publishing industry and technology. However, due to external uncertainties as well as difficulty and complexity of the technology projects, the role of emerging technologies may not have met the expectations of the Company.

The Company expands into new businesses as and when appropriate according to market development trends. However, as a result of the uncertainties of the new business market as well as the insufficiencies in areas of business research and resource allocation, new business expansion may be associated with the risk of falling beyond expectations.

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

In addition, the outbreak of the COVID-19 across China in January 2020 will have considerable impacts on the operations of the Company in the short-term. The uncertainties as to how long the epidemic will last also bring about uncertainties to the operations as to the extent of impact.

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 2019, 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 2019 and the results of the Group for the year ended 31 December 2019 are set out on pages 107 to 113 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 2019 of RMB0.30 (tax inclusive) per share (2018: RMB0.30 (tax inclusive) per share, 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 2019 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

Report of the Directors

the tax arrangements between the mainland China 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 2019 is subject to the approval by Shareholders at the forthcoming 2019 AGM of the Company. In order to ascertain the H shareholders who are entitled to attend 2019 AGM and to receive the Dividend for 2019 (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 2019 AGM:

Latest time for lodging transfers of H Shares	4:30 p.m., Tuesday, 21 April 2020
Closure of register of members for H Shares	from Wednesday, 22 April 2020 to Thursday, 21 May 2020 (both days inclusive)
Date for the 2019 AGM	Thursday, 21 May 2020

To ascertain the H shareholders who are entitled to the proposed Dividend for 2019:

Latest time for lodging transfers of H Shares	4:30 p.m., Thursday, 28 May 2020
Closure of register of members for H Shares	from Friday, 29 May 2020 to Wednesday, 3 June 2020 (both days inclusive)
Dividend Entitlement Date	Wednesday, 3 June 2020

In order for the H shareholders to qualify to attend and vote at the 2019 AGM and to receive the Dividend for 2019 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 17M 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 4:30 p.m., Tuesday, 21 April 2020 are entitled to attend and vote at the 2019 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 2019 of the Company (if approved by the Shareholders). The abovementioned final dividend for 2019 will be paid on 20 July 2020 (if approved by the Shareholders).

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

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

FIXED ASSETS

Details of movements of the Group's fixed assets during the Year are set out in note (VI)15 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 2019 are set out in note (VI) 37 to the financial statements in this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2019, 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 2019, 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 in the publication and distribution industry chain, through intensive cultivation of various segments, the Group continued to enhance its synergy, significantly improved its operating efficiency, and continuously enhanced its competitiveness.

- (1) **Publication capabilities.** After three years of strategic implementation to revitalise the publishing industry, the Group's content resources development capabilities continued to increase. At present, the Group has secured contracts with well-known writers such as Beimao, Liu Cixin, Feng Jikai, Haiyan and Tangjia Sanshao, and cooperates with world-renowned media bodies such as the Penguin Random House, Nickelodeon from the United States and UK DK. These are the key publishing partners in China with world-renowned intellectual property rights such as PAW Patrol, Iron Man, Spiderman and The Avengers. The Group's competitiveness in the book market continues to increase with an expanding range of book genres with market influence. In particular, it has built strong content brand in the publication of children's books. Its subsidiary, Sichuan Youth and Children's Publishing House, owns the best-seller intellectual property rights – the Hilarious School Diaries, which topped the charts of Open Book on children's book best-sellers for a number of times, with cumulative sales exceeding 80 million copies. According to the Open Book Data, in 2019, the Group's general book market share further expanded and ranked the 7th among 36 publishing and media groups nationwide, up by six places from 2018.

Report of the Directors

(2) **Reading service capabilities.** The Group has built a reading service network system based in Sichuan Province with nationwide coverage while using a combination of online and offline methods. The Group has established a variety of business segments from cultural mall, mid- to large-size bookstores, professional bookstores, community bookstores, supermarket bookstores and smart bookstores. The Group has a number of physical bookstore brands including “Xinhua Winshare”, “Winshare Bookstore”, “Winshare BOOKS”, “Kids Winshare”, “Go Go Reading”, “Winshare Cloud Image” and “Winshare Commercial Supermarket”. The Group has launched online sales platforms for publications including “winxuan.com” and “September Online”, the “publication supply chain synergistic service platform” for the industry, and the “three bases and multiple branches” logistics service system primarily based in Chengdu, Tianjin and Wuxi with nationwide coverage. Accordingly, a complete and effective book supply chain service system and a comprehensive sales network have been built to provide consumers with convenient, comfortable, smart and personalised reading service.

(3) **Education service capabilities.** The Company is the only enterprise that is qualified to engage in the distribution of textbooks for primary and secondary schools in Sichuan Province. After years of accumulation of experience, the Company has developed an all-variety, full-coverage and high-efficiency education service capabilities in the Sichuan regional market, and achieved a customer-centric transformation and upgrade from “product supplier” to service operator”. The Group is the pioneer in the digital education service business in China, providing education services such as digitalised resources, teaching softwares and hardwares as well as digitalised subject tools. At the same time, centring on the subject contents and classroom scenarios, the

Group has developed education equipment products such as professional subject classroom and innovative education equipment. The Group endeavours to expand into new businesses such as research education and teachers’ training, thus enjoying a branding strength in the regional market.

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.

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

On 18 December 2018, 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 2019 to 31 December 2021 as offices, warehouses and retail outlets. Please refer to the announcement of the Company dated 18 December 2018 for details of the above lease agreement.

For the year ended 31 December 2019, the rental payment made by the Group to Sichuan Xinhua Publishing Group pursuant to the above leasing agreement amounted to RMB41,167,600. The right-of-use assets initially recognised under the lease agreement amounted to RMB212,077,300 in aggregate. As at 31 December 2019, the balance of right-of-use assets leased under the lease agreement amounted to RMB176,731,000.

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

On 18 December 2018, 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 2019 to 31 December 2021. Please refer to the announcement of the Company dated 18 December 2018 for details of the Property Management Agreement.

For the year ended 31 December 2019, RMB8,727,400 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. As the agreement expired on 31 December 2019, the Company and SPG renewed the agreement on 29 October 2019 in connection with the leasing of certain buildings and warehouses legally owned by it and/or its subsidiaries as offices and warehouses and the provision of ancillary property management services to the Group by SPG for the period from 1 January 2020 to 31 December 2022. Please refer to the announcements of the Company dated 27 October 2016, 29 October 2019 and 12 November 2019 for details of the lease framework (renewal) agreement.

For the year ended 31 December 2019, the rental and property management fees paid by the Group to SPG according to the above lease framework (renewal) agreement amounted to RMB16,477,000 in total.

Report of the Directors

3. Transactions 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.

(i) On 26 March 2018, the Company and Winshare Online entered into the Products Purchase and Cooperation Framework Agreement. 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. Due to business and operational needs, the Group has to provide more products of individual external suppliers to Winshare Online, accordingly, on 6 November 2019, the Company (on behalf of the Group, excluding Winshare Online) and Winshare Online entered into the Supplemental Agreement to the Products Purchase and Cooperation Framework Agreement. Please refer to the announcements dated 26 March 2018 and 6 November 2019 of the Company for details of the above Products Purchase and Cooperation Framework Agreement and Supplemental Agreement to the Products Purchase and Cooperation Framework Agreement.

For the year ended 31 December 2019, the payment by Winshare Online to the Group according to the above Products Purchase and Cooperation Framework Agreement and Supplemental Agreement to the Products Purchase and Cooperation Framework Agreement amounted to RMB126,199,900 in total.

(ii) 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.

For the year ended 31 December 2019, the payment by the Group to Winshare Online according to the above Publications Purchase Framework Agreement amounted to RMB626,922,900 in total.

(iii) On 6 November 2019, the Company and Winshare Online entered into the Logistics Service Framework Agreement, pursuant to which, the Company and its subsidiaries shall provide logistics service to Winshare Online for the period from 1 January 2019 to 31 December 2021. Please refer to the announcement dated 6 November 2019 of the Company for details of the Logistics Service Framework Agreement.

For the year ended 31 December 2019, the payment by Winshare Online to the Group according to the above Logistics Service Framework Agreement amounted to RMB45,098,100 in total.

Report of the Directors

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

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

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

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 RMB41.26 million (2018: RMB24.51 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 fulfills 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 2019, the total issued share capital of the Company was RMB1,233,841,000, divided into 1,233,841,000 shares of RMB1.00 each, including:

Report of the Directors

Class of shares	Number of shares	Approximate percentage of issued share capital of the Company
A Shares	791,903,900	64.18%
Including		
(i) Sichuan Xinhua Publishing Group (<i>note 1</i>)	592,809,525	48.05%
(ii) Other promoters (<i>note 2</i>)	46,322,618	3.75%
(iii) Hua Sheng Group (<i>note 3</i>)	53,336,000	4.32%
(iv) Public investors of A Shares	99,435,757	8.06%
H Shares	441,937,100	35.82%
Including		
(i) Sichuan Xinhua Publishing Group (<i>note 4</i>)	13,133,000	1.06%
(ii) Other promoter (<i>note 5</i>)	6,324,000	0.51%
(iii) Public investors of H Shares	422,480,100	34.24%
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.
- 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 6,324,000 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 2019, 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	623,382,470	Interests in controlled corporation	A Shares	78.72%	50.52%	Long position
	19,457,000 (note 1)	Interests in controlled corporation	H Shares	4.40%	1.58%	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

Report of the Directors

Notes:

1. Sichuan Development is the controlling shareholder of Sichuan Xinhua Publishing Group and SPG. According to the SFO, Sichuan Development is deemed to (i) indirectly hold 592,809,525 A Shares of the Company through Sichuan Xinhua Publishing Group and 30,572,945 A Shares of the Company through SPG, totalling 623,382,470 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 6,324,000 H Shares of the Company through a wholly-owned subsidiary of SPG, totalling 19,457,000 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.

Save as disclosed above, as at 31 December 2019, 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 executive vice president of Hua Sheng Group, as at 31 December 2019, 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 2019, 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 of the Company 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

Report of the Directors

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. Yang Miao resigned as general manager of the Company due to other work arrangements, which took effect upon approval by the Board on 19 April 2019. On the same date, upon review and approval at the meeting of the fourth session of the Board of the Company, Mr. Li Qiang was appointed as general manager of the Company for a term commencing from 19 April 2019 and ending on the date of change of the fourth session of the Board of the Company.

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.

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 all are not Directors or Supervisors 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(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 2018 held on 21 May 2019, it was approved that Deloitte Touche Tohmatsu CPA was re-appointed as the sole auditor of the Company for the year 2019, and the Board was authorised to determine and approve its remunerations.

The consolidated financial statements for 2019 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 2019 AGM of the Company, and it shall be eligible for re-appointment at the 2019 AGM. Deloitte Touche Tohmatsu CPA is also the sole auditor of the Company for 2016, 2017 and 2018.

By order of the Board

He Zhiyong

Chairman

30 March 2020

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 has expired. 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 has a General Manager who has a role similar to that of a chief executive officer. During the Year, the Chairman of the Company was taken by Mr. He Zhiyong; and the position of General Manager was successively held by Mr. Yang Miao and Mr. Li Qiang (Mr. Yang Miao resigned as the General Manager of the Company in April 2019. Upon nomination by the Nomination Committee of the Board, Mr. Li Qiang was approved by the Board to continue to take over the position of the General Manager of the Company), with clear division of work between them. The Chairman is in charge of the affairs of the Board and reviews the implementation of the Board's resolutions whereas the General Manager, under the leadership of the Board, is mainly responsible for the Company's management operations and business coordination. Apart from the information disclosed in the section "Profile of Directors, Supervisors, Senior Management and Employees" of this annual report, there is no financial, business, family and other material/relevant relationship among the respective Directors, the Chairman and General Manager.

Composition of the Board

The fourth session of the Board of the Company currently comprises 9 Directors, including 3 executive Directors, Mr. He Zhiyong, Mr. 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 the relevant laws and regulations. According to the Articles of Association, the term of office of the Directors (including non-executive Directors) is from the date of passing the resolutions at the general meeting to the expiry date of the term of office of the Board of that session.

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. At the same time, the Directors also actively participated in various training activities organised by the regulatory authorities in China and Hong Kong, industry associations and the Company; and continuously enhanced their understanding of and familiarity with the regulatory rules and requirements so as to effectively fulfill their duties as directors. After due and careful review, the Board considers that the Directors dedicated sufficient time and efforts to fulfill their duties as Directors during the Year.

Directors' Training and Continuing Professional Development

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

The Company attaches great importance to the continuing development and improvement of Directors' knowledge and skills, as well as monitors and actively organises the Directors to participate in various trainings and seminars to improve their professional development. At the same time, the Company also, from time to time, provides the Directors with monthly updates on the business, operating conditions and 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 fulfill their duties as directors.

Corporate Governance Report

During the Year, pursuant to the listing rules and regulatory requirements of the H Share market and A Share market as revised from time to time, the Company engaged an intermediary to carry out the special training for its Directors, Supervisors and other related personnel. At the same time, it arranged the Directors and Supervisors to attend the onsite training and online training organised by China Association for Public Companies, the Listed Companies Association of Sichuan, Shanghai Stock Exchange, the Hong Kong Institute of Chartered Secretaries and other organisations, and timely arranged training for the Directors, Supervisors and relevant personnel 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	Y	√
Luo Jun	Y	√
Zhang Peng	Y	√
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 8 Board meetings, of which four were held on site and four were held by way of written resolutions. The Board meetings reviewed resolutions regarding the continuing connected transactions, appointment of general manager, amendments to corporate annuity proposal and working rules of the Audit Committee, risk management and internal control, engagement of auditors, 2018 annual results, 2019 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)	8/8	0	100%
Chen Yunhua (Vice Chairman)	6/8	2	75%
Yang Miao	4/8	4	50%
<i>Non-Executive Directors</i>			
Luo Jun	8/8	0	100%
Zhang Peng	8/8	0	100%
Han Xiaoming	8/8	0	100%
<i>Independent Non-executive Directors</i>			
Chan Yuk Tong	8/8	0	100%
Xiao Liping	8/8	0	100%
Fang Bingxi	8/8	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	0/1	0%
<i>Non-Executive Directors</i>		
Luo Jun	0/1	0%
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 Nomination Committee, six meetings of the Audit Committee and three 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	Nomination 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	N/A	N/A	N/A
<i>Non-Executive Directors</i>			
Luo Jun	1/1	N/A	3/3
Zhang Peng	N/A	6/6	N/A
Han Xiaoming	N/A	N/A	N/A
<i>Independent Non-executive Directors</i>			
Chan Yuk Tong	1/1	6/6	3/3
Xiao Liping	1/1	N/A	3/3
Fang Bingxi	N/A	6/6	N/A

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 Strategy and Investment Planning Committee.

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

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 six meetings. All committee members attended all the meetings in person and

signed all written resolutions to consider the various resolutions including 2018 annual results, 2019 interim results and quarterly results, continuing connected transactions, formulation of measures on comprehensive risk management, 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 2019, 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.

Corporate Governance Report

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 Remuneration and Review 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 three meetings. All committee members signed all written resolutions. The meetings mainly considered the resolutions regarding the remuneration of operating management team for 2018, amendments to the corporate annuity proposal and remuneration appraisal proposal for 2019.

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 Nomination 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 convened a total of one meeting. The meeting considered the resolution regarding the appointment of general manager. All committee members signed the written resolution.

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.

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.

Corporate Governance Report

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 de facto 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 2018 annual report, profit distribution proposal, and engagement of auditors and internal audit functions, etc. The Directors, Supervisors and certain members of the senior management of the Company attended the meetings and answered the questions raised by the Shareholders. Each resolution was voted by poll after full communications among the Shareholders, Directors, Supervisors and management of the Company. The announcements regarding the poll results of general meetings are disclosed on the website of the Stock Exchange, website of the SSE and the Company's self-established website in a timely manner.

SUPERVISORY MECHANISM

Supervisory Committee

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

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

The fourth session of the Supervisory Committee of the Company expired on 5 March 2018. As at the date of this report, the election of new session of the Supervisory Committee has not completed. The term of the Supervisors of the fourth session of the Supervisory Committee will be extended until the new election of the fifth session of the Supervisory Committee in accordance with the procedures under relevant requirements. Prior to the new election of the fifth session of the Supervisory Committee, the Supervisors of the fourth session of the Supervisory Committee will continue to perform their respective duties in strict compliance with the laws, regulations and provisions of the Articles of Association to safeguard the legitimate interest of the Company and its Shareholders and to ensure normal operation of the Company.

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 four 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 internal control and risk management 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

Corporate Governance Report

the Board to organise and lead the daily operation of the internal control and risk management of the enterprise. The Company has established an internal control work leadership team and a risk management work leadership team to comprehensively guide the internal control and risk management work of the Company, the implementation of which is organised by the affiliated internal control (joint) work team and risk management work office. In addition, a discipline inspection office centralises the processing of matters on complaints reporting and handles relevant matters in accordance with disciplines and regulations, while a legal department checks economic contracts in advance and provides professional assistance when disputes arise. The Company has also set up an audit department to carry out independent internal audit under the leadership of the Audit Committee under the Board so as to audit and supervise the economic matters. 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. Under the principle of ensuring the scope of evaluation, the internal control work put emphasis on the focus and strengthened the quality of internal control assessment; carried out evaluations and follow-ups on the effectiveness of internal control every half year; gradually optimised and updated the Internal Control Code in accordance with actual changes in business; and through overseas training and professional cooperation with consultancy firms, strengthened team building and facilitated the enhancement of the capabilities of internal control professionals. During the Year, no material and significant internal control defects were identified. The internal control system was complete and effective.

The Company also endeavoured to enhance the overall capabilities to resist risks. On the one hand, it 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. On the other hand, through targeted publicity and training on risk management and culture, the management officers at each level took the initiative to manage the uncertainties that may affect the accomplishment of business objectives in the course of work and incorporated risk management into the daily operations. As a result, the capabilities to resist risks continued to increase. During the Year, the Company issued the Comprehensive Risk Management Measures, which stipulate the risk management framework and work procedures of the Company, thus laying a solid foundation for pushing ahead the comprehensive risk management work of the Company. 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 facilitated the setting up of the 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.

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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 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 2018 annual general meeting held on 21 May 2019, the Shareholders of the Company approved the re-engagement of Deloitte Touche Tohmatsu CPA as the Company's auditor and internal control auditor for 2019. 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; and 2) review procedures services on interim report. The fees payable to the auditor in respect of the above services provided by the Group was RMB2.98 million (2018: 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 RMB430,000 (2018: RMB400,000).

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In addition, during the Year, Deloitte Touche Tohmatsu CPA also received relevant fees from the provision of non-audit services to the Group as follows: the service fee for assurance on the use of proceeds amounting to RMB60,000; and the service fee for the consulting services in accordance with the ESG 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 has complied with Rule 3.29 of the Listing Rules and received relevant professional training of no less than 15 hours during the Year.

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.

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Procedures to make recommendations at general meetings

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

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

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

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 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 its 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 with 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 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 fulfills its continuing disclosure obligations and responsibilities pursuant to the regulatory requirements of the listing places of its shares and strengthens information disclosure in accordance with the principle of compliance, transparency, adequacy and

continuity and makes timely, accurate and complete disclosure of relevant information to ensure that Shareholders and investors can obtain information of the Company in a timely and complete manner.

The Company is in adherence to maintaining sound and effective two-way communication with Shareholders and investors. While strictly performing the statutory obligations on information disclosure and through a variety of investor relations activities, it allows investors locally and abroad to understand the operation and growth conditions of the Company in a timely and sufficient manner. In 2019, the Company carried out special discussions 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. The Company also participated in the activities such as "Investor Open Day for Listed Companies in Sichuan Province", "Secretary to the Board Week" and "I am a shareholder – Minority investors getting into Xinhua Winshare" organised by Sichuan Regulatory Bureau of CSRC, Shanghai Stock Exchange and other organisations; participated in strategy meetings of securities firms and arranged investor visits to the Company to carry out special communication with domestic and overseas investors, 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 2019, the basic particulars of the incumbent and resigned Directors, Supervisors and senior management of the Company during the Reporting Period are as follows:

Name	Position	Gender	Age	Commencement date of term	End date of term	Total remuneration before tax received from the Company for the Reporting Period (RMB10,000)	Remuneration from related parties of the Company
He Zhiyong	Executive Director and Chairman	Male	59	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	58	21 December 2017	The date of the term expired of the fourth session of the Board	0	Yes
Yang Miao*	Executive Director	Male	49	6 March 2015	The date of the term expired of the fourth session of the Board	0	Yes
Luo Jun	General Manager Non-executive Director	Male	53	6 March 2015 30 July 2008	19 April 2019 The date of the term expired of the fourth session of the Board	0.76 0	Yes Yes
Han Xiaoming	Non-executive Director	Male	66	25 May 2017	The date of the term expired of the fourth session of the Board	10.50	No
Zhang Peng	Non-executive Director	Male	55	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	57	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	63	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	57	18 February 2016	The date of the term expired of the fourth session of the Board	29.80	No
Tang Xiongxing	Chairman of Supervisory Committee	Male	53	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	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	31	25 May 2017	The date of the term expired of the fourth session of the Supervisory Committee	6.20	No
Lan Hong	Supervisor	Female	52	11 June 2005	The date of the term expired of the fourth session of the Supervisory Committee	49.87	No
Wang Yan	Supervisor	Female	41	6 March 2015	The date of the term expired of the fourth session of the Supervisory Committee	43.54	No
Li Xu	Independent Supervisor	Male	57	18 February 2016	The date of the term expired of the fourth session of the Supervisory Committee	8.80	No
Liu Mixia	Independent Supervisor	Female	61	6 March 2015	The date of the term expired of the fourth session of the Board	8.50	No
Li Qiang	General Manager	Male	46	19 April 2019	The date of the term expired of the fourth session of the Board	195.88	No
Chen Dali	Deputy General Manager	Male	57	6 March 2015	19 April 2019	0	No
	Deputy General Manager			11 June 2005	The date of the term expired of the fourth session of the Board	141.07	No
You Zugang	Secretary to the Board	Male	57	11 June 2005	The date of the term expired of the fourth session of the Board	132.88	No
Zhu Zaixiang	Chief Financial Officer	Male	58	11 June 2005	The date of the term expired of the fourth session of the Board	128.18	No
Total	/	/	/	/	/	774.38	/

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

* Mr. Yang Miao resigned as general manager of the Company in April 2019, in addition to receiving the remuneration of RMB76,000 for 2018 back paid by the Company, he has not received any remuneration from the Company in 2019.

Profile of Directors, Supervisors, Senior Management and Employees

II. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Yang Miao resigned as general manager of the Company due to other work arrangements, which took effect upon approval by the Board on 19 April 2019. On the same date, upon review and approval at the meeting of the fourth session of the Board of the Company, Mr. Li Qiang was appointed as general manager of the Company for a term commencing from 19 April 2019 and ending on the date of change of fourth session of the Board of the Company.

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 party committee secretary, chairman and president 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 of SPG since December 2015; Vice Chairman and executive Director of the Company since December 2017; and party committee secretary, chairman and president of SPG since December 2019. 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 of the Company; and general manager of Sichuan Provincial Radio and Television Network Co., Ltd. (四川省有限廣播電視網絡股份有限公司). 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 served as general manager of the Company from December 2013 to April 2019. He has been executive Director of the Company since March 2015 and general manager of Sichuan Provincial Radio and Television Network Co., Ltd. (四川省有限廣播電視網絡股份有限公司) since December 2018. 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; director, assistant to the chief executive and head of human resources department of SPG and chairman of Sichuan Aikexing Education Technology Co., Ltd. (四川愛科行教育科技有限公司). He held the positions of editor and the manager of the chief editor office of Sichuan People's Publishing House and office manager of SPG. He has been assistant to the chief executive of SPG since July 2011 and head of human resources department since December 2016. Since May 2013, he has been non-executive Director of the Company. Mr. Zhang graduated from the Chinese Department of Sichuan College of Education (四川教育學院) and obtained a master's degree in journalism from the 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 of the Company; and independent non-executive director of FDG Electric Vehicles Limited (HKEX stock code: 729), a company listed in Hong Kong. He is a director of Ascenda Cachet CPA Limited. Mr. Chan served as manager and audit principal of Ernst & Young; director of G2000 (Apparel) Limited; and deputy general manager of the accounting and finance department of Dongfeng Motor Group Company Limited. In the past three years, Mr. Chan was an independent non-executive director of several listed companies in the PRC and Hong Kong including Ausnutria Dairy Corporation Ltd., BYD Electronic (International) Company Limited, Daisho Microline Holdings Limited, Global Sweeteners Holdings Limited, Trauson Holdings Company Limited, Kam Hing International Holdings Limited and Ground International Development Limited. Mr. Chan was an independent non-executive Director of the Company from 2006 to 2013. He has been re-appointed as independent non-executive Director, chairman of Audit Committee and Remuneration and Review Committee, member of Nomination Committee 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. He is currently a fellow member of The Hong Kong Institute of Certified Public Accountants and a member of Australian Society of Certified Practising Accountants.

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) and an expert of the Expert Base of Sichuan Appraisal Society (四川資產評估協會專家庫). 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 an asset 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 executive deputy general manager of Hua Sheng Group. He served as an officer and head of operations in MICON Precise Corporation. He has been the director of investment and operations of Hua Sheng Group since April 2015, Supervisor of the Company since May 2017 and the executive vice president of Hua Sheng Group since March 2018. 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 worked at Chengdu City Xinhua Bookstore from 1984 to 2001; served as section chief of the finance and audit section of the audit office of Sichuan Xinhua Publishing Group from February 2003 to June 2005 and deputy head of the audit department of the Company from June 2005 to June 2007. She has been deputy head of the board office of the Company since June 2007 and the Supervisor of the Company since June 2005. 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 a 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 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, the legal representative, general manager and partner of 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.

Ms. 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. Li Qiang (李強), born in May 1973, currently general manager of the Company. He worked at Sichuan Province Xinhua Bookstore from July 1995 to January 2001. He worked at the textbook department of Sichuan Xinhua Publishing Group from 2001 to 2005 as deputy manager of sales department and manager of marketing centre and operations centre. Mr. Li served as assistant to general manager and deputy manager of the textbook distribution department of the Company from June 2005 to October 2006; a Supervisor of the Company from June 2005 to September 2011; general manager of the education service department of the Company from October 2006 to May 2019; deputy general manager of the Company from March 2015 to April 2019, general manager and chairman of Sichuan Winshare Education Technology Co., Ltd. and director of Sichuan Yaxinshengxiang Education Technology Co., Ltd. He has been general manager of the Company since April 2019. Mr. Li graduated from Wuhan University with a bachelor's degree in Book Publication. He is also a senior economist and senior political engineer.

Mr. Chen Dali (陳大利), born in October 1962, currently deputy general manager of the Company; executive director of Sichuan Winshare Yuntu Wenchuang Technology Co., Ltd., director of Ren Min Eastern (Beijing) Book Industry Co., Ltd. and director of Hainan Publishing House Co., Ltd. Mr. Chen served as vice president at Sichuan Bashu Book Shop in September 2000; deputy general manager of Sichuan Xinhua Publishing Group and general manager of Sichuan Xinhua Publishing Co., Ltd. from May 2001 to May 2005; and general manager of the publication department of the Company from May 2005 to September 2006. 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. He possesses the professional qualification as an editor.

Profile of Directors, Supervisors, Senior Management and Employees

Mr. You Zugang (游祖刚), born in October 1962, currently secretary to the Board of the Company and director of Bank of Chengdu. Mr. You served as 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 from February 1989 to May 2000; deputy head of the financial management department, head of the audit office, and head of the manager's office of Sichuan Xinhua Publishing Group from May 2000 to May 2005; and head of Guangyuan City Management Centre from April 2004 to May 2005. 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 concurrently director of Bank of Chengdu since January 2010. Mr. You became a fellow of The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in February 2019. He completed the master's degree programme in business administration from Renmin University of China in August 2002. He is a member of the Institute of International Internal Auditors, an accountant and a senior political engineer.

Mr. Zhu Zaixiang (朱在祥), born in March 1961, currently chief financial officer of the Company, director of Winshare Investment Co., Ltd., director of 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 successively served as 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 from 1982 to 2000; head of the financial management department of Sichuan Xinhua Publishing Group from 2000 to May 2005; and chief accountant of Sichuan Xinhua Publishing Group from 2004 to May 2005. He has been chief financial officer of the Company since June 2005, director of Sichuan Xinhua Shang Paper Co., Ltd. since 2010 and director of Winshare Investment Co., Ltd. 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 2019, the Group has a total of 7,728 (31 December 2018: 7,724) 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 2019, the total contributions made by the Group for its employees pursuant to the pension plan and annuity plan amounted to RMB152.82 million (2018: RMB127.16 million). For details of these plans, please refer to note (VI) 26 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 and its employees and endeavours to provide training and exchange opportunities for its employees so as to help them enhance their professional skills and expand their scope of work. In accordance with the requirements that complement personnel training and corporate strategies, the Company begins with the key positions, strengthens the training of its talent reserve pool, helps the management team expand their business horizon and enhance their capabilities of business operation. At the same time, the Company strategically implements staff development activities with different themes based on the requirements of business development for the capabilities and quality of staff of various levels so as to drive business development with the staff capabilities and quality. During the Year, the Company organised more than 120 training sessions including the training on enhancement of management skills, Winshare Big Lecture and various business skills training to integrate organisational capabilities into various training activities. Details of training are set out in the “Environmental, Social and Governance Report” 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 line with the growth and development of its employees. The Company maintains sound communication with employees, thus building a harmonious labour relationship.

Environmental, Social and Governance Report

RESPONSIBILITY MANAGEMENT

The Company believes that sound environmental, social and governance performance is crucial to maintain the Company's sustainability, achieving long-term objectives and creating long-term value for shareholders. Being a cultural media enterprise, the Group regards the passing on the excellent Chinese culture and serving the community as its mission. While steadily improving its financial performance and promoting its own industrial development, the Company closely monitors its management and performance in corporate environmental, social and governance responsibility, actively assumes social responsibility, and promotes the sustainable development of the Company.

The Board is responsible for the environmental, social and governance strategies and information disclosures of the Company, which are organised and implemented by the management of the Company. The Board regularly reviews the Company's environmental, social and governance risk management and its performance in internal control systems, and examines the information disclosed in the Company's environmental, social and governance report. This report is released after being reviewed and approved by the Board.

The Company has set up an environmental, social and governance work liaison mechanism led by the Board office and coordinated by the relevant departments. This 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.

This report covers the period from 1 January 2019 to 31 December 2019. The Company screens major environmental, social and governance issues that are relevant to the Company through stakeholder engagement, and materiality issues identification and assessment, and highlights them in the report.

STAKEHOLDER ENGAGEMENT

The Company is well aware that it is crucial to respond positively to investors, pay attention to stakeholders' concerns, and meet their expectations. Through diversified communication channels, the Company understands and responds to the demands of stakeholders, protects their rights and interests, and accordingly carries out environmental, social and governance work.

The Company also actively participates in publishing, distribution, copyright, printing, education and other industry association activities, with the aim of jointly exploring the future direction of the publishing and education industries with relevant institutions, and identifying industry trends in a timely manner.

Stakeholders	Expectation	Means of communication	Response
Readers	<ul style="list-style-type: none">High quality products and servicesExtensive cultural knowledge inputReading experience enhancementReasonable publicity and correct guidance	<ul style="list-style-type: none">Official website, public accounts and other mediaCustomer service hotlineOffline stores	<ul style="list-style-type: none">Strengthen the management and control of product qualitySupport and explore outstanding works for publicationEstablish people-friendly online and offline operating entities and efficient logistics networkOptimise customer compliant procedures to understand customers' views

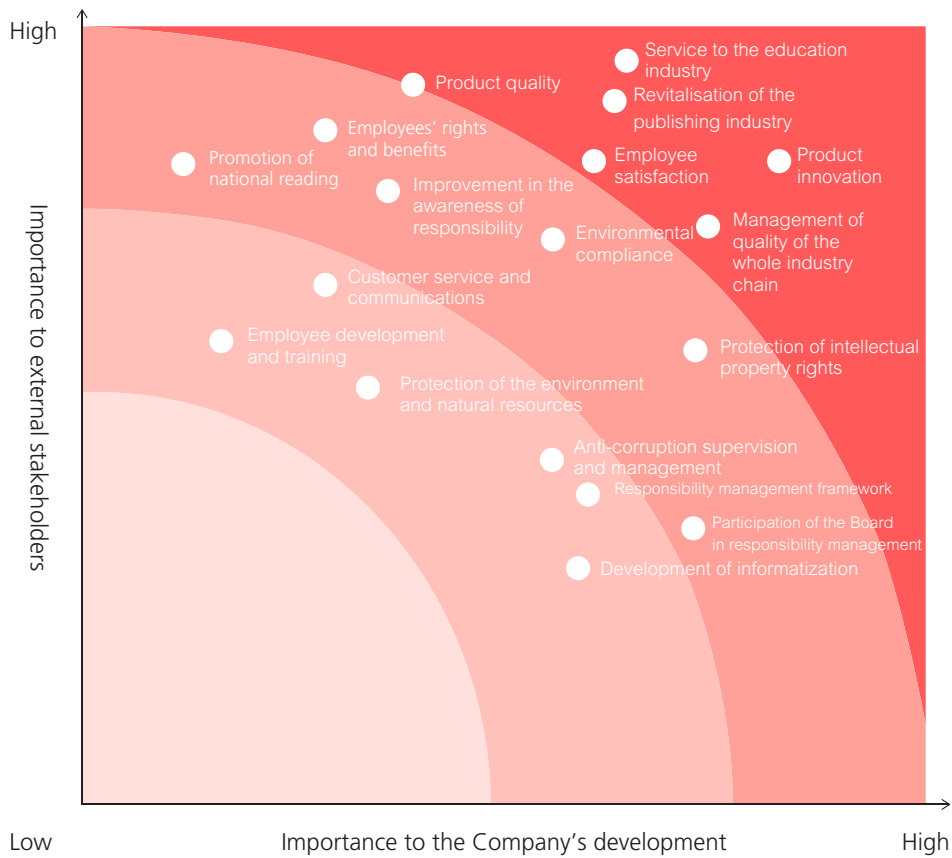
Environmental, Social and Governance Report

Stakeholders	Expectation	Means of communication	Response
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 • Online and offline 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"> • Regulation of corporate governance • Steady performance growth • Corporate value enhancement 	<ul style="list-style-type: none"> • Shareholders' general meetings • Regular reports and temporary announcements • Roadshow and other information disclosure channels 	<ul style="list-style-type: none"> • Continuously improve internal control and risk management mechanisms • Formulate and implement development strategies • Ensure transparent and open information disclosure
Schools	<ul style="list-style-type: none"> • Affordable education • Enhancement of quality and stable supply of textbooks and supplementary materials • Education informatization 	<ul style="list-style-type: none"> • Field researches and interviews • Teaching seminars 	<ul style="list-style-type: none"> • Develop curriculums and train teachers • Establish effective printing, logistics, and education service systems • Innovate education informatization
Government and regulatory authorities	<ul style="list-style-type: none"> • Compliant operations • Revitalisation of the cultural industry • Support to education 	<ul style="list-style-type: none"> • Information submission and disclosure • Investigation, inspection and supervision • Charitable activities 	<ul style="list-style-type: none"> • Comply with national laws and regulations and enhance the level of governance • Make disclosure in a timely and accurate manner • Promote national reading and output featured culture • Support the education in deprived regions
Partners	<ul style="list-style-type: none"> • Facilitation of healthy industry development • Compliance with business ethics • Mutual benefits and joint development 	<ul style="list-style-type: none"> • Peer and enterprise cooperation, exchange and research • Industry association • Book ordering meeting 	<ul style="list-style-type: none"> • Participate in the promotion of industry standards and specifications • Strengthen supplier management and qualification evaluation • Build a long-term stable cooperation mechanism
Environment	<ul style="list-style-type: none"> • Strengthening of resources recycling • Green operations 	<ul style="list-style-type: none"> • Environmental inspection • Environmental information disclosure 	<ul style="list-style-type: none"> • Promote environmental protection • Strengthen the recycling of packaging materials • Promote energy-efficient office and new energy transportation • Promote upstream green operations

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IDENTIFICATION OF SUBSTANTIVE ISSUES

During the Reporting Period, the Company attached great importance to stakeholder engagement. Through the issue of stakeholder surveys and other means, the Company gained an understanding of stakeholder demands, and analysed and evaluated material issues that are highly relevant to stakeholders and the Company's sustainable development. A matrix of substantive issues has been formed, which provides a basis for the focus of this report.



Environmental, Social and Governance Report

1. Green Development

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 its own printing business. Faced with severe global environmental issues, the Group actively responds to the Nation's call for green operations and adheres to green development. On the one hand, in strict compliance with the Environmental Protection Law, the Energy Conservation Law, the Law on Promoting Clean Production and other national laws and regulations, it 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 environmental protection and charitable activities with a view to promoting the sustainable development of the whole society.

1.1 Strengthening emissions management

The Group strictly complies with relevant international, national and local standards, rules and regulations concerning emissions. Its emissions mainly comprise the greenhouse gas emissions directly and indirectly produced from the use of vehicles, natural gas combustion and store operations; hazardous waste, packaging

waste, domestic waste and domestic sewage from printing, logistics and daily office operations. As to packaging waste, domestic waste and other non-hazardous wastes as well as domestic sewage, they are treated by the municipal government. As to waste lead-acid batteries, they are stored separately and qualified units are selected through tendering for professional recovery and disposal.

The hazardous waste produced by the Group mainly comes from scrap printing boards, scrap ink cartridges, printing waste gas and other hazardous waste produced in the production process of its production unit Sichuan Xinhua Printing. The company has formulated the Hazardous Waste Management System, whereby it assigns designated places and makes special labels for their collection, storage, delivery and treatment which are managed in a centralised manner by designated persons-in-charge, and keeps an account record. All hazardous wastes are treated by qualified companies or recycled by the original manufacturers to achieve compliant emissions. In 2019, Sichuan Xinhua Printing's VOC gas collection treatment facilities, gas hood and dust removal facilities were officially put into use, further reducing atmospheric pollution. During the Reporting Period, the company produced a total of 21.4 tonnes of scrap printing boards, 3.3 tonnes of scrap ink cartridges, and 13.54 tonnes of other hazardous waste, all of which decreased compared with 2018.

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

Indicator	Unit	2019	2018	2017
Gross sewage discharge ¹	10,000 tonnes	18.04	18.18	18.97
Sewage discharge per capita	tonne/person	23.34	–	–
Waste produced	tonne	580.47	580	533
Waste produced per capita	tonne/person	0.075	–	–
Scrap packaging materials produced by the logistics department	tonne	56	59	60
Direct greenhouse gas emissions	tonnes of carbon dioxide equivalent	2,829.79	3,202	3,625
Indirect greenhouse gas emissions	tonnes of carbon dioxide equivalent	17,333.14	15,768	15,447
Gross greenhouse gas emissions	tonnes of carbon dioxide equivalent	20,162.93	18,970	19,073
Greenhouse gas emissions per capita	tonnes of carbon dioxide equivalent/person	2.61	2.46	2.50

¹ Estimated based on the discharge coefficient of 0.85 with reference to the Urban Sewage Engineering Planning Specification (GB50318-2017)

1.2 Reducing the Consumption 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 Group has gradually improved the level of reduction in resources by promoting energy conservation and consumption reduction in administrative and office work, retail, logistics and other areas, upgrading equipment, recycling and other means.

For administrative and office work, the Company requires employees to save water and electricity, and advocates a paperless

office and the use of non-disposable tableware in staff canteens. In 2019, the light sources of some floors of its office building underwent energy-saving retrofit and replacement. Compared with 2018, the consumption of water, electricity, gas and other relevant resources in the Company's headquarters office area has been reduced.

The Company strengthens the awareness of energy conservation and consumption reduction in physical stores to effectively monitor the use of energy. In 2019, some stores kept the operating time of equipment in reasonable control through regular and regional energy use control measures, effectively reducing power consumption. In addition, lighting facilities were retrofitted and damaged T5 fluorescent lamps were gradually replaced with T8 LED energy-saving lamps to further improve energy efficiency.

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To actively respond to the national call for green and low-carbon travel, the Company increased the use of all-electric cars for transporting products in 2019, hence reducing diesel consumption by about 10,000 litres in total. At the same time, given that electric cars are not subject to the driving restriction, the efficiency in transport was greatly improved. In addition, the Company promotes the recycling of resources and achieves emission reduction through repeated use of paper and packaging materials. During the Reporting Period, approximately 15.60 tonnes of logistics packaging materials were recycled.

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

Indicator	Unit	2019	2018	2017
Electricity consumption	10,000 kWh	2,646.57	2,586.00	2,357.76
Gasoline consumption	10,000 L	85.98	105.78	124.50
Diesel consumption	10,000 L	7.96	8.95	9.40
Natural gas consumption	10,000 cubic metres	33.47	29.44	29.54
Gross comprehensive energy consumption	tonnes of standard coal equivalent	4,721.11	4,818	4,746
Comprehensive energy consumption per capita	tonnes of standard coal equivalent/person	0.61	0.62	0.62
Gross water consumption	10,000 tonnes	21.23	21.39	22.32
Water consumption per capita	tonne/person	27.47	27.70	29.08
Packaging materials consumption	tonne	2,272	2,351	1,746

1.3 Engaging in Environmental and Public Welfare Undertakings

In 2018, the Company launched the "One More Green" public welfare campaign to disseminate the message of environmental protection to primary and secondary school students, and encouraged them to donate used books. Leveraging on its campus service network over the primary and secondary schools across Sichuan Province, the Company passed the used books collected to paper factories for recycling. 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 Company continued to push ahead the "One More Green" public welfare campaign in a total of 133 counties (prefectures) in 18 municipalities across Sichuan Province. Over five million students from approximately 6,000 schools in the province participated, and more than 600 theme activities were carried out. During the Reporting Period, 3,832.29 tonnes of used books were collected through the year, which will be recycled into new paper.

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2. Focus on Employees

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 promotes the development of employees, and safeguards their rights and interests and physical and mental health as part of its efforts to care for the employees with a view to achieving the goal of co-development between employees and the enterprise.

2.1 Safeguarding Employees’ Rights and Interests

The Group perseveres in equal employment and prohibits employment discrimination

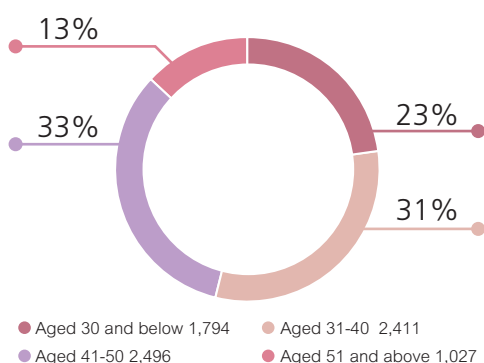
and forced labour in strict compliance with the Labour Law, Labour Contract Law, Law on the Protection of the Rights and Interests of Female Employees, Law on the Protection of Minors, Provisions on the Prohibition of Using Child Labour and other relevant laws and regulations. Child labour is strictly prohibited. The Company has formulated corresponding management systems for working hours, remuneration, paid leave, security protection, benefits and so forth to specify matters related to the vital interests of employees, maximising the protection of employees’ rights and interests. With full respect for the opinions of employees and the union, the Company has maintained good communication and has established a harmonious labour relationship.

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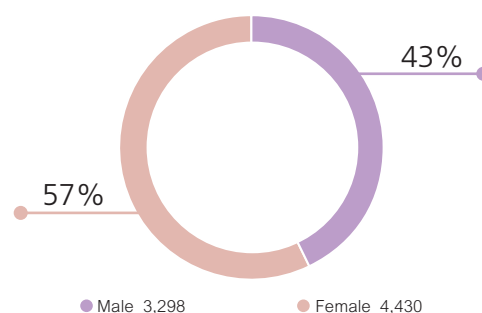
The Group endeavours to optimise the employment policies and improve the employee remuneration management system to protect the employees' right to reasonable working hours and statutory leave. The standard remuneration package includes basic salary, performance-based bonus and benefits. Fringe benefits including pension insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance, housing welfare funds and corporate annuity plan are also provided to the employees.

As of the end of the Reporting Period, the Group had 7,728 employees in total. A total of 652 employees resigned during the Year, including 211 male employees and 441 female employees. The annual employee turnover rate was 8.44%, of which the male employee turnover rate was 6.40% and the female employee turnover rate was 9.95%. The employee composition for the Year is set out as below:

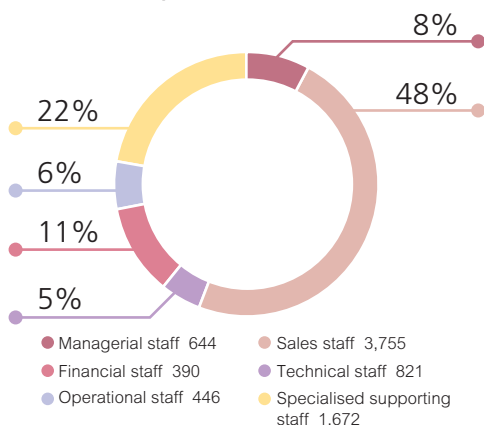
Number of employees and breakdown by age group in 2019



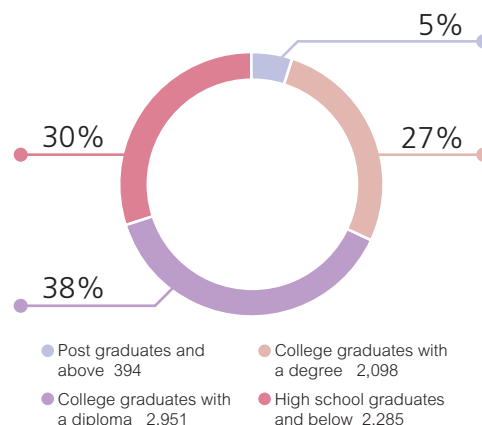
Number of employees and breakdown by gender in 2019



Number of employees and breakdown by profession in 2019



Number of employees and breakdown by education in 2019



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2.2 Caring for Employees' Health

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, striving to provide a healthy and safe working environment for employees. The Group organises physical examinations for employees every year, provides them with necessary work protective supplies, holds fire drills and fire prevention trainings, and designates personnel to carry out safety patrol. During the Reporting Period, no material occupational health and safety incident was identified, and no employee died due to work. A total of nine employees were injured due to work, all of whom were promptly treated and properly placated.

Sichuan Xinhua Printing, the only production unit of the Company, has obtained the occupational health and safety management system certification. To safeguard the health and safety of its employees, the company requires all management and production staff and personnel in charge of special operations to undergo training and repeated training before they are on board and requires personnel in charge of special equipment

and operations to be 100% certified for the post. At the same time, the company insists on regular safety patrol of production sites and fire safety inspections. If any potential safety hazard is found, a notice will be timely issued for rectification within a specified period. During the Reporting Period, activities such as "Production Safety Month" and "Summer Flood Control Drills" were carried out to train and drill employees on production safety awareness and emergency response capabilities.

Attaching great importance to employee care, the Group has established a file of employees in difficulty to comprehensively and truly grasp their situation and provide them with effective assistance. During the Reporting Period, the Group assisted and expressed sympathy to 81 employees in difficulty, granting a total of RMB143,500 in assistance and sympathy funds. To express its care, through the union, the Company timely gave out sympathy funds of RMB60,483 to employees who were hospitalised or employees who lost their loved ones, and purchased the "Employee Hospitalisation and Medical Mutual Assistance Insurance" for 6,039 eligible employees, guiding and helping out employees in hospitalisation and medical insurance as well as critical illness mutual insurance for female employees, thus providing multiple protections for employees' health.

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2.3 Promoting the Development of Employees

The Group continues to improve mechanisms for selecting, integrating, cultivating, motivating and eliminating talents, continuously optimising the human resources structure to provide open and equal employment opportunities, and comprehensively building a talent training planning and implementation system to proactively reserve talents and build teams, hence achieving the goals of strengthening the enterprise with talents. On the one hand, a reserve talent pool for key positions is established for strengthening the cultivation of reserve talents; on the other hand, aiming at building a compound management team, training for improving management capabilities at the middle and senior levels is carried out. At the same time, based on business development needs and in response to the competency requirements for professional positions, professional capability training

of employees is strengthened. In addition, the Group coordinates the development of general training in accordance with the common needs of employees to improve their general skills and comprehensive quality.

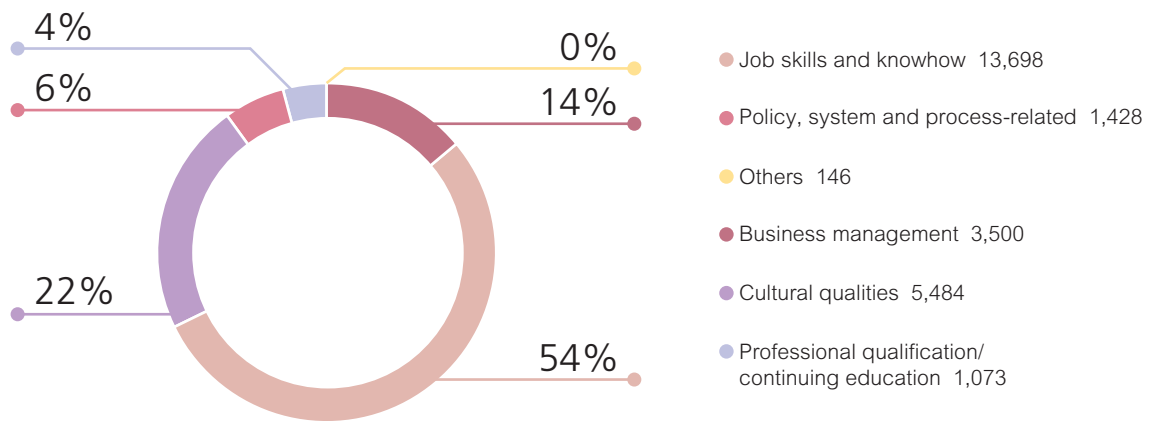
During the Reporting Period, in response to issues such as knowledge structure and aging, the Company's education service department strived to strengthen the building of backup young cadre teams and promote the introduction and training of young talents according to plan. Firstly, outstanding youths were recruited from college graduates and society to assume first-line sales positions and professional positions. Secondly, core young executives selected internally and talented youths introduced from the outside were assigned to corresponding management positions. Thirdly, training and innovation projects were developed to improve the capabilities of young cadres and key employees.

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The Group attaches great importance to and cares for the growth and development of employees, continuously providing employees with training and exchange opportunities to help them improve their professional skills and expand their scope of work. The Group 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 Group's training covers a number of areas from operational management, job position skills, cultural qualities, 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. Through screening with external contests, the Group can effectively enhance the employees' skills and professional qualities, mindsets and expand their scope of work. During the Reporting Period, the Group organised more than 120 sessions of training, including management skills enhancement training, Winshare Big Lecture, and various business skills training. The cumulative hours of training totalled 180,000 hours, and 25,329 employees participated in the training.

Number of training participants and breakdown by training content in 2019



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Case Study **Employees' Growth**

In September 2019, the “National Themed Publication Modelling Display Final Contest of China Xinhua Bookstore in Celebration of the 70th Anniversary of the Founding of New China” hosted by China Xinhua Bookstore Association and organised by the Mega Book Store Committee of China Xinhua Bookstore Association was held in Shijiazhuang, Hebei. 38 teams and 141 players from Xinhua Bookstores nationwide participated in this book modelling project contest of the largest scale, highest level and strongest lineup in the industry. In the end, the work from Xinhua Winshare Chengdu Book Centre won the highest prize in the contest – Grand Award. This activity not only has promoted nationwide exchanges in the book publication industry, but also has helped employees gain a sense of achievement and recognition in the course of competition and creativity, stimulating personal initiative. It was of great significance to the personal development of employees and team harmony.



Participants from Xinhua Winshare briefed the judges on the creative ideas of their works



Ha Jiuru, Chairman of China Xinhua Bookstore Association, and Lu Xiaoqing, Secretary-General, presented an award to Chengdu Book Centre

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3. Value Chain Enhancement

The Group implements the whole industry chain operation, and is committed to launching products that meet the cultural demands of the mass public to provide consumers with diversified and comprehensive cultural services.

3.1 Strict Control over Product Quality

Strictly abiding by relevant laws and regulations such as the Copyright Law of the People's Republic of China, Regulation on the Administration of the Publication Market, Regulation on the Administration of Publishing, and Regulation on the Administration of the Printing Industry, the Group carries out publishing and printing work with the goal of achieving "Two Beneficial Results".

> *Control over publishing quality*

Guided by the "three key publishing" concepts, the Group strictly controls the quality of publications, grasps the initiative in ideology through strict topic selection for approval, topic selection analysis and guidance, etc. At the same time, it strengthens process quality management, and strictly follows the publishing procedures of "review thrice and proofread thrice" in the course of publishing. In 2019, the Company strengthened control over the

content and quality of publications in the production process, and reviewed and quality-checked 328 scripts and finished books. In addition, the Company conducted a review of the editing and proofreading process of its nine book publishers. The publishers were urged to continue to improve their publishing quality management, and were required to regularly rectify the existing problems. Compared with 2018, the number of topics selected has decreased by 11%, and topic selection has shifted from the pursuit of quantity to quality. The topic selection structure was significantly optimised, and the overall quality of books was further improved.

> *Control over the quality of printed teaching materials*

For a long time, the Group has attached great importance to the quality of printed teaching materials. It has established quality management institutions, constantly improving the quality management system and quality testing standards, strictly controlling product quality, and promoting the steady improvement of the overall quality of printed teaching materials in Sichuan Province.

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During the Reporting Period, the Group continued to guide printing units to change their quality concepts aiming at changing the production standards for textbooks and supplementary materials from qualified products to excellent products. In 2019, it strengthened and implemented printing quality supervision, inspection and management, stepping up effort on printing process inspection and random finished products inspection, and implementing random inspection of textbooks covering all the batches for the three subjects compiled by the State and all the varieties to eliminate substandard inventory in the warehouse. A total of 1,069 batches of textbooks and supplementary materials were sampled, and one batch was unqualified which was returned to the printing unit for rectification and was accepted for entry upon passing the re-inspection. The passing rate was 100%. In addition, the Group improved the quality inspection and evaluation methods for teaching materials, and incorporated the results into the assessment of the printing units to

promote the improvement of the quality of teaching materials. During the Reporting Period, a total of two quality inspections and evaluations of teaching materials were conducted and quality products were selected.

> *Tracking of feedback on product quality*

As to recycling products and handling quality issues, the Group has a sound quality issue handling process. For example, 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 following the principle of “the one receiving the complaint shall take responsibility to the end” in strict accordance with the “acceptance – record – verification – reply” complaint response process, and guarantees that substandard products are exchanged in a timely manner.

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3.2 Protection of Intellectual Property Rights

While paying attention to quality, the Group strictly implements measures to protect intellectual property rights. Abiding by the Patent Law of the People's Republic of China and other laws and regulations, the Group safeguards the Company's legitimate rights and interests and protects its intellectual property rights in accordance with the Trademark Management Measures of the Company. In 2019, the Group applied for 28 new trademarks and successfully renewed two trademarks. As of the end of the Reporting Period, the Group had 298 trademarks. In 2019, the Group did not have any copyright litigation and disputes.

3.3 Service Value Enhancement

The Group is committed to providing consumers with diversified and convenient services. Through its online-offline reading service network systems and excellent reading service capabilities, the Group aims to enhance reading experience among consumers and make them enjoy reading. While focusing on service enhancement, the Group resolutely safeguards the legitimate rights and interests of consumers, and strictly abides by the Consumer Rights Protection Law to protect the privacy and security of consumers. In strict accordance with the Company's brand management measures, brand management work is effectively carried out with respect to the news releases, advertisements and promotional materials of various departments and the VI systems to eliminate false publicity and avoid information lag, thus promoting brand planning as well as standardisation in the use of brands.

3.4 Strengthening Supply Chain Management

While strengthening the management of its own responsibilities, the Group also standardises the management of suppliers to ensure product procurement is compliant and fair and the product quality is in line with the standards. The Group pays attention to the environmental, social and governance-related performance of suppliers to strengthen quality management. The Company maintains good communication with suppliers to build a responsible supply chain together. As at the end of the Reporting Period, the Group mainly cooperated with 479 printers in total, 153 of them in Sichuan Province and 326 of them outside the province. The Company had a total of 1,161 book suppliers, 153 of them in Sichuan Province and 1,008 of them outside the province.

In order to improve the control over the printing and packaging quality of textbooks and supplementary materials, and ensure the "arrival of textbooks before school", the Group has formulated a number of management systems in accordance with relevant laws and regulations with respect to the admission qualifications and production specifications of printers to be used in regulating its own printing factories and the product quality and production cycle of printing suppliers. The Group implements a rating mechanism for printers whereby the printing of textbooks and supplementary materials is assigned according to different levels to achieve control over the quality of printed products. For printers with quality incidents and failing to rectify them, their printing qualification will be cancelled. At the same time, each printing unit will be

Environmental, Social and Governance Report

reviewed prior to printing in every quarter, and the cooperation with suppliers whose qualifications have expired or revoked, or suppliers that have no conditions for production or are punished for violation of regulations, or suppliers involved in legal disputes and other potential risks will be terminated. In 2019, the Group conducted interviews with printing units having issues on the quality cycle. After the interviews, the printing units made an analysis of their issues and put forward measures for rectification, in addition to the signing of a letter of undertaking.

Putting the green procurement principle into practice, the Group encourages and promotes printing companies to give priority to the use of environmentally friendly products. It is clearly stipulated in the tendering materials that printers of textbooks and supplementary materials must furnish the China Environmental Labelling Product Certification, and the materials purchased by the printers must be environmentally friendly products. For example, the hot-melt adhesives used in bookbinding must meet the requirements of the Technical Requirement for Environmental Labeling Products – Adhesives. At the same time, the Group requires its subsidiary Sichuan Printing Materials Co., Ltd. to provide ink and supplies that are procured through comparison and selection for the printing of its textbooks and supplementary materials. The products of participating suppliers must have the “ten-ring” China Environmental Labeling certification and are also required to provide materials

that are certified to be free of phthalates by CMA test reports, material safety data sheets (MSDS) and other green qualifications documents to reduce the impacts on the environment. The Group 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.

As to the selection of book suppliers, the Group requires publishers to provide a Business License and a Permit on the Management of Publications, and non-publishers to provide a Letter of Authorisation for the Publishing and Distributing Industry for qualifications review. At the same time, suppliers are selected in accordance with the principles for high quality, contract-honouring, trustworthiness, and good management. As to the management of supplier information, the Group will register the information of suppliers with which it has established a cooperative relationship. If there are any changes in the key data of suppliers during the cooperation process, the supplier is required to fill in the Form for the Modification of Key Data of Suppliers and affix its company seal or provide relevant valid certifications for registration of its information. If the supplier no longer has the conditions to continue the cooperation or the two parties are not willing to continue the cooperation, an application for termination of cooperation shall be submitted in accordance with the provisions of the Process on the Closure and Freezing of Key Suppliers Data prior to withdrawal.

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4. Anti-corruption

Since its establishment, the Company has continuously strengthened risk management and anti-corruption work, establishing systems and adopting measures to create a good atmosphere and culture that runs through the Company's internal and external environment. Strictly abiding by national laws and regulations such as the Company Law of the People's Republic of China, Criminal Law of the People's Republic of China, and Supervision Law of the People's Republic of China, the Group endeavours to safeguard a clean operation by building an anti-corruption system at various levels including the formulation of anti-corruption policies, establishment of a special department for monitoring, establishment of multiple reporting channels, and attention to risks in business processes, etc.

The Company has adopted a number of measures at the compliance and anti-corruption levels to protect its fairness, integrity, and honest operation. In 2019, it announced the implementation of the Comprehensive Risk Management Measures, and optimised and updated the Internal Control Manual aiming at standardising the Company's comprehensive risk management and internal control. By optimising the risk and internal control assessment procedures and methods, attention was paid to important business and key risk areas, and the close integration of risk management and internal control with the Company's actual operation and management was promoted. In addition, the Company conducted annual evaluations of the integrity of cadres in accordance with its Implementation Measures for Evaluation of the Integrity of Cadres. The Complaint Reporting System, Regulation on the Prevention of Conflicts

of Interest and other relevant requirements of the Company were firmly implemented. During the Reporting Period, there were no lawsuits on corruption that caused significant losses and impacts on the Company's operations.

During the Reporting Period, anti-corruption publicity and education activities were carried out in by the Company various forms, and a total of 1,324 people participated. Special training and activities were carried out thrice to help primary disciplinary commissioners increase their understanding of the Company's innovative business development, which has also enhanced their awareness of serving operation and management. Four sessions of integrity training were conducted. At the same time, the Company maintained regular and targeted anti-corruption education, and conducted a total of 19 talks with new (or) key cadres around key operational and management aspects for a continuous improvement in educational effect.

5. Social Responsibility

The Company does its best to bring social benefits generated from the place of operation and fulfills its social responsibilities. The Company endeavours to spread the Chinese culture, facilitate national reading, serve the education industry and promote the harmonious development in the community by fully capitalising on the strengths of its principal business of publishing and distribution as well as the positive influence of the cultural industry so as to reflect its performance of responsibilities as a listed company. During the Reporting Period, the Group made a donation totalling RMB41.26 million.

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5.1 Promoting the Chinese Culture

The Company, as a key cultural enterprise in Sichuan Province, shoulders the social mission of exploring the publishing potential of Sichuan Province and promoting the Chinese culture. Firstly, the Company pushes ahead the publication of works under the theme of Bashu culture. In 2019, it continued to advance the editing and publishing of the “Historical Celebrities in Sichuan” series. The research series, biography series, historical novels and other related books of “Historical Celebrities in Sichuan” have been published, and the ceremony celebrating its first publication was successfully held at the first Tianfu Book Fair. Secondly, the Company moved into the implementation of key publishing projects. Around the 70th anniversary of the founding of the People’s Republic of China, it has planned and published nearly 50 key topic-selected books such as “The Sun Rises in the East” and “The Spirit of the Red Boat”. Thirdly, the Company strengthened the publishing work in relation to the protection of minority cultures, with four

books including “100 Tibetan Classic Folk Tales (Third Series)” shortlisted for special funded national text publishing projects in 2019, and seven books such as “History of Tibetan Art” shortlisted for supplementary national publishing planning projects in relation to key books, and audio-visual and electronic publications in the “Thirteenth Five-Year” period. A total of 33 types of books were shortlisted into various national projects throughout the year.

The Company promotes cultural prosperity and development, and facilitates the spread of advanced culture. It organised the “Love Reading · Meeting Life – 2019 Tianfu Book Fair” in Chengdu for showcasing and distributing excellent publications. The book fair also had more than 200 branch sessions in bookstores and reading venues across 21 municipalities (prefectures) in the province. 29 publishing groups, close to 300 independent publishing houses, 17 private book planning units, and more than 30 non-book cultural and creative enterprises nationwide participated in the fair. A total of 110,000 types of books were displayed, and



A live salon – Face to Face with Famous Writers in Tianfu Book Fair

Environmental, Social and Governance Report



A scene in Tianfu Book Fair

more than 500 reading activities were held. Receiving more than 1.1 million readers, the fair was a major event for the publishing and distribution industry and a national reading culture feast. The “Tianfu Book Fair” has filled the gaps in comprehensive book fairs and national reading activities in the central and western regions of China, fully demonstrating the results of the reform and development of the publishing industry in Sichuan Province since the implementation of the strategy of “revitalising publishing in Sichuan Province and rejuvenating physical bookstores”. The Company takes this book fair as an opportunity to gather high-quality publications nationwide, providing an exchange and service platform for exhibitors and providing readers with a reading culture, creating an atmosphere for more reading time, more good reading, and more reading quality in society, thus playing an active

role in promoting national reading and facilitating the building of a scholarly city.

In addition, the Group actively carries out international exchanges to implement its long-term “going out” model aiming at promoting the Chinese culture to the world, striving to build an international communications industry matrix. In 2019, a total of 418 book copyright exports were achieved, an increase of 53.7% over last year. The Company has once again been recognised by the Ministry of Commerce, the Publicity Department of the Central Committee, the Ministry of Finance, the Ministry of Culture and Tourism, and the National Radio and Television Administration as the “National Key Enterprise for Cultural Exports in 2019-2020”, and its international influence has continued to increase.

Environmental, Social and Governance Report

5.2 Serving the Education Industry

The Group is committed to 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 has conducted a series of campaigns through public welfare activities to facilitate the development of the education industry, which have been widely praised by educators.

During the Reporting Period, the Company organised teacher trainings over 100 times, and more than 50,000 teachers participated. The trainings covered 18 municipalities in Sichuan Province and were carried out in various forms, including intensive face-to-face training, on-the-job training, visits to prestigious schools, and studies at colleges. The teacher trainings covered pre-school education, nine-year compulsory education, high school education and vocational education. Trainings were focused on more than ten topics including training of cadres in the education system, principal and middle-level cadre training, subject teachers and head teachers

training, new college entrance examination reform training, pre-school education training, mental health training, financial management training, and information technology training.

The Company remains committed to promoting the in-depth integration of information technology and education. Education informatization 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. Leveraging on its accumulated experience in building the education informatization service and equipment business 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.



A teachers training event of Xinhua Winshare

Environmental, Social and Governance Report

The Company continues to conduct 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 Province. During the Reporting Period, centring around the “Star Sun Public Welfare Campaign”, the Company organised ongoing public welfare events including the rural teacher and student training, the campus mental health counselling and the celebrity teacher class in rural areas as well as teacher training works. The Company continued to promote the alliance to revitalise rural schools in Sichuan Province, and held more than 60 lectures, trainings, internship and other educational research activities. In the 2019 Annual Report on Social Development of Sichuan (Sichuan Blue Book), it was clearly mentioned with respect to rural revitalisation and rural governance

that social welfare organisations such as the “Star Sun Public Welfare Campaign” and the alliance for rural school revitalisation in Sichuan Province are the bright spots of development of rural education in Sichuan Province, launching an extensive rural education assistance program. The campaign covered the rural primary schools, teaching points of all rural centre schools across Sichuan Province and their principals, teachers and students. Since the commencement of the campaign, the Company has helped schools, teachers and students in Sichuan to make more than 6,000 dreams come true by providing close to 1,900 supporting projects. More than 200,000 teachers and students directly benefited and over a million people indirectly benefited from the campaign. Cumulatively, nearly RMB22 million of equipment, in-kind and cash donations were made. The Company has become an influential public welfare brand that supports the development of rural education in Sichuan Province.

Case Study **Celebrity Teacher Class in Rural Areas**

2019 was the third year of implementation of the celebrity teacher class in rural areas. Xinhua Winshare was responsible for carrying out the activity in Shahe Township Primary School in Nanjiang County, Bazhong City, No. 8 Primary School in Neijiang City, and Jianshe Township Primary School in Santai County, Mianyang City. Bringing new concepts and teaching approaches to local teachers, the activity was broadly welcomed. The teachers also exchanged their thoughts and suggestions with the organising committee. The continuous implementation of the celebrity teacher class in rural areas has strengthened urban-rural teaching exchanges, adding impetus to urban-rural educational training, and further promoting the improvement of rural education quality.



A celebrity teacher class in Shahe Township Primary School in Nanjiang County, Bazhong City



A celebrity teacher class in Jianshe Township Primary School in Santai County, Mianyang City

Report of the Supervisory Committee

In 2019, 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 Supervisory Committee convened four meetings. Prior to convening the meetings, the Company was in compliance with relevant laws and regulations, and despatched meeting materials to the members of the Supervisory Committee by the prescribed time. The procedures convening the meetings of the Supervisory Committee and quorum of the meeting of the Supervisory Committee were in compliance with the Company Law and the Articles of Association. Several resolutions including the resolutions regarding the Company's Report of Supervisory Committee for 2018, the Audited Consolidated Financial Report for 2018, the Internal Control Evaluation and Risk Management Report for 2018, the Audit Report on Internal Control for 2018, the Social Responsibility Report for 2018, the Proposed Profit Distribution Proposal for 2018, the Annual Report for 2018, the First Quarterly Report for 2019, the Interim Report for 2019, the Third Quarterly Report for 2019 and the Special Report on the Placement and Actual Use of Proceeds for 2018 were considered and approved at the meetings of the Supervisory Committee. Supervisors at the Supervisory Committee prudently and objectively 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 with the view to safeguarding the interest of 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 during the Year, communicated with the Company's management and annual auditors, reviewed the operating and management information provided by the Company regularly, examined the financial reports of the Company and carried out pre-meeting discussion on the agenda with a view to understanding and grasping the Company's operating and management condition, internal control risks, financial position, investment condition and business operations in a timely manner. The Supervisory Committee considered that, during the Year, the Directors and senior management of the Company duly carried out their duties; operating results of the Company grew steadily; the decision-making procedures of each Board meeting and general meeting of the Company were legitimate; and that the Board had duly implemented the resolutions of the general meetings. 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 2019

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

The Supervisory Committee considered that: during the year 2019, the Company operated and regulated its management in accordance with the laws. Its operating results were fair and true, with an internal control and risk management system operating effectively. The Directors and senior management officers of the Company acted carefully and diligently in its business operation and management process and innovatively 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 2019 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 2019, 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 and risk report of the Company

The Supervisory Committee considered and reviewed the Internal Control Evaluation Report for 2019 and Risk Assessment Report for 2019 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 2019. The Supervisory Board considered that the Company has built a relatively sound internal control and risk management 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 2019 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 2020, while strengthening its supervision and management functions, the Supervisory Committee will raise its awareness on risk prevention, strictly supervise the daily duties of the Directors and senior management officers and examine the finance of the Company, thus giving full play to its function as the Supervisory Committee, promoting the lawful operation and regulated operation of the Company and further enhancing the Company's operating and management levels.

By order of the Supervisory Committee

Tang Xiongxing

Chairman

30 March 2020

Auditor's Report

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Deloitte.

德勤

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

1. OPINION

We have audited the accompanying 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 2019, 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 2019, 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 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) 38 and Note (XVI) 24 to the financial statements, the revenue generated from the sales of textbooks and supplementary materials for the current year is RMB4,330,236,700, accounting for a proportion of 49 % and 81% 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 2019 of Xinhua Winshare, but does not include the financial statements and our auditor's report thereon.

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

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

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

Auditor's Report

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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.
- (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 (including the disclosures), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Xinhua Winshare to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's Report

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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 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
Ling Yan
(Engagement Partner)

Chinese Certified Public Accountant
Liu Jie

30 March 2020

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 2019

RMB

ITEM	Notes	31 December 2019	31 December 2018
Current Assets:			
Cash and bank balances	(VI) 1	3,512,103,793.03	2,608,612,572.01
Held-for-trading financial assets	(VI) 2	1,280,006,671.94	1,262,431,274.52
Notes receivable	(VI) 3	2,218,450.46	4,418,800.18
Accounts receivable	(VI) 4	1,761,441,147.35	1,347,803,513.05
Financing receivables	(VI) 5	7,007,859.79	–
Prepayments	(VI) 6	58,181,516.90	71,487,222.26
Other receivables	(VI) 7	104,061,715.50	99,002,826.00
Inventories	(VI) 8	2,157,448,334.24	1,921,544,765.26
Other current assets	(VI) 9	77,122,753.65	70,874,065.89
Non-current assets due within one year	(VI) 10	125,609,106.15	264,807,735.12
Total Current Assets		9,085,201,349.01	7,650,982,774.29
Non-current Assets:			
Long-term receivables	(VI) 10	350,957,672.37	267,742,224.79
Long-term equity investments	(VI) 11	449,653,943.26	374,130,558.86
Other equity instrument investments	(VI) 12	1,409,845,288.08	1,452,054,632.09
Other non-current financial assets	(VI) 13	527,436,409.71	507,656,767.91
Investment properties	(VI) 14	68,648,805.99	53,919,142.25
Fixed assets	(VI) 15	1,322,693,949.23	1,284,362,282.11
Construction in progress	(VI) 16	626,686,549.71	671,459,973.65
Right-of-use assets	(VI) 17	437,964,136.29	N/A
Intangible assets	(VI) 18	367,011,714.16	334,741,307.45
Development cost		15,224,896.49	47,521,564.75
Goodwill	(VI) 19	500,590,036.14	500,590,036.14
Long-term prepaid expenses	(VI) 20	24,642,631.46	21,063,047.60
Deferred tax assets	(VI) 21	16,124,167.44	11,674,788.33
Other non-current assets	(VI) 22	121,821,923.19	109,813,352.57
Total Non-current Assets		6,239,302,123.52	5,636,729,678.50
TOTAL ASSETS		15,324,503,472.53	13,287,712,452.79
Current Liabilities:			
Notes payable	(VI) 23	14,054,710.75	22,176,144.64
Accounts payable	(VI) 24	4,315,781,514.83	3,598,337,771.59
Contract liabilities	(VI) 25	376,701,382.73	338,681,880.89
Employee benefits payable	(VI) 26	418,106,174.73	338,084,927.10
Taxes payable	(VI) 27	49,032,631.64	48,138,758.54
Other payables	(VI) 28	297,303,824.56	286,639,643.77
Deferred income	(VI) 29	103,535,074.58	98,377,250.58
Non-current liabilities due within one year	(VI) 31	93,885,902.56	–
Provisions	(VI) 30	69,248,504.54	48,879,492.72

Consolidated Balance Sheet

At 31 December 2019

RMB

ITEM	Notes	31 December 2019	31 December 2018
Total Current Liabilities		5,737,649,720.92	4,779,315,869.83
Non-current Liabilities:			
Lease liabilities	(VI) 31	353,248,365.44	N/A
Deferred income	(VI) 32	58,755,458.63	70,210,541.84
Deferred tax liabilities	(VI) 21	54,883,601.32	32,156,680.02
Total Non-current Liabilities		466,887,425.39	102,367,221.86
TOTAL LIABILITIES		6,204,537,146.31	4,881,683,091.69
Shareholders' Equity:			
Share capital	(VI) 33	1,233,841,000.00	1,233,841,000.00
Capital reserve	(VI) 34	2,572,524,766.32	2,572,524,766.32
Other comprehensive income	(VI) 35	979,297,859.83	1,021,506,867.83
Surplus reserve	(VI) 36	792,353,770.15	711,068,358.95
Retained profits	(VI) 37	3,629,232,391.16	2,941,622,541.24
Total Shareholder's Equity Attributable to Equity Holders of the Company		9,207,249,787.46	8,480,563,534.34
Non-controlling Interests		(87,283,461.24)	(74,534,173.24)
TOTAL SHAREHOLDERS' EQUITY		9,119,966,326.22	8,406,029,361.10
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		15,324,503,472.53	13,287,712,452.79

The accompanying notes form part of the financial statements.

The financial statements on pages 107 to 308 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 2019

RMB

ITEM	Notes	31 December 2019	31 December 2018
Current Assets:			
Cash and bank balances	(XVI) 1	2,643,010,670.59	1,747,274,865.08
Held-for-trading financial assets		1,130,006,671.94	1,260,641,274.52
Accounts receivables	(XVI) 2	761,232,857.11	789,285,622.97
Financing receivables		996,802.16	–
Prepayments	(XVI) 3	15,731,020.78	14,540,721.77
Other receivables	(XVI) 4	943,677,036.44	785,461,799.31
Inventories	(XVI) 5	1,005,488,071.76	461,402,357.67
Other current assets	(XVI) 6	51,787,766.66	33,369,425.01
Non-current assets due within one year		37,854,904.23	162,916,670.44
Total Current Assets		6,589,785,801.67	5,254,892,736.77
Non-current Assets:			
Long-term receivables		126,256,199.31	117,235,224.30
Long-term equity investments	(XVI) 7	3,461,665,665.81	3,481,334,206.35
Other equity instrument investments	(VI) 12	1,408,627,200.00	1,450,835,200.00
Other non-current financial assets	(VI) 13	111,887,206.48	94,837,468.07
Investment properties	(XVI) 8	19,888,509.27	20,788,699.30
Fixed assets	(XVI) 9	895,397,065.87	845,414,947.25
Construction in progress	(XVI) 16	626,640,526.12	667,163,884.76
Right-of-use assets	(XVI) 10	403,799,157.21	N/A
Intangible assets	(XVI) 11	144,754,357.02	143,191,480.50
Development cost		2,399,999.93	–
Long-term prepaid expenses	(XVI) 12	11,132,727.93	17,116,365.91
Other non-current assets	(XVI) 13	601,698,374.42	552,718,628.57
Total Non-current Assets		7,814,146,989.37	7,390,636,105.01
TOTAL ASSETS		14,403,932,791.04	12,645,528,841.78

The Company's Balance Sheet

At 31 December 2019

RMB

ITEM	Notes	31 December 2019	31 December 2018
Current Liabilities:			
Accounts payable	(XVI) 14	4,321,954,237.88	3,596,410,411.15
Contract liabilities	(XVI) 15	274,971,650.68	251,659,068.56
Employee benefits payable	(XVI) 16	274,810,728.97	213,806,252.35
Taxes payable	(XVI) 17	18,572,632.61	18,328,608.19
Other payables	(XVI) 18	596,955,023.80	489,001,781.64
Non-current liabilities due within one year	(XVI) 19	76,800,069.97	–
Provisions		46,538,568.99	18,023,264.95
Total Current Liabilities		5,610,602,912.90	4,587,229,386.84
Non-current Liabilities:			
Leased liabilities	(XVI) 19	338,778,490.39	N/A
Deferred income		6,599,375.93	10,841,255.11
Total Non-current Liabilities		345,377,866.32	10,841,255.11
TOTAL LIABILITIES		5,955,980,779.22	4,598,070,641.95
Shareholders' Equity:			
Share capital	(VI) 33	1,233,841,000.00	1,233,841,000.00
Capital reserve	(XVI) 20	2,631,057,328.10	2,631,057,328.10
Other comprehensive income	(XVI) 21	980,900,206.10	1,023,108,206.10
Surplus reserve	(XVI) 22	791,519,020.02	710,233,608.82
Retained profits	(XVI) 23	2,810,634,457.60	2,449,218,056.81
TOTAL SHAREHOLDERS' EQUITY		8,447,952,011.82	8,047,458,199.83
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		14,403,932,791.04	12,645,528,841.78

Consolidated Income Statement

For the year ended 31 December 2019

RMB

ITEM	Notes	Amount recognized in the current year	Amount recognized in the prior year
I. Total operating income	(VI) 38	8,842,457,723.79	8,186,582,966.73
Less: Total operating costs	(VI) 38	7,847,060,645.92	7,267,207,520.07
Including: Operating costs		5,459,861,693.69	5,115,028,020.85
Taxes and levies	(VI) 39	43,269,701.89	36,982,584.14
Selling expenses	(VI) 40	1,119,679,106.03	1,010,672,983.29
Administrative expenses	(VI) 41	1,253,975,538.01	1,115,342,053.40
Research and development expenditure		3,255,571.48	13,592,602.42
Finance expenses	(VI) 42	(32,980,965.18)	(24,410,724.03)
Including: Interest expenses		19,440,321.87	516,412.05
Interest income		58,193,235.03	35,998,426.65
Add: Other income	(VI) 43	105,188,714.79	62,444,933.44
Investment income	(VI) 44	208,902,018.79	126,882,215.06
Including: Income from investments in associates and joint ventures		81,036,355.76	20,614,370.74
Gains (losses) from changes in fair values	(VI) 45	37,980,059.49	(38,181,032.61)
Loss on credit impairment	(VI) 46	(111,030,436.96)	(83,756,073.61)
Impairment losses of assets	(VI) 47	(60,917,237.10)	(57,346,713.77)
Gains from disposal of assets		3,870,076.62	1,430,228.33
II. Operating profit		1,179,390,273.50	930,849,003.50
Add: Non-operating income	(VI) 48	11,917,025.61	10,614,766.98
Less: Non-operating expenses	(VI) 49	42,469,999.88	25,543,150.09
III. Total profit		1,148,837,299.23	915,920,620.39
Less: Income tax expenses	(VI) 50	24,172,075.12	(10,795,846.37)
IV. Net profit		1,124,665,224.11	926,716,466.76
(I) Categorized by the nature of continuing operation			
1. Profit from continuing operations		1,124,665,224.11	926,716,466.76
(II) Categorized by ownership:			
1. Net profit attributable to shareholders of the Company		1,139,047,561.12	932,184,804.06
2. Non-controlling interests (net loss)		(14,382,337.01)	(5,468,337.30)

Consolidated Income Statement

For the year ended 31 December 2019

RMB

ITEM	Notes	Amount recognized in the current year	Amount recognized in the prior year
V. Other comprehensive income, net of tax	(VI) 35	(42,209,008.00)	(388,763,766.33)
Other comprehensive income attributable to shareholders of the Company, net of tax		(42,209,008.00)	(388,763,766.33)
(I) Other comprehensive income not reclassified to profit or loss	(VI) 35		
1. Changes in other equity instrument investment at fair value		(42,209,008.00)	(388,763,766.33)
Other comprehensive income attributable to non-controlling interests, net of tax		–	–
VI. Total comprehensive income		1,082,456,216.11	537,952,700.43
Total comprehensive income attributable to shareholders of the Company		1,096,838,553.12	543,421,037.73
Total comprehensive income attributable to non-controlling interests		(14,382,337.01)	(5,468,337.30)
VII. Earnings per share:			
(I) Basic earnings per share	(VI) 51	0.92	0.76
(II) Diluted earnings per share		N/A	N/A

The Company's Income Statement

For the year ended 31 December 2019

RMB

ITEM	Notes	Amount recognized in the current year	Amount recognized in the prior year
I. Operating income	(XVI) 24	5,324,183,952.54	6,487,346,371.20
Less: Operating costs	(XVI) 24	3,067,558,495.26	4,429,640,326.61
Taxes and levies	(XVI) 25	22,696,091.62	16,827,396.49
Selling expenses	(XVI) 26	817,565,970.62	724,458,893.51
Administrative expenses	(XVI) 27	933,574,761.92	828,146,117.94
Research and development expenditure		11,904.76	–
Finance expenses	(XVI) 28	(17,586,613.79)	(10,610,202.40)
Including: Interest expenses		24,862,167.43	4,292,615.77
Interest income		44,711,316.10	23,329,147.08
Add: Other income	(XVI) 29	11,120,509.90	3,612,061.44
Investment income	(XVI) 30	442,848,431.37	399,074,811.68
Including: Income from investments in associates and joint ventures		21,585,357.85	27,176,545.20
Gains from changes in fair values		19,910,686.76	7,302,293.11
Loss on credit impairment	(XVI) 31	(39,222,111.38)	(30,368,697.12)
Impairment losses of assets	(XVI) 32	(84,867,650.08)	(2,061,235.77)
Gains from disposal of assets		2,567,623.67	26,124.33
II. Operating profit		852,720,832.39	876,469,196.72
Add: Non-operating income	(XVI) 33	1,541,922.51	1,577,426.34
Less: Non-operating expenses	(XVI) 34	41,408,642.91	24,799,387.80
III. Total profit		812,854,111.99	853,247,235.26
Less: Income tax expenses		–	–
IV. Net profit		812,854,111.99	853,247,235.26
(I) Net profit from continuing operations		812,854,111.99	853,247,235.26
V. Other comprehensive income, net of tax		(42,208,000.00)	(387,912,000.00)
(I) Other comprehensive income not reclassified to profit or loss			
1. Changes in other equity instrument investment at fair value	(XVI) 21	(42,208,000.00)	(387,912,000.00)
VI. Total comprehensive income:		770,646,111.99	465,335,235.26

Consolidated Cash Flow Statement

For the year ended 31 December 2019

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		8,952,187,684.21	8,428,611,018.96
Receipts of tax refunds		60,860,279.90	2,859,806.40
Other cash receipts relating to operating activities	(VI) 52(1)	129,831,662.50	128,901,806.29
Sub-total of cash inflows from operating activities		9,142,879,626.61	8,560,372,631.65
Cash payments for goods purchased and services received		5,375,936,171.42	5,339,129,538.40
Cash payments to and on behalf of employees		1,158,611,572.77	1,023,749,106.97
Payments of various types of taxes		120,693,746.06	101,761,373.63
Other cash payments relating to operating activities	(VI) 52(2)	1,123,227,616.74	1,102,282,340.68
Sub-total of cash outflows from operating activities		7,778,469,106.99	7,566,922,359.68
Net Cash Flow from Operating Activities	(VI) 53(1)	1,364,410,519.62	993,450,271.97
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		1,957,525,803.19	2,517,083,314.41
Cash receipts from investment income		110,970,093.25	108,667,864.64
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		9,381,280.95	4,535,883.74
Net cash receipts from disposals of subsidiaries and other business units		–	393,915.64
Net cash receipts from acquisition of subsidiaries		3,020,764.08	–
Other cash receipts relating to investing activities	(VI) 52(3)	58,434,629.84	283,561,027.40
Sub-total of cash inflows from investing activities		2,139,332,571.31	2,914,242,005.83
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		155,645,880.26	160,006,970.69
Cash payments to acquire investments		1,942,738,561.22	2,628,735,897.95
Other cash payments relating to investing activities	(VI) 52(4)	134,000,000.00	–
Sub-total of cash outflows from investing activities		2,232,384,441.48	2,788,742,868.64
Net Cash Flow from Investing Activities		(93,051,870.17)	125,499,137.19

Consolidated Cash Flow Statement

For the year ended 31 December 2019

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		3,000,000.00	5,035,000.00
Including: Cash receipts from capital contributions from non-controlling shareholders of subsidiaries		3,000,000.00	5,035,000.00
Sub-total of cash inflows from financing activities		3,000,000.00	5,035,000.00
Cash payments for distribution of dividends and settlement of interest expenses		370,620,994.77	371,076,380.06
Including: Payments for distribution of dividends to non-controlling shareholders of subsidiaries		277,173.17	205,439.69
Other cash payments relating to financing activities	(VI) 52(5)	86,531,160.25	1,780,947.00
Sub-total of cash outflows from financing activities		457,152,155.02	372,857,327.06
Net Cash Flow from Financing Activities		(454,152,155.02)	(367,822,327.06)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents			
		–	–
V. Net Increase in Cash and Cash Equivalents	(VI) 53(1)	817,206,494.43	751,127,082.10
Add: Opening balance of Cash and Cash Equivalents	(VI) 53(2)	2,576,699,731.25	1,825,572,649.15
VI. Closing Balance of Cash and Cash Equivalents	(VI) 53(2)	3,393,906,225.68	2,576,699,731.25

The Company's Cash Flow Statement

For the year ended 31 December 2019

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		5,595,907,872.94	6,738,121,459.60
Other cash receipts relating to operating activities	(XVI) 35(1)	98,186,081.41	78,264,836.82
Sub-total of cash inflows from operating activities		5,694,093,954.35	6,816,386,296.42
Cash payments for goods purchased and services received		2,831,406,656.37	4,139,923,742.13
Cash payments to and on behalf of employees		770,789,595.22	678,319,076.34
Payments of various types of taxes		23,175,919.50	18,191,755.50
Other cash payments relating to operating activities	(XVI) 35(2)	838,820,577.44	891,963,192.88
Sub-total of cash outflows from operating activities		4,464,192,748.53	5,728,397,766.85
Net Cash Flow from Operating Activities	(XVI) 36(1)	1,229,901,205.82	1,087,988,529.57
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		1,625,768,010.54	2,496,073,314.41
Cash receipts from investment income		103,663,073.52	94,298,266.48
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		4,977,273.57	501,146.39
Other cash receipts relating to investing activities		152,627,436.42	300,525,214.32
Sub-total of cash inflows from investing activities		1,887,035,794.05	2,891,397,941.60
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		96,856,830.34	125,887,487.71
Cash payments to acquire investments		1,508,418,561.22	2,862,784,197.95
Other cash payments relating to investing activities		274,000,000.00	55,000,000.00
Sub-total of cash outflows from investing activities		1,879,275,391.56	3,043,671,685.66
Net Cash Flow from Investing Activities		7,760,402.49	(152,273,744.06)

The Company's Cash Flow Statement

For the year ended 31 December 2019

RMB

ITEM	Notes	Amount for the current year	Amount for the prior year
III. Cash Flows from Financing Activities:			
Other cash receipts relating to financing activities		124,000,000.00	146,500,000.00
Sub-total of cash inflows from financing activities		124,000,000.00	146,500,000.00
Cash payments for distribution of dividends and settlement of interest expenses		377,079,705.54	374,444,915.77
Other cash payments relating to financing activities		170,606,604.09	65,500,000.00
Sub-total of cash outflows from financing activities		547,686,309.63	439,944,915.77
Net Cash Flow from Financing Activities		(423,686,309.63)	(293,444,915.77)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents			
		–	–
V. Net Increase in Cash and Cash Equivalents	(XVI) 36(1)	813,975,298.68	642,269,869.74
Add: Opening balance of Cash and Cash Equivalents	(XVI) 36(2)	1,747,274,865.08	1,105,004,995.34
VI. Closing Balance of Cash and Cash Equivalents	(XVI) 36(2)	2,561,250,163.76	1,747,274,865.08

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2019

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			
I. 1 January 2019	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	
II. Changes for the current year								
(I) Total comprehensive income	-	-	(42,209,008.00)	-	1,139,047,561.12	(14,382,337.01)	1,082,456,216.11	
(II) Shareholders' contributions and reduction in capital								
1. Non-controlling shareholders' contributions in capital	-	-	-	-	-	3,000,000.00	3,000,000.00	
2. Non-controlling shareholders' reduction in capital	-	-	-	-	-	(1,089,777.82)	(1,089,777.82)	
(III) Profit distribution								
1. Transfer to surplus reserve	-	-	-	81,285,411.20	(81,285,411.20)	-	-	
2. Distributions to shareholders	-	-	-	-	(370,152,300.00)	(277,173.17)	(370,429,473.17)	
III. 31 December 2019	1,233,841,000.00	2,572,524,766.32	979,297,859.83	792,353,770.15	3,629,232,391.16	(87,283,461.24)	9,119,966,326.22	

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			
I. 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	
II. Changes for the current year								
(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. Non-controlling shareholders' contributions in capital	-	-	-	-	-	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)	
(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)	
III. 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	

The Company's Statement of Changes in Shareholders' Equity

For the year ended 31 December 2019

RMB

Item	The current year					Total shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained profits	
I. 1 January 2019	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
II. Changes for the current year						
(I) Total comprehensive income	-	-	(42,208,000.00)	-	812,854,111.99	770,646,111.99
(II) Profit distribution						
1. Transfer to surplus reserve	-	-	-	81,285,411.20	(81,285,411.20)	-
2. Distributions to shareholders	-	-	-	-	(370,152,300.00)	(370,152,300.00)
III. 31 December 2019	1,233,841,000.00	2,631,057,328.10	980,900,206.10	791,519,020.02	2,810,634,457.60	8,447,952,011.82

RMB

Item	The prior year					Total shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained profits	
I. 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
II. Changes for the current year						
(I) Total comprehensive income	-	-	(387,912,000.00)	-	853,247,235.26	465,335,235.26
(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)
III. 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

Notes to the Financial Statements

For the year ended 31 December 2019

(I) BASIC INFORMATION ABOUT THE COMPANY

1. Company Overview

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., Sichuan Daily Newspaper Group Co., Ltd., Sichuan Publication Group Co., Ltd. ("**SPG**"), Sichuan Youth and Children's Publishing House Co., Ltd., and Liaoning Publication Group Co., Ltd., was registered at Administration for Market Regulation of Sichuan Province on 11 June 2005 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. (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 2019

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

1. Company Overview *(Continued)*

Details of the structure of share capital are set out in Note (VI) 33.

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).

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.

2. Scope of Consolidation of Financial Statements

The Company’s and consolidated financial statements of the Company were approved by the Board of the Company on 30 March 2020.

The scope of the consolidation of financial statements for the current year includes the subsidiaries of the Company. Details are set out in Note (VIII) “INTERESTS IN OTHER ENTITIES”. The change in the scope of the consolidation of financial statements for the current year is mainly the addition of a subsidiary, Chongqing Yunhan Internet and Media Co., Ltd. (“**Chongqing Yunhan**”). Details are set out in Note (VII) “CHANGE IN SCOPE OF CONSOLIDATION”.

Notes to the Financial Statements

For the year ended 31 December 2019

(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.

Going concern

The Group assessed its ability to continue as a going concern for the 12 months commencing from 31 December 2019, and found no events or circumstances that may cast significant doubts upon it. Hence the financial statements have been prepared on going concern basis.

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.

For financial assets with transaction prices as the fair value upon initial recognition and the valuation technique of unobservable inputs used in the subsequent measurement at the fair value, the technique is adjusted during the valuation to match the initial recognition results determined with the transaction prices.

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.

Notes to the Financial Statements

For the year ended 31 December 2019

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of compliance with the ASBE

The financial statements are in accordance with ASBE, and present truly and completely, the Company's and consolidated financial position as at 31 December 2019, and the Company's and consolidated results of operations, the Company's and consolidated changes in shareholders' equity and the Company's and consolidated cash flows for the year 2019.

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 2019

(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. 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 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.

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.

Notes to the Financial Statements

For the year ended 31 December 2019

(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.

A subsidiary is consolidated commencing from the obtaining of the control over such subsidiary by the Group and is ceased to be consolidated upon losing the control over such subsidiary by the Group.

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.

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.

The impacts of internal transactions between the Company and its subsidiaries and among the subsidiaries on the consolidated financial statements 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 is still allocated against non-controlling interests.

Notes to the Financial Statements

For the year ended 31 December 2019

(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/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.

Where equity interests in an acquiree are acquired in stages through multiple transactions ultimately constituting a business combination not involving enterprises under common control, the acquirer shall determine if these transactions are considered to be a "bundled transaction". If yes, these transactions are accounted for as a single transaction where control is obtained. If no, these transactions are accounted for as multiple transactions where control is obtained at the acquisition date; in this case, the acquirer remeasures its previously-held equity interests in the acquiree at their fair value on the acquisition date and recognizes any differences between such fair value and carrying amounts in profit or loss for the period. Where equity interests in an acquiree held before the acquisition date involve changes in other comprehensive income or changes in other owners' equity under equity method, they are transferred to income for the period that the acquisition date belongs to.

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's joint arrangements are joint ventures. The Group accounts for investments in joint ventures using equity method. Refer to Note (III) "13.3.2 Long-term equity investments accounted for using the equity method" for details.

8. Recognition criteria of cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Group's short-term (generally due within three months from the date of acquisition), 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 2019

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

9. Transactions denominated in foreign currencies and translation of financial statements 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 balances at the end of prior year 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 2019

(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.

For all regular way purchase or sale of financial assets, assets to be received and liabilities to be assumed therefrom shall be recognized on a trade date basis, or assets sold shall be derecognized on a trade date basis.

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 initially recognized based on Accounting Standard for Business Enterprises No.14 – Revenue (the “**Standard – Revenue**”), accounts receivable recognized 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 book balance 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 recognized net of principal repaid, plus or less the cumulative amortized amount arising from amortization of the difference between the amount initially recognized and the amount at the maturity date using the effective interest method, net of cumulative loss allowance (only applicable to financial assets).

Notes to the Financial Statements

For the year ended 31 December 2019

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

10. Financial instruments *(Continued)*

10.1 Classification, recognition 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 mainly include bank and cash, notes receivable, accounts receivable, other receivables, long-term receivables and etc.

The contract clauses of financial assets stipulate that cash flows generated on a specified date are only payments of principal and interest based on the amount of outstanding principal and the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. The financial assets that meet the above conditions are classified as at FVTOCI. The financial assets are classified as accounts receivable and notes receivable at FVTOCI upon acquisition and are presented under financing receivables.

Upon initial recognition, the Group can irrevocably designate non-trading equity instrument investments other than contingent considerations recognized in the business combination not under common control as financial assets at FVTOCI based on individual financial asset. Such financial assets are presented as other equity instrument investments.

Financial assets meeting one of the following requirements indicate that the financial assets held by the Group are for trading:

- The obtaining of relevant financial assets is mainly for the purpose of sale in the near future.
- Relevant financial assets are part of the identifiable financial instrument combination under centralized management upon initial recognition and there is objective evidence indicating that recently there exists a short-term profit model.
- Relevant financial assets are derivatives, excluding derivatives following the definition of financial guarantee contracts as well as derivatives designated as effective hedging instruments.

Notes to the Financial Statements

For the year ended 31 December 2019

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

10. Financial instruments *(Continued)*

10.1 Classification, recognition 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:

- Financial assets that are unqualified for the classification as at amortized cost and at FVTOCI are classified as at FVTPL.
- Upon initial recognition, to eradicate or significantly reduce accounting mismatches, the Group can irrevocably designate financial assets as at FVTPL.

Financial assets at FVTPL are presented under held-for-trading financial assets. Those that are held over one year from the balance sheet date (or with no fixed term) and expected to be held for over one year are presented under other non-current financial assets.

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 incurred is recognized in profit or loss.

Interest income from the Group's financial assets measured at amortized cost is recognized based on the effective interest method. Interest income is determined by applying an effective interest rate to the book balance 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, and such improvement can be associated with a particular event upon the application of the above standard, the Group recognizes interest income based on applying effective interest rate to book balance of the financial assets.

Notes to the Financial Statements

For the year ended 31 December 2019

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

10. Financial instruments *(Continued)*

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

10.1.2 Financial assets classified as at FVTOCI

Except that gains or losses on impairment relating to financial assets at FVTOCI, impairment losses or gains related to such financial assets or interest income calculated using effective interest rate are recognized in profit or loss for the period, fair value changes in the above financial assets are included in other comprehensive income. The amount of the financial assets included into profit or loss of each period shall be regarded as equal as the amount measured at amortized cost through profit or loss over each period. Upon derecognition of the financial assets, cumulative gains or losses previously recognized in other comprehensive income are transferred and reclassified into profit or loss for the period.

10.1.3 Financial assets designated at fair value through other comprehensive income (FVTOCI)

The fair value change of non-trading equity instrument investments designated as financial assets at FVTOCI is recognized in other comprehensive income. Upon derecognition of the financial asset, cumulative gains or losses previously recognized 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 recognized 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.

10.1.4 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.

Notes to the Financial Statements

For the year ended 31 December 2019

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

10. Financial instruments *(Continued)*

10.2 Impairment of financial assets

The Group carries out impairment testing of and recognizes the loss allowance for financial assets measured at amortized cost and financial assets at fair value through other comprehensive income based on expected credit loss (“ECL”).

The Group measures loss allowance for all accounts receivable, notes receivable and financing receivables arising from transactions regulated by the revenue standard based on the amount of full lifetime ECL.

For other financial instruments, except for the purchased or internally generated credit-impaired financial assets, at each balance sheet date, the Group assesses changes in credit risk of relevant financial assets since initial recognition. If the credit risk of the above financial instruments has increased significantly since initial recognition, the Group measures loss allowance based on the amount of full lifetime ECL; if credit risk of the financial instruments 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 except for financial assets classified as at FVTOCI, in which case the impairment amount is offset against the carrying amount of the financial assets. For the financial assets classified as FVTOCI, the Group recognizes credit loss allowance in other comprehensive income, without reducing the carrying amount of the financial assets presented in the statement of financial position.

10.2.1 Significant increase in credit risk

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.

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

Notes to the Financial Statements

For the year ended 31 December 2019

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

10. Financial instruments *(Continued)*

10.2 Impairment of financial assets *(Continued)*

10.2.1 Significant increase in credit risk *(Continued)*

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

- (1) Whether expected adverse changes in business, financial and economic conditions of the borrower which will affect debtor's ability to perform repayment obligation have changed significantly.
- (2) Whether the actual or expected operating results of the debtor have changed significantly.
- (3) Whether credit risk of other financial instruments issued by the same debtor has increased significantly.
- (4) Whether 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 2019

(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 2019

(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 recognizes credit loss for other receivables-deposits/security deposits on an individual basis and recognizes credit loss of related financial instruments for accounts receivable and other receivables other than deposits/security deposits 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 recognized 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 book balance 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 recognized 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 book balance 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 2019

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

10. Financial instruments *(Continued)*

10.3 Transfer of financial assets

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

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between the carrying amount of the transferred financial asset on the date of derecognition and the aggregate of the consideration received from the transfer and the corresponding amount derecognized in the accumulated changes in the fair value of other comprehensive income is recognized in profit or loss. If the Group transfers a financial asset that belongs to non-trading equity instrument designated as at FVTOCI, cumulative gains or losses previously recognized 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. If the financial asset transferred by the Group is a non-trading equity instrument investment designated at FVTOCI, the accumulated gain or loss previously included in the other comprehensive income is transferred from the other comprehensive income and included in retained earnings.

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

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 2019

(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, recognition and measurement of financial liabilities

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities. The Group's financial liabilities are 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 derecognizes a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Group (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

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

10.4.3 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.

Notes to the Financial Statements

For the year ended 31 December 2019

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

10. Financial instruments *(Continued)*

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 realize the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

11. Inventories

11.1 Categories of inventories

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

11.2 Valuation method of inventories upon delivery

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

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

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs to be incurred up to completion, estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realizable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events.

For large quantity and low value items of inventories of the Group, 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.

Notes to the Financial Statements

For the year ended 31 December 2019

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

11. Inventories *(Continued)*

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

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

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

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

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

11.4 Inventory count system

The perpetual inventory system is maintained for stock system.

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

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

Notes to the Financial Statements

For the year ended 31 December 2019

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

12. Long-term equity investments

12.1 Judgement criteria for 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 amount of cash paid, the carrying amount of non-cash assets transferred and 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. Where equity interests in an acquiree are acquired in stages through multiple transactions ultimately constituting a business combination not involving enterprises under common control, the acquirer shall determine if these transactions are considered to be a "bundled transaction". If yes, these transactions are accounted for as a single transaction where control is obtained. If no, the sum of carrying amount of equity investments previously held in the acquiree and the new investment cost is deemed as the initial investment cost of long-term equity investments that was changed to be accounted for using cost method. If the equity previously held was accounted for using the equity method, the corresponding other comprehensive income is not subject to accounting treatment temporarily.

Notes to the Financial Statements

For the year ended 31 December 2019

(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. Long-term equity investments accounted for using cost method are adjusted according to addition or disposal of investment. 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. A joint venture is a joint arrangement whereby only the Group has rights to the net assets of such arrangement.

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 2019

(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 recognizes its share of the net profit or loss and other comprehensive income of the investee for the period as investment income and other comprehensive income for the period. Meanwhile, carrying amount of long-term equity investment is adjusted: the carrying amount of long-term equity investment is decreased in accordance with its share of the investee's declared profit or cash dividends. Other changes in owners' equity of the investee other than net profit or loss and other comprehensive income and profit allocation are correspondingly adjusted to the carrying amount of the long-term equity investment, and recognized in the capital reserve. The Group recognizes its share of the investee's net profit or loss based on the fair value of the investee's individual identifiable assets, etc. at the acquisition date after making appropriate adjustments. Where the accounting policies and accounting period adopted by the investee are not consistent with those of the Company, the Company shall adjust the financial statements of the investee to conform to the Company's accounting policies and accounting period, and recognize investment income and other comprehensive income based on the adjusted financial statements.

For the Group's transactions with its associates and joint ventures where assets contributed or sold does not constitute a business, unrealized intra-group profits or losses are recognized as investment income or loss to the extent that those attributable to the Group's proportionate share of interest are eliminated. However, unrealized losses resulting from the Group's internal transactions with its investees which represent impairment losses on the transferred assets are not eliminated.

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.

12.4 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.

Notes to the Financial Statements

For the year ended 31 December 2019

(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. The investment property of the Group is a building that is leased out.

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

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

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals.

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

14. Fixed assets

14.1 Recognition criteria

Fixed assets are tangible assets that are produced and 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 2019

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

14. Fixed assets *(Continued)*

14.2 Depreciation

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2019

(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 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 Valuation method, useful life and impairment test of intangible assets

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

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

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

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

For details of the impairment test of the intangible assets, please refer to Note (III) "17. Impairment of long-term assets".

Notes to the Financial Statements

For the year ended 31 December 2019

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

16. Intangible assets *(Continued)*

16.2 Research and development expenditure

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

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

- (1) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- (2) the Group has the intention to complete the intangible asset and use or sell it;
- (3) the Group can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- (4) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- (5) the expenditure attributable to the intangible asset during its development phase can be reliably measured.

If the expenditures cannot be distinguished between the research phase and development phase, the Group recognizes all of them in profit or loss for the period. The costs of intangible assets incurred in internal development activities only include the gross expenditures incurred for bringing the intangible asset to expected usage from the point of time of satisfaction of capitalization conditions. The expenditures included in the profit or loss capitalized before the same intangible asset meets the capitalization conditions during the course of development are not adjusted.

Notes to the Financial Statements

For the year ended 31 December 2019

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

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, right-of-use assets 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.

18. Long-term prepaid expenses

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

Notes to the Financial Statements

For the year ended 31 December 2019

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

19. Contract liabilities

Contract liabilities refer to the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

20. Employee benefits

20.1 Accounting treatment for short-term employee benefits

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

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

20.2 Accounting treatment of post-employment benefits

The entire post-employment benefits are defined contribution plan.

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

20.3 Accounting treatment of termination benefits

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

Notes to the Financial Statements

For the year ended 31 December 2019

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

21. Provisions

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the best estimate of provision is determined by discounting the estimated future cash outflows.

22. 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 services and supply of materials. Printing services 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 2019

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

22. 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.

Where the contract includes two or more performance obligations, at contract inception, the Group allocates the transaction price to single performance obligation according to relative proportion of the stand-alone selling prices of the goods or services promised by single performance obligation. However, where there is conclusive evidence that the contract discount or variable consideration is only related to one or more (not all) performance obligations in the contract, the Group shall allocate the contract discount or variable consideration to relevant one or more performance obligations. The stand-alone selling price is the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group shall consider all information that is reasonably available to the Group and maximize the use of observable inputs and apply estimation methods consistently in similar circumstances.

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.

Notes to the Financial Statements

For the year ended 31 December 2019

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

22. Revenue *(Continued)*

Variable consideration

If the contract includes variable consideration (such as sales rebate), 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.

Additional purchase option

The additional purchase option of customers includes customer reward points. With respect to the additional purchase option with material rights provided to customers, the Group recognizes relevant revenue upon obtaining the control over relevant goods or services by the customers without exercising the purchase option or upon lapse of such option. If a stand-alone selling price of the additional purchase option of customers is not directly observable, the Group shall consider all relevant information including the difference in discount obtained with and with the exercise of such option by customers and the possibility of exercising such option by customers during estimation.

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.

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 amount during the expected transfer of returned goods after deducting the costs of the above net assets carried forward.

Notes to the Financial Statements

For the year ended 31 December 2019

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

22. Revenue *(Continued)*

Significant financing component

If the contract includes significant financing component (including education informatization and education equipment 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.

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 2019

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

23. Type and accounting treatment of government grants

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

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable.

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

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

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

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

Included in the Group's government grants, as the book subsidy is mainly used by the publishing house 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, expenses or losses 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 2019

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

24. Deferred tax assets/deferred tax liabilities

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

24.1 Current income tax

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

24.2 Deferred tax assets and deferred tax liabilities

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

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realized or the liability is settled.

Notes to the Financial Statements

For the year ended 31 December 2019

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

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

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

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.

24.3 Elimination of income tax

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

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

Notes to the Financial Statements

For the year ended 31 December 2019

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

25. Lease

A lease refers to a contract assigning a lessor's right to use an asset to a lessee for a certain period of time for consideration.

The Group evaluates whether the contract is a lease or comprises a lease on the contract commencement date. The Group shall not reassess whether a contract is a lease or comprises a lease unless there are changes to the contract terms and conditions.

25.1 The Group as lessee

25.1.1 *Right-of-use assets*

Except for short-term leases, the Group recognizes right-of-use assets for leases on the commencement date of lease term. The commencement date of lease term refers to the date from which a leased asset is provided by the lessor for the Group's use. Right-of-use assets are initially measured by their costs. These costs include:

- The initially measured amount of lease liabilities;
- For lease payments on or prior to the commencement date of lease term with lease incentives, the related amount of lease incentives enjoyed shall be deducted;
- Initial and direct expenses incurred to the Group;
- The expected costs incurred to the Group to demolish and remove leased assets, restore the premises where the leased assets are located, or restore the leased assets to the conditions bound by the lease terms.

The right-of-use assets are depreciated in accordance with the depreciation provisions under the *Accounting Standards for Business Enterprises No. 4 – Fixed Assets*. For a leased asset which the ownership can be reasonably determined at the expiry of the lease term, its right-of-use asset is depreciated over its remaining useful life. A leased asset which the ownership cannot be reasonably determined at the expiry of the lease term is depreciated utilizing the shorter period between the lease term and the remaining useful life of the leased asset.

The Group determines whether a right-of-use asset has been impaired in accordance with note (III) 17 and applies accounting treatment on the impairment loss identified accordingly.

Notes to the Financial Statements

For the year ended 31 December 2019

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

25. Lease *(Continued)*

25.1 The Group as lessee *(Continued)*

25.1.2 Lease liabilities

Except for short-term leases, the Group initially measures lease liabilities on the commencement date of lease term according to the present value of outstanding lease payments on that date. When calculating the present value of lease payments, the Group uses incremental borrowing rate as discount rate if the rate included in the lease cannot be determined.

Lease payments refer to the amount paid by the Group to a lessor which is related to the right to use lease assets during the lease term, including:

- Fixed payments and substantially fixed payments (deduct related lease incentive amount, if any);
- Variable lease payments which depend on an index or a rate;
- The exercise price of an option which the Group reasonably determines that the purchase option is to be exercised;
- The amount payable upon exercising an option to terminate a lease, provided that the exercising of such option by the Group can be reflected over the lease term;
- Estimated amount due based on the residual value of the guarantee provided by the Group.

Variable lease payments that depend on an index or a rate are initially measured using the index or rate as at the commencement date of lease term. Variable lease payments not included in the measurement of lease liabilities are accounted in profit or loss for the period or as relevant asset costs when actually incurred.

Notes to the Financial Statements

For the year ended 31 December 2019

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

25. Lease *(Continued)*

25.1 The Group as lessee *(Continued)*

25.1.2 Lease liabilities *(Continued)*

Upon commencement date of the lease term, the Group accounts for interest expenses of lease liabilities for each period during the lease term according to fixed periodic rates and includes the same in the profit or loss for the period or the cost of relevant assets.

For the following cases after the commencement date of lease term, the Group shall remeasure lease liabilities and adjust the right-of-use assets correspondingly. The Group shall recognize such difference in the profit or loss for the period where the carrying amount of the right-of-use assets is adjusted to zero but the lease liabilities need further downward adjustment:

- If changes are caused by changes in lease term or assessment results of purchase option, the Group shall remeasure lease liabilities according to its present value calculated using the revised lease payments and discount rates;
- Should there be changes to the payable amounts estimated by residual value of the guarantee or the index or ratio used to determine lease payments, the Group shall remeasure lease liabilities according to its present value calculated using the revised lease payments and original discount rates.

25.1.3 Short-term leases

For short-term leases under office buildings, the Group chooses not to recognize right-of-use assets and lease liabilities. Short-term leases refer to those with lease term under 12 months and without purchase option as of the commencement date of lease term. Lease payments of short-term leases are included in profit or loss for the period within each period during lease term using the straight-line method.

Notes to the Financial Statements

For the year ended 31 December 2019

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

25. Lease *(Continued)*

25.1 The Group as lessee *(Continued)*

25.1.4 Lease modification

If modification of lease occurs and meets the following conditions, the Group will conduct accounting treatment for the modification of lease as a separate lease:

- the modification of lease expands the scope of lease by increasing the use right of one or more leased assets;
- the increased consideration and the individual price of the expanded part of lease are equivalent after adjustment is made in accordance with situation of the contract.

If accounting treatment for the modification of lease as a separate lease is not conducted, the Group shall redetermines the lease term on the effective date of modification of lease and discount the modified lease payments using the revised discount rate, in order to remeasure the lease liabilities.

If the modification of lease results in a narrower scope of lease or a shorter lease term, the Group reduces the carrying amount of the right-of-use assets and recognizes the gain or loss relevant to the partial or complete termination of the leases in the profit or loss for the period.

25.2 The Group as lessor

25.2.1 Classification of leases

A lease is classified as a finance lease if it transfers practically substantially all the risks and rewards incidental to ownership of a leased asset. Other leases which are not finance leases are operating leases.

Notes to the Financial Statements

For the year ended 31 December 2019

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

25. Lease *(Continued)*

25.2 The Group as lessor *(Continued)*

25.2.2 The Group as lessor accounting for operating lease business

During each period of the lease term, the Group recognizes rents of operating leases as rental income using the straight-line method. Initial direct expenses related to operating leases are capitalized when incurred, and are amortized to profit or loss in the period over the lease term using the same basis as for the recognition of rental income.

For the variable lease payments not included in lease payments but related to operating lease, the Group recognizes the amount in profit or loss during the period it is actually incurred.

26. Changes in significant accounting policies

New Lease Standard

The Group has adopted the *Accounting Standards for Business Enterprises No. 21 – Lease* amended by the MoF in 2018 (hereinafter referred to as the “**New Lease Standard**” while the “**Original Lease Standard**” refers to the lease standard prior to amendment) since 1 January 2019 (“**initial implementation date**”). The New Lease Standard refined the definition of lease by adding contents such as lease identification, division and consolidation; cancelled the lessees’ distinction between the operating leases and financial leases, required the recognition of right-of-use assets and lease liabilities on all leases (except short-term leases and leases of low-value assets) on the commencement date of lease term and depreciation and interest expenses shall be provided separately; improved lessees’ subsequent measurements of leases and added accounting treatment methods under the circumstances of option revaluation and lease amendment; and added relevant disclosure requirements. In addition, it also enriched the contents of disclosure of the lessor. See Note (III)25 for the Group’s accounting policies for the recognition and measurement of leases as lessee and lessor after amendment.

For contracts that existed before the initial implementation date, the Group chooses not to reassess whether they are leases or contain leases on the initial implementation date.

For contracts signed or amended after the initial implementation date, the Group assesses whether they are leases or contain leases according to the definition of lease in the New Lease Standard. The New Lease Standard determines whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset or multiple identified assets for a period of time in exchange for consideration. The Group assesses the property lease contracts that are within the definition of lease in the New Lease Standard. The definition of lease in the New Lease Standard does not have material impacts on the scope of the Group’s contracts fulfilling the definition of lease.

Notes to the Financial Statements

For the year ended 31 December 2019

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

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

New Lease Standard *(Continued)*

The Group as lessee

Based on the accumulated amount affected by the initial implementation of the New Lease Standard, the Group adjusts the retained earnings and other relevant itemized amounts in the financial statements without adjustments to comparable data of the period.

Operating leases before the initial implementation date are accounted for in a simplified manner using one or more of the following methods on a lease-by-lease basis:

- Leases to be completed within 12 months after the initial implementation date are treated as short-term leases;
- When measuring lease liabilities, the same discount rate is applied to leases with similar characteristics;
- Initial direct expenses are not included in the measurement of right-of-use assets;
- Lease term of leases with renewal option or termination option is determined by the actual exercising of such option and other latest circumstances prior to the initial implementation date;
- Where the modification of lease takes place prior to the initial implementation date, the Group shall account for it based on the final arrangements of the lease modification.

The Group made the following amendments due to the implementation of the New Lease Standard on the initial implementation date:

On 1 January 2019, the Group recognized lease liabilities of RMB342,237,335.31 and right-of-use assets of RMB346,721,404.32. As for operating leases before the initial implementation date, the Group measured lease liabilities using the present value discounted by the incremental borrowing rates on the initial implementation date. The weighted average of such incremental borrowing rates was 4.75%-4.90%. Right-of-use assets were measured at amounts equal to the lease liabilities (necessarily adjusted according to the prepaid rents).

Notes to the Financial Statements

For the year ended 31 December 2019

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

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

New Lease Standard *(Continued)*

The Group as lessee (Continued)

The following shows the Group's lease liabilities as recognized on 1 January 2019 and the adjustments to the material operating lease commitments as disclosed in the financial statements of 2018:

		<i>RMB</i>
Item	Note	1 January 2019
I. Operating lease commitments as at 31 December 2018		275,671,378.00
Lease liabilities calculated by discounting the incremental borrowing rate on the initial implementation date		257,206,273.33
Add: Renewal option reasonably determined to be exercised		98,274,564.51
Less: Recognition of exemption – short-term lease		13,243,502.53
Lease liabilities related to original operating leases and recognized by the implementation of the New Lease Standard		342,237,335.31
II. Lease liabilities as at 1 January 2019		342,237,335.31
Presented as:		
Non-current liabilities due within one year		67,529,069.63
Lease liabilities		274,708,265.68

The following shows the composition of carrying amount of right-to-use assets as at 1 January 2019:

		<i>RMB</i>
Item	Note	1 January 2019
Right-of-use assets:		
Right-of-use assets recognized by operating leases before the initial implementation date		342,237,335.31
Reclassification of prepaid rents	1	4,484,069.01
Total:		346,721,404.32

Notes to the Financial Statements

For the year ended 31 December 2019

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

26. Changes in significant accounting policies (Continued)

New Lease Standard (Continued)

The Group as lessee (Continued)

The right-of-use assets as at 1 January 2019 by category are disclosed as follows:

Item	Note	1 January 2019
Buildings		346,721,404.32

RMB

Note 1: The prepaid rents of the Group's lease buildings as at 31 December 2018 are presented as prepayments. On the date of initial implementation, they are reclassified into right-of-use assets.

The changes in accounting policies due to the aforementioned New Lease Standard had the following impacts on the items of the balance sheet of the Group and the Company as at 1 January 2019:

The Group

	31 December 2018	Impact of implementing the New Lease Standard	1 January 2019
Prepayments	71,487,222.26	(3,085,354.31)	68,401,867.95
Right-of-use assets	N/A	346,721,404.32	346,721,404.32
Long-term prepaid expenses	21,063,047.60	(1,398,714.70)	19,664,332.90
Total impacts on assets		342,237,335.31	
Non-current liabilities due within a year	–	67,529,069.63	67,529,069.63
Lease liabilities	N/A	274,708,265.68	274,708,265.68
Total impacts on liabilities		342,237,335.31	

Notes to the Financial Statements

For the year ended 31 December 2019

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

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

New Lease Standard *(Continued)*

The Group as lessee (Continued)

The Company

	31 December 2018	Impact of implementing the New Lease Standard	1 January 2019
Prepayments	14,540,721.77	(2,927,453.46)	11,613,268.31
Right-of-use assets	N/A	341,330,008.88	341,330,008.88
Long-term prepaid expenses	17,116,365.91	(96,049.75)	17,020,316.16
Total impacts on assets		338,306,505.67	
Non-current liabilities due within a year	–	65,449,243.85	65,449,243.85
Leased liabilities	N/A	272,857,261.82	272,857,261.82
Total impacts on liabilities		338,306,505.67	

Notes to the Financial Statements

For the year ended 31 December 2019

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

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

Format of presentation of financial statements

The Group has implemented the *Notice of the Revised Format of Financial Statements for General Business Enterprise* (Cai Kuai (2019) No. 6, hereinafter referred to as "**Cai Kuai Document No. 6**") issued by the MoF on 30 April 2019 for the preparation of the financial statements for 2019. Cai Kuai Document No. 6 has made amendments to the items presented in the balance sheet and income statement. The item of "notes receivable and accounts receivable" is split into "notes receivable" and "accounts receivable", while "notes payable and accounts payable" is split into "notes payable" and "accounts payable". At the same time, clarifications or amendments are made to the presentation contents of the items of "non-current assets due within one year", "deferred income", "other equity instruments", "R&D expenses", "interest income" under "finance expenses", "other income", "asset disposal income", "non-operating income" and "non-operating expenses". Adjustments are made to the presentation layout of the item of "impairment losses of assets". Clarifications are made to the presentation contents of the item of "other equity instruments' holders' investing capital". With respect to the changes in the above presented items, the Group retrospectively adjusted the comparable data of 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 2019

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

Key assumptions and uncertainties in accounting estimates

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

Credit loss provision

The Group determines credit loss provision on the basis of recoverability of accounts receivable. At the end of the reporting year, the Group made adjustments to the estimates of ECL rate and credit loss provision based on the historical data and forward-looking information of the existing customers. If the re-assessment results differ from the existing estimates, the difference shall affect carrying amount of accounts receivable and profit or loss for the period when estimates change.

Provisions for decline in value of inventories

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

Impairment loss of goodwill

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

Notes to the Financial Statements

For the year ended 31 December 2019

(V) TAXES

1. Major categories of taxes and tax rates

Category of tax	Basis of tax calculation	Tax rate
Value-added tax	Note	16%/13%/10%/9%/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	Assessable income	25%/15%

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 1 May 2018, the tax rates of 17% and 11% originally applicable to VAT sales or imported goods shall be adjusted to 16% and 10% respectively.

In accordance with *Notice of Policies in Relation to the Deepening of Value-added Tax Reforms* from the MoF, the State Administration of Taxation and Customs (Announcement 2019 No. 39), on 1 April 2019, the tax rates of 16% and 10% originally applicable to VAT sales or imported goods shall be adjusted to 13% and 9% respectively.

2. Tax incentives and official approvals

Enterprise income tax

In accordance with the *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 MoF, 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.

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.

Notes to the Financial Statements

For the year ended 31 December 2019

(V) TAXES *(Continued)*

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

Enterprise income tax *(Continued)*

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 assessable 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. GR201911008465 on 2 December 2019, with a validity until 1 December 2022. The income tax of Beijing Aerospace Cloud is calculated at 15% of the assessable income according to the relevant tax provisions.

Value-added tax

In accordance with the *Notice on Persistently Promoting Cultural Value-added Tax and Business Tax Preferential Policies* (Cai Shui [2018] No. 53) issued by MoF and State Administration of Taxation: (1) 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 2019

(VI) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

RMB

Item	31 December 2019			31 December 2018		
	Amounts of the original currencies	Exchange rate	Amount in RMB	Amounts of the original currencies	Exchange rate	Amount in RMB
Cash on hand:						
RMB	2,569,899.73	1.0000	2,569,899.73	3,311,719.53	1.0000	3,311,719.53
Bank balances:						
RMB (Note 1)	3,468,962,227.91	1.0000	3,468,962,227.91	2,573,213,817.04	1.0000	2,573,213,817.04
USD	22,988.19	6.9762	160,370.24	22,633.96	6.8632	155,341.36
EUR	85.27	7.8155	666.43	84.92	7.8473	666.43
HKD	27,371.58	0.8958	24,519.46	20,756.55	0.8762	18,186.89
Other currency funds						
RMB (Note 2)	40,386,109.26	1.0000	40,386,109.26	31,912,840.76	1.0000	31,912,840.76
Total			3,512,103,793.03			2,608,612,572.01

Note 1: At the end of the current year, the bank balances include 3-month above term deposits and accrued interests amounting to RMB81,760,506.83 with an interest rate of 2.03%.

Note 2: At the end of the current year, other cash and bank balances include the balances with Alipay App account and WeChat App account of RMB3,949,048.74, and the rest are restricted currency funds. Restricted currency funds are set out in Note (VI) 54.

Notes to the Financial Statements

For the year ended 31 December 2019

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

2. Held-for-trading financial assets

<i>RMB</i>		
Item	31 December 2019 Carrying amount	31 December 2018 Carrying amount
Financial assets at FVTPL (Note)		
Including: Bank wealth management products	1,280,000,000.00	1,261,790,000.00
Investment in A-share listed companies	6,671.94	641,274.52
Total	1,280,006,671.94	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

Categories of notes receivable

<i>RMB</i>		
Category	31 December 2019	31 December 2018
Bank acceptance bills	–	2,578,416.58
Commercial acceptance bills	2,218,450.46	1,840,383.60
Total	2,218,450.46	4,418,800.18

Notes to the Financial Statements

For the year ended 31 December 2019

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

4. Accounts receivable

(1) Disclosure by aging

Aging	31 December 2019				31 December 2018			
	Amount	Percentage (%)	Credit loss provision	Carrying amount	Amount	Percentage (%)	Credit loss provision	Carrying amount
Within 1 year	1,849,180,130.42	87.29	(144,259,504.85)	1,704,920,625.57	1,375,158,305.00	86.04	(77,209,352.59)	1,297,948,952.41
More than 1 year but not exceeding 2 years	136,342,076.79	6.44	(79,821,555.01)	56,520,521.78	117,597,470.68	7.36	(67,742,910.04)	49,854,560.64
More than 2 years but not exceeding 3 years	56,242,467.72	2.65	(56,242,467.72)	-	34,325,001.94	2.15	(34,325,001.94)	-
More than 3 years	76,780,471.03	3.62	(76,780,471.03)	-	71,081,969.28	4.45	(71,081,969.28)	-
Total	2,118,545,145.96	100.00	(357,103,998.61)	1,761,441,147.35	1,598,162,746.90	100.00	(250,359,233.85)	1,347,803,513.05

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

(2) Credit loss provision made or reversed in the current year

See Note (IX) for details of recognition of credit loss.

Notes to the Financial Statements

For the year ended 31 December 2019

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

4. Accounts receivable *(Continued)*

(3) Accounts receivable written off for the current year

See Note (IX) for the accounts receivable written off for the current year.

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

<i>RMB</i>					
Name of entity	Relationship with the Group	31 December 2019	Aging	As a percentage of the total accounts receivable (%)	31 December 2019 credit loss provision
People's Education Press Co., Ltd.	Third party	142,622,706.35	Within 1 year	6.73	(5,142,882.49)
Education, Sports and Science Bureau of Xide County	Third party	70,331,439.86	Within 1 year	3.32	-
Education and Sports Bureau of Dongpo District, Meishan City	Third party	69,455,790.12	Within 1 year	3.28	(2,129,617.84)
Education, Technology and Sports Bureau of Pingchang County	Third party	59,885,544.14	Within 1 year, 1-2 years, 2-3 years	2.83	(10,012,198.43)
Sichuan Longyang Tianfu New District Construction Investment Co., Ltd.	Third party	39,991,969.24	Within 1 year	1.89	(187,257.60)
Total		382,287,449.71		18.05	(17,471,956.36)

Notes to the Financial Statements

For the year ended 31 December 2019

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

5. Financing receivables

(1) Classification of financing receivables

<i>RMB</i>		
Item	31 December 2019	31 December 2018
Bank acceptance bills (Note 1)	7,007,859.79	–
Total	7,007,859.79	–

(2) Notes receivables endorsed or discounted by the Group at the end of year and not yet due as at the balance sheet date

<i>RMB</i>		
Item	Amounts derecognized at the end of year	Amounts not yet derecognized at the end of year
Bank acceptance bills (Note 2)	15,293,314.91	–

Note 1: In the process of managing corporate liquidity, the Group would discount or endorse the transfer of some of its bank acceptance bills, and derecognize discounted or endorsed bank acceptance bills given that substantially all risks and rewards have been transferred to the relevant counterparties. The business model of some of the Group's subsidiaries in managing bank acceptance bills aims at both receiving contract cash flows and selling the financial assets. Therefore, these bank acceptance bills receivable are classified as financial assets at FVTOCI. Please refer to note (X)1 for the determination of fair value.

During the current year, the Group did not make provision for credit impairment loss with respect to its financing receivables.

Note 2: As at 31 December 2019, the Group had bank acceptance bills endorsed and not yet due of RMB15,293,314.91 (31 December 2018: RMB17,646,200.91). As for the derecognition of bank acceptance bills endorsed by the Group and not yet due as at the balance sheet date, please refer to Note (IX) 2 for details.

Notes to the Financial Statements

For the year ended 31 December 2019

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

6. Prepayments

(1) Aging analysis of prepayments is as follows:

Aging	31 December 2019		31 December 2018	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	42,647,237.72	73.30	55,165,030.36	77.17
More than 1 year but not exceeding 2 years	7,640,072.02	13.13	8,382,650.24	11.73
More than 2 years but not exceeding 3 years	5,074,493.12	8.72	1,900,160.28	2.66
More than 3 years	2,819,714.04	4.85	6,039,381.38	8.44
Total	58,181,516.90	100.00	71,487,222.26	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 by subjects of prepayment

Name of entity	Relationship with the Group	31 December 2019	Aging	Proportion to total prepayments (%)	Reasons for unsettlement
Echo Publishing Co., Ltd.	Third party	3,662,271.70	Within 1 year, 2-3 years	6.29	Services not yet received
Chengdu Zhaoyuan Technology Co., Ltd.	Third party	3,149,250.00	Within 1 year	5.41	Goods not yet received
Chengdu Songyuan Digital Technology Co., Ltd.	Third party	2,117,510.00	Within 1 year	3.64	Goods not yet received
Tianjin Master Logistics Equipment Co., Ltd.	Third party	1,896,765.00	Within 1 year	3.26	Goods not yet received
Sichuan Huiruike Information Technology Co., Ltd.	Third party	1,821,750.00	Within 1 year	3.13	Goods not yet received
Total		12,647,546.70		21.73	

Notes to the Financial Statements

For the year ended 31 December 2019

7. Other receivables

7.1 Summary of other receivables

	<i>RMB</i>	
Item	31 December 2019	31 December 2018
Interest receivables	–	326,203.09
Other receivables	104,061,715.50	98,676,622.91
Total	104,061,715.50	99,002,826.00

7.2 Interest receivables

(1) *Classification of interest receivables*

	<i>RMB</i>	
Item	31 December 2019	31 December 2018
Term deposits	–	326,203.09

The interest receivables and interests on term deposits are aged within one year.

(2) *Major overdue interests*

There were no major overdue interests in the current year.

(3) *Credit loss provision made or reversed in the current year*

There was no credit loss provision actually made or reversed in the current year.

Notes to the Financial Statements

For the year ended 31 December 2019

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

7. Other receivables (Continued)

7.3 Other receivables

(1) Other receivables by aging

Aging	31 December 2019			31 December 2018			RMB	
	Amount	Proportion (%)	Credit loss provision	Carrying amount	Amount	Proportion (%)		Credit loss provision
Within 1 year	77,211,850.33	63.98	(3,865,351.89)	73,346,498.44	70,945,269.80	63.24	(673,327.09)	70,271,942.71
More than 1 year but not exceeding 2 years	18,415,672.30	15.26	(288,359.34)	18,127,312.96	20,150,588.68	17.97	(948,106.94)	19,202,481.74
More than 2 years but not exceeding 3 years	6,567,956.05	5.44	(1,773,535.23)	4,794,420.82	7,352,996.53	6.56	(3,570,936.51)	3,782,060.02
More than 3 years	18,488,261.14	15.32	(10,694,777.86)	7,793,483.28	13,712,669.26	12.23	(8,292,530.82)	5,420,138.44
Total	120,683,739.82	100.00	(16,622,024.32)	104,061,715.50	112,161,524.27	100.00	(13,484,901.36)	98,676,622.91

(2) Credit loss provision made or reversed in the current year

See Note (IX) for details of recognition of credit loss.

(3) Accounts receivable actually written off for the current year

See Note (IX) for other receivables actually written off for the current year.

Notes to the Financial Statements

For the year ended 31 December 2019

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

7. Other receivables (Continued)

7.3 Other receivables (Continued)

(4) Other receivables presented by nature

RMB		
Nature of other receivables	31 December 2019	31 December 2018
Amount due from related parties	30,478.80	1,079,617.10
Deposit/security deposit	62,333,171.72	62,834,040.16
Petty cash	2,745,275.14	2,291,262.58
Others	55,574,814.16	45,956,604.43
Total	120,683,739.82	112,161,524.27

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

RMB					
Name of entity	Nature	31 December 2019	Aging	As a percentage of the total other receivables (%)	31 December 2019 credit loss provision
Tianjin Jiasong Warehouse Co., Ltd.	Deposit/guarantee deposit	7,667,033.88	Within 1 year	6.35	-
Anhui Sihe Digital Technology Development Co., Ltd.	Others	5,269,196.00	More than 3 years	4.37	(5,269,196.00)
Sichuan Longyang Tianfu New District Construction Investment Co., Ltd.	Deposit/guarantee deposit	5,119,158.24	Within 1 year, 1-2 years	4.24	-
Education and Science and Technology Intellectual Property Bureau of Xide County	Deposit/guarantee deposit	3,419,198.45	Within 1 year	2.83	-
Chengdu Zhonghang Real Estate Development Co., Ltd.	Deposit/guarantee deposit	3,113,802.00	1-2 years, 2-3 years	2.58	-
Total		24,588,388.57		20.37	(5,269,196.00)

Notes to the Financial Statements

For the year ended 31 December 2019

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

8. Inventories

(1) Categories of inventories

Item	31 December 2019			31 December 2018		
	Book balance	Provision for decline in value	Carrying amount	Book balance	Provision for decline in value	Carrying amount
Goods on hand	2,143,044,979.35	(209,060,781.56)	1,933,984,197.79	1,878,279,312.31	(173,068,922.90)	1,705,210,389.41
Work-in-progress	170,609,926.07	-	170,609,926.07	161,510,325.29	-	161,510,325.29
Raw materials	56,126,011.59	(3,271,801.21)	52,854,210.38	58,095,851.77	(3,271,801.21)	54,824,050.56
Total	2,369,780,917.01	(212,332,582.77)	2,157,448,334.24	2,097,885,489.37	(176,340,724.11)	1,921,544,765.26

(2) Provision for decline in value of inventories

Categories of inventories	1 January 2019	Increase in the current year	Decrease in the current year Write-off/reversal	31 December 2019
Goods on hand	173,068,922.90	60,917,237.10	(24,925,378.44)	209,060,781.56
Raw materials	3,271,801.21	-	-	3,271,801.21
Total	176,340,724.11	60,917,237.10	(24,925,378.44)	212,332,582.77

Note: As the expected net realizable value is below the cost of inventories at the end of the year, a provision for decline in value of inventories amounting to RMB60,917,237.10 is made in the current year. The provision for decline in value of goods on hand amount RMB16,848,658.36 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 RMB8,076,720.08 is reversed.

Notes to the Financial Statements

For the year ended 31 December 2019

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

9. Other current assets

Item	RMB	
	31 December 2019	31 December 2018
Refund costs receivable	57,110,745.49	37,695,738.35
VAT input tax to be deducted (Note)	20,012,008.16	33,178,327.54
Total	77,122,753.65	70,874,065.89

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.

10. Long-term receivables

Item	31 December 2019			31 December 2018		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Goods sold by installments (Note)	476,566,778.52	-	476,566,778.52	532,549,959.91	-	532,549,959.91
Less: Long-term receivables included in non-current assets due within one year	125,609,106.15	-	125,609,106.15	264,807,735.12	-	264,807,735.12
Total	350,957,672.37	-	350,957,672.37	267,742,224.79	-	267,742,224.79

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

Notes to the Financial Statements

For the year ended 31 December 2019

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

11. Long-term equity investments

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

Investee	1 January 2019	Changes for the current year							31 December 2019 provision for impairment	
		Increase in investments	Decrease in investments	Investment profit or loss recognized under equity method	Adjustment of other comprehensive income	Changes in other equity	Distribution of cash dividends or profits declared	Provision for impairment loss		Other decreases
Joint Ventures										
Hainan Publishing House Co., Ltd. ("Hainan Publishing House")	148,227,458.64	-	-	16,879,768.74	-	-	-	-	-	165,107,228.38
Sichuan Fudou Technology Co., Ltd. (Note 1)	240,630.39	-	-	(240,630.39)	-	-	-	-	-	-
Shenzhen Xuancai Venture Capital Investment Fund Management Co., Ltd. (Note 2)	608,008.31	-	-	7,067,575.15	-	-	-	-	-	7,675,583.46
Liangshan Xinhua Winshare Education Technology Co., Ltd. (Note 3)	19,537,503.06	-	-	100,330.33	-	-	-	-	-	19,637,833.39
Subtotal	168,613,600.40	-	-	23,807,044.83	-	-	-	-	-	192,420,645.23
Associates										
Sichuan Winshare BLOGIS Supply Chain Co., Ltd. (Note 4)	44,823,624.11	-	-	(498,084.48)	-	-	-	-	-	44,325,539.63
The Commercial Press (Chengdu) Co., Ltd.	2,626,882.83	-	-	219,284.71	-	-	-	-	-	2,846,167.54
Ren Min Eastern (Beijing) Book Industry Co., Ltd.	10,922,805.08	-	-	2,540,613.90	-	-	(2,400,000.00)	-	-	11,063,418.98
Guizhou Xinhua Winshare Book Audio-Visual Product Chainstore Co., Ltd. ("Guizhou Winshare")	-	-	-	-	-	-	-	-	-	-
Ming Bo Education Technology Holdings Co., Ltd.	36,994,885.76	-	-	2,919,536.89	-	-	-	-	-	39,914,422.65
Shanghai Jingjie Information Technology Co., Ltd.	2,158,978.36	-	-	(1,704,450.32)	-	-	-	-	-	454,528.04
Sichuan Winshare Preschool Educational Management Co., Ltd. ("Winshare Preschool")	5,577,399.07	-	-	1,140,944.72	-	-	-	-	-	6,718,343.79
Chongqing Yunhan (Note 5)	27,370,479.01	-	-	(3,624,158.57)	-	-	-	(23,746,319.44)	-	30,599,541.14
Chengdu Winshare Venture Capital Investment Fund Management Co., Ltd.	25,866,146.87	-	-	4,733,394.27	-	-	-	-	-	484,418.10
Sichuan Education and Science Forum Magazine Press Co., Ltd. ("Education and Science Forum")	143,598.78	-	-	340,820.32	-	-	-	-	-	82,616,683.15
Tibet Winshare Venture Capital Investment Fund Partnership (Limited Partnership) ("Tibet Winshare") (Note 6)	28,651,097.51	2,100,000.00	(1,866,651.92)	53,732,237.56	-	-	-	-	-	130,463.57
Sichuan Jiayang Shuo Film Co., Ltd.	67,491.26	-	-	62,972.31	-	-	-	-	-	18,116,255.53
Xinhua Yingxuan (Beijing) Screen Culture Co., Ltd. ("Xinhua Yingxuan")	20,313,569.82	20,000,000.00	-	(2,197,314.29)	-	-	-	-	-	19,581,323.06
Tianjin Tianxi Zhongqia Cultural Development Co., Ltd. (Note 7)	-	400,000.00	-	(418,676.94)	-	-	-	-	-	382,191.85
Winshare Yinshi (Beijing) Cultural Communication Co., Ltd. ("Winshare Yinshi") (Note 8)	-	-	-	(17,808.15)	-	-	-	-	-	-
Subtotal	205,516,958.46	22,500,000.00	(1,866,651.92)	57,229,310.93	-	-	(2,400,000.00)	-	(23,746,319.44)	257,233,298.03
Total	374,130,558.86	22,500,000.00	(1,866,651.92)	81,036,355.76	-	-	(2,400,000.00)	-	(23,746,319.44)	449,653,943.26

RMB

Notes to the Financial Statements

For the year ended 31 December 2019

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

11. 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 Shenzhen Xuancai 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 Xuancai 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 Xuancai Venture Capital Fund Management Co., Ltd. which is a joint venture of the Group.

Note 3: In March 2017, the Company and Xichang Xinhua Bookstore entered into an investment agreement, jointly establishing Liangshan Xinhua Winshare Education Technology Co. Ltd., with proportion of shareholding of 49% and 51% respectively. According to the articles of association, the resolution of Liangshan Xinhua Winshare Education Technology Co. Ltd. on 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 4: In June 2017, Sichuan Wenchuan Logistics Co., Ltd. ("**Wenchuan Logistics**"), a subsidiary of the Company, entered into the Investment Agreement with BLOGIS Holdings Limited and Chengdu Longchuang Investment Management Center (Limited Partnership) to jointly establish Sichuan Winshare BLOGIS Supply Chain Co., Ltd. with the shareholding of 45%, 40% and 15%, respectively. According to the articles of association, the resolutions of Sichuan Winshare BLOGIS Supply Chain 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 50% of the voting power at the general meeting of Sichuan Winshare BLOGIS Supply Chain Co., Ltd. Therefore, Sichuan Winshare BLOGIS Supply Chain Co., Ltd. is an associate of the Group.

Note 5: In March 2019, all shareholders unanimously agreed to the capital reduction of Chongqing Yunhan by other shareholders of Chongqing Yunhan, namely Chongqing Wenrong Investment Co., Ltd., Chongqing Xinhua Media Co., Ltd. and Chongqing Publication Group Co., Ltd. pursuant to which Chongqing Wenrong Investment Co., Ltd., Chongqing Xinhua Media Co., Ltd. and Chongqing Publication Group Co., Ltd. reduced all of their respective shareholding and the registered capital of Chongqing Yunhan was reduced from RMB100,000,000.00 to RMB50,000,000.00. Upon completion of capital reduction, Chongqing Yunhan became a wholly-owned subsidiary of Sichuan Winshare Online E-commerce Co., Ltd. ("**Winshare Online**") and was included in the Group upon consolidation. For details, please refer to Note (VII).

Notes to the Financial Statements

For the year ended 31 December 2019

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

11. Long-term equity investments (Continued)

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

Note 6: As a limited partner, Winshare Investment, a subsidiary of the Company, invested RMB30,533,348.08 in Tibet Winshare, 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 contribution of RMB2,100,000.00. According to the partnership agreement of Tibet Winshare, 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. As a result, Tibet Winshare is an associate of the Group.

In January 2019, Tibet Winshare conducted cash allocation based on the exit money of Guoyun Cultural project according to the paid-up percentage of each partner. Winshare Investment, a subsidiary of the Company, received cash allocation of RMB1,866,651.92.

Note 7: In July 2019, Sichuan Tiandi Publishing House Co., Ltd. ("Tiandi Publishing House"), a subsidiary of the Company and Shanghai Zhengda Ximalaya Network Technology Co., Ltd. entered into an investment agreement, jointly establishing Tianjin Tianxi Zhongda Cultural Development Co., Ltd. ("Tianxi Zhongda"), with proportion of shareholding of 40% and 60% respectively. According to the articles of association, the resolutions of Tianxi Zhongda 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 more than 50% of the voting power. Therefore, Tianxi Zhongda is an associate of the Group.

Note 8: In August 2019, the Company entered into an investment agreement with Beijing Guoling Smart Health and Elderly Care Industry Development Centre and Fenglinhong (Beijing) Cultural Communication Co., Ltd., jointly establishing Winshare Yinshi, with proportion of shareholding of 40%, 30% and 30% respectively. According to the articles of association, the resolutions of Winshare Yinshi 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 50% of the voting power. Therefore, Winshare Yinshi is an associate of the Group.

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

Item	31 December 2019		31 December 2018	
	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 Fudou Technology Co., Ltd.	837,201.50	837,201.50	(106,711.55)	–
Total	837,201.50	6,395,192.20	(106,711.55)	5,557,990.70

Notes to the Financial Statements

For the year ended 31 December 2019

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

12. Other equity instrument investments

Other equity instrument investments designated at FVTOCI

Item	RMB	
	31 December 2019 Carrying amount	31 December 2018 Carrying amount
Anhui Xinhua Media Co., Ltd.* ("Wanxin Media") (Note 1)	683,027,200.00	832,595,200.00
Jiangsu Hagong Intelligent Robot Co., Ltd. ("HGZN") (Note 2)	842,694.27	844,038.28
Bank of Chengdu Co., Ltd. ("BoCD")* (Note 3)	725,600,000.00	618,240,000.00
Others	375,393.81	375,393.81
Total	1,409,845,288.08	1,452,054,632.09

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

Note 1: The Company's investment in the listed shares of Wanxin Media accounts for 6.27% of Wanxin Media's equity. Wanxin Media's shares were listed on the Shanghai Stock Exchange on 18 January 2010. Changes in fair value of Wanxin Media's shares for current year are losses of RMB149,568,000.00, and are recognized in other comprehensive income. The Company's dividends received of RMB21,812,000.00 from Wanxin Media for current year are recognized in investment income.

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 RMB1,344.01, and are recognized in other comprehensive income. The Company's dividends received of RMB47,237.00 from HGZN for current year are 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 RMB107,360,000.00, and are recognized in other comprehensive income. The Company received dividends of RMB28,000,000.00 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 does not hold the above investments for the purpose of disposal in the near term for short-term gains. Accordingly, the above investments are designated as financial assets at FVTOCI.

Notes to the Financial Statements

For the year ended 31 December 2019

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

13. Other non-current financial assets

	<i>RMB</i>	
Item	31 December 2019	31 December 2018
Citic M&A Investment Fund (Shenzhen) Partnership (Limited Partnership)* (Note 1)	111,887,206.48	94,837,468.07
Winshare Hengxin (Shenzhen) Equity Investment Fund Partnership (Limited Partnership) (Note 2)	292,338,697.14	248,097,708.00
Qingdao Goldstone Zhixin Investment Center (Limited Partnership) (Note 3)	102,430,506.09	148,790,378.40
Taizhou Xinheng Zhongrun Investment Fund (Limited Partnership) (Note 4)	–	15,931,213.44
Ningbo Meishan Free Trade Port Winshare Dingsheng Equity Investment Partnership (Limited Partnership) (Note 5)	20,780,000.00	–
Total	527,436,409.71	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 of Citic M&A Investment Fund (Shenzhen) Partnership (Limited Partnership). During the current year, the Company received the exit money of RMB2,743,786.43 with respect to the liquidation of investment project.

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 RMB19,793,524.84, and are recognized in gains from changes in fair values.

Notes to the Financial Statements

For the year ended 31 December 2019

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

13. Other non-current financial assets *(Continued)*

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.

In 2019, the Company's subsidiary, Winshare Investment, received the exit money of RMB20,638,255.90 with respect to the liquidation of investment project in May 2019.

Changes in fair value for current year are gains of RMB64,879,245.04, and are recognized in gains from changes in fair values.

Note 3: As a limited partner, the Company's subsidiary, Winshare Investment invested RMB152,117,500.00 in Qingdao Goldstone Zhixin Investment Center (Limited Partnership). According to the partnership agreement, the proportion of the subscribed capital contribution of the Group accounts for 10.05% of its total subscribed capital. During the current year, the Company made new investments of RMB450,000.00.

During the current year, Winshare Investment received dividend of RMB4,817,239.26 from Qingdao Goldstone Zhixin Investment Center (Limited Partnership) and was included in investment income.

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

Changes in fair value for current year are losses of RMB46,809,872.31, 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.

In January 2019, the Company's subsidiary, Winshare Investment, received the exit money of RMB15,226,783.22 with respect to the liquidation of investment project.

Note 5: As limited partner, the Company's subsidiary, Winshare Investment invested RMB20,780,000.00 in Ningbo Meishan Free Trade Port Winshare Dingsheng Equity Investment Partnership (Limited Partnership). According to the partnership agreement, the proportion of the subscribed capital contribution of the Group accounts for 66.45% of its total subscribed capital.

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

No change in fair value for current year was recognized.

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

Notes to the Financial Statements

For the year ended 31 December 2019

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

14. Investment properties

Investment properties measured at cost

Item	<i>RMB</i> Buildings
I. Cost	
1. 1 January 2019	81,408,190.84
2. Increase in the current year	18,463,390.77
(1) Transfer from fixed assets	1,442,979.16
(2) Transfer from others	17,020,411.61
3. 31 December 2019	99,871,581.61
II. Accumulated depreciation	
1. 1 January 2019	(27,489,048.59)
2. Increase in the current year	(3,733,727.03)
(1) Provision	(3,407,076.31)
(2) Transfer from fixed assets	(326,650.72)
3. 31 December 2019	(31,222,775.62)
III. Net carrying amount	
1. 31 December 2019	68,648,805.99
2. 31 December 2018	53,919,142.25

Notes to the Financial Statements

For the year ended 31 December 2019

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

15. Fixed assets

(1) Fixed assets

<i>RMB</i>					
Item	Buildings	Machinery and equipment	Electronic equipment and others	Transportation vehicles	Total
I. Cost					
1. 1 January 2019	1,629,817,140.12	277,190,144.34	166,079,310.71	108,951,209.50	2,182,037,804.67
2. Increase in the current year	77,695,246.35	14,722,735.30	24,216,218.71	10,262,386.20	126,896,586.56
(1) Transfer from acquisition of subsidiary	-	-	1,910,931.45	-	1,910,931.45
(2) Acquisition	784,229.11	12,005,687.06	22,270,078.12	10,262,386.20	45,322,380.49
(3) Transfer from construction in progress	76,911,017.24	2,717,048.24	35,209.14	-	79,663,274.62
3. Decrease in the current year	(4,670,980.16)	(6,120,759.31)	(13,739,826.31)	(25,536,459.45)	(50,068,025.23)
(1) Disposal	(3,228,001.00)	(6,120,759.31)	(13,739,826.31)	(25,536,459.45)	(48,625,046.07)
(2) Transfer to investment property	(1,442,979.16)	-	-	-	(1,442,979.16)
4. 31 December 2019	1,702,841,406.31	285,792,120.33	176,555,703.11	93,677,136.25	2,258,866,366.00
II. Accumulated depreciation					
1. 1 January 2019	(466,042,775.32)	(208,231,224.23)	(131,548,866.66)	(91,852,656.35)	(897,675,522.56)
2. Increase in the current year	(44,121,377.43)	(14,372,363.12)	(18,565,094.82)	(5,691,639.50)	(82,750,474.87)
(1) Provision	(44,121,377.43)	(14,372,363.12)	(18,565,094.82)	(5,691,639.50)	(82,750,474.87)
3. Decrease in the current year	753,715.12	5,979,768.60	13,606,547.49	23,913,549.45	44,253,580.66
(1) Disposal	427,064.40	5,979,768.60	13,606,547.49	23,913,549.45	43,926,929.94
(2) Transfer to investment property	326,650.72	-	-	-	326,650.72
4. 31 December 2019	(509,410,437.63)	(216,623,818.75)	(136,507,413.99)	(73,630,746.40)	(936,172,416.77)
III. Net carrying amount					
1. 31 December 2019	1,193,430,968.68	69,168,301.58	40,048,289.12	20,046,389.85	1,322,693,949.23
2. 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

Notes to the Financial Statements

For the year ended 31 December 2019

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

15. 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	Carrying amount	Reasons why certificates of title have not been obtained
Office building (Beijing Branch)	61,128,377.09	In process
Warehouse and office building (Sichuan Xichong)	6,528,118.14	In process
Warehouse and office building (Sichuan Nanchong)	30,561,363.88	In process
Warehouse and office building (Sichuan Longquan)	7,910,405.96	In process
Warehouse and office building (Sichuan Peng'an)	4,820,430.05	In process
Business Building (Guang'an Bookstore)	18,740,177.36	In process
Warehouse and office building (Sichuan Guang'an)	8,764,282.02	In process
Warehouse and office building (Sichuan Bazhong)	15,625,773.76	In process
Total	154,078,928.26	

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 2019

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

16. Construction in progress

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

Item	RMB					
	31 December 209			31 December 2018		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Publishing Media Creation Center*	594,470,914.98	-	594,470,914.98	577,034,488.41	-	577,034,488.41
Yilong textbook distribution center project*	-	-	-	99,099.10	-	99,099.10
Ziyang textbooks transfer station project*	32,169,611.14	-	32,169,611.14	29,373,389.91	-	29,373,389.91
Lezhi branch complex*	-	-	-	14,637,028.47	-	14,637,028.47
Mianyang textbook warehouse*	-	-	-	46,019,878.87	-	46,019,878.87
Others	46,023.59	-	46,023.59	4,296,088.89	-	4,296,088.89
Total	626,686,549.71	-	626,686,549.71	671,459,973.65	-	671,459,973.65

Notes to the Financial Statements

For the year ended 31 December 2019

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

16. Construction in progress (Continued)

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

Name of item	Budget amount	1 January 2019	Increase in the current year	Transfer to fixed assets for the current year	Transfer to others	31 December 2019	Amount injected as a proportion of budget amount (%)	Construction progress (%)	Amount of accumulated capitalized interest for the current year	Including: capitalized interest for the current year	Interest capitalized for the year (%)	Source of funds	RMB
Publishing media creation center*	736,000,000.00	577,034,488.41	17,436,426.57	-	-	594,470,914.98	80.77	80.77	-	-	-	-	self-financing
Yilong textbook distribution center project*	21,900,000.00	99,099.10	147,006.67	(246,105.77)	-	-	87.93	87.93	-	-	-	-	self-financing
Ziyang textbooks transfer station project*	32,730,000.00	29,373,389.91	2,796,221.23	-	-	32,169,611.14	98.29	98.29	-	-	-	-	self-financing
Lezhi branch complex*	18,700,000.00	14,637,028.47	1,855,898.47	(16,492,926.94)	-	-	88.20	88.20	-	-	-	-	self-financing
Mianyang textbook warehouse *	57,600,000.00	46,019,878.87	8,918,232.83	(54,938,111.80)	-	-	95.38	95.38	-	-	-	-	self-financing
Others	-	4,296,088.89	3,736,064.81	(7,986,130.11)	-	46,023.59	-	-	-	-	-	-	self-financing
Total	866,930,000.00	671,459,973.65	34,889,850.68	(79,663,274.62)	-	626,686,549.71							

* It is also the construction in progress of the Company

Notes to the Financial Statements

For the year ended 31 December 2019

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

17. Right-of-use assets

	<i>RMB</i>
Item	Buildings
I. Cost	
1. 1 January 2019	346,721,404.32
2. Increase in the current year	187,356,113.35
3. Decrease in the current year	(1,403,146.46)
4. 31 December 2019	532,674,371.21
II. Accumulated depreciation	
1. 1 January 2019	–
2. Increase in the current year	(95,343,647.81)
(1) Provision	(95,343,647.81)
3. Decrease in the current year	633,412.89
4. 31 December 2019	(94,710,234.92)
III. Carrying amount	
1. 31 December 2019	437,964,136.29
2. 1 January 2019	346,721,404.32

The lease term of buildings of the Group ranged from one to 15 years. During the current year, the expenses relating to short-term lease applied to the simplified approach included in the profit or loss for the period amounted to RMB34,970,007.95.

Notes to the Financial Statements

For the year ended 31 December 2019

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

18. Intangible assets

(1) Intangible assets

						<i>RMB</i>
Item	Land use rights	Patent	Software	Distribution channel	Others	Total
I. Cost						
1. 1 January 2019	356,454,080.19	7,232,248.23	122,637,586.29	44,944,000.00	4,850,056.44	536,117,971.15
2. Increase in the current year	-	1,795,399.35	62,170,161.40	-	3,168,768.73	67,134,329.48
(1) Increase in acquisition of subsidiary	-	-	642,406.51	-	1,871,651.77	2,514,058.28
(2) Acquisition	-	1,795,399.35	7,717,368.29	-	1,297,116.96	10,809,884.60
(3) Transfer from development cost	-	-	53,810,386.60	-	-	53,810,386.60
3. Decrease in the current year	-	-	(71,031.75)	-	-	(71,031.75)
(1) Disposal	-	-	(71,031.75)	-	-	(71,031.75)
4. 31 December 2019	356,454,080.19	9,027,647.58	184,736,715.94	44,944,000.00	8,018,825.17	603,181,268.88
II. Accumulated amortization						
1. 1 January 2019	(83,909,704.38)	(3,474,062.93)	(75,899,497.50)	(23,460,799.84)	(2,632,599.05)	(189,376,663.70)
2. Increase in the current year	(8,210,459.92)	(1,127,203.56)	(14,665,373.93)	(9,483,200.16)	(1,334,330.57)	(34,820,568.14)
(1) Provision	(8,210,459.92)	(1,127,203.56)	(14,665,373.93)	(9,483,200.16)	(1,334,330.57)	(34,820,568.14)
3. Decrease in the current year	-	-	27,677.12	-	-	27,677.12
(1) Disposal	-	-	27,677.12	-	-	27,677.12
4. 31 December 2019	(92,120,164.30)	(4,601,266.49)	(90,537,194.31)	(32,944,000.00)	(3,966,929.62)	(224,169,554.72)
III. Provision for impairment						
1. 1 January 2019	-	-	-	(12,000,000.00)	-	(12,000,000.00)
2. 31 December 2019	-	-	-	(12,000,000.00)	-	(12,000,000.00)
IV. Carrying amount						
1. 31 December 2019	264,333,915.89	4,426,381.09	94,199,521.63	-	4,051,895.55	367,011,714.16
2. 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

At the end of the year, the proportion of intangible assets developed as a result of internal research and development to the balance of intangible assets was 17.16%.

Notes to the Financial Statements

For the year ended 31 December 2019

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

19. Goodwill

(1) Original carrying amount of goodwill

<i>RMB</i>				
Name of the investee and item resulting in goodwill	1 January 2019	Increase in the current year	Decrease in the current year	31 December 2019
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% (31 December 2018: nil to 2%). Discount rate of 14%-15% (31 December 2018: 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 carrying amount of the asset group exceeds its recoverable amount.

Notes to the Financial Statements

For the year ended 31 December 2019

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

19. Goodwill (Continued)

(2) Provision for impairment loss of goodwill

RMB

Name of the investee and item resulting in goodwill	1 January 2019	Increase in the current year	Decrease in the current year	31 December 2019
Others	(3,851,606.53)	-	-	(3,851,606.53)

20. Long-term prepaid expenses

RMB

Item	31 December 2018	Impact of Implementing the New Lease Standard	Increase in the current year	Amortization for the year	Decrease in the current year	31 December 2019
Leasehold improvement	19,476,208.53	-	20,034,130.90	(15,499,312.99)	-	24,011,026.44
Rent	1,586,839.07	(1,398,714.70)	-	(188,124.37)	-	-
Others	-	-	1,206,433.84	(534,903.22)	(39,925.60)	631,605.02
Total	21,063,047.60	(1,398,714.70)	21,240,564.74	(16,222,340.58)	(39,925.60)	24,642,631.46

Notes to the Financial Statements

For the year ended 31 December 2019

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

21. Deferred tax assets/deferred tax liabilities

(1) Deferred tax assets

RMB

Item	31 December 2019		31 December 2018	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment losses of assets	43,763,673.56	10,940,918.39	29,700,413.80	7,425,103.45
Employee benefits payable	20,732,996.20	5,183,249.05	16,998,739.52	4,249,684.88
Total	64,496,669.76	16,124,167.44	46,699,153.32	11,674,788.33

(2) Deferred tax liabilities

RMB

Item	31 December 2019		31 December 2018	
	Deductible temporary differences	Deferred tax liabilities	Deductible temporary differences	Deferred tax liabilities
Differences between carrying amount and fair value in acquisitions of subsidiary	33,473,140.64	8,368,285.16	36,830,474.16	9,207,618.54
Relocation compensation	20,457,549.56	5,114,387.39	37,428,724.80	9,357,181.20
Changes in the fair value of other equity instrument investments	543,426.95	135,856.74	544,770.96	136,192.74
Changes in the fair value of other non-current financial assets	112,976,953.05	28,244,238.26	53,822,750.16	13,455,687.54
Effect on investment in associates accounted for using the equity method	52,083,335.07	13,020,833.77	–	–
Total	219,534,405.27	54,883,601.32	128,626,720.08	32,156,680.02

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 2019

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

21. Deferred tax assets/deferred tax 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 2019	31 December 2018
Deductible temporary differences	118,727,162.49	138,180,146.15
Deductible taxable losses	280,621,367.62	261,953,962.25
Total	399,348,530.11	400,134,108.40

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 2019	31 December 2018
2019	–	45,459,185.02
2020	72,442,473.64	98,199,940.27
2021	42,125,357.18	45,528,559.27
2022	39,848,677.12	41,901,272.05
2023	34,302,467.81	30,865,005.64
2024	91,902,391.87	–
Total	280,621,367.62	261,953,962.25

Notes to the Financial Statements

For the year ended 31 December 2019

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

22. Other non-current assets

	<i>RMB</i>	
Item	31 December 2019	31 December 2018
Prepaid land funds	35,355,837.99	35,355,837.99
VAT input tax to be deducted (Note)	48,592,877.42	36,718,628.58
Prepaid purchase price for property	17,105,497.00	–
Others	20,767,710.78	37,738,886.00
Total	121,821,923.19	109,813,352.57

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

23. Notes payable

	<i>RMB</i>	
Item	31 December 2019	31 December 2018
Commercial acceptance bills	3,129,159.00	–
Bank acceptance bills	10,925,551.75	22,176,144.64
Total	14,054,710.75	22,176,144.64

At the end of the current year, the Group's deposit for the above-mentioned bank acceptance bills was RMB3,277,665.53.

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

Notes to the Financial Statements

For the year ended 31 December 2019

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

24. Accounts payable

Details of aging analysis of accounts payable are as follows:

	<i>RMB</i>	
Item	31 December 2019	31 December 2018
Within 1 year	3,237,967,685.53	2,546,123,422.14
More than 1 year but not exceeding 2 years	747,755,788.80	714,272,450.41
More than 2 years but not exceeding 3 years	205,784,181.87	212,033,704.35
More than 3 years	124,273,858.63	125,908,194.69
Total	4,315,781,514.83	3,598,337,771.59

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

Notes to the Financial Statements

For the year ended 31 December 2019

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

25. Contract liabilities

(1) Presentation of contract liabilities:

	<i>RMB</i>	
Item	31 December 2019	31 December 2018
Advanced receipts for sold goods	373,162,442.02	325,898,982.87
Membership card points	3,538,940.71	12,782,898.02
Total	376,701,382.73	338,681,880.89

- (2) The Group's recognized revenue of RMB326,263,736.33, including the carrying amount of contract liabilities at the beginning of the year, for current year includes contract liabilities of RMB325,898,982.87 arising from advanced receipts for sold goods, and contract liabilities of RMB364,753.46 arising from membership card points. It is expected that carrying amount of contract liabilities at the end of the year will be recognized as revenue in 2020.

(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 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.

Notes to the Financial Statements

For the year ended 31 December 2019

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

26. Employee benefits payable

(1) Employee benefits payable

<i>RMB</i>				
Item	1 January 2019	Increase in the current year	Decrease in the current year	31 December 2019
I. Short-term benefits	337,230,836.42	1,084,717,112.53	(1,008,387,362.51)	413,560,586.44
II. Post-employment benefits – defined contribution plan	854,090.68	152,821,219.06	(149,129,721.45)	4,545,588.29
III. Termination benefits	–	1,406,093.73	(1,406,093.73)	–
Total	338,084,927.10	1,238,944,425.32	(1,158,923,177.69)	418,106,174.73

(2) Short-term benefits

<i>RMB</i>				
Item	1 January 2019	Increase in the current year	Decrease in the current year	31 December 2019
I. Wages or salaries, bonuses, allowances and subsidies	274,541,279.52	906,703,581.74	(833,341,193.74)	347,903,667.52
II. Staff welfare	4,458.55	11,696,354.27	(11,696,812.82)	4,000.00
III. Social security contributions	326,868.13	54,804,097.84	(54,787,443.85)	343,522.12
Including: Medical insurance	243,438.83	48,260,438.37	(48,246,817.82)	257,059.38
Work injury insurance	50,532.96	2,088,384.99	(2,090,583.22)	48,334.73
Maternity insurance	28,718.36	4,313,947.77	(4,308,719.22)	33,946.91
Other insurances	4,177.98	141,326.71	(141,323.59)	4,181.10
IV. Housing funds	1,388,144.97	73,689,245.85	(73,527,521.93)	1,549,868.89
V. Union running costs and employee education costs	60,741,604.37	35,372,760.32	(32,580,802.49)	63,533,562.20
VI. Others	228,480.88	2,451,072.51	(2,453,587.68)	225,965.71
Total	337,230,836.42	1,084,717,112.53	(1,008,387,362.51)	413,560,586.44

Notes to the Financial Statements

For the year ended 31 December 2019

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

26. Employee benefits payable (Continued)

(3) Defined contribution plan (Note)

				<i>RMB</i>
Item	1 January 2019	Increase in the current year	Decrease in the current year	31 December 2019
I. Basic pension insurance	715,210.09	102,830,768.08	(102,817,026.15)	728,952.02
II. Unemployment insurance expense	70,257.22	3,752,538.94	(3,743,681.07)	79,115.09
III. Enterprise annuity	68,623.37	46,237,912.04	(42,569,014.23)	3,737,521.18
Total	854,090.68	152,821,219.06	(149,129,721.45)	4,545,588.29

Note: The Company participates in pension insurance and unemployment insurance plans established by government in accordance with the relevant requirements. According to the plans, the Group makes a monthly contribution equivalent to 16%-19% and 0.6% of the employee's monthly basic wage and performance-linked compensation to the plans. Save as the monthly contribution above, the Group no longer undertakes further payment obligation. The corresponding expenses are included in the profit or loss for the period or the cost of the relevant asset when incurred.

During the current year, the Group's contributions payable amounted to RMB102,830,768.08 and RMB3,752,538.94 (2018: RMB98,393,200.95 and RMB3,125,631.89) to the pension insurance and unemployment insurance plans respectively. As at 31 December 2019, the outstanding contributions payable of RMB728,952.02 and RMB79,115.09 (2018: RMB715,210.09 and RMB70,257.22) of the Group are contributions due during the reporting period and yet to be paid to the pension insurance and unemployment insurance plans. Such contributions payable were settled after the reporting period.

Notes to the Financial Statements

For the year ended 31 December 2019

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

27. Taxes payable

	<i>RMB</i>	
Item	31 December 2019	31 December 2018
Income tax	7,916,246.19	3,774,290.71
Value added tax	18,776,491.60	19,323,294.47
City construction and maintenance tax	682,046.30	620,659.25
Education surcharges	477,162.50	432,111.36
Housing property tax	58,830.74	1,499,669.09
Individual income tax	3,041,441.68	4,010,239.94
Others	18,080,412.63	18,478,493.72
Total	49,032,631.64	48,138,758.54

28. Other Payables

	<i>RMB</i>	
Item	31 December 2019	31 December 2018
Amounts due to related parties	6,210,151.46	6,929,554.20
Security deposit/deposit/quality warranty/ performance security	67,405,502.62	67,959,185.69
Construction and infrastructure construction expenses	25,973,935.91	27,578,598.79
Amounts due to/from other entities	43,115,718.18	62,825,482.23
Others	154,598,516.39	121,346,822.86
Total	297,303,824.56	286,639,643.77

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

Notes to the Financial Statements

For the year ended 31 December 2019

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

29. Deferred income

<i>RMB</i>		
Item	31 December 2019	31 December 2018
Government grants (Note)	103,535,074.58	98,377,250.58

Items involving with government subsidies:

<i>RMB</i>					
Item	1 January 2019	New grants for the current year	Amount credited into other income for the current year	31 December 2019	Related to an asset/related to income
Books subsidies (Note)	98,377,250.58	31,329,865.86	(26,172,041.86)	103,535,074.58	Related to income

Note: For the publication of certain topics, the publishing units of the Group will receive various forms of government subsidies. When the relevant publications are completed, the corresponding government subsidies will be included in the other income, and the government subsidies that have been acquired but not yet implemented of the relevant issuing business will be shown under deferred income.

30. Provisions

<i>RMB</i>		
Item	31 December 2019	31 December 2018
Expected sales returns	69,248,504.54	48,879,492.72

Note: Expected sales returns are related to the customer's right of refund subsequent to purchase of books. On the basis of accumulated historical experiences, the Group assesses the quantity of sales returns using the expected-value method on an organization level.

Notes to the Financial Statements

For the year ended 31 December 2019

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

31. Lease liabilities

		<i>RMB</i>
	31 December 2019	31 December 2018
Rents	447,134,268.00	N/A
Less: Lease liabilities included in non-current liabilities due within one year	(93,885,902.56)	N/A
Total	353,248,365.44	N/A

32. Deferred income

		<i>RMB</i>
Item	31 December 2019	31 December 2018
Government grants	58,755,458.63	70,210,541.84

Notes to the Financial Statements

For the year ended 31 December 2019

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

32. Deferred income (Continued)

Items related to government grants:

<i>RMB</i>					
Item	1 January 2019	New grants for the current year	Amount credited into other income for the current year	31 December 2019	Related to an asset/related to income
Copyright protection of audio and video cloud application system	1,216,004.37	-	(148,898.49)	1,067,105.88	related to an asset
Integration and Application Demonstration of Key Technology in Digital Education	1,696,747.52	-	(491,119.94)	1,205,627.58	related to an asset
Construction of Full Media Center of "Tibetan-Chinese Bilingual Language"	69,912.08	-	(14,627.68)	55,284.40	related to an asset
Western Culture Logistics and Distribution Base	1,444,489.27	-	(256,039.93)	1,188,449.34	related to an asset
CNONIX National Standard Application Promotion Demonstration – Based on Supply Chain Collaborative E – Commerce Platform	1,796,515.54	-	(1,116,158.18)	680,357.36	related to an asset
Technological transformation funds	15,612,541.49	-	(4,195,562.90)	11,416,978.59	related to an asset
R&D and industrialization project of rich media digital resources online edit system	3,169,672.54	-	(216,562.59)	2,953,109.95	related to an asset
Wisdom Bookstore Project	4,267,030.60	-	(1,039,702.04)	3,227,328.56	related to an asset
UClass Digital Teaching Application System	473,805.31	-	(473,235.05)	570.26	related to an asset
Winshare Cloud Digital Campus Development and Application Promotion	32,369.13	-	(21,701.62)	10,667.51	related to an asset
Special fund for Winshare Bookstores	3,749,664.18	-	(835,606.80)	2,914,057.38	related to an asset
Network Construction of Shuxiang Tianfu, Wisdom Xinhua Physical Bookstore – finance	2,712,956.19	-	(1,151,846.34)	1,561,109.85	related to an asset
Xinhua Winshare Longquan Bookstore Construction Project	292,003.79	-	(292,003.79)	-	related to an asset
Digital Media Education Service System Construction	808,396.72	-	(53,893.12)	754,503.60	related to an asset
Digital Evaluation Platform	2,665,005.75	-	(326,327.23)	2,338,678.52	related to an asset
Establishment of Big Data-based Math Analysis Model which is published on demand and Key Technology Research Project	3,491,850.62	-	-	3,491,850.62	related to an asset
Model project of semantics-based content resources linking technology and education compound application system R&D and application	475,192.79	-	-	475,192.79	related to an asset
Others	26,236,383.95	7,712,591.08	(8,534,388.59)	25,414,586.44	related to an asset
Total	70,210,541.84	7,712,591.08	(19,167,674.29)	58,755,458.63	

Notes to the Financial Statements

For the year ended 31 December 2019

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

33. Share capital

For the current year

RMB

Item	1 January 2019	Issue of new shares	Changes for the current year			Subtotal	31 December 2019
			Bonus issue	Capitalization of surplus reserve	Others		
Promoter's shares	692,468,091.00	-	-	-	-	-	692,468,091.00
National Council for Social Security Fund	725,809.00	-	-	-	(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	-	-	-	725,809.00	725,809.00	99,435,809.00
Total	1,233,841,000.00	-	-	-	-	-	1,233,841,000.00

For the prior year

RMB

Item	1 January 2018	Issue of new shares	Changes for the current year			Subtotal	31 December 2018
			Bonus issue	Capitalization of surplus reserve	Others		
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 shares 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 2019

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

34. Capital reserve

For the current year

<i>RMB</i>				
Item	1 January 2019	Increase in the current year	Decrease in the current year	31 December 2019
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	(55,415,409.56)	-	-	(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	2,572,524,766.32	-	-	2,572,524,766.32

For the prior year

<i>RMB</i>				
Item	1 January 2018	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 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 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 2019

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

35. Other comprehensive income

For the current year

RMB

Item	1 January 2019	Amount before income tax for the current year	Less: amount included in other comprehensive income in the prior period that is transferred to profit or loss for the period	Changes for the current year			31 December 2019
				Less: Income tax expenses	Post-tax amount attributable to the owner of the Company	Post-tax amount attributable to non-controlling shareholders	
Other comprehensive income that cannot be reclassified into profit or loss	1,021,506,867.83	(42,209,344.01)	-	336.01	(42,209,008.00)	-	979,297,859.83
Profit or loss on changes in fair value of other equity instrument investments	1,021,506,867.83	(42,209,344.01)	-	336.01	(42,209,008.00)	-	979,297,859.83

For the prior year

RMB

Item	1 January 2018	Impact of implementing the New Financial Instruments Standards	Amount before income tax for the current year	Less: amount included in other comprehensive income in the prior period that is transferred to profit or loss for the period	Changes for the current year			31 December 2018
					Less: Income tax expenses	Post-tax amount attributable to the owner of the Company	Post-tax amount attributable to non-controlling shareholders	
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)	-	-	-	-	-	-

Notes to the Financial Statements

For the year ended 31 December 2019

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

36. Surplus reserve

For the current year

<i>RMB</i>				
Item	1 January 2019	Increase in the current year	Decrease in the current year	31 December 2019
Statutory surplus reserve	711,068,358.95	81,285,411.20	–	792,353,770.15

For the prior year

<i>RMB</i>				
Item	1 January 2018	Increase in the current year	Decrease in the current year	31 December 2018
Statutory surplus reserve	625,743,635.42	85,324,723.53	–	711,068,358.95

37. Retained profits

<i>RMB</i>			
Item	Current year	Prior year	Proportion of appropriation or distribution
Retained profits at the beginning of the year	2,941,622,541.24	2,464,914,760.71	
Add: Net profit attributable to shareholders of the Company for the current year	1,139,047,561.12	932,184,804.06	
Less: Appropriation to statutory surplus reserve	(81,285,411.20)	(85,324,723.53)	(1)
Distribution of dividends on ordinary shares	(370,152,300.00)	(370,152,300.00)	(2)
Retained profits at the end of the year	3,629,232,391.16	2,941,622,541.24	

Notes to the Financial Statements

For the year ended 31 December 2019

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

37. Retained profits (Continued)

(1) Appropriation to statutory surplus reserve

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

(2) Cash dividends approved at shareholders' meeting

On 21 May 2019, the resolution regarding the Company's 2018 Annual Profit Distribution Proposal was approved at 2018 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 (tax-inclusive)) and the total cash dividends of RMB370,152,300.00 (tax-inclusive) (Prior year: RMB370,152,300.00 (tax-inclusive)) 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 RMB134,816,191.16 (31 December 2018: RMB98,503,003.33) appropriated to subsidiaries.

38. Operating income and operating costs

(1) Operating income and operating costs

Item	RMB	
	Amount recognized in the current year	Amount recognized in the prior year
Principal operating income	8,647,468,762.45	8,030,201,485.50
Other operating income	194,988,961.34	156,381,481.23
Including: Gross revenue from concessionaire sales	341,709,690.76	345,326,801.27
Gross cost from concessionaire sales	(294,058,772.27)	(294,767,927.97)
Commissions from concessionaire sales	47,650,918.49	50,558,873.30
Operating costs	5,459,861,693.69	5,115,028,020.85

Notes to the Financial Statements

For the year ended 31 December 2019

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

38. 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	1,365,400,296.92	1,345,807,273.62	823,110,321.45	877,132,171.24
General books	888,276,334.06	785,957,302.01	578,860,240.65	525,166,730.75
Printing and supplies	292,929,038.01	314,596,381.76	262,440,383.00	298,662,824.04
Others	92,596,083.76	88,528,783.00	50,533,742.99	35,021,216.36
Subtotal	2,639,201,752.75	2,534,889,740.39	1,714,944,688.09	1,735,982,942.39
Distribution segment				
Education services	4,999,021,879.42	4,771,871,961.65	3,151,508,386.35	3,080,866,254.21
Including: Textbooks and supplementary materials	4,330,236,742.33	4,015,378,780.29	2,584,392,969.07	2,417,525,533.74
Education informatization and equipment business	668,785,137.09	756,493,181.36	567,115,417.28	663,340,720.47
Online sales	1,468,000,521.10	1,266,527,032.62	1,293,068,239.71	1,129,994,562.12
Retailing	739,842,209.34	712,736,714.59	455,348,770.66	425,835,034.77
Others	428,227,132.63	394,194,316.53	302,106,935.09	235,682,434.56
Subtotal	7,635,091,742.49	7,145,330,025.39	5,202,032,331.81	4,872,378,285.66
Others	393,467,244.10	306,094,538.83	339,700,734.20	267,410,310.19
Less: Inter-segment elimination	(1,825,303,015.55)	(1,799,731,337.88)	(1,796,816,060.41)	(1,760,743,517.39)
Total	8,842,457,723.79	8,186,582,966.73	5,459,861,693.69	5,115,028,020.85

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 2019

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

39. Taxes and levies

<i>RMB</i>		
Item	Amount recognized in the current year	Amount recognized in the prior year
City construction and maintenance tax	4,809,004.47	4,522,883.04
Education surcharges	3,438,355.09	3,241,006.84
Property tax	21,199,919.23	16,436,332.66
Urban land use tax	3,782,606.17	3,935,507.12
Stamp duty	2,422,799.57	2,427,842.83
Vessel and vehicle tax	283,554.70	335,803.90
Disabled Person Security Fund	7,084,634.75	5,851,945.74
Others	248,827.91	231,262.01
Total	43,269,701.89	36,982,584.14

40. Selling expenses

<i>RMB</i>		
Item	Amount recognized in the current year	Amount recognized in the prior year
Wages and other human costs	459,660,697.10	393,188,474.66
Transportation costs	230,695,503.66	229,599,106.26
Business conference fees	49,344,202.55	43,689,098.09
Vehicle fees	20,251,674.71	23,750,139.71
Travel expenses	25,725,283.36	24,625,163.15
Advertising and promotion fees	123,504,100.85	89,715,568.53
Distribution commission	40,235,990.88	39,829,692.76
Packing expenses	14,296,484.36	12,463,545.89
Others	155,965,168.56	153,812,194.24
Total	1,119,679,106.03	1,010,672,983.29

Notes to the Financial Statements

For the year ended 31 December 2019

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

41. Administrative expenses

Item	RMB	
	Amount recognized in the current year	Amount recognized in the prior year
Wages and other human costs	700,133,404.30	575,793,642.70
Business entertainment fees	127,295,029.56	114,143,335.00
Lease payments	34,970,007.95	121,601,442.21
Depreciation and amortization expenses	191,031,775.34	95,825,402.07
Conference fees	24,353,407.29	26,357,152.49
Property management fees	35,897,673.64	32,725,409.10
Travelling expenses	12,601,277.93	8,558,292.31
Energy costs	18,480,681.47	19,367,466.73
Office expenses	8,202,276.77	8,304,490.64
Repair charges	12,972,192.59	24,624,051.60
Audit and other non-audit service fees	3,367,924.53	3,245,283.02
Others	84,669,886.64	84,796,085.53
Total	1,253,975,538.01	1,115,342,053.40

42. Finance expenses

Item	RMB	
	Amount recognized in the current year	Amount recognized in the prior year
Interest expense	191,521.60	516,412.05
Interest expense on lease liabilities	19,248,800.27	N/A
Interest income	(40,530,235.98)	(22,848,178.36)
Interest income of long-term receivables	(17,662,999.05)	(13,150,248.29)
Exchange gains or losses and others	5,771,947.98	11,071,290.57
Total	(32,980,965.18)	(24,410,724.03)

Notes to the Financial Statements

For the year ended 31 December 2019

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

43. Other income

<i>RMB</i>		
Item	Amount recognized in the current year	Amount recognized in the prior year
Book publishing subsidies	26,172,041.86	26,825,204.01
VAT first levied then returned	53,182,436.43	10,537,649.87
Other financial subsidies	25,834,236.50	25,082,079.56
Total	105,188,714.79	62,444,933.44

44. 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	81,036,355.76	20,614,370.74
Investment income (loss) on disposal of long-term equity investments	20,000,000.00	(20.32)
Investment income from other non-current financial assets	4,817,239.26	13,216,494.74
Investment income from other equity instrument investments	49,859,237.00	43,591,488.02
Investment income from disposal of financial assets at FVTPL	33,689,186.77	49,459,881.88
Others	19,500,000.00	-
Total	208,902,018.79	126,882,215.06

Notes to the Financial Statements

For the year ended 31 December 2019

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

45. Gains (losses) from fair value change

Source of gains (losses) from fair value change	Amount recognized in the current year	Amount recognized in the prior year
Financial assets at FVTPL	37,980,059.49	(38,181,032.61)

46. Loss on credit impairment

Item	Amount recognized in the current year	Amount recognized in the prior year
Credit impairment losses of accounts receivable	107,862,514.00	81,269,285.69
Credit impairment losses of other receivables	3,167,922.96	2,486,787.92
Total	111,030,436.96	83,756,073.61

47. Impairment losses of assets

Item	Amount recognized in the current year	Amount recognized in the prior year
Losses of decline in value of inventories	60,917,237.10	40,817,713.77
Impairment losses of long-term equity investments	–	16,529,000.00
Total	60,917,237.10	57,346,713.77

RMB

Notes to the Financial Statements

For the year ended 31 December 2019

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

48. Non-operating income

<i>RMB</i>			
Item	Amount recognized in the current year	Amount recognized in the prior year	Amount included in non-recurring profit or loss for the current year
Others	11,917,025.61	10,614,766.98	11,917,025.61

49. 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	41,260,106.61	24,505,352.02	41,260,106.61
Penalty cost	45,743.05	2,967.82	45,743.05
Others	1,164,150.22	1,034,830.25	1,164,150.22
Total	42,469,999.88	25,543,150.09	42,469,999.88

Notes to the Financial Statements

For the year ended 31 December 2019

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

50. 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	5,894,196.92	2,012,008.52
Deferred income tax expenses	18,277,878.20	(12,807,854.89)
Total	24,172,075.12	(10,795,846.37)

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	1,148,837,299.23	915,920,620.39
Income tax expenses calculated at 25%	287,209,324.81	228,980,155.10
Tax concessions	(290,711,911.87)	(257,159,208.89)
Effect of expenses that are not deductible for tax purposes	31,129,108.86	25,652,991.76
Effect of non-assessable income	(12,464,809.25)	(10,897,200.00)
Effect of (reversal of) unrecognized deductible temporary differences	(4,863,245.92)	10,615,337.35
Effect of unrecognized deductible losses (use of deductible losses in prior years)	13,873,608.49	(7,987,921.69)
Total	24,172,075.12	(10,795,846.37)

Notes to the Financial Statements

For the year ended 31 December 2019

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

51. Calculation process of basic earnings per share

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

	<i>RMB</i>	
	Current year	Prior year
Net profit for the current period attributable to ordinary shareholders	1,139,047,561.12	932,184,804.06
Including: Net profit from continuing operations	1,139,047,561.12	932,184,804.06

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>	
	Current year	Prior year
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>	
	Current year	Prior year
Number of ordinary shares outstanding at the end of year divided by net profit for the current period attributable to ordinary shareholders	0.92	0.76
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	0.92	0.76

The Company has no dilutive potential ordinary shares.

Notes to the Financial Statements

For the year ended 31 December 2019

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

52. 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	34,661,302.40	29,750,728.73
Government grants	45,709,019.15	40,552,455.82
Others	49,461,340.95	58,598,621.74
Total	129,831,662.50	128,901,806.29

(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	660,018,408.93	617,484,508.63
Of which: Transportation costs	230,695,503.66	229,599,106.26
Advertising and promotion fees	123,504,100.85	89,715,568.53
Business conference fees	49,344,202.55	43,689,098.09
Distribution commission	40,235,990.88	39,829,692.76
Travel expenses	25,725,283.36	24,625,163.15
Vehicle fees	20,251,674.71	23,750,139.71
Administrative expenses	384,312,709.09	458,436,070.93
Of which: Lease payment	34,970,007.95	115,402,547.41
Business entertainment fees	127,295,029.56	114,143,335.00
Property management fees	35,897,673.64	32,725,409.10
Conference fees	24,353,407.29	26,357,152.49
Energy costs	18,480,681.47	19,367,466.73
Repair charges	12,972,192.59	24,624,051.60
Others	78,896,498.72	26,361,761.12
Total	1,123,227,616.74	1,102,282,340.68

Notes to the Financial Statements

For the year ended 31 December 2019

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

52. 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 term deposit over 3 months	57,000,000.00	280,000,000.00
Recovery of interest from term deposit	1,434,629.84	3,561,027.40
Total	58,434,629.84	283,561,027.40

(4) Other cash payments relating to investing activities

<i>RMB</i>		
Item	Amount recognized in the current year	Amount recognized in the prior year
Increase in term deposit over 3 months	134,000,000.00	–

(5) Other cash payments relating to financing activities

<i>RMB</i>		
Item	Amount recognized in the current year	Amount recognized in the prior year
Payment for capital reduction by non-controlling shareholders of Sichuan Xinhua Winshare Media Co., Ltd. (“ Winshare Media ”)	–	1,780,947.00
Payment for lease payments	85,441,382.43	–
Payment for capital reduction by non-controlling shareholders of Winshare VIVI Advertising Media (Chengdu) Co., Ltd. (“ VIVI Advertising ”)	1,089,777.82	–
Total	86,531,160.25	1,780,947.00

Notes to the Financial Statements

For the year ended 31 December 2019

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

53. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Supplementary information	Amount recognized in the current year	<i>RMB</i> Amount recognized in the prior year
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	1,124,665,224.11	926,716,466.76
Add: Impairment losses of assets	60,917,237.10	57,346,713.77
Loss on credit impairment	111,030,436.96	83,756,073.61
Depreciation of fixed assets	82,750,474.87	86,650,167.19
Depreciation of right-of-use assets	95,343,647.81	
Depreciation of investment properties	3,407,076.31	3,007,276.14
Amortization of intangible assets	34,820,568.14	19,664,512.32
Amortization of long-term prepaid expenses	16,222,340.58	17,860,194.77
Asset disposal income	(3,870,076.62)	(1,430,228.33)
Losses (gains) from fair value change	(37,980,059.49)	38,181,032.61
Finance expenses	1,777,322.82	(14,424,020.16)
Investment income	(208,902,018.79)	(126,882,215.06)
Increase in deferred tax assets	(4,449,379.11)	(1,417,732.73)
Increase (decrease) in deferred tax liabilities	22,727,257.31	(11,390,122.16)
Increase in inventories	(296,820,806.08)	(197,917,018.81)
Increase in receivables from operating activities	(474,894,744.40)	(420,728,726.85)
Increase in payables from operating activities	837,691,789.89	534,457,898.90
Others	(25,771.79)	-
Net cash flow from operating activities	1,364,410,519.62	993,450,271.97
2. Material investment and financing activities not involving cash receipts and payments:		
Right-of-use assets recognized on lease on fixed assets	187,356,113.35	
3. Net changes in cash and cash equivalents:		
Closing balance of cash	3,393,906,225.68	2,576,699,731.25
Less: Opening balance of cash	(2,576,699,731.25)	(1,825,572,649.15)
Net increase in cash and cash equivalents	817,206,494.43	751,127,082.10

Notes to the Financial Statements

For the year ended 31 December 2019

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

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

(2) Cash and cash equivalents

	<i>RMB</i>	
Item	31 December 2019	31 December 2018
Cash	3,393,906,225.68	2,576,699,731.25
Including: Cash on hand	2,569,899.73	3,311,719.53
Bank deposits readily available for payment	3,391,336,325.95	2,573,388,011.72
Balance of cash and cash equivalents	3,393,906,225.68	2,576,699,731.25

54. Assets with restricted ownership

	<i>RMB</i>	
Assets with restricted ownership	31 December 2019	31 December 2018
Cash and bank balances (Note)	36,437,060.52	31,912,840.76

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 RMB3,277,665.53 (31 December 2018: RMB7,355,024.39); security deposit placed in bank for the issuance of guarantee letter of RMB2,372,042.16 (31 December 2018: Nil); special fund for housing reform and housing repair of RMB24,643,831.83 (31 December 2018: RMB24,557,816.37); and bank deposits frozen as a result of the litigation of Beijing Aerospace Cloud, a subsidiary, of RMB6,143,521.00 (31 December 2018: Nil).

Notes to the Financial Statements

For the year ended 31 December 2019

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

55. Net current assets

	<i>RMB</i>	
Item	31 December 2019	31 December 2018
Current assets	9,085,201,349.01	7,650,982,774.29
Less: Current liabilities	(5,737,649,720.92)	(4,779,315,869.83)
Net current assets	3,347,551,628.09	2,871,666,904.46

56. Total assets less current liabilities

	<i>RMB</i>	
Item	31 December 2019	31 December 2018
Total assets	15,324,503,472.53	13,287,712,452.79
Less: Current liabilities	(5,737,649,720.92)	(4,779,315,869.83)
Total assets less current liabilities	9,586,853,751.61	8,508,396,582.96

Notes to the Financial Statements

For the year ended 31 December 2019

(VII) CHANGES IN SCOPE OF CONSOLIDATION

Merger under different control

(1) Merger under different control in the current period

RMB

Name of acquiree	Acquisition point in time	Acquisition cost	Proportion acquired (%)	Acquisition approach	Acquisition date	Determination basis of acquisition date	Revenue of the acquiree from acquisition date to the year-end	Net loss of the acquiree from the date of purchase to the year-end
Chongqing Yunhan	31 March 2019	-	50%	Capital reduction by counterparty shareholder	31 March 2019	Point in time when control is transferred	765,753.85	(7,139,615.63)

The Group's subsidiary Winshare Online originally held 50% of the equity of Chongqing Yunhan as accounted for using equity method. In March 2019, all shareholders unanimously agreed to the capital reduction of Chongqing Yunhan by other shareholders of Chongqing Yunhan, namely Chongqing Wenrong Investment Co., Ltd., Chongqing Xinhua Media Co., Ltd. and Chongqing Publication Group Co., Ltd. Upon completion of capital reduction, Winshare Online's shareholding in Chongqing Yunhan became 100%, and Chongqing Yunhan became a wholly-owned subsidiary of Winshare Online and was included in the Group upon consolidation in March 2019.

(2) Combination cost and goodwill

RMB

Combination cost	Chongqing Yunhan
- Fair value of equity at the date of acquisition held prior to acquisition date	23,746,319.44
Total combination cost	23,746,319.44
Less: Share of fair value of identifiable net asset acquired	23,772,091.23
Amount of combination cost less than share of fair value of identifiable net assets acquired	(25,771.79)

Notes to the Financial Statements

For the year ended 31 December 2019

(VII) CHANGES IN SCOPE OF CONSOLIDATION (Continued)

Merger under different control (Continued)

(3) Identifiable assets and liabilities at the acquisition date in the acquiree

	<i>RMB</i>	
	Chongqing Yunhan	
	Fair value at the acquisition date	Carrying amount at the acquisition date
Assets:	43,564,389.20	43,564,389.20
Current assets	39,043,149.52	39,043,149.52
Non-current assets	4,521,239.68	4,521,239.68
Liabilities:	19,792,297.97	19,792,297.97
Current liabilities	19,792,297.97	19,792,297.97
Net assets	23,772,091.23	23,772,091.23
Net assets acquired	23,772,091.23	23,772,091.23

(4) Gains or losses arising from the remeasurement of equity held before acquisition date at fair value

Name of acquiree	Carrying amount at acquisition date of equity originally held prior to acquisition date	Fair value at acquisition date of equity originally held prior to acquisition date	Gains or losses from remeasurement of equity originally held prior to acquisition date at fair value	Recognition method and main assumption of fair value at acquisition date of equity originally held prior to acquisition date	Amount of other comprehensive income related to equity originally held prior to acquisition date transferred to investment income
Chongqing Yunhan	23,746,319.44	23,746,319.44	-	Recognized at valuation price	-

Notes to the Financial Statements

For the year ended 31 December 2019

(VIII) INTERESTS IN OTHER ENTITIES

1. Subsidiaries:

(1) Subsidiaries incorporated by investments

<i>RMB</i>								
Full name of subsidiary	Type of the subsidiary	Principal place of business and 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")	Limited Liability Company ("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, newspapers and periodicals	51.00	51.00	Y
Sichuan Winshare Arts Investment and Management Co., Ltd. ("Arts Investment")	LLC	Chengdu	Exhibition of artwork	20,000,000.00	Project investment and management, exhibition of artwork	100.00	100.00	Y
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	United States of America	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
VVI Advertising	LLC	Chengdu	Advertising	7,500,000.00	Advertising	53.00	53.00	Y

Notes to the Financial Statements

For the year ended 31 December 2019

(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	Principal place of business and place of incorporation	Nature of business	Registered capital	Business scope	Proportion of ownership interests (%)	Proportion of voting power (%)	Consolidated statements or not
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
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	41,783,300.00	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
Sichuan Winshare Xuankehui Cultural Development Co., Ltd. (" 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 2019

(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	Principal place of business and 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	Principal place of business and 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 Cultural Development Co., Ltd. ("Winshare Sports")	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

Notes to the Financial Statements

For the year ended 31 December 2019

(VIII) INTERESTS IN OTHER ENTITIES (Continued)

1. Subsidiaries: (Continued)

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

								RMB
Full name of subsidiary	Type of the subsidiary	Principal place of business and place of incorporation	Nature of business	Registered capital	Business scope	Proportion of ownership interests (%)	Proportion of voting power (%)	Consolidated statements or not
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
Sichuan Discovery of Nature Magazine Press Co., Ltd.	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
Tiandi Publishing House	LLC	Chengdu	Publication	130,634,700.00	Publication of books	100.00	100.00	Y

Notes to the Financial Statements

For the year ended 31 December 2019

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

1. Subsidiaries: *(Continued)*

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

								<i>RMB</i>
Full name of subsidiary	Type of the subsidiary	Principal place of business and place of incorporation	Nature of business	Registered capital	Business scope	Proportion of ownership interests (%)	Proportion of voting power (%)	Consolidated statements or not
Sichuan Times English Cultural Communication Co., Ltd.	LLC	Chengdu	Publication	600,000.00	Publication of books	51.00	51.00	Y
Sichuan Bashu Publishing House Co., Ltd. ("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
Chongqing Yunhan	LLC	Chongqing	Wholesale	50,000,000.00	Wholesale of publications	100.00	100.00	Y

Notes to the Financial Statements

For the year ended 31 December 2019

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

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

RMB

Full name of subsidiary	Proportion of ownership interests held by non-controlling shareholders (%)	Proportion of voting power held by non-controlling shareholders (%)	Losses attributable to non-controlling shareholders		Non-controlling interests	
			Current year	Prior year	31 December 2019	31 December 2018
Beijing Winshare Commercial	49.00	49.00	(15,347,475.39)	(4,516,868.14)	(71,315,725.67)	(55,968,250.28)
Winshare Online	25.00	25.00	(3,838,544.25)	871,944.68	(23,752,697.95)	(19,914,153.70)

a. Beijing Winshare Commercial

RMB

	31 December 2019	31 December 2018
Current assets	121,671,381.69	139,896,495.59
Non-current assets	2,645,702.47	11,471,455.58
Current liabilities	216,782,942.44	212,819,482.35
Non-current liabilities	307,051.25	–

RMB

	Amount in the current year	Amount in the prior year
Operating income	140,522,829.20	148,790,238.83
Operating costs and expenses	171,844,207.55	158,008,337.08
Total loss, net loss	(31,321,378.35)	(9,218,098.25)
Net cash flow from operating activities	7,047,284.83	308,675.03
Net cash flow from investing activities	(286,693.71)	(590,002.10)
Net cash flow from financing activities	(1,159,367.02)	–

Notes to the Financial Statements

For the year ended 31 December 2019

(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>	
	31 December 2019	31 December 2018
Current assets	1,884,945,460.85	1,401,150,849.38
Non-current assets	8,167,405.51	47,585,386.61
Current liabilities	1,987,494,658.15	1,527,763,850.80
Non-current liabilities	629,000.00	629,000.00

	<i>RMB</i>	
	Amount recognized in the current year	Amount recognized in the prior year
Operating income	2,010,130,134.72	1,626,346,146.77
Operating costs and expenses	2,025,484,311.70	1,622,858,368.06
Total profit (loss), net profit (loss)	(15,354,176.98)	3,487,778.71
Net cash flow from operating activities	240,186,550.24	(49,485,660.35)
Net cash flow from investing activities	(110,393,786.87)	55,209.50
Net cash flow from financing activities	-	-

Notes to the Financial Statements

For the year ended 31 December 2019

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

3. Interests in joint ventures or associates

(1) Significant joint ventures or associates

				<i>RMB</i>
Name of joint ventures or associates	Principle place of operation and incorporation	Nature of business	Proportion of ownership interests in investee (%)	Accounting method used in investments in joint ventures or associates
Joint ventures				
Hainan Publishing House	Haikou	Publication	50	Equity method
Associates				
Ren Min Eastern (Beijing) Book Industry Co., Ltd.	Beijing	Wholesale of books, periodicals, newspapers and electronic publications	20	Equity method
Ming Bo Education Technology Holdings Co., Ltd.	Beijing	Publication of internet education	20.4	Equity method
Sichuan Winshare BLOGIS Supply Chain Co., Ltd.	Chengdu	Logistics transportation	45	Equity method

Notes to the Financial Statements

For the year ended 31 December 2019

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

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

(2) Key financial information of significant joint ventures

a. Hainan Publishing House

	<i>RMB</i>	
	31 December 2019/ Amount recognized in the current year	31 December 2018/ Amount recognized in the prior year
Current assets	427,037,522.05	370,752,403.01
Including: Cash and cash equivalents	22,369,544.62	35,812,005.50
Non-current assets	55,342,532.74	65,206,688.56
Total assets	482,380,054.79	435,959,091.57
Current liabilities	192,752,537.08	180,650,371.95
Non-current liabilities	19,890,000.00	18,620,000.00
Total liabilities	212,642,537.08	199,270,371.95
Equity attributable to the Company's shareholders	268,743,394.79	234,983,855.32
Non-controlling interests	994,122.92	1,704,864.30
Net assets calculated on pro-rata basis of shareholding	134,371,697.40	117,491,927.66
Adjustments	-	-
Goodwill	30,735,530.98	30,735,530.98
Carrying amount of equity investments in joint ventures	165,107,228.38	148,227,458.64
Operating income	170,071,953.47	155,123,350.97
Net profit and total comprehensive income	33,048,798.09	32,870,255.13
Profit or loss attributable to non-controlling shareholders	(710,741.38)	(338,821.95)
Interest income	106,720.69	73,558.98
Interest expense	-	-
Income tax	111,106.08	110,409.96

Notes to the Financial Statements

For the year ended 31 December 2019

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

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

(3) Key financial information of significant associates

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

	<i>RMB</i>	
	31 December 2019/ Amount recognized in the current year	31 December 2018/ Amount recognized in the prior year
Current assets	105,702,082.60	103,843,732.68
Non-current assets	5,457,378.93	5,338,301.76
Total assets	111,159,461.53	109,182,034.44
Current liabilities and total liabilities	55,842,366.63	54,568,009.06
Share of net assets calculated based on proportion of shareholding	11,063,418.98	10,922,805.08
Carrying amount of equity investments in associates	11,063,418.98	10,922,805.08
Operating income	75,200,157.72	78,158,279.42
Net profit and total comprehensive income	12,703,069.52	13,512,273.89
Dividends receipts from associates for the current year	2,400,000.00	2,400,000.00

Notes to the Financial Statements

For the year ended 31 December 2019

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

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

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

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

	31 December 2019/ Amount recognized in the current year	<i>RMB</i> 31 December 2018/ Amount recognized in the prior year
Current assets	141,332,370.97	134,504,113.82
Non-current assets	93,792,140.62	91,609,360.11
Total assets	235,124,511.59	226,113,473.93
Current liabilities	38,897,206.68	36,585,960.76
Non-current liabilities	535,631.20	8,180,033.95
Total liabilities	39,432,837.88	44,765,994.71
Equity attributable to the Company's shareholders	195,658,934.54	181,347,479.22
Non-controlling interests	32,739.17	–
Share of net assets calculated based on proportion of shareholding	39,914,422.65	36,994,885.76
Carrying amount of equity investments in associates	39,914,422.65	36,994,885.76
Operating income	136,494,760.01	145,422,094.60
Net profit and total comprehensive income	14,714,524.23	24,446,664.85
Profit or loss attributable to non-controlling shareholders	403,068.89	–

Notes to the Financial Statements

For the year ended 31 December 2019

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

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

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

c. *Sichuan Winshare BLOGIS Supply Chain Co., Ltd.*

	<i>RMB</i>	
	31 December 2019/ Amount recognized in the current year	31 December 2018/ Amount recognized in the prior year
Current assets	145,605,871.85	83,521,529.51
Non-current assets	56,511,513.76	44,021,819.52
Total assets	202,117,385.61	127,543,349.03
Current liabilities	90,195,513.24	26,916,900.15
Non-current liabilities	393,111.50	481,592.76
Total liabilities	90,588,624.74	27,398,492.91
Equity attributable to the Company's shareholders	98,501,199.17	99,608,053.57
Non-controlling interests	13,027,561.70	536,802.55
Share of net assets calculated based on proportion of shareholding	44,325,539.63	44,823,624.11
Carrying amount of equity investment in associates	44,325,539.63	44,823,624.11
Operating income	256,965,181.91	100,849,564.27
Net loss and total comprehensive income	(1,675,915.82)	(437,906.77)
Profit or loss attributable to non-controlling shareholders	(569,061.42)	(13,196.45)

Notes to the Financial Statements

For the year ended 31 December 2019

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

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

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

	<i>RMB</i>	
	31 December 2019/ Amount recognized in the current year	31 December 2018/ Amount recognized in the prior year
Insignificant joint ventures		
Total carrying amount of investments	27,313,416.85	20,386,141.76
Sum of net loss and total comprehensive income calculated based on according to proportion of investment	6,927,275.09	786,946.63
Insignificant associates		
Total carrying amount of investments	161,929,916.77	85,405,164.50
Sum of net loss and total comprehensive income calculated based on proportion of investment	52,267,244.62	(2,414,265.59)

Notes to the Financial Statements

For the year ended 31 December 2019

(IX) RISK EXPOSURES ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Group's major financial instruments consist of financial assets measured at amortized cost, financing receivables-bank acceptance bills, 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.

The Group adopts sensitivity analysis method to analyze the potential impact of possible appropriate change in risk variables on current profits and losses or the owners' equity. As any risk variable seldom changes alone and correlation between variables greatly accounts for the final amount influenced by change of a certain risk variable, the following content is conducted under the assumption that change of each variable is independent.

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.

Item	RMB	
	31 December 2019	31 December 2018
Cash and bank balances		
USD	160,370.24	155,341.36
EUR	666.43	666.43
HKD	24,519.46	18,186.89

1.1.2 Interest rate risk

The Group had no interest-bearing borrowings at the end of the current year. As the impact of changes in the amount of lease liabilities and profit or loss arising from the change in interest rate was relatively small, the Group was not exposed to material interest rate risk.

Notes to the Financial Statements

For the year ended 31 December 2019

(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, HGZN and BoCD at fair value, which was exposed to the stock price risk as the fair value is determined based on the quoted prices from the active market (Note (VI) 12). The directors of the Company regularly monitor the share prices of Wan Xin Media, HGZN and BoCD. For the current year, 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 RMB149,568,000.00, a loss of RMB1,344.01 and a gain of RMB107,360,000.00, 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%	34,151,360.00	41,629,760.00
HGZN	Stock prices rise 5%	42,134.71	42,201.91
BoCD	Stock prices rise 5%	36,280,000.00	30,912,000.00
Other equity instrument investments			
Wan Xin Media	Stock prices fall 5%	(34,151,360.00)	(41,629,760.00)
HGZN	Stock prices fall 5%	(42,134.71)	(42,201.91)
BoCD	Stock prices fall 5%	(36,280,000.00)	(30,912,000.00)

Notes to the Financial Statements

For the year ended 31 December 2019

(IX) RISK EXPOSURES ASSOCIATED WITH FINANCIAL INSTRUMENTS *(Continued)*

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

1.2 Credit risk

As at 31 December 2019, 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 such as cash and bank balance, accounts receivable, notes receivable, financing receivables – bank acceptance bills, other receivables and long-term receivables etc.

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 cash and bank balance, interest receivables, financing receivables – bank acceptance bills of the Group is limited because these financial assets are deposited with banks with high credit ratings.

Notes to the Financial Statements

For the year ended 31 December 2019

(IX) RISK EXPOSURES ASSOCIATED WITH FINANCIAL INSTRUMENTS *(Continued)*

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

1.2 Credit risk *(Continued)*

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	Book balance 31 December 2019
Financial assets measured at amortized cost:		
Bank and cash	Future 12-month expected credit losses	3,512,103,793.03
Accounts receivable	Lifetime expected credit losses (not credit-impaired)	1,837,152,113.00
	Lifetime expected credit losses (credit-impaired)	281,393,032.96
Notes receivable	Lifetime expected credit losses (not credit-impaired)	2,218,450.46
	Lifetime expected credit losses (credit-impaired)	–
Other receivables	Future 12-month expected credit losses	102,076,118.72
	Lifetime expected credit losses (not credit-impaired)	–
	Lifetime expected credit losses (credit-impaired)	15,862,345.96
Long-term receivables (including those expected to be recovered within one year)	Future 12-month expected credit losses	476,566,778.52
Financial assets at FVTOCI:		
Financing receivables – bank acceptance bills	Future 12-month expected credit losses	7,007,859.79

Notes to the Financial Statements

For the year ended 31 December 2019

(IX) RISK EXPOSURES ASSOCIATED WITH FINANCIAL INSTRUMENTS *(Continued)*

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

1.2 Credit risk *(Continued)*

Accounts receivable

As part of the Group's credit risk asset management, the Group adopts the aging analysis to assess impairment losses of 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 in regard of such accounts receivable.

As at 31 December 2019 and 31 December 2018, description of credits risks and expected credit losses of the Group's accounts receivable are as follows:

Aging	31 December 2019			31 December 2018		
	Expected average loss rate	Amount RMB	Provisions for impairment RMB	Expected average loss rate	Amount RMB	Provisions for impairment RMB
Within 1 year	7.80%	1,849,180,130.42	(144,259,504.85)	5.61%	1,375,158,305.00	(77,209,352.59)
1-2 years	58.55%	136,342,076.79	(79,821,555.01)	57.61%	117,597,470.68	(67,742,910.04)
2-3 years	100.00%	56,242,467.72	(56,242,467.72)	100.00%	34,325,001.94	(34,325,001.94)
More than 3 years	100.00%	76,780,471.03	(76,780,471.03)	100.00%	71,081,969.28	(71,081,969.28)
Total	16.86%	2,118,545,145.96	(357,103,998.61)	15.67%	1,598,162,746.90	(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. In 2018 and 2019, the Group's assessment method and significant assumptions did not change.

Changes in credit loss provision for accounts receivable

	<i>RMB</i>		
	Full lifetime expected credit loss (not credit impaired)	Full lifetime expected credit loss (credit impaired)	Total
1 January 2019	65,181,335.17	185,177,898.68	250,359,233.85
Adjustment of expected credit losses for the current period	67,050,152.26	57,443,234.12	124,493,386.38
Reversal of credit impairment incurred	-	(16,630,872.38)	(16,630,872.38)
Write-off	-	(1,326,649.24)	(1,326,649.24)
Reversal of write-off	-	208,900.00	208,900.00
Balance as at 31 December 2019	132,231,487.43	224,872,511.18	357,103,998.61

Notes to the Financial Statements

For the year ended 31 December 2019

(IX) RISK EXPOSURES ASSOCIATED WITH FINANCIAL INSTRUMENTS *(Continued)*

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

1.2 Credit risk *(Continued)*

Other receivables

Credit loss provision for other receivables:

	<i>RMB</i>			
Bad debt provision	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
Balance as at 1 January 2019	193,633.14	–	13,291,268.22	13,484,901.36
Adjustment of expected credit losses for the current year	3,802,591.64	–	361,060.25	4,163,651.89
Reversal of incurred credit impairment	–	–	(995,728.93)	(995,728.93)
Write-off	–	–	(30,800.00)	(30,800.00)
Balance as at 31 December 2019	3,996,224.78	–	12,625,799.54	16,622,024.32

Long-term receivables

The long-term receivables (including those expected to be recovered within one year) 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 2019

(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 and lease liabilities held by the Group which is based on undiscounted remaining contractual obligations:

End of the current year

<i>RMB</i>				
Item	Within 1 year	1 to 5 years	More than 5 years	Total
Notes payables	14,054,710.75	–	–	14,054,710.75
Accounts payable	4,315,781,514.83	–	–	4,315,781,514.83
Other payables	280,478,818.31	–	–	280,478,818.31
Lease liabilities	117,651,794.69	367,146,193.28	23,393,626.48	508,191,614.45
Total	4,727,966,838.58	367,146,193.28	23,393,626.48	5,118,506,658.34

End of the prior year

<i>RMB</i>				
Item	Within 1 year	1 to 5 years		Total
Notes payable	22,176,144.64	–		22,176,144.64
Accounts payable	3,598,337,771.59	–		3,598,337,771.59
Other payables	275,086,663.52	–		275,086,663.52
Total	3,895,600,579.75	–		3,895,600,579.75

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 RMB15,293,314.91 (31 December 2018: RMB17,646,200.91), 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 from the end of the reporting year.

Notes to the Financial Statements

For the year ended 31 December 2019

(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, bank wealth management products and financing receivables are measured at fair value at the end of each reporting year. 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 2019	31 December 2018					
Other equity instrument investments – shares of A share listed company – Wan Xin Media	683,027,200.00	832,595,200.00	Level 1	Quoted prices in active markets	N/A	N/A	
Other equity instrument investments – shares of A share listed company – HGZN	842,694.27	844,038.28	Level 1	Quoted prices in active markets	N/A	N/A	
Held-for-trading financial assets – shares of A share listed companies	6,671.94	641,274.52	Level 1	Quoted prices in active markets	N/A	N/A	
Other equity instrument investments – shares of A share listed company – BoCD	725,600,000.00	-	Level 1	Quoted prices in active markets	N/A	N/A	
Held-for-trading financial assets – bank wealth management products	1,180,000,000.00	810,000,000.00	Level 2	Calculated based on a discounted cash flow model, the input values are 3-month USD LIBOR and 3-month RMB SHIBOR	N/A	N/A	

Notes to the Financial Statements

For the year ended 31 December 2019

(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
	31 December 2019	31 December 2018				
Financing receivables-bank acceptance bills	7,007,859.79	-	Level 2	Calculated based on a discounted cash flow model, the input values are discount rates for bank acceptance bills in the same term	N/A	N/A
Other equity instrument investments – shares of A share listed company – BoCD	-	618,240,000.00	Level 3	Adjusted quoted prices in active markets	Liquidity discount	<ul style="list-style-type: none"> The lower the liquidity discount, the higher the fair value
Other non-current financial assets – CITIC Buyout Investment Fund (Shenzhen) (Limited Partnership)	111,887,206.48	94,837,468.07	Level 3	Market approach, method of discounted future cash flow	<ul style="list-style-type: none"> Price earnings ratio, price sales ratio, liquidity discount Discount rate in line with expected risk level 	<ul style="list-style-type: none"> The higher the price earnings ratio and price sales ratio, the higher the fair value; The lower the liquidity discount, the higher the fair value The lower the discount rate, the higher the fair value
Other non-current financial assets – Winshare Hengxin (Shenzhen) Equity Investment Fund (Limited Partnership)	292,338,697.14	248,097,708.00	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

RMB

Notes to the Financial Statements

For the year ended 31 December 2019

(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 2019	31 December 2018					
Other non-current financial assets – Taizhou Xinheng Zhongrun Investment Fund (Limited Partnership)	-	15,931,213.44	Level 3	Adjusted quoted prices in active markets	<ul style="list-style-type: none"> Liquidity discount 	<ul style="list-style-type: none"> The lower the liquidity discount, the higher the fair value 	
Other non-current financial assets – Qingdao Goldstone Zhixin Investment Center (Limited Partnership)	102,430,506.09	148,790,378.40	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 	
Other non-current financial assets – Mingbo Weishan Free Trade Port Winshare Dingsheng Equity Investment Partnership (Limited Partnership)	20,780,000.00	-	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 	
Held-for-trading financial assets – bank wealth management products	100,000,000.00	451,790,000.00	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 2019

(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

	Current year	Prior year
1 January 2019	1,578,062,161.72	1,478,273,073.69
Included in gains or losses arising from changes in fair value in the current year	37,862,897.57	(38,053,591.53)
Included in other comprehensive income of the current year	–	98,184,000.00
Additions in the current year	487,720,000.00	1,270,146,578.48
Transfer into Level 1 in the current year (Note)	(618,240,000.00)	–
Disposals in the current year	(857,593,255.77)	(1,230,487,898.92)
31 December 2019	627,811,803.52	1,578,062,161.72

Note: Lock-up period of BoCD's shares held by the Company is from 31 January 2018 to 31 January 2019. They were transferred from Level 3 to Level 1 of the fair value hierarchy.

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 amortized cost in the financial statements approximate their fair values.

(XI) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent of the Company

Name of the parent	Type of the entity	Place of incorporation	Legal representative	Nature of business	Registered capital	Proportion 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	Organization registration code certificate
Sichuan Xinhua Publishing Group	LLC	Chengdu	Zhu Danfeng	Goods wholesale and retail, property lease, real estate, project investment	59,382.20	49.11 (Note)	49.11 (Note)	SASAC of Sichuan	70892370-8

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

Notes to the Financial Statements

For the year ended 31 December 2019

(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
Chengdu Winshare Equity Investment Funds Management Co., Ltd.	Associates
Ren Min Eastern (Beijing) Book Industry Co., Ltd.	Associates
Ming Bo Education Technology Holdings Co., Ltd.	Associates
Xinhua Yingxuan	Associates
Sichuan Winshare BLOGIS Supply Chain Co., Ltd.	Associates
Hainan Publishing House	Joint ventures
Liangshan Xinhua Winshare Education Technology Co. Ltd.	Joint ventures

4. Other related parties

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 Lezhi Education Technology Co., Ltd.	Controlling shareholder's subsidiary
Sichuan Xinhua Silicon Valley Paradise Equity Investment Fund Management Co., Ltd.	Controlling shareholder's subsidiary
Sichuan Xinhua Wanyun Technology Co., Ltd.	Controlling shareholder's subsidiary
Sichuan Xinhua Publishing Group Co., Ltd. Huadao Resort Hotel SPG	Controlling shareholder's branch
Sichuan Hengxi Property Management Co., Ltd.	Other enterprises over which the directors of the Company have significant influence
Sichuan Publishing Group Xichang Tianguang Yueying Hotel	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 2019

(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	354,463.65	327,685.73
Sichuan Guanghan Sanxingdui Qushanyuan Cultural Ltd.	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	210,802.68	797,899.67
Chengdu Huang Peng Property Co., Ltd.	Receipt of services	Payments for property management service fees	Price negotiated by both parties	8,727,390.22	9,539,433.06
Sichuan Xinhua Publishing Group Co., Ltd. Huadao Resort Hotel	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	56,234.00	114,358.58
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	19,930,797.69	13,345,488.44
The Commercial Press (Chengdu) Co., Ltd.	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	13,027,023.06	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	3,018,867.92
Hainan Publishing House	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	6,697,122.90	5,150,546.53
Sichuan Chongwenju Forest Hotel Co., Ltd.	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	48,910.00	–
Sichuan Xinhua Haiyi Cultural Development Co., Ltd.	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	390,622.06	356,524.82
Sichuan Xinhua Haiyi Hotel Co., Ltd.	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	145,228.30	118,911.80
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	36,487,252.58	875,347.82
Sichuan Winshare BLOGIS Supply Chain Co., Ltd.	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	69,300.48	–
Total				89,164,015.54	60,380,154.82

Notes to the Financial Statements

For the year ended 31 December 2019

(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

Related party	Type of related party transaction	Details of related party transaction	Pricing and decision-making procedures of related party transactions	RMB	
				Amount incurred in the current year	Amount incurred in the prior year
Sichuan Xinhua Publishing Group	Sales of goods	Sales of publications and provision of services	Price negotiated by both parties	1,140,086.06	973,357.04
SPG	Provision of copyright license	Payment of royalty	Price negotiated by both parties	48,988.35	5,431.62
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
Sichuan Xinhua Wanyun Technology Co., Ltd.	Provision of services	Provision of post-sale service	Price negotiated by both parties	660,377.34	-
Liangshan Xinhua Winshare Education Technology Co. Ltd.	Sales of goods	Sales of goods	Price negotiated by both parties	755,871.27	1,446,847.31
Sichuan Xinhua Haiyi Cultural Development Co., Ltd.	Provision of services	Provision of promotion service	Price negotiated by both parties	-	44,713.34
Sichuan Winshare BLOGIS Supply Chain Co., Ltd.	Provision of services	Provision of consulting services	Price negotiated by both parties	40,981.61	-
Sichuan Xinhua Fanyue Culture Media Co., Ltd.	Provision of services	Provision of design services	Price negotiated by both parties	3,211.01	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				2,649,515.64	2,494,739.97

Notes to the Financial Statements

For the year ended 31 December 2019

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

5. Related party transactions *(Continued)*

(2) Leases with related parties

Leases where the Group is the lessor:

							<i>RMB</i>	
Name of lessor	Name of lessee	Type of leased assets	Commencement date of leases	Expiration date of leases	Basis of determining the lease income	Lease income recognized in the current year	Lease income recognized in the prior year	
The Company	Sichuan Xinhua Publishing Group	Buildings	2019.1.1	2021.12.31	Contractual price negotiated by both parties	1,279,575.77	-	
The Company	Sichuan Xinhua Publishing Group	Buildings	2016.1.1	2018.12.31	Contractual price negotiated by both parties	-	1,279,575.77	
The Company	Xinhua Yingxuan	Buildings	2019.3.1	2021.2.28	Contractual price negotiated by both parties	336,943.89	-	
The Company	Xinhua Yingxuan	Buildings	2017.3.1	2019.2.28	Contractual price negotiated by both parties	90,801.43	998,815.61	

Notes to the Financial Statements

For the year ended 31 December 2019

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

5. Related party transactions *(Continued)*

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

Leases where the Group is the lessee:

							<i>RMB</i>	
Name of lessor	Name of lessee	Type of leased assets	Commencement date of leases	Expiration date of leases	Basis of determining the lease income	Lease income recognized in the current year	Lease income 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	
SPG	The Group	Buildings	2017.1.1	2019.12.31	Contractual price negotiated by both parties	13,356,561.61	13,348,199.15	
Sichuan Hengxi Property Management Co., Ltd.	The Group	Buildings	2017.1.1	2019.12.31	Contractual price negotiated by both parties	3,120,443.57	2,948,642.12	
Chengdu Winshare Venture Capital Investment Fund Management Co., Ltd.	The Group	Buildings	2017.6.1	2020.5.31	Contractual price negotiated by both parties	N/A	919,528.20	

Note: During the current year, the Company as lessee rented buildings from Sichuan Xinhua Publishing Group. Right-of-use assets amounting to RMB212,077,252.50 were recognized at the beginning of the year; whereas right-of-use assets amounting to RMB35,346,208.80 were recognized during the current year.

During the current year, the Company as lessee rented Chengdu Winshare Venture Capital Investment Fund Management Co., Ltd. Right-of-use assets amounting to RMB1,302,664.95 were recognized at the beginning of the year; whereas right-of-use assets amounting to RMB919,528.20 were recognized during the current year.

During the current year, the Company as lessee rented SPG and Sichuan Hengxi Property Management Co., Ltd. buildings on short-term lease and had not recognize right-of-use assets. The Group recognized the lease payment of the short-term lease in the profit or loss using straight-line method over each period during the lease term.

Notes to the Financial Statements

For the year ended 31 December 2019

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

5. Related party transactions *(Continued)*

(3) Advance payments from a related party

RMB

Name of entity	Amount recognized in the current year		Amount recognized in the prior year	
	Advance payments	Interest expenses	Advance payments	Interest expenses
Sichuan Winshare BLOGIS Supply Chain Co., Ltd (Note)	12,844,358.25	189,487.19	21,011,013.77	499,846.29

Note: The interest expenses incurred during the current year amounted to RMB189,487.19 in aggregate and represented the advance payment of Sichuan Winshare BLOGIS Supply Chain Co., Ltd. for Beijing Commercial Supermarket of RMB12,844,358.25.

(4) Compensation for key management personnel

RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Compensation for key management personnel	7,743,815.95	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 directors, supervisors 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 2019

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

5. Related party transactions *(Continued)*

(5) 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	
	Amount recognized in the current year	Amount recognized in the prior year	Amount recognized in the current year	Amount recognized in the prior year
Emoluments	530	530	190	190
Other remunerations:				
Salaries and allowances	65	540	452	426
Performance linked bonus	–	991	410	342
Retirement benefit contribution	–	54	116	108
Subtotal	65	1,585	978	876
Total	595	2,115	1,168	1,066

Notes to the Financial Statements

For the year ended 31 December 2019

(XI) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

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

(a) Independent non-executive directors

Emoluments and other remunerations paid to independent non-executive directors for the current year are as follows:

	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	160	24	184	160	24	184
Mr. Han Liyan	-	-	-	-	-	-
Mr. Chan Yuk Tong	280	18	298	280	12	292
Ms. Xiao Liping	-	-	-	-	-	-
Total	440	42	482	440	36	476

The remunerations for the above independent non-executive directors are remunerations paid for their services as the Company's directors.

There are no other remunerations payable to independent non-executive directors for the current year and the prior year.

Notes to the Financial Statements

For the year ended 31 December 2019

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

5. Related party transactions *(Continued)*

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

(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 1)	-	-	-	-	-
Mr. Chen Yunhua (Note 2)	-	-	-	-	-
Mr. Yang Miao (Note 3)	-	8	-	-	8
Subtotal	-	8	-	-	8
Non-executive directors:					
Mr. Luo Jun (Note 1)	-	-	-	-	-
Mr. Zhang Peng (Note 2)	-	-	-	-	-
Mr Han Xiaoming	90	15	-	-	105
Subtotal	90	15	-	-	105
Total	90	23	-	-	113

Notes to the Financial Statements

For the year ended 31 December 2019

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

5. Related party transactions *(Continued)*

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

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

RMB'000

	Amount recognized in the prior year				Total remuneration
	Emolument	Salaries and allowances	Performance linked bonus	Retirement benefit contribution	
Executive directors:					
Mr. He Zhiyong (Chairman) (Note 1)	-	-	-	-	-
Mr. Luo Yong (Note 2)	-	-	-	-	-
Mr. Yang Miao (Note 3)	-	486	991	54	1,531
Subtotal	-	486	991	54	1,531
Non-executive directors:					
Mr. Luo Jun (Note 1)	-	-	-	-	-
Mr. Zhang Peng (Note 2)	-	-	-	-	-
Mr. Han Xiaoming	90	18	-	-	108
Subtotal	90	18	-	-	108
Total	90	504	991	54	1,639

Note 1: 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 2: The remuneration is paid by SPG, which is wholly owned by Sichuan Development. The Group did not pay any remuneration to this director during the current year and the prior year.

Note 3: Mr. Yang Miao resigned as general manager of the Company due to other work commitment with effect from 19 April 2019. On the same date, as resolved by the fourth session of the Board of the Company, Mr. Li Qiang was appointed as general manager of the Company with effect from 19 April 2019 to the expiry of the term of the fourth session of the Board.

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 2019

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

5. Related party transactions *(Continued)*

(5) 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 3)	-	-	-	-	-
Ms. Lan Hong	-	211	229	58	498
Mr. Li Xu	70	18	-	-	88
Ms. Liu Mixia	70	15	-	-	85
Ms. Wang Yan	-	196	181	58	435
Mr. Chao Hsun	50	12	-	-	62
Total	190	452	410	116	1,168

RMB'000

	Prior year				Total remuneration
	Emolument	Salaries and allowances	Performance linked bonus	Retirement benefit contribution	
Supervisors:					
Mr. Tang Xiongxing (Note 3)	-	-	-	-	-
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	50	9	-	-	59
Total	190	426	342	108	1,066

Note 3: The remuneration is paid by SPG. The Group did not pay any remuneration to this supervisor during the current year and the prior year.

Notes to the Financial Statements

For the year ended 31 December 2019

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

5. Related party transactions *(Continued)*

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

(c) Supervisors *(Continued)*

During the current year, the remuneration of the above directors and supervisors fell within the range of HK\$0 to HK\$500,000.00 (equivalent to RMB447,900.00), except for one supervisor whose remuneration fell within the range of HK\$500,000.00 (equivalent to RMB447,900.00) to HK\$1,000,000.00 (equivalent to RMB895,800.00).

During 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 RMB895,800.00), except for one director whose remuneration fell within the range of HK\$1,500,000.00 (equivalent to RMB1,343,700.00) to HK\$2,000,000.00 (equivalent to RMB1,791,600.00).

(d) Staff of top five remunerations

During the current year, the Group's staff of top five remunerations were not directors or supervisors of the Company. During 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 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	2,178	1,674
Performance linked bonus	5,137	3,344
Retirement benefit contribution	291	215
Total	7,606	5,233

During the current year, the remuneration of the above four highest paid staff fell within the range of HK\$1,500,000.00 (equivalent to RMB1,343,700.00) to HK\$2,000,000.00 (equivalent to RMB1,791,600.00), except for one individual whose remuneration fell within the range of HK\$2,000,000.00 (equivalent to RMB1,791,600.00) to HK\$2,500,000.00 (equivalent to RMB2,239,500.00).

During the prior year, the remuneration of the above four highest paid staff fell within the range of HK\$1,000,000.00 (equivalent to RMB895,800.00) to HK\$1,500,000.00 (equivalent to RMB1,343,700.00), except for one individual whose remuneration fell within the range of HK\$1,500,000.00 (equivalent to RMB1,343,700.00) to HK\$2,000,000.00 (equivalent to RMB1,791,600.00).

Notes to the Financial Statements

For the year ended 31 December 2019

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

6. Amount due to/from related parties

			<i>RMB</i>	
Item	Related party	Closing balance	Opening balance	
Accounts receivable	Shanghai Jingjie Information Technology Co., Ltd.	195,984.00	195,984.00	
	Sichuan Xinhua Haiyi Cultural Development Co., Ltd.	1,754.00	19,424.00	
	Sichuan Xinhua Publishing Group	962,648.63	-	
Total		1,160,386.63	215,408.00	
Prepayments	Ming Bo Education Technology Holdings Co., Ltd.	1,200,000.00	1,200,000.00	
	Ren Min Eastern (Beijing) Book Industry Co., Ltd.	1,509,433.90	-	
Total		2,709,433.90	1,200,000.00	
Other receivables	Sichuan Xinhua Publishing Group	-	10,500.00	
	Xinhua Yingxuan	-	1,058,638.30	
	Shanghai Jingjie Information Technology Co., Ltd.	26,478.80	10,478.80	
	The Commercial Press (Chengdu) Co., Ltd.	4,000.00	-	
Total		30,478.80	1,079,617.10	
Accounts payable	The Commercial Press (Chengdu) Co., Ltd.	20,863,621.86	8,096,016.99	
	Hainan Publishing House	122,481.66	-	
	Ming Bo Education Technology Holdings Co., Ltd.	190.00	190.00	
	Liangshan Xinhua Winshare Education Technology Co. Ltd.	22,836,805.37	-	
	Shanghai Jingjie Information Technology Co., Ltd.	18,941.36	18,941.36	
Total		43,842,040.25	8,115,148.35	
Contract liabilities	Ming Bo Education Technology Holdings Co., Ltd.	1,360,000.00	1,360,000.00	
Total		1,360,000.00	1,360,000.00	
Other payables	Chengdu Huang Peng Property Co., Ltd.	6,353.75	208,130.64	
	SPG	-	612,886.38	
	Sichuan Winshare BLOGIS Supply Chain Co., Ltd.	6,203,797.71	6,108,537.18	
Total		6,210,151.46	6,929,554.20	
Lease liabilities due within one year	Sichuan Xinhua Publishing Group	32,732,098.83		
Total		32,732,098.83		
Lease liabilities	Sichuan Xinhua Publishing Group	148,175,155.93		
Total		148,175,155.93		

Notes to the Financial Statements

For the year ended 31 December 2019

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

7. Transactions with BoCD and closing balance

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

(1) Dividend income

Current year		Prior year	
Amount	Proportion (%)	Amount	Proportion (%)
28,000,000.00	14.71	22,400,000.00	18.54

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

(2) Interest income

Current year		Prior year	
Amount	Proportion (%)	Amount	Proportion (%)
1,076,519.85	2.65	1,246,203.52	5.45

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

(3) Amount due to/from

Item	31 December 2019	31 December 2018
Bank balances	74,843,225.98	71,059,856.45

(XII) CONTINGENCIES

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

Notes to the Financial Statements

For the year ended 31 December 2019

(XIII) COMMITMENTS

Capital and other commitments

	31 December 2019	<i>RMB</i> 31 December 2018
Commitment that are contracted but not yet recognized in the financial statements for acquisition and construction of long-term assets	90,915,971.47	102,880,017.28
Subscribed capital contribution commitments to joint venture	179,220,000.00	–
Total	270,135,971.47	102,880,017.28

(XIV) EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the balance sheet date, the Group had the following significant events:

1. Distribution of dividend

At the board meeting held on 30 March 2020, the resolution regarding the profit distribution for 2019 was passed where the undistributed profit at the end of 2019 was distributed at the price of RMB0.30 (tax inclusive) and the proposed dividend amounted to RMB370,152,300.00 (tax inclusive). The resolution shall take effect upon obtaining approval at the annual general meeting for 2019 to be held on 21 May 2020.

2. Assessment of the impacts of coronavirus disease ("COVID-19") epidemic

Since the outbreak of the COVID-19 epidemic across China in January 2020, prevention and control efforts against the pneumonia epidemic were carried out on a nationwide scale.

The Company expects that the epidemic and the prevention and control measures will have considerable impacts temporarily on the Company's production and operations, depending on the development of the prevention and control of the epidemic, continuance of the epidemic and the implementation of prevention and control measures in various regions.

The Company will continue to closely monitor the development of the epidemic, assess and actively cope with the impacts on the Company's financial position and operating results. As of the date of this report, the assessment is still in progress.

Notes to the Financial Statements

For the year ended 31 December 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 additional 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 2019

(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 of publications including books, journals, 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 supply of education informatization and equipment services for secondary and primary schools; retailing, distribution and online sales of publications.

Other segment of the Group covers provision of capital operations, logistic service and advertising service etc. However, these operating businesses do not separately satisfy the definition of reportable segment. The relevant financial information of such operating businesses is 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 2019

(XV) OTHER SIGNIFICANT EVENTS (Continued)

2. Segment reporting (Continued)

(1) Segment reporting information

Current year						RMB
	Publication segment	Distribution segment	Others	Unallocated items	Inter-segment eliminations	Total
External revenue	959,930,906.72	7,627,126,999.41	255,399,817.66	-	-	8,842,457,723.79
Inter-segment revenue	1,679,270,846.03	7,964,743.08	138,067,426.44	-	(1,825,303,015.55)	-
Total operating income	2,639,201,752.75	7,635,091,742.49	393,467,244.10	-	(1,825,303,015.55)	8,842,457,723.79
Operating profit	627,543,359.31	406,719,863.91	88,926,056.91	58,338,772.97	(2,137,779.60)	1,179,390,273.50
Non-operating income	10,003,586.83	1,536,875.36	376,563.42	-	-	11,917,025.61
Non-operating expenses	145,593.37	42,266,175.12	58,231.39	-	-	42,469,999.88
Total profit	637,401,352.77	365,990,564.15	89,244,388.94	58,338,772.97	(2,137,779.60)	1,148,837,299.23
Total assets	6,617,201,364.15	8,917,585,633.83	1,267,018,555.19	2,925,492,680.96	(4,402,794,761.60)	15,324,503,472.53
Total liabilities	2,533,218,655.53	7,290,420,207.51	555,526,752.70	84,373,468.75	(4,259,001,938.18)	6,204,537,146.31
Supplementary information						
Depreciation	24,011,151.15	135,231,091.67	24,025,494.65	-	-	183,267,737.47
Amortization	3,684,265.11	43,704,920.24	3,653,723.37	-	-	51,042,908.72
Interest income	4,464,344.45	20,788,371.97	2,212,389.17	37,285,955.67	(6,557,826.23)	58,193,235.03
Loss on credit impairment recognized in the current period	19,963,538.20	89,394,729.80	1,672,168.96	-	-	111,030,436.96
Impairment losses of assets recognized in the current period	21,304,789.62	39,612,447.48	-	-	-	60,917,237.10
Investment income from long-term equity investment under equity method	(14,884.31)	16,256,747.96	64,794,492.11	-	-	81,036,355.76
Long-term equity investments under equity method	20,196,205.73	264,240,390.15	165,217,347.38	-	-	449,653,943.26
Capital expenditure	10,918,849.42	89,006,405.21	12,610,579.48	-	-	112,535,834.11
Including: Construction in progress	898,059.40	31,153,785.87	2,838,005.41	-	-	34,889,850.68
Expenditure arising from purchase of fixed assets	6,692,599.50	28,899,606.92	9,730,174.07	-	-	45,322,380.49
Expenditure arising from purchase of intangible assets	3,328,190.52	7,439,294.08	42,400.00	-	-	10,809,884.60
Development cost	-	21,513,718.34	-	-	-	21,513,718.34

Notes to the Financial Statements

For the year ended 31 December 2019

(XV) OTHER SIGNIFICANT EVENTS (Continued)

2. Segment reporting (Continued)

(1) Segment reporting information (Continued)

Prior year						<i>RMB</i>
	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
Amortization	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
Loss on credit impairment recognized in the current period	9,004,375.06	73,795,689.14	956,009.41	-	-	83,756,073.61
Impairment losses of assets recognized in the current period	25,838,015.76	31,545,311.75	(36,613.74)	-	-	57,346,713.77
Investment gains 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: 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 cost	-	10,000,833.14	-	-	-	10,000,833.14

Notes to the Financial Statements

For the year ended 31 December 2019

(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 RMB992,769,471.65 (prior year: RMB975,801,904.87), 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 2019			31 December 2018		
	Amounts of the original currencies	Exchange rate	Amount in RMB	Amounts of the original currencies	Exchange rate	Amount in RMB
Cash:						
RMB	2,127,353.64	1.0000	2,127,353.64	2,938,456.77	1.0000	2,938,456.77
Bank balances:						
RMB	2,640,827,420.64	1.0000	2,640,827,420.64	1,744,291,829.19	1.0000	1,744,291,829.19
USD	4,497.70	6.9762	31,376.85	3,845.47	6.8632	26,392.23
HKD	27,371.58	0.8958	24,519.46	20,756.55	0.8762	18,186.89
Total			2,643,010,670.59			1,747,274,865.08

Note: At the end of the current year, the bank balances include 3-month above term deposits and accrued interests amounting to RMB81,760,506.83 with an interest rate of 2.03%.

Notes to the Financial Statements

For the year ended 31 December 2019

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

2. Accounts receivable

(1) Disclosure of accounts receivable by aging:

RMB

Aging	31 December 2019				31 December 2018			
	Amount	Proportion (%)	Credit loss provision	Carrying amount	Amount	Proportion (%)	Credit loss provision	Carrying amount
Within 1 year	799,177,959.03	87.27	(65,645,263.81)	733,532,695.22	807,192,261.49	89.28	(36,595,551.88)	770,596,709.61
More than 1 year but not exceeding 2 years	58,294,525.33	6.37	(30,594,363.44)	27,700,161.89	38,274,890.59	4.23	(19,585,977.23)	18,688,913.36
More than 2 years but not exceeding 3 years	11,553,018.03	1.26	(11,553,018.03)	-	11,041,549.53	1.22	(11,041,549.53)	-
More than 3 years	46,722,520.39	5.10	(46,722,520.39)	-	47,639,639.97	5.27	(47,639,639.97)	-
Total	915,748,022.78	100.00	(154,515,165.67)	761,232,857.11	904,148,341.58	100.00	(114,862,718.61)	789,285,622.97

(2) Credit loss provision made or reversed in the current year

Credit loss provision in the current year is RMB46,341,440.99, and the reversal of credit loss provision is RMB6,014,253.24.

(3) Accounts receivable written off in the current year

The credit loss provision written off in the current year is RMB883,640.69, and the reversal of write-off is RMB208,900.00.

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

RMB

Name of entity	Relationship with the Company	31 December 2019	Aging	Proportion of the amount to the total accounts receivable (%)	31 December 2019 credit loss provision
Winshare Education Technology	Subsidiary	218,953,808.22	Within 1 year	23.91	-
Beijing Commercial Supermarket	Subsidiary	87,160,961.36	Within 1 year	9.52	-
Sichuan Longyang Tianfu New District Construction Investment Co., Ltd.	Third party	27,508,129.24	Within 1 year	3.00	-
Education Bureau of Nanbu County	Third party	12,799,959.99	Within 1 year	1.40	-
Beijing Lost Boy Cartoon Book Co., Ltd.	Third party	7,860,893.20	More than 3 years	0.86	(7,860,893.20)
Total		354,283,752.01		38.69	(7,860,893.20)

Notes to the Financial Statements

For the year ended 31 December 2019

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

3. Prepayments

(1) Aging analysis of prepayments is as follow:

RMB

Aging	31 December 2019		31 December 2018	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	13,395,431.17	85.16	12,098,289.24	83.21
1-2 years	1,671,991.25	10.63	2,190,138.89	15.06
2-3 years	548,094.47	3.48	90,464.00	0.62
More than 3 years	115,503.89	0.73	161,829.64	1.11
Total	15,731,020.78	100.00	14,540,721.77	100.00

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

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

RMB

Name of entity	Relationship with the Company	31 December 2019	Period	Proportion to total prepayments (%)	Reasons for unsettlement
Tianjin Master Logistics Equipment Co., Ltd.	Third party	1,896,765.00	Within 1 year	12.06	Goods not yet received
Sichuan Sensen Display Equipment Co., Ltd.	Third party	1,298,518.70	1-2 years	8.25	Goods not yet received
Guangzhou Yunxi Technology Co., Ltd.	Third party	844,748.70	Within 1 year	5.37	Goods not yet received
Sichuan Jingbangda Logistics Technology Co., Ltd.	Third party	654,075.00	Within 1 year	4.16	Goods not yet received
Meika Culture Audio & Video (G.D.) Co., Ltd.	Third party	617,620.96	Within 1 year	3.93	Goods not yet received
Total		5,311,728.36		33.77	

Notes to the Financial Statements

For the year ended 31 December 2019

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

4. Other receivables

4.1 Other receivables summary

(1) *Other receivables by categories*

	<i>RMB</i>	
Item	31 December 2019	31 December 2018
Interest receivables	–	326,203.09
Dividends receivable	320,000,000.00	280,000,000.00
Other receivables	623,677,036.44	505,135,596.22
Total	943,677,036.44	785,461,799.31

4.2 Interest receivables

(1) *Category of interest receivables*

	<i>RMB</i>	
Item	31 December 2019	31 December 2018
Term deposits	–	326,203.09

The interest receivables and interests on term deposits are aged within 1 year. No bad debt provision, reversal and write-off is made with respect to interest receivables on term deposits.

Notes to the Financial Statements

For the year ended 31 December 2019

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

4. Other receivables (Continued)

4.3 Dividend receivable

(1) Dividend receivables

Item	RMB	
	31 December 2019	31 December 2018
Education Publishing House	250,000,000.00	230,000,000.00
Publication Printing	70,000,000.00	50,000,000.00
Total	320,000,000.00	280,000,000.00

(2) Material dividend receivables aged over 1 year

During the current year, there were no dividend receivables aged over 1 year.

4.4 Other receivables

(1) Other receivables by aging:

Aging	31 December 2019				31 December 2018			
	Amount	Proportion (%)	Credit loss provision	Carrying amount	Amount	Proportion (%)	Credit loss provision	Carrying amount
Within 1 year	426,457,832.29	67.56	(268,482.52)	426,189,349.77	308,891,683.76	60.13	(352,269.53)	308,539,414.23
More than 1 year but not exceeding 2 years	83,304,851.14	13.20	(82,766.57)	83,222,084.57	81,541,344.79	15.87	(53,625.48)	81,487,719.31
More than 2 years but not exceeding 3 years	40,060,617.24	6.35	(72,589.32)	39,988,027.92	32,603,197.63	6.35	(68,394.47)	32,534,803.16
More than 3 years	81,342,714.08	12.89	(7,065,139.90)	74,277,574.18	90,693,424.72	17.65	(8,119,765.20)	82,573,659.52
Total	631,166,014.75	100.00	(7,488,978.31)	623,677,036.44	513,729,650.90	100.00	(8,594,054.68)	505,135,596.22

Notes to the Financial Statements

For the year ended 31 December 2019

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

4. Other receivables *(Continued)*

4.4 Other receivables *(Continued)*

(2) *Credit loss provision for the current year*

The amount of credit loss provision for the current year is RMB65,508.68, amount of bad debts reversed is RMB1,170,585.05.

(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*

	<i>RMB</i>	
Nature of other receivables	30 December 2019	31 December 2018
Other receivables from related parties	578,231,507.74	477,384,415.63
Deposit/security deposit	37,370,129.80	29,876,616.46
Petty cash	2,003,508.06	1,874,166.45
Others	13,560,869.15	4,594,452.36
Total	631,166,014.75	513,729,650.90

Notes to the Financial Statements

For the year ended 31 December 2019

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

4. Other receivables (Continued)

4.4 Other receivables (Continued)

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

RMB

Name of entity	Nature	31 December 2019	Aging	Proportion of the amount to the total other receivables (%)	31 December 2019 credit loss provision
Printing Materials	Receivables from subsidiaries	200,575,247.10	Within 1 year, 2-3 years, more than 3 years	31.78	-
Winshare Education Technology	Receivables from subsidiaries	64,867,614.73	Within 1 year, 1-2 years	10.28	-
Tiandi Publishing House	Receivables from subsidiaries	60,861,657.53	Within 1 year	9.64	-
Winshare Online	Receivables from subsidiaries	50,457,794.05	Within 1 year, 1-2 years, 2-3 years, more than 3 years	7.99	-
Winshare Investment	Receivables from subsidiaries	47,555,888.15	Within 1 year, 1-2 years, 2-3 years	7.53	-
Total		424,318,201.56		67.22	-

5. Inventories

(1) Categories of inventories

RMB

Item	31 December 2019			31 December 2018		
	Book balance	Provision for decline in value of inventories	Carrying amount	Book balance	Provision for decline in value of inventories	Carrying amount
Goods on hand	1,083,195,112.75	(81,299,103.70)	1,001,896,009.05	517,933,860.49	(66,871,592.11)	451,062,268.38
Work-in-progress	762,941.79	-	762,941.79	7,607,552.60	-	7,607,552.60
Raw materials	2,829,120.92	-	2,829,120.92	2,732,536.69	-	2,732,536.69
Total	1,086,787,175.46	(81,299,103.70)	1,005,488,071.76	528,273,949.78	(66,871,592.11)	461,402,357.67

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 2019

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

5. Inventories (Continued)

(2) Provision for decline in value of inventories

					<i>RMB</i>
Category of inventories	1 January 2019	Increase in the current year	Decrease in the current year Reversals Write-off	31 December 2019	
Goods on hand	66,871,592.11	29,867,650.08	– (15,440,138.49)	81,299,103.70	

6. Other current assets

			<i>RMB</i>
Item	31 December 2019	31 December 2018	
VAT input tax to be deducted	10,330,711.60	19,344,485.83	
Receivables from cost of sales returns	41,457,055.06	14,024,939.18	
Total	51,787,766.66	33,369,425.01	

Notes to the Financial Statements

For the year ended 31 December 2019

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

7. Long-term equity investment

(1) Investment in subsidiaries

Investee	1 January 2019	Change for the current year			31 December 2019	31 December 2019 provision for impairment
		Addition in investment	Reduction in investment	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	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	-	-	(55,000,000.00)	36,800,000.00	(55,000,000.00)
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	-	(1,253,898.39)	-	2,746,101.61	-
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	42,189,167.92	-	-	-	42,189,167.92	-
Education Publishing House	211,321,291.49	-	-	-	211,321,291.49	-
Youth and Children's Publishing House	385,039,941.53	-	-	-	385,039,941.53	-
Digital Publishing & Media	5,605,427.63	-	-	-	5,605,427.63	-
Literature & Art Publishing House	50,731,819.65	10,000,000.00	-	-	60,731,819.65	-
Fine Arts Publishing House	17,559,756.46	-	-	-	17,559,756.46	-
Science & Technology Publishing House	24,294,897.94	-	-	-	24,294,897.94	-
Lexicographical Publishing House	27,809,021.68	-	-	-	27,809,021.68	-
Bashu Publishing House	45,244,860.20	-	-	-	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	22,248,300.00	7,000,000.00	-	-	29,248,300.00	-
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	3,243,781,047.66	17,000,000.00	(1,253,898.39)	(55,000,000.00)	3,204,527,149.27	(57,072,032.00)

Notes to the Financial Statements

For the year ended 31 December 2019

(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	1 January 2019	Addition in investment	Reduction in investment	Change for the year						31 December 2019	31 December 2019	impairment provision
				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			
Joint Ventures												
Hainan Publishing House	148,227,458.64	-	-	16,879,769.74	-	-	-	-	-	-	165,107,228.38	-
Liangshan Xinhua Winshare Education Technology Co. Ltd.	19,537,503.06	-	-	100,330.33	-	-	-	-	-	-	19,637,833.39	-
Subtotal	167,764,961.70	-	-	16,980,100.07	-	-	-	-	-	-	184,745,061.77	-
Associates												
The Commercial Press (Chengdu) Co., Ltd.	2,626,882.83	-	-	219,284.71	-	-	-	-	-	-	2,846,167.54	-
Ren Min Eastern (Beijing) Book Industry Co., Ltd.	10,922,805.08	-	-	2,540,613.90	-	-	(2,400,000.00)	-	-	-	11,063,418.98	-
Ming Bo Education Technology Holdings Co., Ltd.	36,994,885.76	-	-	2,919,536.89	-	-	-	-	-	-	39,914,422.65	-
Winshare Preschool	3,972,779.77	-	-	1,140,944.72	-	-	-	-	-	-	5,113,724.49	-
Xinhua Yingxuan	15,270,843.55	-	-	(2,197,314.29)	-	-	-	-	-	-	13,073,529.26	-
Winshare Yinshi	-	400,000.00	-	(17,808.15)	-	-	-	-	-	-	382,191.85	-
Subtotal	69,788,196.99	400,000.00	-	4,605,257.78	-	-	(2,400,000.00)	-	-	-	72,393,454.77	-
Total	237,553,158.69	400,000.00	-	21,585,357.85	-	-	(2,400,000.00)	-	-	-	257,138,516.54	-

Notes to the Financial Statements

For the year ended 31 December 2019

(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. 1 January 2019 and 31 December 2019		33,651,290.75
II. Accumulated depreciation		
1. 1 January 2019		(12,862,591.45)
2. Increase in the current year		(900,190.03)
(1) Provision		(900,190.03)
3. 31 December 2019		(13,762,781.48)
III. Net carrying amount		
1. 31 December 2019		19,888,509.27
2. 31 December 2018		20,788,699.30

9. Fixed assets

Item	RMB				
	Buildings	Machinery and equipment	Electronic equipment and others	Transportation vehicles	Total
I. Cost					
1. 1 January 2019	1,165,638,574.29	80,774,473.19	125,999,951.34	85,874,240.84	1,458,287,239.66
2. Increase in the current year	72,461,373.62	1,793,317.47	16,536,139.30	9,474,412.59	100,265,242.98
(1) Acquisition	784,229.11	1,793,317.47	16,536,139.30	9,474,412.59	28,588,098.47
(2) Transfer from construction in progress	71,677,144.51	-	-	-	71,677,144.51
3. Decrease in the current year	-	(1,108,925.31)	(9,705,417.83)	(22,708,797.32)	(33,523,140.46)
(1) Disposal	-	(1,108,925.31)	(9,705,417.83)	(22,708,797.32)	(33,523,140.46)
4. 31 December 2019	1,238,099,947.91	81,458,865.35	132,830,672.81	72,639,856.11	1,525,029,342.18
II. Accumulated depreciation:					
1. 1 January 2019	(378,148,931.23)	(65,716,838.63)	(95,378,147.17)	(73,628,375.38)	(612,872,292.41)
2. Increase in the current year	(30,114,357.57)	(2,952,776.01)	(11,296,368.30)	(4,279,706.15)	(48,643,208.03)
(1) Provision	(30,114,357.57)	(2,952,776.01)	(11,296,368.30)	(4,279,706.15)	(48,643,208.03)
3. Decrease in the current year	-	1,019,094.62	9,611,475.00	21,252,654.51	31,883,224.13
(1) Disposal	-	1,019,094.62	9,611,475.00	21,252,654.51	31,883,224.13
4. 31 December 2019	(408,263,288.80)	(67,650,520.02)	(97,063,040.47)	(56,655,427.02)	(629,632,276.31)
III. Net carrying amount					
1. 31 December 2019	829,836,659.11	13,808,345.33	35,767,632.34	15,984,429.09	895,397,065.87
2. 31 December 2018	787,489,643.06	15,057,634.56	30,621,804.17	12,245,865.46	845,414,947.25

Notes to the Financial Statements

For the year ended 31 December 2019

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

10. Intangible assets

(1) Presentation of right-of-use assets

	<i>RMB</i>
Item	Buildings
I. Cost:	
1. 1 January 2019	341,330,008.88
2. Increase in the current year	144,765,972.80
3. Decrease in the current year	(1,403,146.46)
4. 31 December 2019	484,692,835.22
II. Accumulated depreciation	
1. 1 January 2019	–
2. Increase in the current year	(81,527,090.90)
(1) Provision	(81,527,090.90)
3. Decrease in the current year	633,412.89
4. 31 December 2019	(80,893,678.01)
III. Carrying amount	
1. 31 December 2019	403,799,157.21
2. 1 January 2019	341,330,008.88

The lease term of buildings of the Group ranged from one to 15 years. During the current year, the expenses relating to short-term lease applied to the simplified approach included in the profit or loss for the current year amounted to RMB31,921,130.96.

Notes to the Financial Statements

For the year ended 31 December 2019

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

11. Intangible assets

Details of intangible assets are as follows:

				<i>RMB</i>
Item	Land use rights	Software	Others	Total
I. Cost				
1. 1 January 2019	188,210,645.50	71,284,434.19	167,700.00	259,662,779.69
2. Increase in the current year	-	10,459,294.00	-	10,459,294.00
(1) Acquisition	-	7,439,294.08	-	7,439,294.08
(2) Transfer from development cost	-	3,019,999.92	-	3,019,999.92
3. 31 December 2019	188,210,645.50	81,743,728.19	167,700.00	270,122,073.69
II. Accumulated amortization				
1. 1 January 2019	(63,691,575.57)	(52,612,023.62)	(167,700.00)	(116,471,299.19)
2. Increase in the current year	(5,018,078.30)	(3,878,339.18)	-	(8,896,417.48)
(1) Provision	(5,018,078.30)	(3,878,339.18)	-	(8,896,417.48)
3. 31 December 2019	(68,709,653.87)	(56,490,362.80)	(167,700.00)	(125,367,716.67)
III. Carrying amount				
1. 31 December 2019	119,500,991.63	25,253,365.39	-	144,754,357.02
2. 31 December 2018	124,519,069.93	18,672,410.57	-	143,191,480.50

12. Long-term prepaid expenses

					<i>RMB</i>
Item	31 December 2018	Impact of implementing the New Lease Standard	Increase in the current year	Amortization for the current year	31 December 2019
Leasehold improvement	17,020,316.16	-	7,138,250.31	(13,025,838.54)	11,132,727.93
Rent	96,049.75	(96,049.75)	-	-	-
Total	17,116,365.91	(96,049.75)	7,138,250.31	(13,025,838.54)	11,132,727.93

Notes to the Financial Statements

For the year ended 31 December 2019

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

13. Other non-current assets

	<i>RMB</i>	
Item	31 December 2019	31 December 2018
Receivables from subsidiaries	536,000,000.00	516,000,000.00
VAT input tax to be deducted	48,592,877.42	36,718,628.57
Prepaid purchase price for property	17,105,497.00	–
Total	601,698,374.42	552,718,628.57

14. Accounts payable

Details of aging analysis of accounts payable are as follows:

	<i>RMB</i>	
Item	31 December 2019	31 December 2018
Within 1 year	3,181,812,542.19	2,477,641,611.59
More than 1 year but not exceeding 2 years	755,498,406.59	751,506,438.70
More than 2 years but not exceeding 3 years	248,315,320.29	228,769,482.47
More than 3 years	136,327,968.81	138,492,878.39
Total	4,321,954,237.88	3,596,410,411.15

Notes to the Financial Statements

For the year ended 31 December 2019

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

15. Contract liabilities

(1) Disclosure of contract liabilities:

<i>RMB</i>		
Item	31 December 2019	31 December 2018
Advanced receipts for sold goods	271,432,709.97	238,876,170.54
Membership card points	3,538,940.71	12,782,898.02
Total	274,971,650.68	251,659,068.56

- (2) The Company's recognized revenue of RMB239,240,924.00, including the carrying amount of contract liabilities at the beginning of the year, includes contract liabilities of RMB238,876,170.54 arising from advanced receipts for sold goods, and contract liabilities of RMB364,753.46 arising from membership card points. It is expected that carrying amount of contract liabilities at the end of the year will be recognized as revenue in 2020.

16. Employee benefits payable

(1) Disclosure of employee benefits payable

<i>RMB</i>				
Item	1 January 2019	Increase in the current year	Decrease in the current year	31 December 2019
I. Short-term employee benefits	213,191,243.79	719,559,706.32	(662,239,993.63)	270,510,956.48
II. Post-employment benefits – defined contribution plan	615,008.56	111,557,207.15	(107,872,443.22)	4,299,772.49
III. Termination benefits	–	979,126.80	(979,126.80)	–
Total	213,806,252.35	832,096,040.27	(771,091,563.65)	274,810,728.97

Notes to the Financial Statements

For the year ended 31 December 2019

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

16. Employee benefits payable (Continued)

(2) Disclosure of short-term employee benefits

				<i>RMB</i>
Item	1 January 2019	Increase in the current year	Decrease in the current year	31 December 2019
I. Wages or salaries, bonuses, allowance and subsidies	167,607,067.58	599,803,418.40	(541,475,435.81)	225,935,050.17
II. Staff welfare	4,058.55	6,741,355.20	(6,741,413.75)	4,000.00
III. Social security contributions	122,128.71	36,069,269.75	(36,046,427.34)	144,971.12
Including: Medical insurance	80,459.26	31,546,073.10	(31,525,432.59)	101,099.77
Work-related injury insurance	25,574.04	1,668,049.12	(1,670,670.89)	22,952.27
Maternity insurance	16,095.41	2,850,529.47	(2,845,705.80)	20,919.08
Other insurances	-	4,618.06	(4,618.06)	-
IV. Housing funds	1,276,636.95	49,660,765.45	(49,607,686.85)	1,329,715.55
V. Union running costs and employee education costs	43,973,436.28	25,111,595.14	(26,195,727.50)	42,889,303.92
VI. Others	207,915.72	2,173,302.38	(2,173,302.38)	207,915.72
Total	213,191,243.79	719,559,706.32	(662,239,993.63)	270,510,956.48

(3) Defined contribution plan

				<i>RMB</i>
Item	1 January 2019	Increase in the current year	Decrease in the current year	31 December 2019
I. Basic pension insurance	508,403.23	69,502,801.92	(69,487,705.17)	523,499.98
II. Unemployment insurance	37,981.96	2,536,413.00	(2,535,643.63)	38,751.33
III. Enterprise annuity	68,623.37	39,517,992.23	(35,849,094.42)	3,737,521.18
Total	615,008.56	111,557,207.15	(107,872,443.22)	4,299,772.49

Notes to the Financial Statements

For the year ended 31 December 2019

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

17. Taxes payable

	<i>RMB</i>	
Item	31 December 2019	31 December 2018
City construction and maintenance tax	73,336.23	73,432.48
Education surcharges	33,602.87	32,434.52
Individual income tax	1,137,885.87	932,056.20
Others	17,327,807.64	17,290,684.99
Total	18,572,632.61	18,328,608.19

18. Other payables

	<i>RMB</i>	
Item	31 December 2019	31 December 2018
Amounts due to related parties	473,561,751.60	387,325,273.85
Security deposit/deposit/quality warranty/performance security	54,670,829.22	56,060,477.28
Construction and infrastructure construction expenses	24,199,581.82	27,090,838.32
Others	44,522,861.16	18,525,192.19
Total	596,955,023.80	489,001,781.64

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

Notes to the Financial Statements

For the year ended 31 December 2019

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

19. Lease liabilities

<i>RMB</i>		
Item	31 December 2019	31 December 2018
Rents	415,578,560.36	
Less: Lease liabilities included in non-current liabilities due within one year	(76,800,069.97)	
Total	338,778,490.39	

20. Capital reserve

<i>RMB</i>				
For the current year				
Item	1 January 2019	Increase in the current year	Decrease in the current year	31 December 2019
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
<i>RMB</i>				
For the prior year				
Item	1 January 2018	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

Notes to the Financial Statements

For the year ended 31 December 2019

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

21. Other comprehensive income

For the current year								RMB
Item	1 January 2019	Amount for the current year before income tax	Changes in the year			Post-tax amount attributable to owners of the Company	Post-tax amount attributable to non-controlling interests	31 December 2019
			Less: Amount included in other comprehensive income in the prior period that is transferred to profit or loss for the current period	Less: Income tax expenses				
Other comprehensive income that cannot be reclassified into profit or loss	1,023,108,206.10	(42,208,000.00)	-	-	(42,208,000.00)	-	-	980,900,206.10
Gains or losses arising from changes in fair value of other equity instrument investments	1,023,108,206.10	(42,208,000.00)	-	-	(42,208,000.00)	-	-	980,900,206.10

For the prior year								RMB
Item	1 January 2018	Impact of implementing the New Financial Instruments Standards	Changes in the year			Post-tax amount attributable to owners of the Company	Post-tax amount attributable to non-controlling interests	31 December 2018
			Less: Amount included in other comprehensive income in the prior period that is transferred to profit or loss for the current period	Less: Income tax expenses				
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

Notes to the Financial Statements

For the year ended 31 December 2019

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

22. Surplus reserve

For the current year				RMB
Item	1 January 2019	Increase in the current year	Decrease in the current year	31 December 2019
Statutory surplus reserve	710,233,608.82	81,285,411.20	-	791,519,020.02

For the prior year				RMB
Item	1 January 2018	Increase in the current year	Decrease in the current year	31 December 2018
Statutory surplus reserve	624,908,885.29	85,324,723.53	-	710,233,608.82

23. Retained profits

Item	Current year	Prior year	Proportion of appropriation
Retained profits at the beginning of current year	2,449,218,056.81	2,051,447,845.08	
Add: Net profit for the current year	812,854,111.99	853,247,235.26	
Less: Appropriation to statutory surplus reserve	(81,285,411.20)	(85,324,723.53)	
Distribution of dividends on ordinary shares	(370,152,300.00)	(370,152,300.00)	Note (VI) 37(2)
Retained profits at the end of the year	2,810,634,457.60	2,449,218,056.81	

24. Operating income and operating costs

Item	Amount recognized in the current year	Amount recognized in the prior year
Principal operating income	5,139,702,566.06	6,371,359,690.08
Including: Textbooks and supplementary materials	4,330,236,742.33	4,015,378,780.29
Other operating income	184,481,386.48	115,986,681.12
Including: Associated goods income	339,575,547.95	345,002,338.50
Associated goods costs	(292,116,995.05)	(294,508,518.83)
Net income from associated goods	47,458,552.90	50,493,819.67
Operating costs	3,067,558,495.26	4,429,640,326.61

Notes to the Financial Statements

For the year ended 31 December 2019

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

25. Taxes and levies

<i>RMB</i>		
Item	Amount recognized in the current year	Amount recognized in the prior year
City construction and maintenance tax	19,305.68	80,589.52
Education surcharges	17,150.78	57,449.57
Property tax	15,762,982.74	10,918,867.42
Urban land use tax	2,131,248.21	2,156,521.04
Stamp duty	195,831.60	243,515.05
Vessel and vehicle tax	163,873.86	230,713.96
Disabled person security fund	4,378,307.33	3,101,728.53
Others	27,391.42	38,011.40
Total	22,696,091.62	16,827,396.49

26. Selling expenses

<i>RMB</i>		
Item	Amount recognized in the current year	Amount recognized in the prior year
Wages or salaries and welfares	362,734,574.08	313,027,272.68
Transportation costs	149,367,409.47	141,823,513.96
Business conference fees	48,920,544.70	42,491,556.29
Vehicle fees	17,907,783.12	20,782,909.95
Travel expenses	20,382,914.97	19,954,030.70
Distribution commission	40,235,990.88	39,829,692.76
Advertisement and promotion expenses	42,002,614.61	27,912,252.03
Packing expenses	13,928,243.77	11,794,271.47
Others	122,085,895.02	106,843,393.67
Total	817,565,970.62	724,458,893.51

Notes to the Financial Statements

For the year ended 31 December 2019

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

27. Administrative expenses

Item	RMB	
	Amount recognized in the current year	Amount recognized in the prior year
Wages or salaries and welfares	460,865,445.28	362,927,747.25
Business entertainment fees	119,874,569.39	107,686,766.20
Lease payments	31,921,130.96	114,947,331.44
Depreciation and amortization expenses	155,007,839.16	73,704,620.78
Conference fees	23,111,918.83	24,863,981.64
Energy costs	15,556,822.29	17,289,198.46
Property management fees	27,407,164.02	25,807,107.45
Travel expenses	8,804,422.91	5,456,754.10
Repair charges	11,031,204.05	23,473,945.40
Office expenses	5,839,893.96	5,678,630.67
Audit and other non-audit service fees	3,367,924.53	3,245,283.02
Others	70,786,426.54	63,064,751.53
Total	933,574,761.92	828,146,117.94

28. Finance expenses

Item	RMB	
	Amount recognized in the current year	Amount recognized in the prior year
Interest expenses	6,927,405.54	4,292,615.77
Interest expenses on lease liabilities	17,934,761.89	-
Interest income	(35,062,294.77)	(19,406,293.32)
Interest income on long-term receivables	(9,649,021.33)	(3,922,853.76)
Exchange gains or losses and others	2,262,534.88	8,426,328.91
Total	(17,586,613.79)	(10,610,202.40)

Notes to the Financial Statements

For the year ended 31 December 2019

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

29. Other income

<i>RMB</i>		
Item	Amount recognized in the current year	Amount recognized in the prior year
Other government grants	11,120,509.90	3,612,061.44

30. 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 recognized at cost	320,000,000.00	280,000,000.00
Investment income recognized using equity method	21,585,357.85	27,176,545.20
Investment income generated from other equity instrument investments	49,812,000.00	43,588,800.00
Investment income from disposal of financial assets at FVTPL	31,951,073.52	48,309,466.48
Others	19,500,000.00	-
Total	442,848,431.37	399,074,811.68

31. Losses on credit impairment

<i>RMB</i>		
Item	Amount recognized in the current year	Amount recognized in the prior year
Bad debt losses for accounts receivable	40,327,187.75	27,649,105.82
Impairment losses for other receivables	(1,105,076.37)	2,719,591.30
Total	39,222,111.38	30,368,697.12

Notes to the Financial Statements

For the year ended 31 December 2019

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

32. Impairment losses of assets

<i>RMB</i>		
Item	Amount recognized in the current year	Amount recognized in the prior year
Losses of decline in value of inventories	29,867,650.08	2,061,235.77
Impairment losses for long-term equity investments	55,000,000.00	–
Total	84,867,650.08	2,061,235.77

33. Non-operating income

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	1,541,922.51	1,577,426.34

34. Non-operating expenses

<i>RMB</i>		
Item	Amount recognized in the current year	Amount recognized in the prior year
Donations	41,096,588.04	24,374,938.23
Penalties	1,128.45	738.10
Others	310,926.42	423,711.47
Total	41,408,642.91	24,799,387.80

Notes to the Financial Statements

For the year ended 31 December 2019

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

35. 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	29,193,361.19	28,099,027.61
Others	68,992,720.22	50,165,809.21
Total	98,186,081.41	78,264,836.82

(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	454,831,396.54	411,431,620.83
Of which: Transportation costs	149,367,409.47	141,823,513.96
Commissioned logistics costs	97,587,753.64	82,706,939.21
Business conference fees	48,920,544.70	42,491,556.29
Distribution commission	40,235,990.88	39,829,692.76
Advertising and promotion fees	42,002,614.61	27,912,252.03
Vehicle fees	17,907,783.12	20,782,909.95
Travel expenses	20,382,914.97	19,954,030.70
Administrative expenses	317,701,477.48	391,513,749.91
Of which: Business entertainment fees	119,874,569.39	107,686,766.20
Lease payments	31,921,130.96	114,947,331.44
Property management fees	27,407,164.02	25,807,107.45
Conference fees	23,111,918.83	24,863,981.64
Repair charges	11,031,204.05	23,473,945.40
Energy costs	15,556,822.29	17,289,198.46
Amount due/from subsidiaries	50,461,794.05	4,677,459.45
Others	15,825,909.37	84,340,362.69
Total	838,820,577.44	891,963,192.88

Notes to the Financial Statements

For the year ended 31 December 2019

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

36. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

	<i>RMB</i>	
Supplementary information	Amount recognized in the current year	Amount recognized in the prior year
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	812,854,111.99	853,247,235.26
Add: Impairment losses of assets	84,867,650.08	2,061,235.77
Losses on credit impairment	39,222,111.38	30,368,697.12
Depreciation of fixed assets	48,643,208.03	53,135,035.01
Depreciation of right-of-use assets	81,527,090.90	
Depreciation of investment properties	900,190.03	900,190.02
Amortization of intangible assets	8,896,417.48	6,206,712.37
Amortization of long-term prepaid expenses	13,025,838.54	14,982,125.54
Gains on disposal of assets	(2,567,623.67)	(26,124.33)
Gains from changes in fair value	(19,910,686.76)	(7,302,293.11)
Finance expenses	15,213,146.10	369,762.01
Investment Income	(442,848,431.37)	(399,074,811.68)
Decrease in inventories (less: increase)	(573,953,364.17)	804,424,440.89
Decrease in receivables from operating activities	30,545,786.20	60,762,019.50
Increase in payables from operating activities (less: decrease)	1,133,485,761.06	(332,065,694.80)
Net cash flow from operating activities	1,229,901,205.82	1,087,988,529.57
2. Material investment and financing activities not involving cash receipts and payments:		
Right-of-use assets recognized on lease on fixed assets	144,765,972.80	
3. Net changes in cash and cash equivalents:		
Closing balance of cash	2,561,250,163.76	1,747,274,865.08
Less: Opening balance of cash	(1,747,274,865.08)	(1,105,004,995.34)
Net increase in cash and cash equivalents	813,975,298.68	642,269,869.74

Notes to the Financial Statements

For the year ended 31 December 2019

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

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

(2) Cash and cash equivalents

<i>RMB</i>		
Item	31 December 2019	31 December 2018
Cash	2,561,250,163.76	1,747,274,865.08
Including: Cash on hand	2,127,353.64	2,938,456.77
Bank deposits readily withdrawn on demand	2,559,122,810.12	1,744,336,408.31
Balance of cash and cash equivalents	2,561,250,163.76	1,747,274,865.08

37. 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	325,184.65	315,430.75
Sichuan Guanghan Sanxingdui Qushanyuan Cultural Ltd.	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	210,802.68	752,487.67
Chengdu Huang Peng Property Co., Ltd.	Receipt of services	Payments for property management fees	Price negotiated by both parties	5,738,036.90	6,699,380.04
Sichuan Xinhua Haiyi Cultural Development Co., Ltd.	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	390,622.06	355,109.73
Sichuan Xinhua Publishing Group Co., Ltd. Huadao Holiday Hotel	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	56,234.00	48,286.00
Sichuan Winshare BLOGIS Supply Chain Co., Ltd.	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	69,300.48	-
The Commercial Press (Chengdu) Co., Ltd.	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	13,027,023.06	26,735,090.45
Hainan Publishing House	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	6,697,122.90	5,150,546.53

Notes to the Financial Statements

For the year ended 31 December 2019

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

37. 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)

RMB

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
Bashu Publishing House	Purchase of goods	Payments for goods purchased and receiving services	Price negotiated by both parties	15,158,825.07	16,801,381.07
Education Publishing House	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	717,028,034.22	690,300,597.43
Publication Printing	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	277,765,338.75	279,494,991.40
Printing Materials	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	1,773,735.48	3,093,645.91
Lexicographical Publishing House	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	14,576,433.91	6,635,696.88
Science & Technology Publishing House	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	4,715,859.64	5,103,728.23
Winshare International	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	153,805.83	–
Winshare Quan Media	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	70,560.00	–
Winshare Sports	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	2,857.14	–
Fine Arts Publishing House	Purchase of goods	Payments for goods purchased and receiving services	Price negotiated by both parties	19,374,071.96	29,925,890.86
People's Publishing House	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	24,420,387.11	49,710,626.08
Youth and Children's Publishing House	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	–	2,148,386.23
Tiandi Publishing House	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	19,673,292.37	24,898,615.15
Literature & Art Publishing House	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	10,136,942.73	25,522,015.46

Notes to the Financial Statements

For the year ended 31 December 2019

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

37. 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)

RMB

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
Digital Publishing	Purchase of goods	Payments for goods purchased and receiving services	Price negotiated by both parties	381,044.33	139,178.85
Pictorial	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	9,433.96	15,915.09
Xinhua Online	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	-	12,215,381.47
Winshare Education Technology	Receipt of services	Payments for goods purchased	Price negotiated by both parties	18,904,159.59	21,478,819.44
Beijing Shuchuan	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	143,991,053.72	206,843,744.62
Wenchuan Logistics	Receipt of services	Commissioned logistics costs	Price negotiated by both parties	124,649,703.73	13,231,593.96
Winshare Online	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	506,939,708.15	318,081,916.30
Sichuan Xinhua Printing	Receipt of services	Payments for printing services	Price negotiated by both parties	525,905.19	616,088.04
Sichuan Culture Communication	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	5,425,122.80	1,556,484.73
Winshare Cloud Image	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	2,228,413.02	6,601,109.80
Xinhua Haiyi Hotel Co., Ltd.	Receipt of services	Payments for hotel and conference service fees	Price negotiated by both parties	136,082.07	118,911.80
Reader's Journal Press	Purchase of goods	Payments for goods purchased	Price negotiated by both parties	249,236.76	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				1,934,804,334.26	1,755,500,932.44

Notes to the Financial Statements

For the year ended 31 December 2019

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

37. Related party relationship and 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 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	44,190.92	63,927.27
Winshare Online	Sales of goods	Receipts for goods sold	Price negotiated by both parties	-	981,142,847.86
Winshare Online	Provision of services	Receipts for commissioned logistics costs		43,024,623.68	-
Winshare Investment	Sales of goods	Receipts for goods sold	Price negotiated by both parties	10,664.60	-
Beijing Winshare Commercial	Sales of goods	Receipts for goods sold and transportation service rendered	Price negotiated by both parties	1,894,747.22	-
Sichuan Xinhua Fanyue Culture Media Co., Ltd.	Sales of goods	Receipts for goods sold	Price negotiated by both parties	3,211.01	-
Winshare Education Technology	Sales of goods	Receipts for goods sold	Price negotiated by both parties	11,707,119.51	98,380,152.81
Sichuan Xinhua Printing	Sales of goods	Receipts for goods sold	Price negotiated by both parties	111,156.12	390,837.62
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	9,287,089.28	901,847.78
SPG	Sales of goods	Receipts for goods sold	Price negotiated by both parties	47,376.15	
Liangshan Xinhua Winshare Education Technology Co. Ltd.	Sales of goods	Receipts for goods sold	Price negotiated by both parties	96,392.24	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				66,226,570.73	1,081,539,217.65

Notes to the Financial Statements

For the year ended 31 December 2019

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

37. Related party relationship and transactions (Continued)

(2) Guarantees for subsidiaries

The Company has not provided any guarantee for subsidiaries for the current year.

(3) Leases with related parties

The Company as lessor:

RMB

Name of lessor	Name of lessee	Type of leased assets	Commencement date of leases	Expiration date of leases	Basis of determining the lease income	Lease income recognized in the current year	Lease income recognized in the prior year
The Company	Sichuan Xinhua Publishing Group	Buildings	2019.1.1	2021.12.31	Contractual price negotiated by both parties	1,279,575.78	-
The Company	Sichuan Xinhua Publishing Group	Buildings	2016.1.1	2018.12.31	Contractual price negotiated by both parties	-	1,279,575.77
The Company	Printing materials	Buildings	2017.1.1	2019.12.31	Contractual price negotiated by both parties	415,366.71	411,607.45
The Company	Bashu Publishing House	Buildings	2017.1.1	2019.12.31	Contractual price negotiated by both parties	792,816.15	785,640.82
The Company	Youth and Children's Publishing House	Buildings	2017.1.1	2019.12.31	Contractual price negotiated by both parties	1,028,120.29	1,018,815.20
The Company	Literature & Art Publishing House	Buildings	2017.1.1	2019.12.31	Contractual price negotiated by both parties	756,081.58	749,238.82
The Company	People's Publishing House	Buildings	2017.1.1	2019.12.31	Contractual price negotiated by both parties	1,542,180.44	1,524,504.31
The Company	Science & Technology Publishing House	Buildings	2017.1.1	2019.12.31	Contractual price negotiated by both parties	825,921.21	809,891.88
The Company	Tiandi Publishing House	Buildings	2017.1.1	2019.12.31	Contractual price negotiated by both parties	756,528.19	749,679.72
The Company	Lexicographical Publishing House	Buildings	2017.1.1	2019.12.31	Contractual price negotiated by both parties	595,730.67	590,339.08
The Company	Publication Printing	Buildings	2017.1.1	2019.12.31	Contractual price negotiated by both parties	556,892.79	550,454.52
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	2019.3.1	2021.2.28	Contractual price negotiated by both parties	336,943.89	-
The Company	Xinhua Yingxuan	Buildings	2017.3.1	2019.2.28	Contractual price negotiated by both parties	90,801.43	998,815.61
Total						8,976,959.13	9,897,134.61

Notes to the Financial Statements

For the year ended 31 December 2019

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

37. Related party relationship and transactions (Continued)

(3) Leases with related parties (Continued)

The Company as lessee:

						<i>RMB</i>	
Name of lessor	Name of lessee	Type of leased assets	Commencement date of leases	Expiration date of leases	Basis of determining the lease income	Lease payment recognized in the current year	Lease payment 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
SPG	The Company	Buildings	2017.1.1	2019.12.31	Contractual price negotiated by both parties	13,356,561.61	13,348,199.15
Sichuan Hengxi Property Management Co., Ltd.	The Company	Buildings	2017.1.1	2019.12.31	Contractual price negotiated by both parties	569,914.85	552,401.65

Note: During the current year, the Company as lessee rented buildings from Sichuan Xinhua Publishing Group. At the beginning of the year, right-of-use assets amounted to RMB212,077,252.50 were recognized. For the current year, depreciation of right-of-use assets amounted to RMB35,346,208.80 were recognized. During the current year, the Company as lessee rented SPG and Sichuan Hengxi Property Management Co., Ltd. buildings on short-term lease and had not recognized right-of-use assets. The Group recognized the lease payment of the short-term lease in the profit or loss using straight-line method over each period during the lease term.

Notes to the Financial Statements

For the year ended 31 December 2019

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

37. Related party relationship and transactions *(Continued)*

(4) Borrowings/loans with related parties

Related party	<i>RMB</i>			
	Current year	Balance at the end of the current year	Prior year	Balance at the end of the prior year
Borrowings				
Winshare Media	7,000,000.00	–	7,000,000.00	–
Sichuan Culture Communication	20,000,000.00	–	20,000,000.00	–
Winshare Sports	12,000,000.00	12,055,232.88	–	–
Pictorial	7,000,000.00	–	5,000,000.00	–
Lexicographical Publishing House	6,000,000.00	–	–	–
Winshare Investment	38,000,000.00	–	–	–
Bashu Publishing House	20,000,000.00	20,000,000.00	20,000,000.00	–
Science & Technology Publishing House	–	20,800,000.00	20,000,000.00	20,000,000.00
Winshare International	14,000,000.00	–	–	–
Fine Arts Publishing House	–	20,003,000.00	20,000,000.00	20,003,000.00
Winshare Quan Media	–	9,500,000.00	9,500,000.00	9,500,000.00
Xuankehui	–	42,238,814.71	45,000,000.00	46,079,630.14
Total	124,000,000.00	124,597,047.59	146,500,000.00	95,582,630.14
Loans				
Winshare Investment	25,000,000.00	247,555,888.15	–	238,162,840.21
Wenchuan Logistics	–	169,572,000.00	–	162,979,584.65
Winshare Education Technology	55,000,000.00	244,867,614.73	30,000,000.00	194,089,712.34
Sichuan Xinhua Printing	–	25,943,113.01	–	34,808,686.64
Printing Materials	–	200,575,247.10	–	199,708,418.05
Reader's Journal Press	–	36,486,596.13	–	35,536,975.25
Winshare Cloud Image	–	–	5,000,000.00	5,000,000.00
Tiandi Publishing House	60,000,000.00	60,861,657.53	40,000,000.00	40,415,335.62
Total	140,000,000.00	985,862,116.65	75,000,000.00	910,701,552.76

Notes to the Financial Statements

For the year ended 31 December 2019

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

37. Related party relationship and transactions *(Continued)*

(5) Payments for interest

The Company's payments for interest of the borrowings/loans from related parties are as follows:

Name of entity	RMB			
	Amount recognized in the current year		Amount recognized in the prior year	
	Amount	Proportion (%)	Amount	Proportion (%)
Winshare Media	252,600.74	3.85	268,429.82	6.63
Sichuan Culture Communication	747,479.95	11.40	762,600.16	18.83
Winshare International	475,914.35	7.26	467,615.02	11.55
Pictorial	253,657.29	3.87	219,525.72	5.42
Bashu Publishing House	714,913.40	10.90	391,341.42	9.66
Lexicographical Publishing House	207,495.48	3.16	–	–
Science & Technology Publishing House	754,716.96	11.51	225,903.33	5.58
Fine Arts Publishing House	754,717.00	11.51	404,368.06	9.99
Winshare Sports	52,106.49	0.79	–	–
Winshare Quan Media	358,490.56	5.47	291,334.97	7.19
Xuankehui	1,600,576.42	24.41	1,018,519.00	25.15
Winshare Investment	385,157.60	5.87	–	–
Total	6,557,826.24	100.00	4,049,637.50	100.00

Notes to the Financial Statements

For the year ended 31 December 2019

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

37. 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 Xinhua Printing	1,070,213.56	1,403,434.35
Printing Materials	3,271,053.02	3,271,053.02
Winshare Investment	9,393,047.94	8,847,706.14
Reader's Journal Press	895,868.76	895,868.76
Winshare Cloud Image	150,153.15	95,707.87
Wenchuan Logistics	6,401,886.80	6,401,886.79
Winshare Education Technology	6,213,141.30	6,209,627.81
Tiandi Publishing House	1,958,005.94	490,766.35
Total	29,353,370.47	27,616,051.09

Notes to the Financial Statements

For the year ended 31 December 2019

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

37. Related party relationship and transactions *(Continued)*

(7) Amounts due from/to related parties

		<i>RMB</i>	
	Related party	31 December 2019	31 December 2018
Accounts receivable	Winshare Online	–	179,379,072.73
	Beijing Winshare Commercial	99,734,700.73	102,403,282.99
	Education Technology	218,953,808.22	205,530,799.83
	Winshare Cloud Image	240,979.68	426,607.76
Total		318,929,488.63	487,739,763.31
Prepayments	Xinhua Online	1,805,893.78	–
	Xinhua Shang	–	35,595.86
	Winshare Cloud Image	–	542,466.77
Total		1,805,893.78	578,062.63
Other receivables	Publication Printing	70,000,000.00	50,000,000.00
	Education Publishing House	250,000,000.00	230,000,000.00
	Sichuan Xinhua Publishing Group	4,000.00	10,500.00
	Xinhua Yingxuan	–	1,058,638.30
	Printing Materials	200,575,247.10	199,708,418.05
	Winshare Education Technology	64,867,614.73	59,089,712.34
	Tiandi Publishing House	60,861,657.53	40,415,335.62
	Winshare Online	50,457,794.05	–
	Xinhua Shang	2,500,000.00	2,500,000.00
	Reader's Journal Press	36,486,596.13	35,536,975.25
	Digital Publishing	17,935,711.48	17,935,711.48
	Winshare Sports	–	3,357,255.44
	Arts Investment	28,183,930.12	28,183,930.13
	Science & Technology Publishing House	3,133,678.65	3,281,226.73
	Beijing Winshare Commercial	20,266,215.65	20,266,215.65
	Winshare Investment	47,555,888.15	13,162,840.21
	Literature & Art Publishing House	3,348,238.32	4,400,796.32
	People's Publishing House	2,539,822.82	1,688,588.82
	Sichuan Xinhua Printing	25,943,113.01	34,808,686.64
	Winshare Cloud Image	–	5,000,000.00
	Wenchuan Logistics	13,572,000.00	6,979,584.65
Total		898,231,507.74	757,384,415.63
Other non-current assets	Wenchuan Logistics	156,000,000.00	156,000,000.00
	Winshare Education Technology	180,000,000.00	135,000,000.00
	Winshare Investment	200,000,000.00	225,000,000.00
Total		536,000,000.00	516,000,000.00

Notes to the Financial Statements

For the year ended 31 December 2019

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

37. Related party relationship and transactions *(Continued)*

(7) Amounts due from/to related parties *(Continued)*

		<i>RMB</i>	
Related party		Closing balance	Opening balance
Accounts payable	The Commercial Press (Chengdu) Co., Ltd.	20,863,621.86	8,096,016.99
	Hainan Publishing House	122,481.66	–
	Shanghai Jingjie Information Technology Co., Ltd.	18,941.00	18,941.00
	Publication Printing	438,426,203.84	435,397,338.77
	Education Publishing House	1,086,449,536.05	939,234,727.62
	People's Publishing House	53,331,453.64	47,248,145.14
	Youth and Children's Publishing House	22,540,453.01	28,544,991.85
	Winshare Education Technology	19,561,806.52	11,062,134.58
	Digital Publishing	121,367.37	139,178.85
	Lexicographical Publishing House	16,325,171.13	6,860,893.36
	Tiandi Publishing House	728,417.24	18,234,998.28
	Literature & Art Publishing House	43,452,923.36	51,165,542.80
	Science & Technology Publishing House	10,292,535.55	8,963,121.43
	Fine Arts Publishing House	22,215,611.46	19,995,590.54
	Bashu Publishing House	11,440,199.58	16,856,089.77
	Xinhua Online	–	1,805,893.78
	Printing Materials	263,287.12	–
	Beijing Shuchuan	179,738,669.66	126,136,542.87
	Winshare Cloud Image	228,390.00	4,436,244.00
	Winshare Online	140,580,296.04	33,810,361.13
Total		2,066,701,366.09	1,758,006,752.76

Notes to the Financial Statements

For the year ended 31 December 2019

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

37. Related party relationship and transactions *(Continued)*

(7) Amounts due from/to related parties *(Continued)*

		<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 Winshare BLOGIS Supply Chain Co., Ltd.	3,000.00	-	
Chengdu Huang Peng Property Co., Ltd.	6,353.75	-	
Bashu Publishing House	20,000,000.00	-	
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	20,003,000.00	
Digital Publishing & Media	50,000.00	50,000.00	
Winshare Sports	12,055,232.88	-	
Xinhua Online	66,880,000.00	-	
Winshare Quan Media	9,500,000.00	9,500,000.00	
Xuankehui	42,238,814.71	46,079,630.14	
Winshare Cloud Image	3,700.00	-	
Science & Technology Publishing House	20,800,000.00	20,000,000.00	
Winshare Education Technology	360.00	31,860.00	
Wenchuan Logistics	-	9,647,205.75	
VIVI Advertising	7,712.30	-	
Total	473,561,751.60	387,325,273.85	

Notes to the Financial Statements

For the year ended 31 December 2019

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

37. Related party relationship and transactions *(Continued)*

(7) Amounts due from/to related parties *(Continued)*

		<i>RMB</i>	
Related party		31 December 2019	31 December 2018
Receipts in advance	Winshare Online	78,332,519.56	–
Total		78,332,519.56	–
Lease liabilities due within a year	Sichuan Xinhua Publishing Group	32,732,098.83	
Total		32,732,098.83	
Lease liabilities	Sichuan Xinhua Publishing Group	148,175,155.93	
Total		148,175,155.93	

(XVII) COMPARATIVE FIGURES

The Group has restated some of the comparative figures in the financial statements for the comparative period in line with the presentation for the current year.

Supplementary Information

1. BREAKDOWN OF NON-RECURRING PROFIT OR LOSS

RMB

Item	Current year
Gains on disposal of assets	3,870,076.62
Gain on disposal of long-term equity investments	20,000,000.00
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)	25,834,236.50
Investment income from disposal of financial assets at FVTPL (Note)	34,206,581.51
Profit or loss arising from changes in fair values of financial assets at FVTPL (Note)	19,910,686.76
Other profit or loss items that meet the definition of non-recurring profit or loss	19,500,000.00
Other non-operating income and expenses other than the aforesaid items	(30,552,974.27)
Income tax effects	(3,809,906.40)
Effects attributable to non-controlling interests (after tax)	(1,660,678.84)
Total	87,298,021.88

Note: The principal business of Winshare Investment Co., Ltd., which is a subsidiary of Xinhua Winshare Publishing and Media Co., Ltd. ("Xinhua Winshare"), is investment holding. Its investment income from disposal and holding of financial assets at FVTPL and gains or losses from fair value changes are not recognized as non-recurring profit or loss, the losses of such investments and losses from fair value changes for the current year amounted to RMB517,394.74 and RMB18,069,372.73 respectively.

2. RETURN ON NET ASSETS AND EARNINGS PER SHARE ("EPS")

The return on net assets and EPS have been prepared by Xinhua Winshare 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.

Profits for the Reporting Period	Weighted	EPS (RMB)	
	average return on net assets (%)	Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	12.88	0.92	N/A
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	11.89	0.85	N/A

The Company has no dilutive potential ordinary shares.



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