



*winshare* 文軒

# 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)

HKEX Stock Code: 00811

SSE Stock Code: 601811



Annual Report **2020**

\* For identification purposes only



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Prepared in accordance with the China Accounting  
Standards for Business Enterprises

# 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:

|   |  |
|---|--|
| 2020 AGM  | the annual general meeting to be held by the Company on 21 May 2021  |
| 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 and Distribution Group | Sichuan Xinhua Publishing and Distribution Group Co., Ltd. (formerly known as Sichuan Xinhua Publishing Group Co., Ltd.)   |
| COVID-19  | Coronavirus Disease 2019   |
| CSRC  | China Securities Regulatory Commission   |
| Deloitte Touche Tohmatsu CPA  | Deloitte Touche Tohmatsu Certified Public Accountants LLP  |
| Director(s)   | the director(s) of the Company   |

\* For identification purposes only

## Definitions

|                            |  |
|----------------------------|--|
| Dividend Entitlement Date  | 2 June 2021  |
| Dividend for 2020          | the payment of dividend for the year ended 31 December 2020 of RMB0.31 (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  |
| Fuzhou Winshare            | Fuzhou Winshare Technology Partnership (Limited Partnership) (formerly known as Tibet Winshare Venture Capital Investment Fund Partnership (Limited Partnership))                            |
| 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.   |
| Hainan Phoenix             | Hainan Phoenix Xinhua Publishing and Distribution Co., Ltd.  |
| Hainan Xinhua Group        | Hainan Xinhua Bookstore Group 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 OpenBook Co., Ltd.   |
| PRC or China                                  | 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   |
| R&D   | research and development   |
| Sales value                                   | the list price of books printed at the back of each book   |
| SASAC of Sichuan                              | State-owned Assets Supervision and Administration Commission of the Sichuan Provincial Government  |
| SFO   | Securities and Futures Ordinance, Cap. 571, Laws of Hong Kong  |
| Shareholder(s)                                | H shareholder(s) and A shareholder(s) of the Company   |
| Sichuan Cultural Investment Group             | Sichuan Cultural Industry Investment Group Co., Ltd. (formerly known as Sichuan Publication Group Co., Ltd.)   |
| Sichuan Development                           | Sichuan Development (Holding) Co., Ltd.  |
| Sichuan Education Publishing House            | Sichuan Education Publishing House Co., Ltd.   |
| Sichuan Fine Arts Publishing House            | Sichuan Fine Arts Publishing House Co., Ltd.   |
| Sichuan Publication Printing                  | Sichuan Publication Printing 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.  |
| SSE   | Shanghai Stock Exchange  |
| Stock Exchange                                | The Stock Exchange of Hong Kong Limited  |

## Definitions

|  |   |
|--|---|
| Strategy and Investment Planning Committee | the strategy and investment planning committee under the Board of the Company                         |
| Supervisor(s)                              | the supervisor(s) of the Company  |
| Supervisory Committee                      | the supervisory committee of the Company  |
| Tiandi Publishing House                    | Sichuan Tiandi Publishing House Co., Ltd.   |
| Wan Xin Media                              | Anhui Xinhua Media Co., Ltd.  |
| Wenchuan Logistics                         | Sichuan Wenchuan Logistics Co., Ltd.  |
| Winshare Dingsheng Fund                    | 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.  |
| Winshare September                         | the digital content reading service platform under Winshare Online                                    |
| winxuan.com                                | the online sales platform of paper publications under Winshare Online                                 |
| Xinhua Chuangzhi                           | Chengdu Xinhua Chuangzhi Cultural Industry Investment Co., Ltd.                                       |
| Year, Period or Reporting Period           | the period from 1 January 2020 to 31 December 2020  |

## Important Notice

- I. The Board, the Supervisory Committee, Directors, Supervisors and senior management 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. He Zhiyong (the Chairman) and Mr. Chen Yunhua (an executive Director) who appointed Mr. Luo Jun and Mr. Zhang Peng (both being non-executive Directors) respectively as their proxies to vote on their behalf due to other business commitments, other Directors attended the 2021 third Board meeting for the fourth session of the Board held on 30 March 2021 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 2020 amounted to RMB1,263 million. For the profit distribution proposal for 2020, it is proposed that, on the basis of a total share capital of 1,233,841,000 Shares in issue, a cash dividend of RMB3.10 per Share (tax inclusive) for every 10 shares held will be distributed to the Shareholders, with total cash dividend amounting to RMB382 million. The above profit distribution proposal is subject to the approval by the Shareholders at the 2020 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*)

### 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

### 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

## COMPANY SECRETARY

Mr. You Zugang

## AUTHORISED REPRESENTATIVES

Mr. Luo Jun  
Mr. You Zugang

## ALTERNATE AUTHORIZED REPRESENTATIVE

Ms. Wong Wai Ling

## AUDITOR

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

\* For identification purposes only



## Corporate Information

### 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  
Dah Sing Financial Centre  
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

RMB'000

| Key accounting data  | 2020                | 2019         | 2018         | 2017         | 2016         |
|--|---------------------|--------------|--------------|--------------|--------------|
| Operating income   | <b>900,805.66</b>   | 884,245.77   | 818,658.30   | 734,588.30   | 635,616.81   |
| Total profit   | <b>125,116.55</b>   | 114,883.73   | 91,592.06    | 91,704.03    | 63,571.61    |
| Net profit attributable to shareholders of the Company                                       | <b>126,277.85</b>   | 113,904.76   | 93,218.48    | 92,384.45    | 64,746.23    |
| Net profit attributable to shareholders of the Company after non-recurring profits or losses | <b>117,115.82</b>   | 105,174.95   | 86,759.08    | 72,610.53    | 61,456.93    |
| Net cash flow from operating activities  | <b>181,880.53</b>   | 136,441.05   | 99,345.03    | 34,562.19    | 68,342.73    |
| Net assets attributable to shareholders of the Company                                       | <b>1,013,684.45</b> | 920,724.98   | 848,056.35   | 802,730.17   | 833,569.04   |
| Total assets   | <b>1,696,883.60</b> | 1,532,450.35 | 1,328,771.25 | 1,228,670.56 | 1,225,517.66 |
| Total liabilities  | <b>694,068.60</b>   | 620,453.71   | 488,168.31   | 432,988.34   | 396,069.93   |
| Basic earnings per share (RMB/share)   | <b>1.02</b>         | 0.92         | 0.76         | 0.75         | 0.55         |
| Basic earnings per share after non-recurring profits or losses (RMB/share)                   | <b>0.95</b>         | 0.85         | 0.70         | 0.59         | 0.53         |
| Weighted average return on net assets (%)  | <b>13.06</b>        | 12.88        | 11.49        | 11.29        | 8.22         |
| Weighted average return on net assets after non-recurring profits or losses (%)              | <b>12.11</b>        | 11.89        | 10.69        | 8.87         | 7.80         |

# Chairman's Statement

## DEAR SHAREHOLDERS,

On behalf of the Board, I am pleased to present to the Shareholders the annual results of the Company and its subsidiaries for the year ended 31 December 2020.

**He Zhiyong**  
Chairman



In 2020, the Group made concerted efforts to overcome difficulties and keep forge ahead. While thoroughly implementing the strategies of "Revitalizing the publishing industry in Sichuan" and "Revitalizing the physical bookstores", the Group continued to push ahead innovative development. In the face of adversity, the Group strove to stand out under changing conditions and grasped firmly both epidemic prevention and control as well as business operations. As a result, the Group reaped both the social benefits and economic benefits, and maintained long-term and stable development in the course of high-quality development. In 2020, the Group recorded revenue of RMB9,008 million, representing an increase of 1.87% as compared with 2019; net profit of RMB1,243 million, representing an increase of 10.52% as compared with 2019; net profit attributable to shareholders of the Company of RMB1,263 million, representing an increase of 10.86% as compared with 2019; basic earnings per share amounted to RMB1.02; net profit attributable to shareholders of the Company after non-recurring profit or loss amounted to RMB1,171 million, representing an increase of 11.35% as compared with 2019.

## I. OVERCOMING THE DIFFICULTIES TOGETHER IN SHOULDERING THE MISSION AND VIGOROUSLY IMPLEMENTING EPIDEMIC PREVENTION FOR ORDERLY WORK RESUMPTION

The sudden outbreak of COVID-19 in early 2020 has brought adverse effects to the Group such as production suspension, shrinking consumption and sharp decline in business. However, the Group actively coped with it and soundly coordinated the epidemic prevention and control as well as the work of production and operation. The Group made arrangements for epidemic prevention in a scientific manner and took all possible measures to ensure the safety and health of employees. While seeking business opportunities amidst adversity, the Group devoted great efforts to develop online business and explore institutional customer business given the setback in offline consumption so as to drive sales. The Group stepped up efforts in market operations after the outbreak calmed down to minimize the loss of COVID-19.



COVID-19 mental health protection books

## Chairman's Statement

In addition to taking care of its own production, the Group immediately launched more than 20 “anti-epidemic” books (in electronic version) for free download by readers and used its best endeavors to deliver 3,200 books to Wuhan Hanyang Mobile Cabin Hospital to comfort the patients spiritually as part of its efforts to fulfill its mission as a cultural enterprise. To allow students across Sichuan Province to enjoy various quality digital textbook resources for free, the Group also joined hands with a number of publishers to provide teachers and students with an electronic version of the curriculum materials for free download. The Group also quickly allocated resources to introduce live streaming classes to junior and senior high school students for free, thus contributing to “continuing learning during class suspension” by using practical actions in fulfilling its responsibilities.

### II. PUSHING AHEAD THE “THREE KEY PUBLISHING” CONCEPTS TO BUILD A HIGH-QUALITY DEVELOPMENT DRIVEN PUBLISHING SYSTEM

Guided by the strategy of “revitalizing the publication business in Sichuan”, the Group adhered to the “three key publishing” concepts of targeted publishing, refined publishing and quality publishing to ensure correct orientation of publishing in continuing on the road towards the development of quality growth. To cope with the impact of COVID-19, its publishing units seized resources, adjusted structure, speeded up the progress, expanded the market, and strengthened the supervision of publishing processes, thus stabilizing their national rankings among local publishing groups. According to the Open Book Data, in 2020, the Group ranked 9th in the general book publication market among 37 national publishing groups, and 5th among local publishing groups nationwide. The Group continued to optimize its publishing structure. On the one hand, the best-selling products continued to increase. Throughout the Year, a total of 48 genres entered the Top 500 list, representing an increase of 12 genres from the same period last year. On the other hand, the strength in midrange publishing products had also been significantly enhanced. There were 139 genres recording sales volume of 50,000 to 500,000 copies, representing a year-on-year increase of 33 genres, among which, there were 64 genres recording sales volume of 100,000 to 300,000 copies, representing a year-on-year increase of 30 genres.

The Group actively promoted the in-depth development of channels. In terms of offline channels, it gave full play to its advantages of the whole-industry-chain cluster covering editing, printing and distribution in coordinating internal channels to promote the revitalization of publishing. Through the mining of big sales data at internal channels, it timely adjusted the promotion mechanism and marketing strategy to guide the sales of its own publications. Externally, it strengthened offline channel cooperation and signed strategic cooperation agreements with a number of Xinhua Bookstore Groups outside Sichuan Province, realizing the cooperative development of a variety of customized products, and establishing an operating mechanism for sustainable cooperation. In terms of online channels, it strengthened the layout of traditional e-commerce and emerging channels. On the basis of stabilizing the traditional e-commerce business cooperation, it actively expanded new modes such as social media groups, live broadcasts, and promotions through book recommenders to bring goods to achieve the transformation and upgrading of online channels.

The Group made every effort to promote the building of integrated publications. It developed new media such as “Panda Reading Books” (熊貓侃書), “Nature Quest” (自然探秘所) and “Pictures Talk” (有畫說), to expand Winshare’s live broadcast of “Love Reading IDO” weekend reading, recording a total of 130 million readers on all media service platforms, It planned the “Masterpiece Reading Series” (閱讀大家系列) reports, the “Cultural Masters on Reading” (文化名家談閱讀) series of reports and the “President/Editor-in-Chief on Book Fair” (社長總編談書展) series of reports. It vigorously promoted the “Watch Panda” (《看熊貓》) magazine, and had in-depth cooperation with institutions such as “Panda Post Office” (熊貓郵局) and “Sanhua Culture

## Chairman's Statement

Bookstore" (散花書院) in terms of sales, advertising and the development of panda culture and creativity to achieve precise investment in channels. At the same time, it integrated industrial resources using projects such as "Zhi Xin Lian" (知信鏈) and "Tianfu Online Literature Industrial Park" (天府網路文學產業園) as platforms to explore traffic conversion models.

### III. STRENGTHENING "BRAND MANAGEMENT + INTEGRATED DEVELOPMENT" TO CONTINUOUSLY INNOVATE THE OPERATION OF TRADITIONAL PHYSICAL BOOKSTORES

In 2020, in accordance with the "brand management + integrated development" business philosophy, the Group innovated business concepts, implemented the responsibility as the main operating entity, upgraded development ideas, and improved reading services, continuously advancing work on the "revitalization of physical bookstores". Firstly, it adhered to its responsibility as the main channel in providing good reading services during the pandemic. Faced with the sudden outbreak of COVID-19, physical bookstores had not been able to operate normally for nearly two months. The physical bookstores of the Group provided book purchase services to the society through small window service, online ordering, WeChat official account and other means, minimizing the adverse impact of COVID-19. Secondly, giving play to its main channel advantages, the Group implemented well the distribution of current affairs publications and successfully completed the third volume of "Xi Jinping on State Governance" (《習近平談治國理政》) and the promotion and distribution of the themed current affairs publications in Sichuan, ranking top in the country in terms of distribution. Thirdly, the Group strengthened brand management and pushed the development of physical bookstores to a new level. This year, it opened the "Winshare Books" store in Zhaoshang and the "Kids Winshare" store in Renhe New Town, achieving new results in the implementation of bookstore branding operations. Among which, the opening of Kids Winshare received good feedback from the People's Daily (paper version) and other important media reports. Fourthly, the Group promoted the integration of online and offline development. Relying on physical bookstores, it carried out the transformation of store traffic through new methods such as social media groups, live broadcasts, and applets. It established a distribution system and implemented full-funnel marketing, achieving sales value of close to ten million yuan. In 2020, sales revenue from the book retail business of the Group's physical bookstores amounted to RMB591 million, representing a decrease of 14.55% from the previous year given the impact of COVID-19, and sales value amounted to RMB756 million, representing a decrease of 11.31% from last year, which was lower than the 33.80% decline in the sales value of physical bookstores nationwide (according to the Open Book Data).



Kids Winshare store in Renhe New Town

## Chairman's Statement

### IV. INNOVATING AND SEEKING CHANGE TO ELEVATE THE DEVELOPMENT OF THE EDUCATION SERVICE BUSINESS TO A NEW LEVEL

In 2020, seeking faster development at a higher level, the Group achieved sustained growth in the operational efficiency of the education service business. In 2020, the education service business recorded sales revenue of RMB5,386 million, representing a year-on-year increase of 7.74%. In terms of textbooks and supplementary materials, the Group improved its product planning capabilities and design capabilities by strengthening the synergy between the market and upstream publishing resources, thus optimizing the product mix. At the same time, it deep-plowed the secondary and high school education service market, and expanded the preschool education service and secondary vocational education service markets. Sales revenue from textbooks and supplementary materials amounted to RMB4,772 million, representing an increase of 10.20% over the previous year. In terms of education informatization and education equipment, the Group continuously improved its product research and development capabilities and market service capabilities, and seized market opportunities brought by the reform of the new college entrance examination and the Education Informatization 2.0 Action Plan, continuously providing customers with products and services such as professional subject classroom, innovative education equipment and smart campus. In terms of innovative businesses, the Group steadily advanced the labor and practical education business targeted at primary and secondary school students, serving more than 25,000 students. It innovated the way of organizing the teacher training service business, and launched online teacher training courses. Throughout the Year, 250 online and offline training programs were carried out and more than 150,000 teachers had been trained. In addition, it continued to promote innovation in channel and management, and deepened education services to achieve the integration development of businesses. The "quality learning and quality teaching" online service platform covered 6,094 schools, serving 3,886,500 students.

### V. CONTINUOUSLY ENHANCING OPERATING CAPABILITIES TO ACHIEVE A STEADY GROWTH IN SALES REVENUE FROM THE ONLINE BUSINESS

In 2020, the Group's online business saw a steady growth in revenue and a significant improvement in operational efficiency, recording sales revenue of RMB1,671 million, of which revenue from the main business increased by 10.79% year-on-year to RMB1,626 million, continuously ranking among the top three on major platforms such as Tmall and JD.com in terms of book sales, which consolidated its dominance among books e-commerce companies nationwide. During the Year, the Group continued to strengthen the building of online operations capabilities, accelerating the layout of omnichannel business, stepping up efforts on marketing through new media channels such as live broadcasts and live streams, actively using information, big data operations and other technologies to deeply analyze and explore users' multi-level reading needs, and launching exclusive product customization and co-publishing with the publishing houses of the Group leveraging its capabilities in channel sales and distribution, thus creating numerous self-owned products with market competitiveness. In terms of supply chain management, the Group further reduced costs and increased efficiency by optimizing supply cooperation methods and improving the level of supply chain management. In addition, it steadily promoted the establishment of an "online mid-market", entering into cooperation with close to 1,500 physical bookstores, library book suppliers and online stores in 26 provinces, municipalities and autonomous regions nationwide.

## Chairman's Statement

### VI. STRENGTHENING THE BUILDING OF SUPPLY CHAIN SERVICE CAPABILITIES TO CONTINUOUSLY EXPAND THE THIRD-PARTY LOGISTICS BUSINESS

In 2020, the Group continued to strengthen logistics operation and management to improve the quality and efficiency of its logistics services, and optimized the intelligent warehousing and distribution logistics system, forming synergistic logistics service capabilities for warehousing and transportation, thereby providing strong support for revenue growth and the improvement of supply chain service standards. The Group optimized the "three bases and multiple branches" logistics service system primarily based in Chengdu, Tianjin and Wuxi with nationwide coverage, actively engaged in epidemic prevention and control work, resumed work and production in an orderly manner, and successfully completed the task of guaranteeing logistics for its business operations. In 2020, total sales value of publications circulated through its own channels reached RMB26,100 million, representing an increase of 8.30% over the previous year. At the same time, it steadily expanded the third-party logistics business, meeting customer needs through the provision of specialized and differentiated integrated warehousing and distribution logistics services, continuously optimizing and adjusting the overall business mix to highlight the development of key business directions. Revenue from the third party logistics business amounted to RMB256 million, representing an increase of 5.96% over the previous year.

COVID-19 has made a serious impact on all aspects of paper production and printing. In 2020, with the integrated efforts of its materials, printing and administration departments, the Group strengthened materials supply, quality management and control, printing factory management, supervision and inspection and other tasks, which provided a strong guarantee for the smooth development of production and operation.

### VII. STEADILY DEVELOPING THE CAPITAL MANAGEMENT BUSINESS TO GRADUALLY FORM A VIRTUOUS CYCLE OF "RAISING, INVESTING, MANAGING, AND WITHDRAWING"

Leveraging "Winshare Investment" as the pivotal capital platform and the market-oriented investment and financing entity, with the aim of building the "Winshare Capital" brand and making continuous contribution to earnings, the Group integrated high-quality social resources through the development of a fund cluster to continue to build a balanced investment pattern that combines a reasonable portfolio, short-term returns and long-term value to obtain financial investment income. After several years of development of the capital management business, a fund cluster covering mergers and acquisitions, venture capital and other types of equity investment was formed. The size of fund managed was more than RMB2,200 million. During the Year, some of the projects invested by the fund were listed and withdrawn, with good returns. The fundraising work of Winshare Dingsheng Fund is currently underway. The capital management business has gradually formed a virtuous cycle of "raising, investing, managing, and withdrawing", initially achieving rolling development, and profitability will continue to improve.



Orderly logistics warehouse



Modernized printing equipment

## Chairman's Statement

### VIII. INNOVATIVELY ORGANIZING THE TIANFU BOOK FAIR TO PROMOTE CULTURAL PROSPERITY AND DEVELOPMENT

In 2020, through a series of activities such as library-bookstore integration, new book releases, reading exchanges, and book sales created by way of “a combination of online and offline approaches, the concerted effort of Sichuan Province at all levels, the integration of exhibitions and fairs, and the paralleled organization of exhibition by region”, the Group innovatively organized the “Tianfu Book Fair” to promote cultural prosperity and development. In this year's book fair, more than 400 offline exhibition venues were set up in Sichuan Province, and book fairs of more than 100,000 genres were organized. At the same time, making full use of the advantages of the Internet cross-platform and multi-channel communication, the Group created an online “Tianfu Book Fair • Cloud World” exhibition venue, and more than 500 publishers, more than 300 online bookstores and more than 300 physical bookstores outside Sichuan Province participated in the exhibition, forming an online and offline multi-touch exhibition network crossing the boundaries of time and region, allowing a wider range of readers across the country to enjoy the cultural feast of Tianfu Book Fair. In this year's book fair, more than 800 reading activities were held, and an attendance of 34.52 million people, with sales value amounting to RMB63 million. Providing a rich reading feast for readers, Tianfu Book Fair has gained stronger brand presence, greatly boosting the high-quality development of the publishing industry and the building of “Bookish Tianfu • Reading for All”.

Going forward, the Group will focus on the principal publishing and media business, innovate the industry development model, and promote the upgrading of the publishing and media industry chain through the “technology + capital” two-wheel driven strategy, to build four major top industrial systems (i.e. content and creative publishing, education service, cultural consumption service, and supply chain service) and first-class capital management, investment and financing systems, continuously enhancing the market competitiveness, industrial development capabilities and cultural influence of the Group, and rewarding shareholders with a good momentum for high-quality development and a stable operating performance.

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!

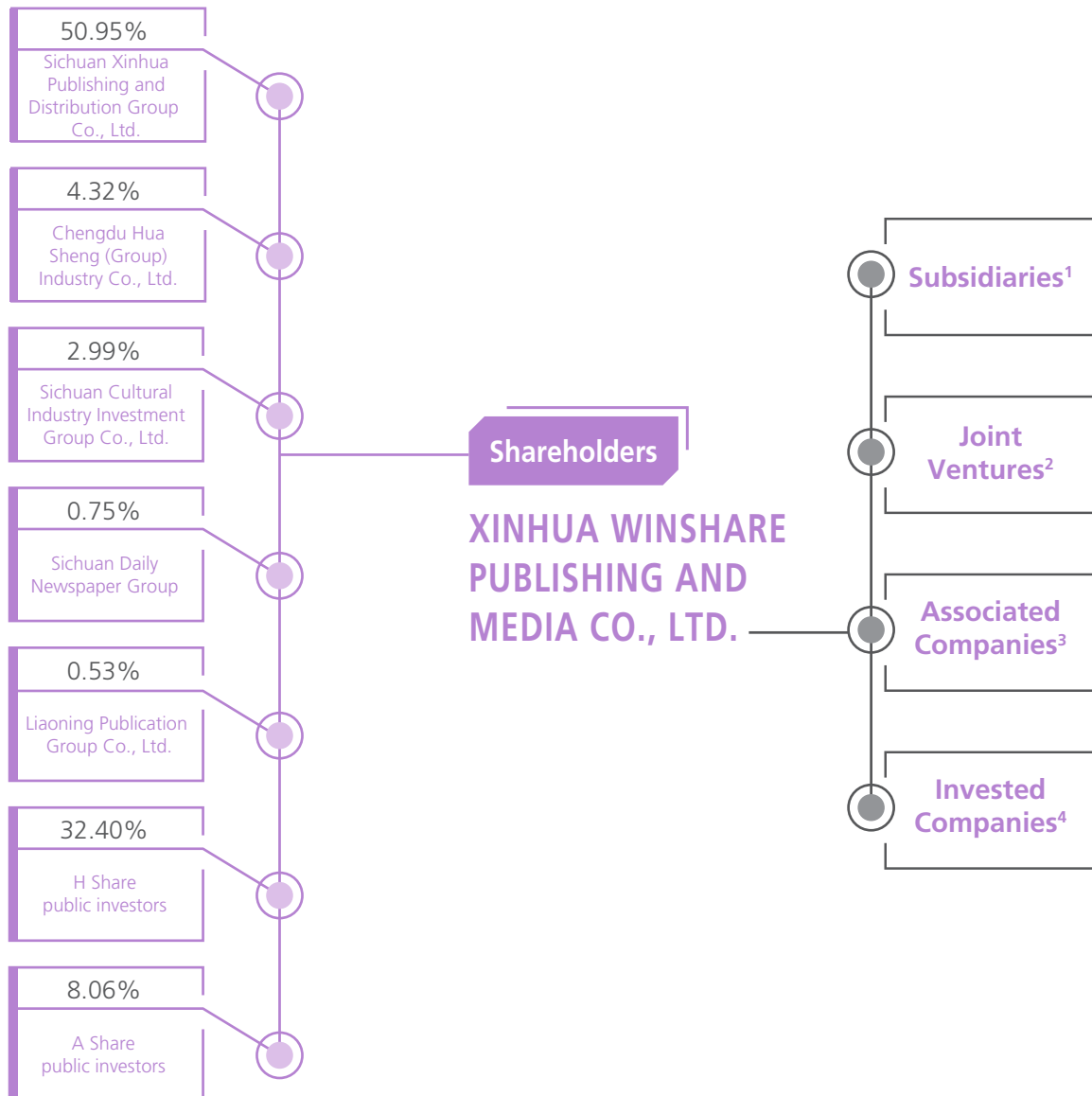
**He Zhiyong**

*Chairman*

30 March 2021



# 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.<br>(四川文軒教育科技有限公司)                      | 100.00                                  |  |
| 2    | Sichuan Xinhua Online Network Co., Ltd.<br>(四川新華在線網絡有限責任公司)                            | 100.00                                  |  |
| 3    | Sichuan Publication Printing Co., Ltd.<br>(四川出版印刷有限公司)                                 | 100.00                                  |  |
| 4    | Sichuan Printing Materials Co., Ltd.<br>(四川省印刷物資有限責任公司)                                | 100.00                                  |  |
| 5    | Sichuan People's Publishing House Co., Ltd.<br>(四川人民出版社有限公司)                           | 100.00                                  |  |
| 6    | Sichuan Education Publishing House Co., Ltd.<br>(四川教育出版社有限公司)                          | 100.00                                  |  |
| 7    | Sichuan Youth and Children's Publishing House Co., Ltd.<br>(四川少年兒童出版社有限公司)             | 100.00                                  |  |
| 8    | Sichuan Digital Publishing & Media Co., Ltd.<br>(四川數字出版傳媒有限公司)                         | 100.00                                  |  |
| 8-1  | Chengdu Cangqiong Online Technology Co., Ltd.<br>(成都蒼穹線上科技有限公司)                        | 100.00                                  | Sichuan Digital Publishing & Media Co., Ltd. owns 100% equity interest in such company.            |
| 9    | Sichuan Literature & Art Publishing House Co., Ltd.<br>(四川文藝出版社有限公司)                   | 100.00                                  |  |
| 10   | Sichuan Fine Arts Publishing House Co., Ltd.<br>(四川美術出版社有限公司)                          | 100.00                                  |  |
| 11   | Sichuan Science & Technology Publishing House Co., Ltd.<br>(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.<br>(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.<br>(四川辭書出版社有限公司)                    | 100.00                                  |  |
| 13   | Sichuan Bashu Publishing House Co., Ltd.<br>(四川巴蜀書社有限公司)                               | 100.00                                  |  |
| 14   | Sichuan Tiandi Publishing House Co., Ltd.<br>(四川天地出版社有限公司)                             | 100.00                                  |  |
| 14-1 | Sichuan Times English Cultural Communication Co., Ltd.<br>(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.<br>(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.<br>(北京華夏盛軒圖書有限公司)                             | 100.00                                  | Tiandi Publishing House owns 100% equity interest in such company.                                 |

## Corporate Structure of the Group

| No.  | Company Name   | Interests attributable to the Group (%) | Remarks  |
|------|--|---|--|
| 15   | Sichuan Reader's Journal Press Co., Ltd.<br>(四川讀者報社有限公司)                                 | 100.00                                  |  |
| 16   | Sichuan Pictorial Co., Ltd.<br>(四川畫報社有限公司)   | 100.00                                  |  |
| 17   | Sichuan Wenchuan Logistics Co., Ltd.<br>(四川文傳物流有限公司)                                     | 100.00                                  |  |
| 18   | Sichuan Watch Panda Magazine Co., Ltd.<br>(四川看熊貓雜誌有限公司)                                  | 100.00                                  |  |
| 19   | Sichuan Winshare Xuankehui Cultural Development Co., Ltd.<br>(四川文軒軒客會文化發展有限公司)           | 100.00                                  |  |
| 20   | Sichuan Xinhua Printing Co., Ltd.<br>(四川新華印刷有限責任公司)                                      | 100.00                                  |  |
| 21   | Winshare Investment Co., Ltd.<br>(文軒投資有限公司)  | 100.00                                  |  |
| 22   | Winshare International Cultural Communication Co., Ltd.<br>(文軒國際文化傳播有限公司)                | 100.00                                  |  |
| 22-1 | Sichuan Winshare Xingzhi Study Tour Travel Agency Co., Ltd.<br>(四川文軒行知研學旅行社有限公司)         | 100.00                                  | Established in July 2020, Winshare International Cultural Communication Co., Ltd. owns 100% equity interest in such company. |
| 23   | Winshare Quan Media (Beijing) Culture Communication Co., Ltd.<br>(文軒全媒(北京)文化傳播有限公司)      | 100.00                                  |  |
| 24   | Sichuan Winshare Music Culture Communication Co., Ltd.<br>(四川文軒音樂文化傳播有限公司)               | 100.00                                  |  |
| 25   | Beijing Aerospace Cloud Education Technology Co., Ltd.<br>(北京航天雲教育科技有限公司)                | 70.00                                   |  |
| 26   | Sichuan Xinhua Culture Communication Co., Ltd.<br>(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.<br>(四川文軒藝術投資管理有限責任公司)          | 100.00                                  |  |
| 28   | Sichuan Winshare Cloud Image Culture Innovation Technology Co., Ltd.<br>(四川文軒雲圖文創科技有限公司) | 100.00                                  |  |

## Corporate Structure of the Group

| No.  | Company Name  | Interests attributable to the Group (%) | Remarks  |
|------|---|---|--|
| 29   | Sichuan Winshare Online E-commerce Co., Ltd.<br>(四川文軒在線電子商務有限公司)            | 75.00                                   |  |
| 29-1 | Sichuan Yunhan Internet Media Co., Ltd.<br>(四川雲漢網路傳媒有限責任公司)                 | 75.00                                   | Winshare Online owns 100% equity interest in such company. |
| 29-2 | Sichuan Xingyue Reading Cultural Communication Co., Ltd.<br>(四川興悅閱文化傳播有限公司) | 75.00                                   | Winshare Online owns 100% equity interest in such company. |
| 29-3 | Sichuan Xuehaizhizhou Cultural Communication Co., Ltd.<br>(四川學海之舟文化傳播有限公司)  | 75.00                                   | Winshare Online owns 100% equity interest in such company. |
| 29-4 | Sichuan Aiyuecheng Cultural Communication Co., Ltd.<br>(四川愛閱城文化傳播有限公司)      | 75.00                                   | Winshare Online owns 100% equity interest in such company. |
| 29-5 | Sichuan Moyuan Cultural Communication Co., Ltd.<br>(四川墨淵文化傳播有限公司)           | 75.00                                   | Winshare Online owns 100% equity interest in such company. |
| 29-6 | Sichuan Tianyuge Cultural Communication Co., Ltd.<br>(四川天宇閣文化傳播有限公司)        | 75.00                                   | Winshare Online owns 100% equity interest in such company. |
| 29-7 | Sichuan Xinyaxuan Cultural Communication Co., Ltd.<br>(四川欣雅軒文化傳播有限公司)       | 75.00                                   | Winshare Online owns 100% equity interest in such company. |
| 30   | Sichuan Xinhua Winshare Media Co., Ltd.<br>(四川新華文軒傳媒有限公司)                   | 100.00                                  |  |
| 31   | Winshare Sports Culture Development Co., Ltd.<br>(文軒體育文化發展有限公司)             | 100.00                                  |  |
| 32   | Sichuan Xinhua Shang Paper Co., Ltd.<br>(四川新華商紙業有限公司)                       | 51.00                                   |  |
| 33   | Xinhua Winshare Commercial Chain (Beijing) Co., Ltd.<br>(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.<br>(海南出版社有限公司)   | 50.00                                   |   |
| 2   | Sichuan Fudou Technology Co., Ltd.<br>(四川福豆科技有限公司)                                       | 38.50                                   | Winshare Investment owns 38.5% equity interest in such company. |
| 3   | Shenzhen Xuan Cai Equity Venture Capital Fund Management Co., Ltd.<br>(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.<br>(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.<br>(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.<br>(貴州新華文軒圖書音像連鎖有限責任公司) | 45.00                                   |  |
| 3   | Fuzhou Winshare Technology Partnership (Limited Partnership)<br>(福州文軒技術合夥企業(有限合夥))             | 56.34                                   | Formerly known as Tibet Winshare Venture Capital Investment Fund Partnership (Limited Partnership), Winshare Investment owns 56.34% equity interest in such company. |
| 4   | Winshare Yinshi (Beijing) Cultural Communication Co., Ltd.<br>(文軒銀時(北京)文化傳播有限公司)               | 40.00                                   |  |
| 5   | Sichuan Education and Science Forum Magazine Press Co., Ltd.<br>(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.  |
| 6   | Sichuan Winshare Preschool Educational Management Co., Ltd.<br>(四川文軒幼兒教育管理有限公司)                | 34.00                                   |  |
| 7   | Sichuan Jiaoyang Sihuo Film Co., Ltd.<br>(四川驕陽似火影業有限公司)  | 24.00                                   | Sichuan Fine Arts Publishing House Co., Ltd. owns 24% equity interest in such company.   |
| 8   | Ming Bo Education Technology Holdings Co., Ltd.<br>(明博教育科技股份有限公司)                              | 20.40                                   |  |
| 9   | Ren Min Eastern (Beijing) Book Industry Co., Ltd.<br>(人民東方(北京)書業有限公司)                          | 20.00                                   |  |
| 10  | Chengdu Winshare Equity Investment Funds Management Co., Ltd.<br>(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.   |
| 11  | Sichuan Winshare BLOGIS Supply Chain Co., Ltd.<br>(四川文軒寶灣供應鏈有限公司)                              | 45.00                                   | Wenchuan Logistics owns 45% equity interest in such company.   |
| 12  | Shanghai JINGJIE Information Technology Co., Ltd.<br>(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.   |
| 13  | Xinhua Yingxuan (Beijing) Screen Culture Co., Ltd.<br>(新華影軒(北京)影視文化有限公司)                       | 15.00                                   |  |
| 14  | Tianjin Tianxi Zhongda Cultural Development Co., Ltd.<br>(天津天喜中大文化發展有限公司)                      | 40.00                                   | Tiandi Publishing House owns 40% equity interest in such company.  |

## Corporate Structure of the Group

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

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

# Management Discussion and Analysis

## BUSINESS REVIEW

### Industry Overview

The year 2020 was China's final year of building a moderately prosperous society in all respects and the 13th Five-Year Plan, as well as the year of planning for the layout of the 14th Five-Year Plan. The country attaches great importance to cultural construction. "National Reading" has been included in the Government Work Report for the seventh consecutive year. The Fifth Plenary Session of the 19th Central Committee of the Communist Party of China clearly stated the strategic goal of building China into a strong cultural country by 2035. The central and local government have promulgated a series of preferential policies to support system development, industrial upgrade, media integration, talent training, finance and tax concession, etc., facilitating the publishing industry to adjust the industrial layout, accelerate the integration and transformation, and comprehensively promote high-quality development.

The outbreak of COVID-19, which has raged across the globe, has brought disruptions to the publishing industry to varying extents in aspects such as content collection, production and printing, offline sales and logistics distribution. According to the Open Book Data, in 2020, China's book retail market experienced negative growth in terms of sales value for the first time in two decades, representing a year-on-year decrease of 5.08%. Among which, revenue from online store channel increased by 7.27% year-on-year, while revenue from physical bookstore channel decreased by 33.80% year-on-year due to the impact of COVID-19. Objectively speaking, the outbreak of COVID-19 has also accelerated the transformation and upgrade of the publishing industry, made the publishing industry pay more attention on integrated development, expedited the layout of digital publishing business, and promoted the exploration of new technologies, new formats and new models.

## RESULTS

During the Year, the Group steadily promoted the strategies of "Revitalizing the publishing industry in Sichuan" and "Revitalizing the physical bookstores" as guided by the philosophies of high-quality development, innovative development, integrated development and people-oriented development with a view to enhancing the overall market competitiveness of the Company. Facing the sudden outbreak of COVID-19 at the beginning of the Year, the Group proactively took effective measures of epidemic prevention and control, resumed work and production in an orderly manner and responded to the impact of COVID-19 on the Group's business operations.

In 2020, affected by the outbreak of COVID-19, the book retailing market across the nation experienced negative growth for the first time in two decades. As a result, the Group's revenue from general books publication and retailing segments also declined to varying extents. However, through optimizing and adjusting the business strategy for the general book publication and retailing segments, further strengthening the channel expansion and service capabilities of textbooks and supplementary materials and online business, the overall operating results of the Group still achieved growth as compared with the previous year with the joint efforts of all employees. During the Reporting Period, revenue amounted to RMB9,008 million, representing an increase of 1.87% as compared with that in the same period last year, which was mainly attributable to the increase in revenue from textbooks and supplementary materials business, online sales business and third-party logistics business. Net profit amounted to RMB1,243 million, representing an increase of 10.52% as compared with that in the same period last year, which was mainly attributable to the increase in gross profit resulting from the increase in revenue from education service business and the increase in the gains from changes in fair value of projects held by funds such as CITIC Buyout Fund during the Year.

## Management Discussion and Analysis

### Revenue

During the Year, the Group's revenue amounted to RMB9,008 million, representing an increase of 1.87% as compared to RMB8,842 million in the same period last year, which was mainly attributable to the growth of revenue from textbooks and supplementary materials business, online sales business and third-party logistics business.

### Operating costs

During the Year, the operating costs of the Group amounted to RMB5,454 million, which was basically the same as compared to RMB5,460 million in the same period last year. Among which, the principal operating costs amounted to RMB5,443 million, representing an increase of 0.65% as compared with that in the same period last year.

### Gross profit margin

During the Year, the consolidated gross profit margin of the Group was 39.46%, increased by 1.21 percentage points from 38.25% in the same period last year. Among which, the gross profit margin of principal businesses was 38.66%, increased by 1.19 percentage points from 37.47% in the same period last year, mainly due to the change in revenue structure.



## Management Discussion and Analysis

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

RMB

| Product   | Principal business by product |                         |                         | Change of revenue as compared with last year (%) | Change of operating costs as compared with last year (%) | Change of gross profit margin as compared with last year (ppt) |
|---|-------------------------------|-------------------------|-------------------------|--|--|--|
|   | Revenue                       | Operating costs         | Gross profit margin (%) |  |  |  |
| <b>I. Publication</b>                           | <b>2,438,246,255.06</b>       | <b>1,551,898,585.47</b> | <b>36.35</b>            | <b>(6.26)</b>                                    | <b>(8.17)</b>  | <b>1.32</b>  |
| Textbooks and supplementary materials           | 1,441,306,485.11              | 813,140,144.13          | 43.58                   | 5.56   | (1.21)   | 3.86   |
| General books                                   | 677,624,735.81                | 473,711,913.12          | 30.09                   | (23.71)  | (18.16)  | (4.74)   |
| Printing and supplies                           | 265,410,976.62                | 237,469,000.32          | 10.53                   | (9.33)   | (9.40)   | 0.06   |
| Newspapers and journals                         | 35,957,382.82                 | 18,485,622.62           | 48.59                   | (8.43)   | (7.85)   | (0.33)   |
| Others  | 17,946,674.70                 | 9,091,905.28            | 49.34                   | 17.53  | 56.18  | (12.54)  |
| <b>II. Distribution</b>                         | <b>7,798,516,004.39</b>       | <b>5,305,502,942.80</b> | <b>31.97</b>            | <b>4.34</b>                                      | <b>2.53</b>  | <b>1.21</b>  |
| Education service                               | 5,386,014,599.89              | 3,311,627,315.62        | 38.51                   | 7.74   | 5.08   | 1.55   |
| Of which: Textbooks and supplementary materials | 4,771,902,213.75              | 2,789,297,332.30        | 41.55                   | 10.20  | 7.93   | 1.23   |
| Education informatized and equipment business   | 555,158,358.25                | 479,971,492.60          | 13.54                   | (16.99)  | (15.37)  | (1.66)   |
| Online sales                                    | 1,626,416,022.43              | 1,409,378,272.69        | 13.34                   | 10.79  | 8.99   | 1.42   |
| Retailing                                       | 591,478,686.43                | 391,163,312.82          | 33.87                   | (14.55)  | (14.05)  | (0.38)   |
| Others  | 194,606,695.64                | 193,334,041.67          | 0.65                    | (38.21)  | (29.74)  | (11.99)  |
| <b>III. Others</b>                              | <b>404,927,646.99</b>         | <b>362,688,358.77</b>   | <b>10.43</b>            | <b>3.98</b>                                      | <b>6.85</b>  | <b>(2.41)</b>  |
| Inter-segment elimination total                 | (1,768,314,982.08)            | (1,777,393,405.74)      |                         |  |  |  |
| <b>Total</b>                                    | <b>8,873,374,924.36</b>       | <b>5,442,696,481.30</b> | <b>38.66</b>            | <b>2.61</b>                                      | <b>0.65</b>  | <b>1.19</b>  |

# Management Discussion and Analysis

RMB

| Region                   | Principal business by region |                         |                         | Change of revenue as compared with last year (%) | Change of operating costs as compared with last year (%) | Change of gross profit compared with last year (ppt) |
|--------------------------|------------------------------|-------------------------|-------------------------|--|--|--|
|                          | Revenue                      | Operating costs         | Gross profit margin (%) |  |  |  |
| Within Sichuan Province  | 6,487,255,761.37             | 3,392,041,608.32        | 47.71                   | 5.19   | 2.76   | 1.24   |
| Outside Sichuan Province | 2,386,119,162.99             | 2,050,654,872.98        | 14.06                   | (3.81)   | (2.65)   | (1.02)   |
| <b>Total</b>             | <b>8,873,374,924.36</b>      | <b>5,442,696,481.30</b> | <b>38.66</b>            | <b>2.61</b>                                      | <b>0.65</b>  | <b>1.20</b>  |

## ANALYSIS OF OPERATING DATA

### 1. Overview of Principal Business Segments

Based on the internal organizational 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 segment: Publishing of publications including books, newspapers and journals, audio-visual products and digital products; provision of printing services and supply of printing materials; and

Distribution segment: Distribution of textbooks and supplementary materials to schools, teachers and students and supply of education informatized and equipment service for secondary and primary schools; retailing, distribution and online sales of publications.

## Management Discussion and Analysis

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

RMBO'000

|   | Sales volume (10,000 copies) |                  |                 | Sales value (Note) |                   |                 | Revenue    |                   |                 | Operating costs |                   |                 | Gross profit margin |                    |              |
|---|------------------------------|------------------|-----------------|--------------------|-------------------|-----------------|------------|-------------------|-----------------|-----------------|-------------------|-----------------|---------------------|--------------------|--------------|
|   | Last year                    | Current period   | Growth rate (%) | Last year          | Current period    | Growth rate (%) | Last year  | Current period    | Growth rate (%) | Last year       | Current period    | Growth rate (%) | Last year (%)       | Current period (%) | Change (ppt) |
| <b>Publication segment:</b>   |                              |                  |                 |                    |                   |                 |            |                   |                 |                 |                   |                 |                     |                    |              |
| Self-compiled textbooks and supplementary materials                   | 11,934.00                    | <b>11,877.94</b> | (0.47)          | 125,083.71         | <b>130,375.56</b> | 4.23            | 63,718.23  | <b>66,141.74</b>  | 3.80            | 32,725.35       | <b>31,890.91</b>  | (2.55)          | 48.64               | <b>51.78</b>       | 3.14         |
| Plate-lease textbooks and supplementary materials                     | 14,561.23                    | <b>14,945.24</b> | 2.64            | 111,372.57         | <b>114,652.44</b> | 2.94            | 67,242.87  | <b>72,294.15</b>  | 7.51            | 44,679.48       | <b>44,525.79</b>  | (0.34)          | 33.56               | <b>38.41</b>       | 4.86         |
| Printing of textbooks and supplementary materials on behalf of others | 1,373.58                     | <b>1,508.83</b>  | 9.85            | 8,363.56           | <b>8,534.99</b>   | 2.05            | 5,578.93   | <b>5,694.76</b>   | 2.08            | 4,906.20        | <b>4,897.31</b>   | (0.18)          | 12.06               | <b>14.00</b>       | 1.94         |
| General books   | 7,763.48                     | <b>5,960.29</b>  | (23.23)         | 269,939.22         | <b>239,813.53</b> | (11.16)         | 88,827.63  | <b>67,762.47</b>  | (23.71)         | 57,886.02       | <b>47,371.19</b>  | (18.16)         | 34.83               | <b>30.09</b>       | (4.74)       |
| <b>Distribution segment:</b>  |                              |                  |                 |                    |                   |                 |            |                   |                 |                 |                   |                 |                     |                    |              |
| Textbooks and supplementary materials                                 | 45,081.66                    | <b>47,808.39</b> | 6.05            | 450,465.07         | <b>497,051.13</b> | 10.34           | 433,023.67 | <b>477,190.22</b> | 10.20           | 258,439.30      | <b>278,929.73</b> | 7.93            | 40.32               | <b>41.55</b>       | 1.23         |
| General books   | 10,328.07                    | <b>9,203.40</b>  | (10.89)         | 416,471.86         | <b>440,028.57</b> | 5.66            | 246,379.48 | <b>240,761.68</b> | (2.28)          | 203,381.78      | <b>199,412.44</b> | (1.95)          | 17.45               | <b>17.17</b>       | (0.28)       |

## 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 period   | Growth rate (%) | Last year                    | Current period   | Growth rate (%) |
| Plate-leased textbooks and supplementary materials expenses | 7,553.27   | <b>8,441.48</b>  | 11.76           | N/A                          | <b>N/A</b>       | N/A             |
| Copyright fee   | 3,141.48   | <b>3,163.64</b>  | 0.71            | N/A                          | <b>N/A</b>       | N/A             |
| Author's remuneration                                       | 3,073.11   | <b>3,455.49</b>  | 12.44           | 18,614.00                    | <b>14,810.28</b> | (20.43)         |
| Printing costs  | 21,926.87  | <b>24,162.04</b> | 10.19           | 23,895.38                    | <b>19,544.58</b> | (18.21)         |
| Paper costs   | 44,560.15  | <b>40,111.19</b> | (9.98)          | 11,269.16                    | <b>9,489.68</b>  | (15.79)         |
| Documentation fee   | 877.39   | <b>929.68</b>    | 5.96            | 2,996.89                     | <b>3,084.39</b>  | 2.92            |
| Others  | 1,178.76   | <b>1,050.49</b>  | (10.88)         | 1,110.59                     | <b>442.26</b>    | (60.18)         |

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 printing house 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 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.

## Management Discussion and Analysis

During the Year, as to the publication of textbooks and supplementary materials, according to the changes in national education policies and the demand from compulsory education for teaching practice, the Group carried out revision, re-editing and upgrade for more than 30 series of books including Information Technology 《資訊技術》, Lovely Sichuan 《可愛的四川》 and Guidelines on Chinese Calligraphy under Compulsory Education 《義務教育書法練習指導》 to improve product quality in four aspects including content, design, editing and printing. At the same time, the Company focused on the development of a series of supplementary materials such as Manual for Labor Practice of Primary and Middle School Students 《中小學生勞動實踐指導手冊》, Mental Health Education 《心理健康教育》, New Academic Test for the Junior High School Students at a Glance 《直通新中考》, Rongcheng School 《蓉城學堂》, Topic Reading/Listening Breakthroughs – Learn English from Me 《話題閱讀／聽力突破－跟我學英語》, Smart Parent 《智慧家長》 and Reading on Forest Fire Fighting 《森林草原防火教育讀本》, and a series of extracurricular reading materials for students such as “Reading Curriculum of Masterpieces by Famous Authors” (名家名作閱讀課程化書系), which received good market response.

The Group actively and steadily pushed ahead the integrated development of media. Supplemental materials on media convergence including AR Tips for Exam Preparation (Junior High Geography • China) 《AR 備考秘笈(初中地理•中國冊)》 and AR Tips for Exam Preparation (Junior High Geography • World) 《AR 備考秘笈(初中地理•世界冊)》 received wide market recognition, with nearly 200,000 copies sold annually. Audiobooks on national standard textbooks such as English for Primary School Students 《小學英語》, 129 Ancient Poetries Must Read for Primary School Students 《小學生必背古詩文 129 篇》, 75+80 Ancient Poetries Must Read for Primary School Students 《小學生必背古詩詞 75+80 首》, A Century Years Old Children’s Folk Rhymes 《百歲童謠》 and “Reading Curriculum of Masterpieces by Famous Authors” (名家名作閱讀課程化書系) were launched on Himalaya FM. The number of users of the “Sichuan Education Learning App” developed exceeded millions. The textbooks and supplementary materials published by the Group are mainly sold in Sichuan Province.

During the Year, the value from the sales of textbooks and supplementary materials under the Group’s publication segment amounted to RMB2,535,630,000. The sales revenue amounted to RMB1,441,306,500, representing an increase of 5.56% as compared with that in the same period last year. The cost of sales amounted to RMB813,140,100, representing a decrease of 1.21% as compared with that in the same period last year. The gross profit margin was 43.58%, increased by 3.86 percentage points from the same period last year, which was mainly due to the change in the sales structure of the Group’s own education publications and its effective cost control.

### *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 statistics released by Open Book Data, in 2020, the Group was ranked 9th among 37 publishing and media groups in China in terms of the market share of general book publication, decreased by two places as compared with that in the same period last year, and was ranked 5th among regional publishing groups, which remained the same as that in the same period last year. Throughout the Year, a total of 48 book genres of the Group were among the Top 500 best-selling book genres in China, increased by 12 genres as compared to that in the same period

## Management Discussion and Analysis

last year. There were 139 book genres with sales volume of 50,000 to 500,000 copies, increased by 33 book genres as compared with that in the same period last year. This has laid a foundation for the second phase of revitalizing the publishing industry. In addition, Sichuan Education Publishing House, a subsidiary of the Group, actively expanded the general book publication market with a sustainable product mix. Among which, three single products achieved sales volume of more than 600,000 copies and there were 72 book genres with sales volume of 20,000 to 50,000 copies.

The Group made great efforts in theme publishing and continued to push ahead key publication projects. More than 20 “anti-epidemic” books were launched and electronic versions were available for free download by readers. The Group centered around poverty alleviation and planned the publication of more than 20 key books such as Road of Gulu 《古路之路》 and Sound of Happy Singing 《幸福歌聲傳四方》. The full “Collection of Historical Celebrities in Sichuan” (“四川歷史名人叢書”) other than the literature series was published and launched into the market. Nearly 20 “Third Pole” engineering books including Tibetan Calligraphy 《藏文書法大典》 and “156” key engineering books including Wind from the East 《風從東方來》. The Cliff Village 《懸崖村》 was granted “China’s Book of the Year 2019” (2019 年度“中國好書”) and the Steer Award at the 12th national ethnic minority literature awards. The Golden Bird 《金鳥》 was granted the Bing Xin Children’s Literature Award for 2020. Eight books including Unbroken History of Civilization – An Interpretation to 5,000 Years of Archaeology Recognized by China 《不斷裂的文明史 – 對中國國家認同的五千年考古學解讀》 were granted “Sichuan’s Book of the Year 2020” (2020年“四川好書”).

The Group continued to improve quality and increase efficiency of its “going out” efforts. Both the paper book and e-book of Popular Science Reading on COVID-19 Prevention for Primary and Secondary School Students 《中小學生新冠肺炎防護科普讀本》 in Arabian were exported. Exported books such as Meet Africa: Understanding the World – China Youth Practice under the “Belt and Road” Initiative (Arabic) 《遇見非洲：理解世界 – “一帶一路”倡議的中國青年實踐》(阿拉伯文)) was shortlisted for the “Silk Road Book Project”. Exported books such as China’s Character (Polish) 《中國的品格》(波蘭文)) and White Deer Plain Chronicles (Armenian) 《白鹿原紀事》(亞美尼亞文)) were shortlisted for the “Classic China International Publication Project”. Multiple book genres exported including Cliff Village 《懸崖村》, Gaoqiang 《高腔》, Path and Choice 《道路與選擇》, Big Pudong 《大浦東》 and Road of Gulu 《古路之路》 were shortlisted for the external publication project of the Central Propaganda Department. China’s Character 《中國的品格》” was translated into 16 languages for overseas export. The “South Asia Publishing Center” established by Sichuan Fine Arts Publishing House was shortlisted for the outstanding case of “Belt and Road” publishing cooperation by The Publishers Association of China.



Winshare recommended books

## Management Discussion and Analysis

During the Year, the value from the sales of general books under the Group's publication segment amounted to RMB2,398,135,300. The sales revenue amounted to RMB677,624,700, decreased by 23.71% from the same period last year, mainly due to the impact of the outbreak of COVID-19 in the first half of the Year, which brought significant impacts on the editing, printing and distribution of self-published books. The cost of sales was RMB473,711,900, decreased by 18.16% from the same period last year; the gross profit margin was 30.09%, decreased by 4.74 percentage points from the same period last year, which was mainly due to the increased marketing efforts by the Group's general book publishing units in response to the impact of COVID-19 on sales.

### *Newspapers and journal business*

The Group has 13 newspaper and journal brands (comprising 2 newspapers and 11 journals, including newspapers and journals run by the publishing houses), covering culture, children, popular science, fashion and other categories. The audience covers all age groups from infants to middle-aged and elderly people. Among which, Hilarious School Diaries 《米小圈》 had a monthly circulation of more than 250,000 copies and Red Scarf 《紅領巾》 had a monthly circulation exceeding 120,000 copies. Capitalizing on the major business model of "traditional publication + new media platform", the newspapers and journals segment realized integrated development between traditional media and new media.

During the Year, 8,915,100 copies of newspapers and journals were sold by the Group. The sales revenue amounted to RMB35,957,400, decreased by 8.43% from the same period last year. The selling expenses amounted to RMB18,485,600, decreased by 7.85% from the same period last year. The gross profit margin was 48.59%, which was basically the same as 48.92% for the same period last year.

## **(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 sole source supplier 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 2020, the Company entered into the "purchase contract regarding free textbooks for students in urban-rural areas during compulsory education in Sichuan Province from 2020 to 2021" (四川省 2020-2021 學年城鄉義務教育階段學生免費教科書採購合同).

During the Year, 478,083,900 copies of textbooks and supplementary materials with sales value of RMB4,970,511,300 were sold by the Group. The sales revenue amounted to RMB4,771,902,200, increased by 10.20% as compared with that in the same period last year. The cost of sales amounted to RMB2,789,297,300, representing an increase of 7.93% as compared with that in the same period last year. The gross profit margin was 41.55%, increased by 1.23 percentage points from the same period last year.

## Management Discussion and Analysis

### *Education informatized and equipment business*

The Group provides products and services including subject classroom, innovation education space and smart campus. In 2020, the Group achieved sales revenue of RMB555,158,400 from the education informatized and equipment business throughout the Year, representing a decrease of 16.99% as compared with that in the same period last year, mainly attributable to the delay in project inspection and acceptance as a result of the outbreak of COVID-19. The cost of sales amounted to RMB479,971,500, representing a decrease of 15.37% as compared with that in the same period last year. Gross profit margin was 13.54% decreased by 1.66 percentage points from that same period last year.

### *General books distribution business*

In 2020, the Group improved the online and offline channel system. While improving the operation of offline physical bookstores, the Group pushed ahead the online business development of traditional physical bookstores through online distribution, community operation and live-streaming sales, and explored new marketing models in the book industry. In addition to upgrading the new pattern of omni-channel and multi-scenario online reading services, the Group exercised refined operation on self-built official website, Tmall and JD.com platforms, improved the operational capability of channels such as Pinduoduo, and actively explored the business model in relation to channels such as TikTok and Kuaishou. Despite China's book retailing market experienced negative growth in terms of sales value for the first time in the past two decades, the sales values of the Group's general books segment increased by 5.66% as compared with that in the same period last year.

During the Year, 92,034,000 copies of general books with sales value of RMB4,400,285,700 were sold by the Group. The sales revenue amounted to RMB2,407,616,800, decreased by 2.28% as compared with that in the same period last year. The cost of sales amounted to RMB1,994,124,400, decreased by 1.95% as compared with that in the same period last year. The gross profit margin was 17.17%, which was basically the same as the same period last year.

During the Year, the revenue from online sales amounted to RMB1,626,416,000, increased by 10.79% 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 organization and logistics service. Among which, the sales revenue secured through third-party ecommerce platforms amounted to RMB1,274,113,600, accounting for 78.34% of the total revenue of online sales business.

## Expenses

During the Year, the Group's selling expenses amounted to RMB1,184,329,800, representing an increase of 5.77% as compared to RMB1,119,679,100 in the same period last year, mainly due to the increase in sales revenue, labor costs of sales personnel and logistics expenses.

During the Year, the Group's administrative expenses amounted to RMB1,204,845,500, representing a decrease of 3.92% as compared to RMB1,253,975,500 in the same period last year, mainly due to the fact that the Group enjoyed the relevant national social security exemption policies to mitigate the impact of COVID-19, and the labor insurance expenses paid for employees decreased as compared with that in the previous year.



## Management Discussion and Analysis

During the Year, the Group's finance expenses amounted to RMB-45,819,600 as compared to RMB-32,981,000 in the same period last year, mainly due to the increase in interest income derived from bank deposits as compared with that in the previous year.

During the Year, the Group's R&D expenditure expenses amounted to RMB3,038,700, representing a decrease of 6.66% as compared to RMB3,255,600 in the same period last year, which was mainly due to the decrease in R&D commitments in the area of education informatized business during the Year as compared with that in the previous year.

### Credit impairment loss

During the Year, the Group's provision for credit impairment loss amounted to RMB145,000,000, representing an increase of 30.16% as compared to RMB111,000,000 in the same period last year, which was mainly due to the increase in provision for credit loss as compared with that in the previous year as the aging of trade receivables was extended given the impacts of COVID-19 on the collection of sales proceeds to a certain extent. However, the Group will continue to consistently strengthen the management of accounts receivable.

### Asset impairment loss

During the Year, the Group's provision for impairment loss amounted to RMB68,594,500, representing an increase of 12.60% as compared to RMB60,917,200 in the same period last year, which was mainly due to the provision for impairment of certain long-term equity investments during the Year based on the operating results of the associates in recent years.

### Gain from changes in fair value

During the Year, the Group's gain from changes in fair value resulted in a gain of RMB102,000,000, representing an increase of 167.58% as compared with a gain from changes in fair value of RMB37,980,100 in the same period last year, mainly due to the increase in the gain from changes in fair value of projects held by funds invested by the Group such as CITIC Buyout Fund.

### Investment income

During the Year, the Group's investment income amounted to RMB170,000,000, representing a decrease of 18.80% as compared to RMB209,000,000 in the same period last year, which was mainly due to the decrease in the gains from disposal of long-term equity investments and the investment income of associates recognized under equity method during the Year as compared with that in the same period last year.

### Other income and non-operating income/expenses

During the Year, the Group's other income amounted to RMB91,859,800, representing a decrease of 12.67% as compared to RMB105,000,000 in the same period last year, which was mainly due to the increase in the refund of value-added tax received in 2019 as a result of the difference in the timing of implementation of policies.

During the Year, the Group's non-operating income amounted to RMB20,438,900, representing an increase of 71.51% as compared to RMB11,917,000 in the same period last year, mainly due to the increase in compensation received by the Group for demolition and relocation and land requisition during the Year as compared with that in the same period last year.

## Management Discussion and Analysis

During the Year, the Group's non-operating expenses amounted to RMB78,329,900, representing an increase of 84.44% as compared to RMB42,470,000 in the same period last year, which was mainly due to the increase in donation to Sichuan Publication Development Charity Foundation and external donation of anti-epidemic supplies, which increased the external donation expenses of the Group during the Year as compared with that in the same period last year.

### Gains on asset disposal

During the Year, the Group's gain on asset disposal amounted to RMB255,000, representing a decrease of 93.41% as compared to RMB3,870,100 in the same period last year, which was mainly due to the gain on disposal of vehicles for office use and the increase in the gain on disposal of properties by a subsidiary of the Group during the previous year.

### Income tax expenses

During the Year, the Group's income tax expenses amounted to RMB8,170,600, representing a decrease of 66.20% as compared to RMB24,172,100 in the same period last year, which was mainly due to the income recognized from investment in associates such as Fuzhou Winshare by Winshare Investment, a subsidiary of the Company, using equity method, the change in deferred income tax expenses arising from changes in fair value of the funds such as Winshare Hengxin and the impact of deductible loss on income tax expenses.

### Other comprehensive income

During the Year, the Group's net other comprehensive income after tax amounted to RMB36,968,400, as compared to RMB-42,209,000 in the same period last year, mainly due to the fluctuations of the market price of the shares of listed companies held by the Company such as Wan Xin Media and Bank of Chengdu.

### Profit

During the Year, the Group achieved a net profit of RMB1,243,000,000, representing an increase of 10.52% as compared with that in the same period last year. Net profit attributable to the shareholders of the Company amounted to RMB1,263,000,000, representing an increase of 10.86% as compared with that in the same period last year. Net profit attributable to the shareholders of the Company after non-recurring gain or loss amounted to RMB1,171,000,000, representing an increase of 11.35% as compared with that in the same period last year, which was mainly attributable to the increase in gross profit brought by the increase in revenue from education service business and the increase in the gains from changes in fair value of projects held by funds invested by the Group such as CITIC Buyout Fund during the 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 RMB1.02, which increased by 10.87% as compared to RMB0.92 in the same period last year. For details regarding the calculation of earnings per share, please refer to note (VI) 50 to the financial statements in this annual report.

## Management Discussion and Analysis

### R&D COMMITMENTS

#### Breakdown of R&D commitments

|   | <i>RMB</i>    |
|---|---------------|
| R&D expenses for the current year   | 3,038,699.13  |
| R&D commitments capitalized for the current year                                  | 16,497,196.86 |
| Total R&D commitments   | 19,535,895.99 |
| Total R&D commitments as a percentage of revenue (%)                              | 0.22          |
| Total no. of R&D personnel of the Company   | 59            |
| No. of R&D personnel as a percentage of total no. of personnel of the Company (%) | 0.77          |
| Percentage of R&D commitments capitalized (%)                                     | 84.45         |

The R&D commitments of the Group amounted to RMB19,535,900, representing a decrease of 21.13% as compared to RMB24,769,300 in the same period last year, mainly due to the decrease in R&D commitments in the area of education informatized business during the Year.

### ANALYSIS OF CHANGES IN CASH FLOW

During the Year, net cash inflow from operating activities of the Group amounted to net inflow of RMB1,819,000,000, up by 33.30% from RMB1,364,000,000 in the same period last year, mainly benefiting from the increase in the amount of payment for the textbooks publication business and online sales business from the prior year.

During the Year, net cash inflow from investing activities of the Group amounted to RMB1,032,000,000, as compared to net outflow of RMB93,051,900 in the same period last year, mainly due to the recovery of matured bank wealth management products in the current period and the non-purchase of new wealth management products at the end of the Year.

During the Year, net cash outflow from financing activities amounted to RMB504,000,000, representing an increase of 10.93% as compared to net cash outflow of RMB454,000,000 in the same period last year, mainly due to the increase in cash outflow for repayment of principal and interest of lease liabilities as compared with that in the same period last year.

## Management Discussion and Analysis

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

RMB

| Item   | January to<br>December 2020 | January to<br>December 2019 | Change<br>(%) | Analysis of major changes  |
|--|-----------------------------|-----------------------------|---------------|--|
| Receipts of tax refunds  | <b>36,166,173.62</b>        | 60,860,279.90               | (40.58)       | Mainly due to the increase in refund of value-added tax received during the prior year as a result of the difference in the timing of implementation of policies.  |
| Other cash receipts relating to operating activities   | <b>223,123,233.54</b>       | 129,831,662.50              | 71.86         | Mainly due to the increase in interest received from bank deposits during the Year as compared with that in the previous year and the recovery of the share of payment for the Publishing and Media Creativity Center project.                 |
| Cash receipts from disposals and recovery of investments   | <b>3,310,783,519.96</b>     | 1,957,525,803.19            | 69.13         | Mainly due to the increase in the amount of the matured wealth management products recovered during the Year.  |
| Cash receipts from investment income   | <b>188,342,215.83</b>       | 110,970,093.25              | 69.72         | Mainly due to the increase in income from wealth management products received during the Year as compared with that in the previous year, and the dividend received by Winshare Investment, a subsidiary of the Company, from Fuzhou Winshare. |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets    | <b>2,963,890.24</b>         | 9,381,280.95                | (68.41)       | 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 in the previous year.   |
| Other cash receipts relating to investing activities   | <b>81,760,506.83</b>        | 61,455,393.92               | 33.04         | Mainly due to the increase in the recovery of principal and interest of term deposits during the Year as compared with that in the previous year.  |
| Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets | <b>246,466,701.71</b>       | 155,645,880.26              | 58.35         | Mainly due to the Group's payment for the purchase of properties for the Western Cultural City project during the Year.  |
| Other cash payments relating to investing activities   | <b>240,000,000.00</b>       | 134,000,000.00              | 79.10         | Mainly due to the increase in cash outflow in term deposits of more than three months.   |
| Cash payments to acquire investments   | –                           | 3,000,000.00                | (100.00)      | amount in the prior year represents the amount of capital increase received by a subsidiary from minority shareholders.  |
| Other cash payments relating to financing activities   | <b>133,263,621.06</b>       | 86,531,160.25               | 54.01         | Mainly due to the increase in cash outflow for repayment of principal and interest of lease liabilities during the Year as compared to that in the previous year.  |

## Management Discussion and Analysis

### ASSETS AND LIABILITIES ANALYSIS

As at 31 December 2020, 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 end of the prior year | Amount as at the end of the prior year as a percentage of the total assets (%) | Change (%) | Analysis   |
|--|------------------------|--|------------------------------|--|------------|--|
| Bank and cash                          | 5,785,974,800.85       | 34.10  | 3,512,103,793.03             | 22.92  | 64.74      | Mainly due to the increase in net cash inflow from operating activities and the increase in bank and cash balance as a result of the non-purchase of certain bank wealth management products upon maturity during the Year.  |
| Held-for-trading financial assets      | 6,510,463.20           | 0.04   | 1,280,006,671.94             | 8.35   | (99.49)    | Mainly due to the non-purchase of bank wealth management products upon maturity.   |
| Notes receivable                       | 4,344,936.39           | 0.03   | 2,218,450.46                 | 0.01   | 95.85      | Mainly due to the increase in settlement of the balance of receivables by notes for logistics business at the end of the period as compared with that at the end of the prior period.  |
| Prepayments                            | 77,465,227.71          | 0.46   | 58,181,516.90                | 0.38   | 33.14      | Mainly due to the increase in prepayments from the education informatized business at the end of period as compared with that at the end of the prior period.  |
| Non-current assets due within one year | 181,722,570.04         | 1.07   | 125,609,106.15               | 0.82   | 44.67      | Mainly due to the increase 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 informatized and equipment business as compared with that at the end of the prior period. |
| Long-term equity investments           | 717,889,546.28         | 4.23   | 449,653,943.26               | 2.93   | 59.65      | Mainly due to the additional investment of RMB317 million in Hainan Phoenix during the Year.   |
| Fixed assets                           | 2,009,270,646.85       | 11.84  | 1,322,693,949.23             | 8.63   | 51.91      | Mainly due to the transfer of the Publishing and Media Creativity Center project from construction in progress to fixed assets and the purchase of properties for the Western Cultural City project during the Year.   |
| Construction in progress               | 37,670,169.58          | 0.22   | 626,686,549.71               | 4.09   | (93.99)    | Mainly due to the transfer of the Publishing and Media Creativity Center project to fixed assets during the Year.  |
| Long-term prepaid expenses             | 12,194,296.86          | 0.07   | 24,642,631.46                | 0.16   | (50.52)    | Mainly due to the amortization of leasehold improvements in the current period.  |

## 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 end of the prior year | Amount as at the end of the prior year as a percentage of the total assets (%) | Change (%) | Analysis  |
|---------------------------------|------------------------|--|------------------------------|--|------------|---|
| Deferred income tax assets      | <b>21,183,296.95</b>   | <b>0.12</b>  | 16,124,167.44                | 0.11   | 31.38      | 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.                                       |
| Other non-current assets        | <b>350,933,345.43</b>  | <b>2.07</b>  | 121,821,923.19               | 0.79   | 188.07     | Mainly due to the addition of term deposits of RMB241 million which cannot be withdrawn in advance or are not intended to be withdrawn in advance within one year in the current period.  |
| Notes payable                   | <b>45,838,225.28</b>   | <b>0.27</b>  | 14,054,710.75                | 0.09   | 226.14     | Mainly due to the increase in settlement of the balance of trade receivables by notes for education informatized, logistics and other businesses at the end of the period as compared with that at the end of the prior period. |
| Taxes payable                   | <b>64,081,630.88</b>   | <b>0.38</b>  | 49,032,631.64                | 0.32   | 30.69      | Mainly due to the increase in the current income tax payable at the end of the period as compared with that in the previous year.   |
| Other payables                  | <b>655,979,050.64</b>  | <b>3.87</b>  | 297,303,824.56               | 1.94   | 120.64     | Mainly due to the outstanding payables of additional investment of RMB317 million in Hainan Phoenix during the Year, which was paid in January 2021.  |
| Deferred income tax liabilities | <b>25,775,918.61</b>   | <b>0.15</b>  | 54,883,601.32                | 0.36   | (53.04)    | Mainly due to the investment in associate by Winshare Investment, a subsidiary of the Company, using equity method, and the fair value changes of funds such as Winshare Hengxin held by the Company.                           |

### LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, the Group had cash and short-term deposits of approximately RMB5,786 million (31 December 2019: RMB3,512 million). The Group did not have any interest-bearing bank and other borrowings.

As at 31 December 2020, the gearing ratio (calculated by dividing total liabilities by total assets) of the Group was 40.90%, slightly increased as compared with 40.49% as at 31 December 2019. The Group's overall financial structure remained relatively stable.

## Management Discussion and Analysis

### 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 authorized to use idle funds of no more than RMB1,300 million to purchase wealth management products. As at 31 December 2020, the balance of the bank wealth management products purchased by the Group amounted to RMB6.50 million, all of which were wealth management products of the banks with high security, good liquidity and low risks due within one year.

| <i>RMB</i>                 |                                      |                             |                        |                                     |
|----------------------------|--------------------------------------|-----------------------------|------------------------|-------------------------------------|
| Type                       | Source of funding<br>Amount incurred | Amount<br>actually incurred | Balance<br>not yet due | Amount due but<br>not yet recovered |
| Wealth management products | Self-owned                           | 1,298,000,000.00            | 6,500,000.00           | –                                   |

### CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any material contingent liabilities.

### PLEDGE OF ASSETS

As at 31 December 2020, the balance of deposits of the Group amounting to RMB19,453,700 (31 December 2019: RMB5,649,700) was pledged as security deposits placed with the bank for the issuance of the bank's acceptance bill and letter of guarantee. Save as disclosed above, 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.

### WORKING CAPITAL MANAGEMENT

| <i>RMB</i>                          |                  |                  |
|-------------------------------------|------------------|------------------|
|                                     | 31 December 2020 | 31 December 2019 |
| Current ratio                       | <b>1.5</b>       | 1.6              |
| Inventory turnover days             | <b>143.5</b>     | 136.3            |
| Trade receivables turnover days     | <b>74.1</b>      | 72.2             |
| Trade payables turnover days (Note) | <b>296.7</b>     | 265.3            |

## Management Discussion and Analysis

As at 31 December 2020, the current ratio of the Group was 1.5, which was basically the same as that at the end of last year. During the Year, inventory turnover days were 143.5 days and trade receivables turnover days were 74.1 days, with both remaining substantially the same as that of last year; trade payables turnover days were 296.7 days, which increased by 31.4 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 SIGNIFICANT 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 promote the cross-regional development of the Group's publication and distribution business, the Company entered into the Share Transfer Agreement with Hainan Xinhua Group in December 2020 to acquire 25% equity interests in Hainan Phoenix held by Hainan Xinhua Group at a consideration of RMB317 million. The Company settled the investment in January 2021. As at the date of the annual report, Hainan Phoenix has completed the change of industry and commerce registration for the share transfer.

To further enhance the competitiveness of the Group's principal publication business and enhance the influence of the "Winshare Publishing" brand, the Company made a capital contribution of RMB100 million to Tiandi Publishing House, a wholly-owned subsidiary of the Company. To support the business development of Winshare Investment, a wholly-owned subsidiary of the Company, the Company increased the capital of Winshare Investment by RMB100 million. The Company fully settled the above capital increase amount in 2020.

The Company was interested in 2.21% of the shares of Bank of Chengdu. During the Year, the Company received a dividend amounting to RMB33.6 million from Bank of Chengdu. As at 31 December 2020, the market capitalization of the shares held by the Company in Bank of Chengdu was RMB854 million.

The Company was interested in 6.27% of the shares of Wan Xin Media. During the Year, the Company received a dividend income of RMB19,942,400. As at 31 December 2020, the market capitalization of the shares held by the Company in Wan Xin Media was RMB592 million.

Wan Xin Media and Bank of Chengdu are financial investments of the Company which generate attractive 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.

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



## Management Discussion and Analysis

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

### Information of the major subsidiaries

RMBO'000

| Name of subsidiary                                      | Nature of business                                     | Shareholding percentage (%) | Registered capital | 2020       |            | As at 31 December 2020 |            |
|---|--|-----------------------------|--------------------|------------|------------|------------------------|------------|
|   |  |                             |                    | Revenue    | Net profit | Total assets           | Net assets |
| Sichuan Education Publishing House Co., Ltd.            | Publication of books                                   | 100                         | 1,000.00           | 78,479.43  | 37,146.38  | 141,756.17             | 82,281.97  |
| Sichuan Publication Printing Co., Ltd.                  | Plate-leased printing of textbooks                     | 100                         | 5,000.00           | 34,767.35  | 13,559.79  | 89,366.30              | 66,372.12  |
| Sichuan Youth and Children's Publishing House Co., Ltd. | Publication of books, newspapers and journals          | 100                         | 11,000.00          | 26,532.53  | 5,012.28   | 62,181.77              | 51,206.87  |
| Sichuan Printing Materials Co., Ltd.                    | Wholesaling and retailing of commodities               | 100                         | 3,000.00           | 47,915.66  | 432.13     | 38,291.71              | 4,481.44   |
| Sichuan Winshare Education Technology Co., Ltd.         | Software development and sales of electronic equipment | 100                         | 33,000.00          | 43,184.40  | (3,360.37) | 105,606.95             | 30,802.99  |
| Sichuan Winshare Online E-commerce Co., Ltd.            | Online sales of various products                       | 75                          | 6,000.00           | 213,097.81 | 35.27      | 223,919.41             | (9,465.81) |

## FUTURE PROSPECTS

### (I) Growth strategy

With the goal of becoming an internationally influential comprehensive cultural service group, the Group, by focusing on the principal publishing and media business and innovate the industrial development model, and by capitalizing on the two-wheel driven strategy of "technology + capital", will push ahead the upgrade of the publishing and media industry chain, and build a premium system covering four major segments namely creative content publishing, education services, cultural consumption services and supply chain services as well as the investment and financing system the features capital operations, so as to meet the needs of the public for a better cultural life, while developing itself into the most innovative and fast-growing publishing and media enterprise in China.

## Management Discussion and Analysis

### (II) Operating plans

1. Continue to push ahead the strategy of “Revitalizing the publishing industry in Sichuan” while adhering to the “three key publishing” concepts with a focus on building the brand of “Winshare Publishing”, and vigorously push ahead the theme publishing and key publication projects while deepening the copyright operations to drive quality and efficiency enhancement of Winshare Publishing.
2. Continue to promote the optimization and upgrade of the education service business channel and business integration development, and expand the education informatized and equipment business. While pushing ahead the development of innovative businesses including labor and practice education as well as teachers’ training; the Company will carry out in-depth research on the market demand for on online education, after-school services and campus books, newspapers and journals, and explore feasible business models.
3. Deepen the construction of online channels, continue to improve operational capabilities of products, strengthen the building of supply chain service capabilities, promote industry transformation and upgrade through technology, big data and other service capabilities, and optimize internal management and incentive mechanism, so as to achieve continuous improvement in sales scale and profitability.
4. Continue to improve quality and increase efficiency of physical bookstores and implement integrated development of online and offline channels. The Company will seize the opportunities arising from a series of activities in celebration of the “100th anniversary of the founding of the Communist Party of China” to achieve business growth by taking government-enterprise business as a growth point.
5. Continue to enhance the logistics service capabilities, further strengthen the third-party logistics operation system with focus on key industries to gradually commence the third-party logistics business.
6. Integrate quality social resources, continue to build a fund base, enhance the investment expansion capabilities and post-investment management level and increase the revenue from capital operation to drive synergistic development between the Group’s industrial operations and capital operations.
7. Solidly promote the key work of Panda culture and national reading based on the existing platform in the media sector, and achieve integrated development of traditional media and new media to open up a new dimension for the media business.

## Management Discussion and Analysis

### (III) Potential Risks

The Group has formulated sound business objectives and optimized the operating plans. However, due to uncertainties in the external market, coupled with the deficiencies in the quality of management team, team building, ability to gather quality publication resources and resource allocation, operating achievements far from the Company's expectations may arise. The Group will further improve the human resources management system, strengthen content building, and improve the level of operation and management to ensure the achievement of business objectives.

In recent years, the Group has continued to explore the application of emerging technologies to drive the integration between the publishing industry and technology. However, due to external uncertainties as well as the difficulty and complexity of the technology projects, the results of technological innovation may fall short of expectation. The Group will continue to conduct in-depth research on the development trends of the integration of industry and technology, enhance information capture capability and quick response capability, and further improve the technological innovation mechanism, and strengthen the management of technological innovation decision-making, R&D investment and organization implementation.

Uncertainties over the duration of COVID-19 make it difficult to predict the development trends of the publication and distribution market, which may bring uncertainties to the Group's future operating results. The Group will strengthen its online marketing capabilities, promote technology and model innovation, promote the integrated development of publication business, and improve its ability to resist risks and achieve sustainable development.

# 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 2020, to all the Shareholders.

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is an integrated cultural operator specializing 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 2020 and the results of the Group for the year ended 31 December 2020 are set out on pages 111 to 123 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 2020 of RMB0.31 (tax inclusive) per share (2019: RMB0.30 (tax inclusive) per share), totalling RMB382 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 2020 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 organizations.

## Report of the Directors

Pursuant to the letter titled the “Tax arrangements on dividends paid to Hong Kong residents by mainland companies” issued by the Stock Exchange to the issuers on 4 July 2011 and the “State Administration of Taxation Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045” (Guo Shui Han [2011] No. 348), it is confirmed that the overseas resident individual shareholders holding the stocks issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax arrangements between the countries where they reside and China or the tax arrangements between 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 2020 is subject to the approval by Shareholders at the forthcoming 2020 AGM of the Company. In order to ascertain the H shareholders who are entitled to attend 2020 AGM and to receive the Dividend for 2020 (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 2020 AGM:*

|  |   |
|--|---|
| <b>Latest time for lodging transfers of H Shares</b> | 4:30 p.m., Tuesday, 20 April 2021   |
| <b>Closure of register of members for H Shares</b>   | from Wednesday, 21 April 2021 to Friday, 21 May 2021<br>(both days inclusive) |
| <b>Date for the 2020 AGM</b>                         | Friday, 21 May 2021   |

*To ascertain the H shareholders who are entitled to the proposed Dividend for 2020:*

|  |   |
|--|---|
| <b>Latest time for lodging transfers of H Shares</b> | 4:30 p.m., Thursday, 27 May 2021  |
| <b>Closure of register of members for H Shares</b>   | from Friday, 28 May 2021 to Wednesday, 2 June 2021<br>(both days inclusive) |
| <b>Dividend Entitlement Date</b>                     | Wednesday, 2 June 2021  |

In order for the H shareholders to qualify to attend and vote at the 2020 AGM and to receive the Dividend for 2020 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, 20 April 2021 are entitled to attend and vote at the 2020 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 2020 of the Company (if approved by the Shareholders). The abovementioned final dividend for 2020 will be paid on 20 July 2021 (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.

## Report of the Directors

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

During the Year, the “Publishing and Media Creativity Center” project invested and constructed by the Company was completed, adding a building area of approximately 118,200 sq.m. and increasing the fixed assets by RMB544,923,200. The Company purchased the “Western Cultural City” office premises from Xinhua Chuangzhi, adding a building area of approximately 16,600 sq.m. and increasing the fixed assets by RMB184,266,900. Details of the changes are set out in note (VI)15 to the financial statements of 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 2020 are set out in note (VI)36 to the financial statements in this annual report.

### MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2020, 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 2020, the five largest suppliers of the Group accounted for less than 30% of the total purchases of the Group.

The Group has built an ongoing and steady working relationship with each of suppliers, and also provides quality products and services to various customers. 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.

# Report of the Directors

## 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 operational efficiency, and continuously enhanced its competitiveness.

### (1) Publication capabilities

After five years of strategic implementation to revitalize the publishing industry in Sichuan, the Group's content resource aggregation and development capabilities have steadily improved. At present, the Group owns the copyright of works of many well-known writers such as Wang Meng, Beimao, Feng Jikai, Haiyan, Tangjia Sanshao, Guo Jianlong, Zhang Yuanshan and Mei Yi, and cooperates with world-renowned media organizations such as Disneyland in the United States and Dorling Kindersley in the United Kingdom, and is a key publishing partner in China of world-renowned intellectual property rights such as PAW Patrol and Marvel. 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 a 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 repeatedly topped the charts of Open Book on children's book best-sellers, with cumulative sales close to 100 million copies.

### (2) Reading service capabilities

By integrating cultural mall, large and medium-sized bookstores, professional bookstores, community bookstores, supermarket bookstores, smart bookstores, online reading service platform for publications and the "publication supply chain collaborative service platform" serving the publication and distribution industry, backed by the logistics service network primarily based in Chengdu, Tianjin and Wuxi, the Group has built a reading service network system based in Sichuan Province with nationwide coverage using a combination of online and offline methods. The Group has a number of brands including "Xinhua Winshare", "Winshare Bookstore", "Stackway", "Kids Winshare" children's bookstore, "Winshare Cloud Image", "Winshare Commercial Supermarket", "Winshare Online" and "Winshare September" to provide consumers with convenient, comfortable, smart and personalized 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 and at the same time is qualified to publish textbooks and supplementary materials of all subjects in the curriculum of primary and secondary schools. 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 continued to push ahead the 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 digitalized resources, teaching softwares and hardwares as well as digitalized subject tools. As the major operator of education informatized service and education equipment products in Sichuan Province, the Group has developed education equipment products such as professional subject classroom and innovative education equipment by centering on the subject contents and classroom scenarios. At the same time, the Group's businesses of labor and practice education services and teachers' training services enjoy a branding strength in the regional market.

# Report of the Directors

## CONNECTED TRANSACTIONS

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

### Non-Exempted Connected Transactions

#### Acquisition of properties from Xinhua Chuangzhi

Sichuan Xinhua Publishing and Distribution Group is the controlling shareholder (as defined in the Listing Rules) and a promoter of the Company currently holding 50.95% equity interest in the Company. Xinhua Chuangzhi is a wholly-owned subsidiary of Sichuan Xinhua Publishing and Distribution Group. Therefore, Xinhua Chuangzhi is a connected person of the Company under Chapter 14A of the Listing Rules.

On 9 December 2020, the Company entered into the Sale and Purchase Agreement with Xinhua Chuangzhi to purchase office premises with a total gross floor area of 16,613.46 sq.m. from Xinhua Chuangzhi at a consideration of RMB193,480,300. Xinhua Chuangzhi is a wholly-owned subsidiary of Sichuan Xinhua Publishing and Distribution Group. Therefore, Xinhua Chuangzhi is a connected person of the Company under Chapter 14A of the Listing Rules. The acquisition of property was approved by the statutory authorities of SASAC of Sichuan and was effected by way of an agreement transfer in accordance with the PRC laws and regulations regarding the transfer of state-owned property rights. For details of the acquisition of the Properties, please refer to the announcements of the Company dated 29 October 2020 and 9 December 2020.

### Non-Exempted Continuing Connected Transactions

#### 1. Transactions with Sichuan Xinhua Publishing and Distribution Group and its subsidiaries

Sichuan Xinhua Publishing and Distribution Group is the controlling shareholder (as defined in the Listing Rules) and the promoter of the Company, holding 50.95% equity interest in the Company, and Huang Peng Property is a wholly-owned subsidiary of Sichuan Xinhua Publishing and Distribution Group. Under Chapter 14A of the Listing Rules, Sichuan Xinhua Publishing and Distribution 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 and Distribution Group*

On 18 December 2018, the Company and Sichuan Xinhua Publishing and Distribution 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 and Distribution 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.



## Report of the Directors

For the year ended 31 December 2020, the rental payment made by the Group to Sichuan Xinhua Publishing and Distribution Group pursuant to the above leasing agreement amounted to RMB40,470,400. The right-of-use assets initially recognized under the lease agreement amounted to RMB212,077,300 in aggregate. As at 31 December 2020, the balance of right-of-use assets leased under the lease agreement amounted to RMB139,913,100.

(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 2020, RMB12,160,800 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 Sichuan Cultural Investment Group and its subsidiaries**

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

On 29 October 2019, the Company and Sichuan Cultural Investment Group entered into the lease framework (renewal) agreement, pursuant to which Sichuan Cultural Investment Group 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 2020 to 31 December 2022. Please refer to the announcements of the Company dated 29 October 2019 and 12 November 2019 for details of the lease framework (renewal) agreement.

For the year ended 31 December 2020, the rental and property management fees paid by the Group to Sichuan Cultural Investment Group according to the above lease framework (renewal) agreement amounted to RMB15,200,600 in total. The total amount of the initial right-of-use assets recognized under the lease agreement was RMB33,419,300, and the balance of the lease right-of-use assets under the lease agreement was RMB22,277,500 as at 31 December 2020.

## Report of the Directors

### 3. Transactions with Winshare Online

Winshare Online is a non-wholly owned subsidiary of the Company whilst Sichuan Xinhua Publishing and Distribution 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. As the agreement expired on 31 December 2020, on 19 November 2020, the Company renewed the products purchase and cooperation agreement with Winshare Online for the period from 1 January 2021 to 31 December 2023, which was approved by the independent Shareholders on 21 January 2021. Please refer to the announcements dated 26 March 2018, 6 November 2019 and 19 November 2020 and the circular dated 4 January 2021 of the Company for details of the above Products Purchase and Cooperation Framework Agreement and the renewal agreement.

For the year ended 31 December 2020, 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 RMB135,393,300 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. As the agreement expired on 31 December 2020, on 19 November 2020, the Company renewed the publications purchase agreement with Winshare Online for the period from 1 January 2021 to 31 December 2023, which was approved by the independent Shareholders on 21 January 2021. Please refer to the announcements dated 26 March 2018 and 19 November 2020 and the circulars dated 4 May 2018 and 4 January 2021 of the Company for details of the Publications Purchase Framework Agreement and the renewal agreement.

For the year ended 31 December 2020, the payment by the Group to Winshare Online according to the above Publications Purchase Framework Agreement amounted to RMB587,176,600 in total.

## Report of the Directors

- (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 2020, the payment by Winshare Online to the Group according to the above Logistics Service Framework Agreement amounted to RMB53,319,400 in total.

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

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

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

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.

## Report of the Directors

### 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 RMB74,602,600 (2019: RMB41.26 million).

### ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group endeavors 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 and engages in public welfare activities in fulfilling its social responsibilities in addition to striving for good performance. At the same time, the Group adheres to the concept of green and sustainable development and fulfills environmental protection and social responsibility 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.

## Report of the Directors

### SHARE CAPITAL

As at 31 December 2020, the total issued share capital of the Company was RMB1,233,841,000, divided into 1,233,841,000 shares of RMB1.00 each, including:

| Class of shares  | Number of shares     | Approximate percentage of issued share capital of the Company |
|--|----------------------|---|
| <b>A Shares</b>  | <b>791,903,900</b>   | <b>64.18%</b>   |
| Including  |                      |   |
| (i) Sichuan Xinhua Publishing and Distribution 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%   |
| <b>H Shares</b>  | <b>441,937,100</b>   | <b>35.82%</b>   |
| Including  |                      |   |
| (i) Sichuan Xinhua Publishing and Distribution Group ( <i>note 4</i> ) | 35,824,000           | 2.90%   |
| (ii) Other promoter ( <i>note 5</i> )                                  | 6,324,000            | 0.51%   |
| (iii) Public investors of H Shares                                     | 399,789,100          | 32.40%  |
| <b>Total share capital</b>   | <b>1,233,841,000</b> | <b>100%</b>   |

\* The information of H Shares is sourced from the "Disclosure of Interests" form filed on the website of the Stock Exchange.

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

#### Notes:

- Sichuan Xinhua Publishing and Distribution 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 Sichuan Cultural Investment Group, Sichuan Daily Newspaper Group and Liaoning Publication Group. 6,485,160 A shares of the Company are held by Liaoning Publication Group through its subsidiary.
- Social Legal Person Shares are held by Hua Sheng Group, a promoter of the Company.
- 35,824,000 H Shares of the Company are held by Sichuan Xinhua Publishing and Distribution Group, a controlling shareholder of the Company, directly and indirectly through its subsidiary.
- Sichuan Cultural Investment Group, 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

As at 31 December 2020, 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                 |
|  | 39,916,000<br>(note 1)                        | Interests in controlled corporation                      | H Shares        | 9.03%  | 3.24%   | Long position                 |
| Sichuan Xinhua Publishing and Distribution Group | 592,809,525                                   | Beneficial owner   | A Shares        | 74.86%   | 48.05%  | Long position                 |
|  | 35,824,000<br>(note 2)                        | Interests in controlled corporation/<br>Beneficial owner | H Shares        | 8.11%  | 2.90%   | Long position                 |
| Hua Sheng Group                                  | 53,336,000<br>(note 3)                        | Beneficial owner   | A Shares        | 6.74%  | 4.32%   | Long position                 |
| Wu Wenqian                                       | 53,336,000<br>(note 3)                        | Interests in controlled corporation                      | A Shares        | 6.74%  | 4.32%   | Long position                 |
| Seafarer Capital Partners, LLC                   | 30,875,500                                    | Investment manager                                       | H Shares        | 6.99%  | 2.50%   | Long position                 |
| Citigroup Inc                                    | 23,511,110                                    | Interests in controlled corporation                      | H Shares        | 5.32%  | 1.90%   | Long position                 |
|  | 300,000                                       | Interests in controlled corporation                      | H Shares        | 0.06%  | 0.02%   | Short position                |
|  | 20,566,110                                    | Interests in controlled corporation                      | H Shares        | 4.65%  | 1.67%   | Lending pool                  |

\* The information of H Shares is sourced from the "Disclosure of Interests" form filed on the website of the Stock Exchange.

## Report of the Directors

### Notes:

1. Sichuan Development is the controlling shareholder of Sichuan Xinhua Publishing and Distribution Group and Sichuan Cultural Investment Group. According to the SFO, Sichuan Development is deemed to (i) indirectly hold 592,809,525 A Shares of the Company through Sichuan Xinhua Publishing and Distribution Group and 30,572,945 A Shares of the Company through Sichuan Cultural Investment Group, totalling 623,382,470 A Shares; and (ii) hold 33,592,000 H Shares of the Company through Sichuan Xinhua Publishing and Distribution Group and hold 6,324,000 H Shares of the Company through Sichuan Cultural Investment Group, totalling 39,916,000 H Shares.
2. Sichuan Xinhua Publishing and Distribution Group directly and through its wholly-owned subsidiary Shudian Investment Co., Ltd. indirectly holds 35,824,000 H Shares of the Company. Sichuan Xinhua Publishing and Distribution Group directly holds 592,809,525 A Shares of the Company.
3. Ms. Wu Wenqian is directly interested in 95% 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 2020, 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. Luo Jun, the non-executive Director, who is the director and deputy general manager of Sichuan Xinhua Publishing and Distribution Group; and (ii) Mr. Chao Hsun, Supervisor, who is the executive vice president of Hua Sheng Group, as at 31 December 2020, 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 2020, 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<br>(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 optimizing the internal control and risk management system of the Company in a regulated manner. The Company has adopted and complied with all applicable code provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules during the Year, 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 (resigned on 12 May 2020)

### 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 Directors of the Company are set out below:

Mr. Yang Miao resigned as an executive Director and a member of the Strategy and Investment Committee of the Company with effect from 12 May 2020 due to his other personal commitments.

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 and Distribution Group nor its subsidiaries (excluding the Company) was engaged in any business activities which are or may be in direct or indirect competition with the business of the Group.

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

## Report of the Directors

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

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

During the Year, the five highest paid individuals of the Group 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 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.

### USE OF PROCEEDS

In August 2016, the Company issued 98,710,000 RMB-denominated ordinary shares (A shares) at an issue price of RMB7.12 per share through its initial public offering on the Shanghai Stock Exchange. The total proceeds raised amounted to RMB702,815,200. After deducting the issuance expenses, the net proceeds actually raised by the Company amounted to RMB645,175,100, which were mainly used for the Company’s education cloud service platform, construction of logistics network in the western region, upgrade and expansion of retail stores, construction and upgrade of ERP and publications regarding the revival of the Chinese culture, etc. In 2020, the Company utilized RMB8,759,300 of the proceeds. As of 31 December 2020, the accumulated use of proceeds amounted to RMB609,091,100. The balance of the unutilized proceeds amounted to RMB37,787,000. The accumulated amount utilized and the balance of the raised funds in aggregate is larger than the total amount of the raised funds is due to the inclusion of principal of the raised funds and the interest income generated. Up to now, there is no change in the investment projects of 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, auditors and internal control auditors of the Company. The Audit Committee considered that the consolidated financial statements have been prepared in accordance with applicable accounting standards and requirements and appropriate disclosures were made.

# Report of the Directors

## AUDITORS

At the annual general meeting of the Company for 2019 held on 21 May 2020, it was approved that Deloitte Touche Tohmatsu CPA was re-appointed as the sole auditor of the Company for the year 2020, and the Board was authorized to determine and approve its remunerations.

The consolidated financial statements for 2020 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 2020 AGM of the Company, and it shall be eligible for re-appointment at the 2020 AGM. Deloitte Touche Tohmatsu CPA is also the sole auditor of the Company for 2017, 2018 and 2019.

By order of the Board

**He Zhiyong**

*Chairman*

30 March 2021

# 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 listing regulatory requirements in Hong Kong and the PRC 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 terms of the Company's fourth session of the Board and the Supervisory Committee expired on 5 March 2018. Since the nomination of the candidates of Director and Supervisor has not finished and to maintain the continuity and stability of the work of the Board and Supervisory Committee, the election and appointment of the Company's fifth session of the Board, Supervisory Committee and all the specific committees under the Board will be postponed and thus, the terms of the Directors and Supervisors will be extended accordingly as well. The Company will push ahead the election and appointment of the new session of the Board and the Supervisory Committee as soon as practicable.

## 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 taken by Mr. Li Qiang, with clear division of work between them. The Chairman is in charge of the affairs of the Board and reviews the implementation of the Board's resolutions whereas the General Manager, under the leadership of the Board, is mainly responsible for the Company's management operations and business coordination. Apart from the information disclosed in the section "Profile of Directors, Supervisors, Senior Management and Employees" of this annual report, there is no financial, business, family and other material/relevant relationship among the respective Directors, the Chairman and General Manager.

# Corporate Governance Report

## Composition of the Board

As at the date of this report, the fourth session of the Board of the Company currently comprises 8 Directors, including 2 executive Directors, Mr. He Zhiyong and Mr. Chen Yunhua; 3 non-executive Directors, Mr. Luo Jun, Mr. Zhang Peng and Mr. Han Xiaoming; and 3 independent non-executive Directors, Mr. Chan Yuk Tong, Ms. Xiao Liping and Mr. Fang Bingxi. 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, Mr. Yang Miao resigned as an executive Director and a member of the Strategy and Investment Committee of the Company with effect from 12 May 2020 due to his other personal commitments. For details, please refer to the announcement of the Company dated 12 May 2020. 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.

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 participated in the affairs of the Company through various channels such as hearing the reports of the management of the Company, reviewing the operating information regularly provided by the management of the Company and visiting the businesses of the Company to have a comprehensive understanding of the business of the Company. At the same time, the Directors also actively participated in various training activities organized 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 organizes 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 in the regulatory rules of the places where the Company’s shares are listed to ensure that they remain informed while continuing to participate in the work of the Board and that they better perform 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 organized by China Association for Public Companies, the Listed Companies Association of Sichuan, Shanghai Stock Exchange, the Hong Kong Institute of Chartered Secretaries and other organizations. When the relevant listing rules and regulatory requirements are amended, the relevant information will be sent to the Directors, Supervisors and relevant personnel in a timely manner and training will be arranged for them so that they understand and are familiarized 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 (resigned)                 | Y                   | √                 |
| Luo Jun                              | Y                   | √                 |
| Zhang Peng                           | Y                   | √                 |
| Han Xiaoming                         | Y                   | √                 |
| Chan Yuk Tong                        | Y                   | √                 |
| Xiao Liping                          | Y                   | √                 |
| Fang Bingxi                          | Y                   | √                 |

### Directors' Liability 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 11 Board meetings, of which 5 were held on site and 6 were held by way of written resolutions. The Board meetings reviewed resolutions regarding the amendments to the Articles of Association and the internal systems, Outline of Strategic Planning, profit distribution, establishment of ESG governance structure, engagement of auditors, establishment of internal organizations, connected transactions and continuing connected transactions, provision of financial assistance to a wholly-owned subsidiary, risk management and internal control, 2019 annual results, 2020 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 | Rate of attendance in person |
|--|--|------------------------------|------------------------------|
| <i>Executive Directors</i>                 |  |                              |                              |
| He Zhiyong (Chairman)                      | 11/11  | 0                            | 100%                         |
| Chen Yunhua (Vice Chairman)                | 6/11   | 5                            | 55%                          |
| Yang Miao (resigned)                       | 2/4  | 2                            | 50%                          |
| <i>Non-Executive Directors</i>             |  |                              |                              |
| Luo Jun                                    | 10/11  | 1                            | 91%                          |
| Zhang Peng                                 | 11/11  | 0                            | 100%                         |
| Han Xiaoming                               | 11/11  | 0                            | 100%                         |
| <i>Independent Non-executive Directors</i> |  |                              |                              |
| Chan Yuk Tong                              | 11/11  | 0                            | 100%                         |
| Xiao Liping                                | 11/11  | 0                            | 100%                         |
| Fang Bingxi                                | 11/11  | 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)                      | 2/2  | 100%            |
| Chen Yunhua (Vice Chairman)                | 1/2  | 50%             |
| Yang Miao (resigned)                       | 0/0  | N/A             |
| <i>Non-Executive Directors</i>             |  |                 |
| Luo Jun                                    | 2/2  | 100%            |
| Zhang Peng                                 | 2/2  | 100%            |
| Han Xiaoming                               | 2/2  | 100%            |
| <i>Independent Non-executive Directors</i> |  |                 |
| Chan Yuk Tong                              | 2/2  | 100%            |
| Xiao Liping                                | 2/2  | 100%            |
| Fang Bingxi                                | 2/2  | 100%            |

## Corporate Governance Report

### BOARD COMMITTEES

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

During the Year, one meeting of the Strategy and Investment Committee, seven 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                                       | Strategy and Investment Committee | Audit Committee | Remuneration and Review Committee |
|--|-----------------------------------|-----------------|-----------------------------------|
| <i>Executive Directors</i>                 |                                   |                 |                                   |
| He Zhiyong ( <i>Chairman</i> )             | N/A                               | N/A             | N/A                               |
| Chen Yunhua ( <i>Vice Chairman</i> )       | N/A                               | N/A             | N/A                               |
| Yang Miao ( <i>Note</i> )                  | 0/0                               | N/A             | N/A                               |
| <i>Non-Executive Directors</i>             |                                   |                 |                                   |
| Luo Jun                                    | N/A                               | N/A             | 3/3                               |
| Zhang Peng                                 | N/A                               | 7/7             | N/A                               |
| Han Xiaoming                               | 1/1                               | N/A             | N/A                               |
| <i>Independent Non-executive Directors</i> |                                   |                 |                                   |
| Chan Yuk Tong                              | N/A                               | 7/7             | 3/3                               |
| Xiao Liping                                | N/A                               | N/A             | 3/3                               |
| Fang Bingxi                                | 1/1                               | 7/7             | N/A                               |

*Note:* Mr. Yang Miao resigned as a Director of the Company with effect from 12 May 2020.

### 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.

As at the date of this report, the Strategy and Investment Committee of the fourth session of the Board currently comprises two Directors, including Mr. Han Xiaoming and Mr. Fang Bingxi. The Strategy and Investment Committee is chaired by Mr. Han Xiaoming, a non-executive Director. On 12 May 2020, Mr. Yang Miao resigned as a member of the Strategy and Investment Committee due to his other personal commitments with effect from the same date.

During the Year, the Strategy and Investment Committee of the fourth session of the Board held one meeting. All committee members who should attend the meeting signed all written resolutions. The Strategy and Investment Committee considered the "Company's Resolution on the Outline of Strategic Planning (2021-2025)" and submitted the review opinions and recommendations to the Board, playing an active role in the decision-making of the Board.



## Corporate Governance Report

### Audit Committee

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

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

During the Year, the Audit Committee of the Board convened a total of seven meetings. All committee members attended all the meetings in person and signed all written resolutions to consider the various resolutions including 2019 annual results, 2020 interim results and quarterly results, continuing connected transactions, internal control and risk evaluation report of the Company, engagement of auditors and internal control audit firm, engagement of head of the Company's risk management department, and review of the Company's compliance with the CG Code (including but not limited to code provision D.3.1 on corporate governance duties) 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 2020, through communicating with the Company's management, internal audit department, risk management 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 risk management, 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 the audited consolidated financial statements as set out in this annual report, and has discussed the consolidated 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 resolution regarding the remuneration of operating management team, review proposal and other resolutions.

### 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) seeking 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, no meeting of the Nomination Committee of the fourth session was convened.

## 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, and based on the Company's business and specific needs where the ultimate decision will be made according to the merit and contribution that the selected candidates will bring to the Board.

## Corporate Governance Report

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.

## Corporate Governance Report

### Independence of Independent Non-executive Directors

The Company currently has 3 independent non-executive Directors. As at 31 December 2020, the term of each independent non-executive Director has not exceeded 6 years continuously, 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, the Board is of the view, all the independent non-executive Directors are independent persons in compliance with the requirements under Rule 3.13 of the Listing Rules.

### Securities Transactions by Directors and Supervisors

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

## SHAREHOLDERS AND GENERAL MEETINGS

### Details of Controlling Shareholder and Ultimate Controlling Shareholder

The controlling shareholder of the Company is Sichuan Xinhua Publishing and Distribution Group and the ultimate de facto controller of the Company is SASAC of Sichuan.

The Company is independent from the business operations of the controlling shareholder in terms of personnel, organization, 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 endeavors 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.

## Corporate Governance Report

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 dispatched to Shareholders prior to relevant deadline and are published on the website of the Stock Exchange, website of the SSE and the Company's own website.

During the Year, the Company convened one annual general meeting and one extraordinary general meeting. The meetings considered and passed many important resolutions such as the 2019 annual report, profit distribution proposal, engagement of auditors and internal control audit firm and adoption of the Outline of Strategic Planning (2021-2025), etc. The Directors (including but not limited to the chairman of the Board and the chairman of each of the respective Board committees), Supervisors and relevant 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 own website in a timely manner.

### SUPERVISORY MECHANISM

#### Supervisory Committee

The Supervisory Committee of the Company is the Company's supervisory organization 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.

## Corporate Governance Report

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 Company has established a clear and complete internal control and risk management organizational structure system. The Board is responsible for the establishment, improvement and effective operation of the internal control and risk management system, and conducts continuous review on the effectiveness of the internal control and risk management of the Company through the Audit Committee. The Board delegates the authority to the management to organize and lead the daily operation of the Company’s internal control and risk management. The Company has established a risk management leading group to comprehensively guide the Company’s internal control and risk management work. In 2020, the Company established the risk management department to organize and coordinate internal control and risk management work. The discipline inspection office is responsible for handling all kinds of complaints and reports, and handling complaints and reports in accordance with relevant rules and regulations. The legal department provides legal advice for the Company’s major operation projects and investment projects, conducts pre-examination of contracts, undertakes and handles legal disputes such as litigation and arbitration, and is responsible for the management and maintenance of the Company’s trademarks. 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 its internal control management capabilities and promote the regulated, standardized and refined development of internal control work. The Company continued to engage consulting firms to assist the Company in optimizing its internal control system. Based on business development and changes, the Company analysed and evaluated the processes of various institutions and incorporated important processes into the scope of rationalization and evaluation. The Company promoted the quality improvement of internal control by self-evaluation and rotation assessment, random check and re-examination, assessment of professional direction, etc. The Company gradually optimized and updated the Internal Control Code according to the adjustment and changes of actual business; and guided the establishment of the internal control system of newly established companies to promote the improvement of their management awareness. The Company promoted the professional competence of team members through internal and external training, professional cooperation with consulting firms and extensive work practices. During the Year, no material and significant internal control defects were identified. The internal control system was complete and effective.

## Corporate Governance Report

The Company also endeavored to enhance the overall capabilities to resist risks. On the one hand, the Company continued to engage consulting firms to assist the Company in risk assessment, review the risks of the Company, and help the Company to achieve its strategic objectives. In addition to comparing with benchmark enterprises and conducting industry research, the Company carried out identification and analysis, and updated and improved the risk database of the Company. The level of the Company's attention to relevant risks is determined through evaluation. By determining the risk appetite, the nature and extent of the risks that the Company was willing to accept were clarified, thus providing a strong reference for the Company's business decision-making and management. On the other hand, the Company carried out multi-level publicity and training of risk management culture, which further promoted the cultivation and dissemination of risk management culture across the Company. All institutions put risk management into practice in the course of their daily operations, and their risk prevention capabilities continued to improve. During the Year, there was no risk event that had a significant impact on the Company's operation, and the overall risk of the Company was under control and the risk management was effective.

The Company continued to improve the mechanism to prevent the conflict of interests, and facilitated the linkage of multi-dimensional and multi-level internal control and risk management 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.

The Company attaches great importance to the internal control of information disclosure, and has formulated the Information Disclosure System and the Insider Registration and Management System, and shall follow the approval procedures for information disclosure in accordance with the requirements of the systems. The inside information of the Company shall be reviewed in strict accordance with the procedures stipulated in the Information Disclosure System before publication, and shall be disclosed upon the confirmation of the Board. The Insider Registration and Management System has been implemented by the Company where the Board is responsible for the registration and management of inside information of the Company and ensuring the truthfulness, accuracy and completeness of the insider registration documents; the secretary to the Board is responsible for handling the registration and entry of insiders of the Company; and the office of the Board is responsible for designating special personnel to be responsible for the registration and management of inside information of the Company to ensure the truthfulness, accuracy and completeness of the insider registration documents; and the Supervisory Committee is responsible for supervising the implementation of the system.

Upon the end of 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 and adequate during the Year.

### AUDITORS AND THEIR REMUNERATIONS

#### Auditors and their Remunerations

At the 2019 annual general meeting held on 21 May 2020, the Shareholders of the Company approved the re-engagement of Deloitte Touche Tohmatsu CPA as the Company's auditor and internal control auditor for 2020. The above two engagements shall continue until the conclusion of the forthcoming annual general meeting of the Company. The Board was authorized to determine the auditors' remunerations through individual negotiation in accordance with market practice.

## Corporate Governance Report

During the Year, Deloitte Touche Tohmatsu CPA provided the following audit services to the Group: 1) professional audit services in respect of the 2020 annual report; and 2) review procedures services on the 2020 interim report. The fees payable to the auditor in respect of the above services provided by the Group was RMB2.98 million (2019: RMB2.98 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 (2019: RMB430,000).

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; the service fee for the consulting services in accordance with the ESG of the Stock Exchange amounting to RMB100,000; and the controlling shareholder's capital appropriation and non-compliance guarantee self-inspection and verification fee of RMB80,000.

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 in compliance with code provision C.3.3 of Appendix 14 to the Listing Rules and Deloitte Touche Tohmatsu 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 the Reporting Period. The Directors are not aware of any issues or circumstances that may cause any material adverse effect on the ongoing operation of the Company.



# Corporate Governance Report

## RIGHTS OF SHAREHOLDERS AND INVESTORS RELATIONSHIP

### Procedures for convening extraordinary general meetings by Shareholders

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

The Company shall hold an extraordinary general meeting 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 or a class meeting. Shareholders who request for the convening of an extraordinary general meeting or a class meeting shall comply with the following procedures:

- (1) Shareholders individually or jointly holding more than 10% of the Company's shares carrying the right to vote at the general meeting sought to be held shall be entitled to require the Board to convene a Shareholders' extraordinary general meeting or a class meeting thereof in writing. The Board shall provide its feedbacks and opinions in writing as to agreeing or disagreeing the convening of the Shareholders' extraordinary general meeting or class meeting thereof within 10 days upon the receipt of the said written requisition in accordance with the laws, administrative regulations and provisions of the Articles of Association. If the Board agrees to convene a Shareholders' extraordinary general meeting or a class meeting thereof, a notice convening the Shareholders' general meeting or class meeting shall be issued within 5 days from the date of the Board's resolution. Any changes to the original requisitions in the notice shall be subject to the consent from the relevant Shareholders. The amount of shareholdings referred to above shall be calculated as at the date of deposit of the requisition.
- (2) If the Board disagrees with the proposal to convene the Shareholders' meeting upon receipt of the said written requisition or does not make any feedbacks within 10 days therefrom, Shareholders individually or jointly in aggregate holding more than 10% shares of the Company shall be entitled to require the Supervisory Committee to convene a meeting in writing. If the Supervisory Committee agrees to convene the meeting, a notice convening the meeting shall be issued within 5 days from the date of receiving the written requisition. Any changes to the original requisitions in the notice shall be subject to the consent from the relevant Shareholders. If no notice of meeting is issued by the Supervisory Committee within the stipulated period, no meeting shall be deemed to be convened and presided over by the Supervisory Committee. Shareholders individually or jointly holding more than 10% shares of the Company for 90 consecutive days may convene preside over the meeting on their own in the same manner as which Shareholders' general meetings are convened by the Board (Shareholders convening the meeting shall hold no less than 10% of shares before the announcement of the resolutions at the general meeting).

### Procedures to make an inspection request to the Board

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

## Corporate Governance Report

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

### Procedures to make recommendations at general meetings

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

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

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

### 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 dividend distributions 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, in accordance with the relevant provisions and requirements of the Code of Corporate Governance for Listed Companies and the Guidelines for Articles of Association of Listed Companies as amended by the CSRC, the Company made amendments to the Articles of Association, the Rules of Procedure for General Meetings and the Rules of Procedure for the Board of Directors in relation to the "Adoption of Party Building into the Articles of Association" and corporate governance. For details, please refer to the announcement dated 6 March 2020 and the circular dated 3 April 2020 of the Company.

# Corporate Governance Report

## 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:

1. publication of periodic reports and provisional announcements in a timely manner in accordance with the regulatory requirements of the listing places of the Company;
2. respect for Shareholders' right to question by providing the opportunity for minority shareholders to attend the general meetings;
3. response to investors' inquiries promptly through investor relation hotline, facsimile, email and SSE E-interactive;
4. reception of routine visits from investors and analysts;
5. 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
6. 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 2020, the Company maintained routine communication 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" and "To be an honest and trustworthy listed company – Cloud computing among Shanghai listed companies" organized by Sichuan Regulatory Bureau of CSRC, Shanghai Stock Exchange and other organizations; 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 demonstrating the Company's good image of regulated governance and high quality development.

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 2020, 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 (RMB0'000) | Remuneration from related parties of the Company |
|--------------------------------------|--------------------------------------|--------|-----|---------------------------|---|---|--|
| He Zhiyong*                          | Executive Director and Chairman      | Male   | 60  | 29 December 2015          | The date of the term expired of the fourth session of the Board                 | 31.9  | Yes  |
| Chen Yunhua                          | Executive Director and Vice Chairman | Male   | 59  | 21 December 2017          | The date of the term expired of the fourth session of the Board                 | 0   | Yes  |
| Yang Miao                            | Executive Director                   | Male   | 50  | 6 March 2015              | 12 May 2020   | 0   | Yes  |
| Luo Jun                              | Non-executive Director               | Male   | 54  | 30 July 2008              | The date of the term expired of the fourth session of the Board                 | 0   | Yes  |
| Han Xiaoming                         | Non-executive Director               | Male   | 67  | 25 May 2017               | The date of the term expired of the fourth session of the Board                 | 9.0   | No   |
| Zhang Peng                           | Non-executive Director               | Male   | 56  | 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   | 58  | 26 October 2017           | The date of the term expired of the fourth session of the Board                 | 18.1  | No   |
| Xiao Liping                          | Independent Non-executive Director   | Female | 64  | 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   | 58  | 18 February 2016          | The date of the term expired of the fourth session of the Board                 | 28.0  | No   |
| Tang Xiongxing                       | Chairman of Supervisory Committee    | Male   | 54  | 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     |   | Total remuneration before tax received from the Company for the Reporting Period (RMB0'000) | Remuneration from related parties of the Company |
|--------------|-------------------------|--------|-----|------------------|---|---|--|
|              |                         |        |     | date of term     | End date of term  |   |  |
| Chao Hsun    | Supervisor              | Male   | 32  | 25 May 2017      | The date of the term expired of the fourth session of the Supervisory Committee | 6.8   | No   |
| Lan Hong     | Supervisor              | Female | 53  | 11 June 2005     | The date of the term expired of the fourth session of the Supervisory Committee | 51.5  | No   |
| Wang Yan     | Supervisor              | Female | 42  | 6 March 2015     | The date of the term expired of the fourth session of the Supervisory Committee | 43.8  | No   |
| Li Xu        | Independent Supervisor  | Male   | 58  | 18 February 2016 | The date of the term expired of the fourth session of the Supervisory Committee | 8.8   | No   |
| Liu Mixia    | Independent Supervisor  | Female | 62  | 6 March 2015     | The date of the term expired of the fourth session of the Board                 | 8.8   | No   |
| Li Qiang     | General Manager         | Male   | 47  | 19 April 2019    | The date of the term expired of the fourth session of the Board                 | 196.0   | No   |
| Chen Dali    | Deputy General Manager  | Male   | 58  | 11 June 2005     | The date of the term expired of the fourth session of the Board                 | 145.4   | No   |
| You Zugang   | Secretary to the Board  | Male   | 58  | 11 June 2005     | The date of the term expired of the fourth session of the Board                 | 141.0   | No   |
| Zhu Zaixiang | Chief Financial Officer | Male   | 59  | 11 June 2005     | The date of the term expired of the fourth session of the Board                 | 132.0   | No   |
| Total        | /                       | /      | /   | /                | /   | 821.1   | /  |

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

\* Mr. He Zhiyong received remuneration from Sichuan Xinhua Publishing and Distribution Group from January to September 2020 and received remuneration from the Company from October to December 2020.

## Profile of Directors, Supervisors, Senior Management and Employees

### II. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Yang Miao resigned as an executive Director and a member of the Strategy and Investment Committee of the Company with effect from 12 May 2020 due to his other personal commitments.

### 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; president of the Listed Companies Association of Sichuan (四川省上市公司協會); and vice chairman of Sichuan Internet Industrial Association (四川省互聯網行業協會). 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 Cultural Investment Group; party secretary and head of the management committee of Sichuan Periodical Press Group; and director, president and party committee member of Sichuan Xinhua Publishing and Distribution Group. 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; and party committee secretary and chairman of Sichuan Cultural Investment Group. 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; the deputy editor-in-chief and a member of the party committee of Sichuan Daily Newspaper Group; and the president of Sichuan Cultural Investment Group. He has been the Vice Chairman and executive Director of the Company since December 2017; and party committee secretary and chairman of Sichuan Cultural Investment Group since December 2019. Mr. Chen graduated from Chengdu University of Traditional Chinese Medicine and subsequently completed the graduate courses of the Specialized Historical Studies of the College of History and Culture at Sichuan University.

## Profile of Directors, Supervisors, Senior Management and Employees

### Non-Executive Directors

**Mr. Luo Jun (羅軍)**, born in March 1966, currently non-executive Director of the Company; director and deputy general manager of Sichuan Xinhua Publishing and Distribution Group; and 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 center 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 and Distribution 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 deputy general manager of Sichuan Xinhua Publishing and Distribution Group since January 2006, director of Sichuan Xinhua Publishing and Distribution 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).

**Mr. Han Xiaoming (韓小明)**, born in February 1953, currently non-executive Director of the Company, a professor and doctoral supervisor in the department of Economics in Renmin University of China, and 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). 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) and the standing council member of China Information Economics Society. Mr. Han was involved in several research projects organized 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 reorganization 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.

## Profile of Directors, Supervisors, Senior Management and Employees

**Mr. Zhang Peng (張鵬)**, born in January 1964, currently non-executive Director of the Company; director, assistant to the chief executive, head of organization department of the Party Committee and head of human resources department of Sichuan Cultural Investment Group 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 Sichuan Cultural Investment Group. He has been assistant to the chief executive of Sichuan Cultural Investment Group since July 2011 and head of human resources department since December 2016. He has been head of organization department of the Party Committee since January 2021. 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).

### 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 China Fortune Investments (Holding) Limited (HKEX stock code: 8116). 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. Mr. Chan was an independent non-executive director of several listed companies in the PRC and Hong Kong including Ground International Development Limited and FDG Electric Vehicles 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 in 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 center, 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 and Distribution 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 program 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 Sichuan Cultural Investment Group. He previously served as a principal staff member of the spiritual civilization 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, a member of the party committee and the director of the propaganda department of Guang'an City, Sichuan Province, and deputy secretary of the party committee of Sichuan Cultural Investment Group. He has been serving as the deputy secretary of the party committee of Sichuan Cultural Investment Group 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, and the director of investment and operations of Hua Sheng Group. He has been 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 and Distribution Group and deputy head of the audit department of the Company. 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 center of the Company and supervisor of Wenchuan Logistics. She held the positions of supervisor of reporting team, assistant to head of the financial management center of the Company and supervisor of Sichuan Xinhua Winshare Media Co., Ltd. She has served as the deputy head of the financial management center 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-practicing 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 and Distribution 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 and Distribution Group from 2001 to 2005 as deputy manager of sales department and manager of marketing center and operations center. 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.

## Profile of Directors, Supervisors, Senior Management and Employees

**Mr. Chen Dali (陳大利)**, born in October 1962, currently deputy general manager of the Company; executive director of Sichuan Winshare Cloud Image Culture Innovation Technology Co., Ltd, director of Ren Min Eastern (Beijing) Book Industry Co., Ltd. and director of Hainan Publishing House Co., Ltd; and also president of Sichuan Provincial Publications Distribution Industry Association (四川省出版物發行行業協會), deputy secretary-general of China Xinhua Bookstores Association (中國新華書店協會) and vice president of China Book Publication Industry Association (中國書刊發行行業協會). Mr. Chen served as vice president at Sichuan Bashu Book Shop in September 2000; deputy general manager of Sichuan Xinhua Publishing and Distribution 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.

**Mr. You Zugang (游祖剛)**, born in October 1962, currently secretary to the Board of the Company, director of Bank of Chengdu and Hainan Phoenix. 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 and Distribution 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 and director of Hainan Phoenix since March 2021. 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 program 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 and Distribution Group from 2000 to May 2005; and chief accountant of Sichuan Xinhua Publishing and Distribution 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 2008 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.

# Profile of Directors, Supervisors, Senior Management and Employees

## IV. PARTICULARS OF EMPLOYEES

### 1. Particulars of Employees

As at 31 December 2020, the Group has a total of 7,633 (31 December 2019: 7,728) 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 Group endeavors to improve and optimize the remuneration policies and remuneration management system for its employees and has built a results performance-based incentive mechanism for the co-development of the enterprise and employees. The standard remuneration benefits of the Group include basic salary, performance-based bonus and benefits. In addition, the Group offers pension, medical, unemployment, work injury, maternity insurance benefits as well as housing provident fund and annuity.

For the year ended 31 December 2020, the total contributions made by the Group for its employees pursuant to the pension plan and annuity plan amounted to RMB107.48 million (2019: RMB152.82 million). For details of these plans, please refer to note (VI)26 to the consolidated financial statements of this annual report.

### 3. Employee Training

The Group attaches great importance to and cares about the growth and development of employees. The Group has built a multi-layer and multi-format training system to provide ongoing training and opportunities for exchange to help them enhance their professional skills and expand their areas of expertise. Based on the objectives and requirements of personnel training that are in line with the corporate strategies, the Group strengthens the training of the talent pool reserves of the Company starting from key positions. The Group strives to help the management expand their business horizon and enhance their business and operational capabilities. At the same time, the Group plans and implements various themed employee ability development activities based on the business development requirements of capabilities and qualities for different levels in order to drive business development with employee capabilities and qualities. During the Year, on the premise of COVID-19 prevention and control, the Group innovated the training model and deepened the training results through online training and organic combination of online and offline training. Throughout the Year, training sessions were organized with an attendance exceeded 20,000 employees. 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 Group endeavors to improve the human resources management system in line with the growth and development of its employees. The Group maintains sound communication with employees, thus building a harmonious labor relationship.

# Environmental, Social and Governance Report

## REPORT DESCRIPTION

The Company believes that sound ESG 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 Company 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 ESG responsibility, actively assumes social responsibility, and promotes the sustainable development of the Company.

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

The ESG report is prepared by the Company in accordance with the Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange.

The ESG report covers the period from 1 January 2020 to 31 December 2020 and the scope of disclosure is consistent with that of the annual report.

## ESG GOVERNANCE

The Company is committed to improving the governance policies and management procedures and strengthening the information disclosure of the Company in the ESG aspects, to ensure that the Company has established an appropriate and effective ESG management system and working mechanism, and to improve the level of governance. In 2020, the Company improved the development of the ESG governance system by building an ESG governance structure compatible with the Company's operation and management to clarify the main duties and responsibilities of ESG at all levels from decision-making to execution, thus forming a standardized management system.

## ESG GOVERNANCE MECHANISM

In 2020, the Company established an ESG leading group, which, under the guidance of the Audit Committee, is responsible for organizing and implementing the Company's ESG management tasks, and reporting the status and achievements of ESG work to the Board and special committees of the Board. The Audit Committee is delegated by the Board to be responsible for ESG management at the Board level, which takes charge of evaluating and determining ESG governance strategies and risks, and organizing ESG management and disclosure.

## 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 ESG responsibilities.

## Environmental, Social and Governance Report

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"> <li>High quality products and services</li> <li>Extensive cultural knowledge input</li> <li>Reading experience enhancement</li> <li>Honest advertising practices</li> </ul>                                | <ul style="list-style-type: none"> <li>Official website, public accounts and other media</li> <li>Customer service hotline</li> <li>Offline stores</li> </ul>                                     | <ul style="list-style-type: none"> <li>Strengthen the management and control of product quality</li> <li>Support and explore outstanding works for publication</li> <li>Establish people-friendly online and offline operational entities and efficient logistics network</li> <li>Optimize customer compliant procedures and understand customers' views</li> </ul> |
| Employees    | <ul style="list-style-type: none"> <li>Equal employment practices</li> <li>Ensure occupational health and safety</li> <li>Statutory remuneration and benefits</li> <li>Provide sound training and career development opportunities</li> </ul> | <ul style="list-style-type: none"> <li>Employee representative meetings</li> <li>Intranet, email, forum and internal publications</li> <li>Online and offline training activities</li> </ul>      | <ul style="list-style-type: none"> <li>Optimize the internal management system including staff recruitment and promotion, respect employees' rights</li> <li>Safeguard the occupational health and safety of employees</li> <li>Provide sound remuneration and benefits</li> <li>Provide diversified training on position skills</li> </ul>                          |
| Shareholders | <ul style="list-style-type: none"> <li>Regulation of corporate governance</li> <li>Steady performance growth</li> <li>Corporate value enhancement</li> </ul>  | <ul style="list-style-type: none"> <li>Shareholders' general meetings</li> <li>Regular reports and temporary announcements</li> <li>Roadshow and other information disclosure channels</li> </ul> | <ul style="list-style-type: none"> <li>Continuously improve internal control and risk management mechanisms</li> <li>Formulate and implement development strategies</li> <li>Ensure transparent and open information disclosure</li> </ul>   |
| Schools      | <ul style="list-style-type: none"> <li>Enhancement of quality and stable supply of textbooks and supplementary materials</li> <li>Education informatization</li> </ul>  | <ul style="list-style-type: none"> <li>Field researches and interviews</li> <li>Teaching seminars</li> </ul>  | <ul style="list-style-type: none"> <li>Develop curriculums and train teachers</li> <li>Establish effective printing, logistics, and education service systems</li> <li>Innovate education informatization</li> </ul>   |

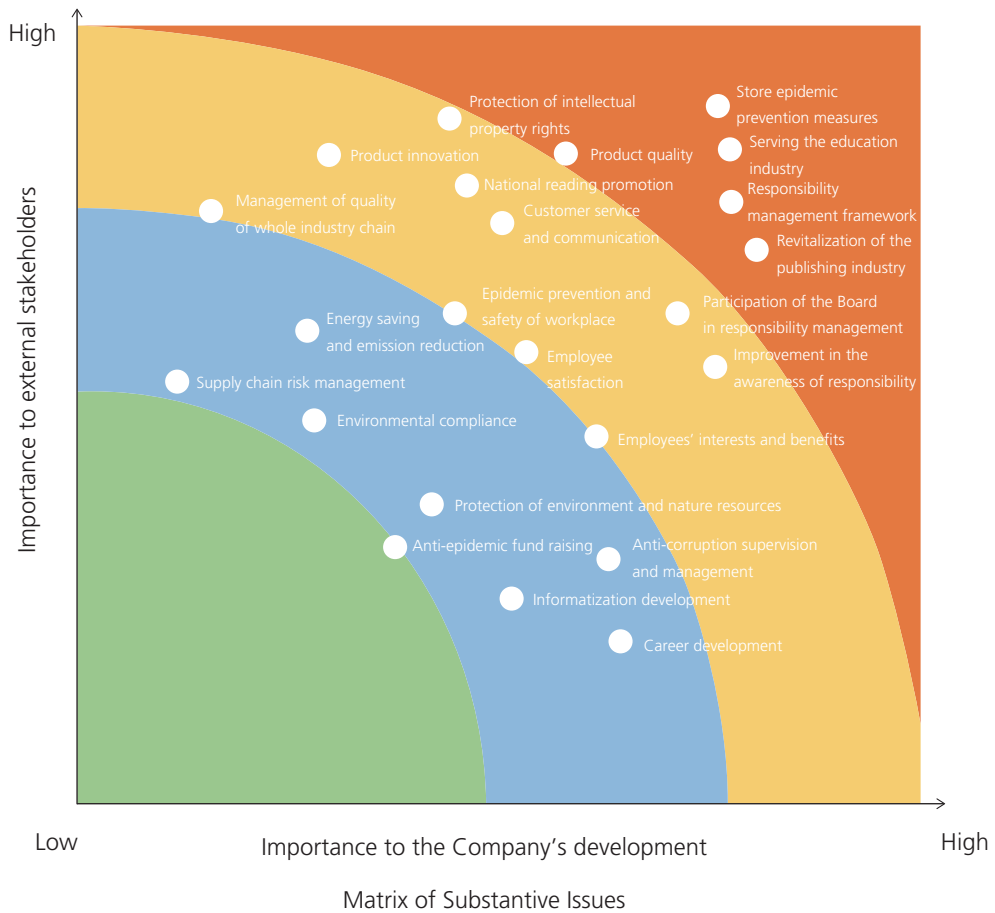
## Environmental, Social and Governance Report

| Stakeholders                          | Expectation   | Means of communication  | Response  |
|---------------------------------------|---|---|---|
| Government and regulatory authorities | <ul style="list-style-type: none"> <li>Compliant operations</li> <li>Revitalization of the cultural industry</li> <li>Support to education</li> <li>Protection of intellectual property rights</li> </ul> | <ul style="list-style-type: none"> <li>Information submission and disclosure</li> <li>Investigation, inspection and supervision</li> <li>Charitable activities</li> </ul> | <ul style="list-style-type: none"> <li>Comply with national laws and regulations and enhance the level of governance</li> <li>Make disclosure in a timely and accurate manner</li> <li>Support the education in deprived regions</li> <li>Strengthen the work of safeguarding intellectual property rights</li> </ul> |
| Partners                              | <ul style="list-style-type: none"> <li>Facilitation of healthy industry development</li> <li>Mutual benefits and joint development</li> </ul>   | <ul style="list-style-type: none"> <li>Peer and enterprise cooperation, exchange and research</li> <li>Industry association</li> <li>Book ordering meeting</li> </ul>     | <ul style="list-style-type: none"> <li>Participate in the promotion of industry standards and specifications</li> <li>Strengthen supplier management and qualification evaluation</li> <li>Build a long-term stable cooperation mechanism</li> </ul>  |
| Community                             | <ul style="list-style-type: none"> <li>Practicing environmental protection and public welfare</li> <li>Developing affordable education</li> </ul>   | <ul style="list-style-type: none"> <li>Carrying out environmental protection and public welfare study tour</li> <li>Organizing community activities</li> </ul>            | <ul style="list-style-type: none"> <li>Strengthen the recycling of resources and reduce waste</li> <li>Carry out diversified community cultural activities</li> </ul>   |
| Environment                           | <ul style="list-style-type: none"> <li>Safeguarding the environment and natural resources</li> <li>Promoting energy conservation and emission reduction</li> </ul>  | <ul style="list-style-type: none"> <li>Environmental inspection</li> <li>Environmental information disclosure</li> </ul>  | <ul style="list-style-type: none"> <li>Practice green procurement</li> <li>Promote environmental protection</li> <li>Promote energy-efficient office and new energy transportation</li> </ul>   |

# Environmental, Social and Governance Report

## 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 analyzed 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. Practicing 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. 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, the Law on the Prevention and Control of Water Pollution, the Law on the Prevention and Control of Environmental Pollution by Solid Waste, the Law on the Prevention and Control of Pollution from Environmental Noise 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 as well as supply chain management of the Company. On the other hand, the Group focuses on developing environmental protection and charitable activities with a view to promoting the sustainable development of the whole society.

### 1.1 Strengthening emission 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 operations; hazardous waste, packaging waste from printing and logistics; as well as domestic waste, domestic sewage from daily office operations. Non-hazardous wastes such as domestic wastes and domestic sewage are handed over to the municipal government for treatment. Scrap wastes generated in the printing process are handed over to original manufacturers for recycling and remanufacturing. Waste lead-acid batteries are recycled, registered and recorded by logistics centers, which will then be stored temporarily in places under supervision of designated personnel. Professional recycling agencies will be selected by way of tender for recycling.

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 centralized 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 2020, Sichuan Xinhua Printing continued to use VOC gas collection treatment facilities, gas hood and dust removal facilities, further reducing atmospheric pollution, and passed the inspection and acceptance of clean production organized by Chengdu Environmental Engineering Appraisal Center. During the Reporting Period, the company produced a total of 24.88 tons of scrap printing boards.

## Environmental, Social and Governance Report

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

| Indicator   | Unit                               | 2020             | 2019      | 2018   |
|---|------------------------------------|------------------|-----------|--------|
| Total water discharge <sup>1</sup>  | 10,000 tons                        | <b>16.93</b>     | 18.04     | 18.18  |
| Sewage discharge per capita   | ton(s)/person                      | <b>22.17</b>     | 23.34     | –      |
| Domestic waste produced   | tons                               | <b>539.93</b>    | 580.47    | 580    |
| Domestic waste produced per capita  | ton(s)/person                      | <b>0.071</b>     | 0.075     | –      |
| Scrap packaging materials produced by the logistics department <sup>2</sup> | tons                               | <b>74</b>        | 56        | 59     |
| Direct greenhouse gas emissions   | tCO <sub>2</sub> equivalent        | <b>2,896.56</b>  | 2,829.79  | 3,202  |
| Indirect greenhouse gas emissions   | tCO <sub>2</sub> equivalent        | <b>15,959.57</b> | 17,333.14 | 15,768 |
| Total greenhouse gas emissions  | tCO <sub>2</sub> equivalent        | <b>18,856.14</b> | 20,162.93 | 18,970 |
| Greenhouse gas emissions per capita   | tCO <sub>2</sub> equivalent/person | <b>2.47</b>      | 2.61      | 2.46   |
| Hazardous waste produced <sup>3</sup>                                       | tons                               | <b>29.05</b>     | 26.49     | 33.06  |
| Hazardous waste produced per capita   | kg/person                          | <b>3.806</b>     | –         | –      |

Notes:

- 1 Estimated with reference to the drainage coefficient of 0.85 in accordance with the “Standard Specifications for Urban Drainage Project Planning” (GB50318-2017)
- 2 Mainly due to the increase in scrap packaging materials as a result of the growth of logistics business
- 3 The amount of hazardous waste produced in 2018 and 2019 was revised based on the actual amount of hazardous solid waste produced using the improved measurement method

### 1.2 Optimizing Resource Utilization

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.

## Environmental, Social and Governance Report

For administrative and office work, the Group requires employees to save water and electricity, and advocates a paperless office and the use of non-disposable tableware in staff canteens. The Group gradually carried out energy-efficient renovation and replacement of lights on some floors of the office building. At the same time, the Group further strengthened energy management and encouraged the use of natural light. During the Reporting Period, the Group replaced 1,244 LED lighting sources in total, which further improved energy utilization efficiency.

The Group strengthens the awareness of energy conservation and consumption reduction in physical stores to effectively monitor the use of energy. The Group encourages stores to keep the operating time of equipment in reasonable control through regular and regional energy use control measures. At the same time, the Group actively responds to the call for “banning the use of non-degradable plastic bags” to prevent the sale and use of non-degradable plastic bags, disposable plastic straws, packaging boxes and packaging bags.

To actively respond to the national call for green and low-carbon travel, in 2020, the Company continued to upgrade its traditional diesel trucks and replace traditional diesel vehicles with electric new energy vehicles. Currently, the coverage of new energy trucks at the headquarters of the Company has reached over 50%. As electric vehicles are not subject to restrictions, the efficiency in transport is greatly improved. In addition, the Company promotes the recycling of resources and achieves emission reduction through the repeated use of packaging materials. During the Reporting Period, approximately 20.94 tons of logistics packaging materials were recycled.

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

| Indicator                                   | Unit                                      | 2020            | 2019     | 2018     |
|---|---|-----------------|----------|----------|
| Electricity consumption                     | 10,000 kWh                                | <b>2,779.92</b> | 2,646.57 | 2,586.00 |
| Gasoline consumption                        | 10,000 L                                  | <b>78.91</b>    | 85.98    | 105.78   |
| Diesel consumption <sup>1</sup>             | 10,000 L                                  | <b>11.44</b>    | 7.96     | 8.95     |
| Natural gas consumption <sup>2</sup>        | 10,000 cubic meters                       | <b>39.21</b>    | 33.47    | 29.44    |
| Total comprehensive energy consumption      | ton(s) of standard coal equivalent        | <b>4,929.46</b> | 4,721.11 | 4,818    |
| Comprehensive energy consumption per capita | ton(s) of standard coal equivalent/person | <b>0.65</b>     | 0.61     | 0.62     |
| Total water consumption                     | 10,000 tons                               | <b>19.91</b>    | 21.23    | 21.39    |
| Water consumption per capita                | ton(s)/person                             | <b>26.09</b>    | 27.47    | 27.70    |
| Packaging materials consumption             | tons                                      | <b>2,314</b>    | 2,272    | 2,351    |

Notes:

- 1 The increase in diesel consumption was due to the growth of third-party logistics business and the consumption of diesel for power generation in the warehouse in Chengdu during power outage
- 2 The increase in natural gas consumption was due to the relocation of the Tianjin warehouse where natural gas consumption was required for real-time heating due to fire-fighting needs to maintain water liquidity

## Environmental, Social and Governance Report

### 1.3 Response to Climate Change

Based on the spirit of comprehensive risk management, the Group identifies the risk factors that may be caused by climate change. Measures such as flood prevention, disaster prevention and relocation are adopted to prevent loss to operations caused by extreme weather. During the Reporting Period, through implementing management measures such as comprehensive investigation of potential risks and improvement of emergency plans, the Group strengthened flood prevention and disaster mitigation during the flood season and prevention of geological disasters to ensure safety and effectively responded to the flood in 2020.

### 1.4 Engaging in Environmental and Public Welfare Undertakings

The Company initiated the “One More Green” public welfare campaign, joined hands with social public welfare groups, held environmental protection seminars, promoted the concept of waste sorting, cultivated the comprehensive quality and social responsibility of students, and launched the popular science video series on epidemic prevention and control and environmental protection knowledge - “One More Green Popular Science Class” through online media channels and platforms such as Sina Weibo.

The Company continued to organize the used book recycling charity event under the “One More Green” campaign where 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”. During the Reporting Period, the Company continued to push ahead the “One More Green” public welfare campaign in a total of 131 branch companies in 18 municipalities across Sichuan Province. Over five million students from more than 6,000 schools in the province participated. 4,981 tons of used books were collected, raising charity funds of RMB4.92 million and 2,725 tons of new paper were produced.



One More Green – Used book “clutter-clearing” event

# Environmental, Social and Governance Report

## 2. Nurturing Top Talents

In addition to optimizing its human resources structure, the Group provides open and equal employment opportunities and conducts open recruitment in accordance with the recruitment process based on job qualifications. The Group 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 to enrich their life.

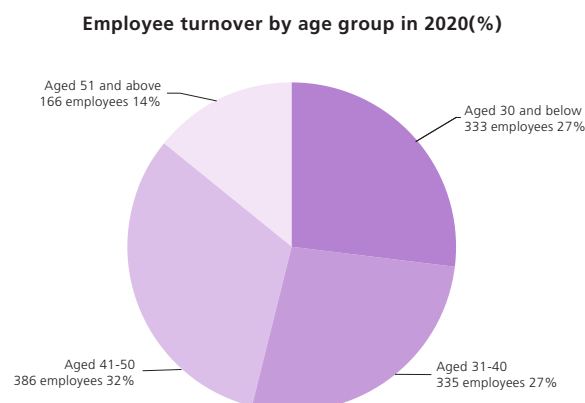
### 2.1 Safeguarding Employees' Rights and Interests

The Group perseveres in equal employment and prohibits employment discrimination and forced labor and child labor in strict compliance with the Labor Law, Labor 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 Labor and other relevant laws and regulations. The Group 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, maximizing the protection of employees' rights and interests. At the same time, with full respect for the opinions of employees and the union, the Group has maintained good communication and has established a harmonious labor relationship.

The Group continuously improves and optimizes its employment policy, remuneration policy and remuneration management system to ensure that employees have reasonable working hours and statutory leave entitlements. 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 7,633 employees in total. A total of 1,220 employees resigned during the Year, including 283 male employees and 937 female employees. The annual employee turnover rate was 16%, of which the male employee turnover rate was 9% and the female employee turnover rate was 22%, which was mainly due to the impact of the epidemic on the operation of commercial supermarket stores, which accelerated the voluntary turnover of employees. In general, the annual net turnover rate of employees was 1.2%, representing a minimal change in the total number of employees as compared with 2019.

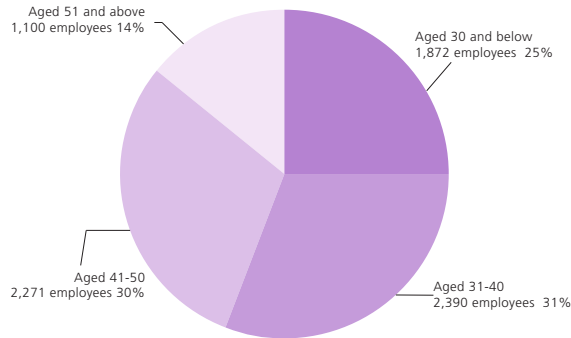
The employee turnover composition for the Year is set out as below:



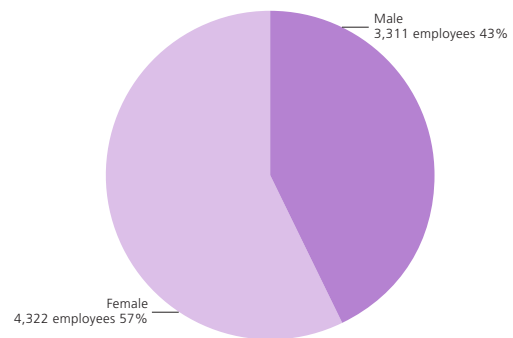
# Environmental, Social and Governance Report

The employee composition for the Year is set out as below:

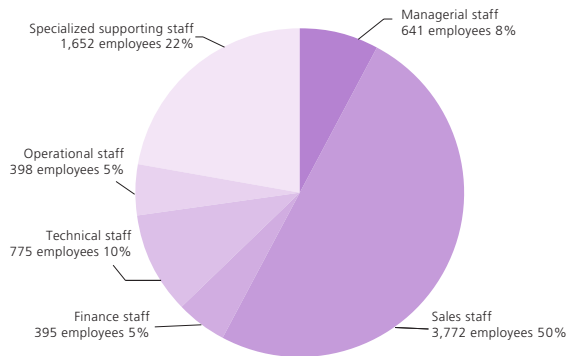
**Number of employees and breakdown by age group in 2020**



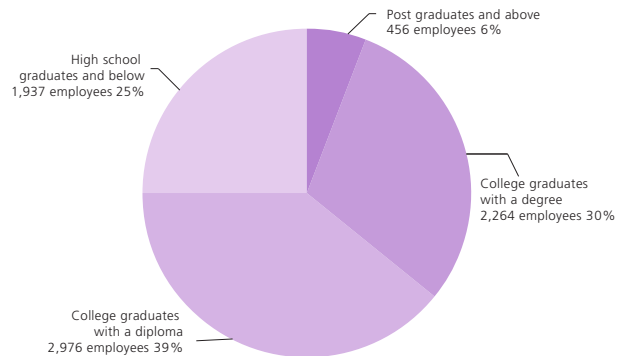
**Number of employees and breakdown by gender in 2020**



**Number of employees and breakdown by profession in 2020**



**Number of employees and breakdown by education in 2020**



## 2.2 Focus on Health and Safety

Abiding by the Law of on Prevention and Control of Occupational Diseases of the People's Republic of China, Provisions on the Supervision and Administration of Occupational Health at Work Sites, Regulation on Work-Related Injury Insurances and other relevant laws and regulations, the Group puts the health and safety of employees as top priority, striving to provide a healthy and safe working environment for employees. The Group organizes 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. In the past three years, the Group did not experience any material health and safety accidents or work-related fatalities.

## Environmental, Social and Governance Report

Sichuan Xinhua Printing, the production unit of the Company, possesses 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, the company carried out fire emergency drills and focused on epidemic prevention and control, so as to provide employees with a healthy and safe working environment. At the same time, the company revised the Management Manual of Quality, Environment and Occupational Health and Safety Management System, implemented the Control Procedures for Identification and Evaluation of Environmental Factors and the Procedures for Identification of Hazard Sources/Risk Evaluation/Risk Management, managed major risks in accordance with the Occupational Health and Safety Target Indicators and Management Proposal, and formulated occupational health and safety targets such as “zero case of occupational contact dermatitis” and “annual increase of employee benefits and labor protection funds by 3‰ per person”.

Attaching great importance to employee care, the Group has established a file of employees in difficulty to comprehensively and truly grasp their situation so that the Group can provide them with effective assistance and timely care for employees who are hospitalized due to sickness or have lost their loved ones. During the Reporting Period, the Group gave away condolence money totalling RMB208,200 to employees in distressed or hospitalized, and purchased the “Employee Hospitalization and Medical Mutual Assistance Insurance” for 6,036 eligible employees, thus providing multiple protections for employees’ health.

### 2.3 Promoting the Development of Employees

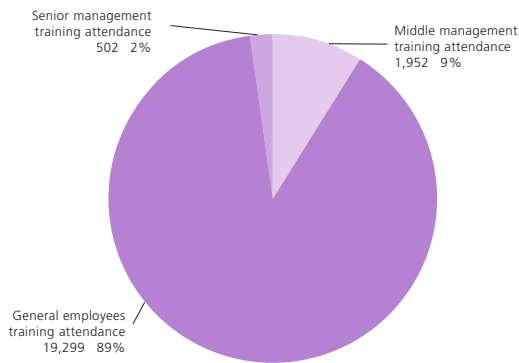
Adhering to the “people-oriented” human resources philosophy and the goal of mutual development of the people and the enterprise, the Group constantly improves the mechanism of selection, appointment, cultivation, incentive and elimination of talents, and takes “optimizing structure and improving ability” as the focus of employee team building to comprehensively build the talent training planning and implementation system. In addition to strengthening the career development of cadre team, the Group implements talent growth plan to proactively reserve talents. Focusing on the introduction of young talents, the Group, through a combination of the Group’s centralized recruitment and independent recruitment from institutions, has introduced a group of talents with outstanding performance in the field of domestic publication and distribution and graduates from leading international and domestic universities for three consecutive years to enrich the talent team and advocate the building of a younger and professional team. The education level structure of employees is also further optimized.

## Environmental, Social and Governance Report

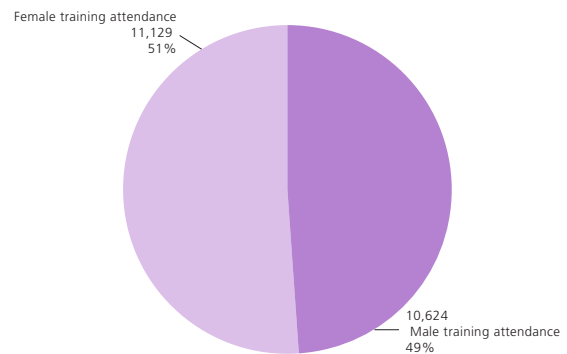
The Group carries out employee training in accordance with the principle of “standardized management and hierarchical organizational implementation”, and has established a multi-level and multi-form training system by continuously optimizing the contents and types of training. In 2020, centering around the “Two Revitalization” strategy and the goal of strengthening the enterprise by talents, the Group strengthened the cultivation of reserve talents in a planned manner. The Group carried out trainings on improving the management capabilities of middle and senior management, assisted the management cadres in operation and management to improve their operation level and management capabilities through various forms, and built a compound management team. We implemented professional post competence training to improve employees’ professional knowledge and skills. General training was organized to improve employees’ general skills and comprehensive quality. In 2020, the cumulative number of training hours of employees throughout the year totalling approximately 86,200 hours and employee training attendance was 21,753 persons.

Training completed during the Year is as follows:

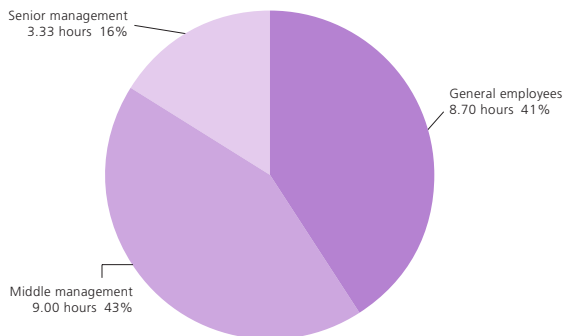
**Employee training attendance by type of employees in 2020**



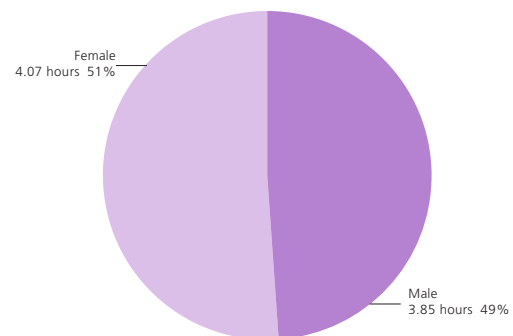
**Employee training attendance by gender of employees in 2020**



**Number of training hours per training attendance by type of employees in 2020**



**Number of training hours per training attendance by gender of employees in 2020**





# Environmental, Social and Governance Report

## 3. Enhancing Product Value

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

The Group strictly abides 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 by upholding the principle of revitalizing the publishing industry while implementing the Group's development concept with focus on premium quality.

#### ➤ *Control over publishing quality*

The Group insists on publishing in strict accordance with the publishing procedures such as "review thrice and proofread thrice", strictly reviews and approves the topics, strengthens the management of the use of book numbers, conducts random checks on the publishing process, and urges each of its publishing houses to establish and improve the publishing quality management system to ensure the quality of publications. In 2020, while strictly exercising the procedures of "review thrice and proofread thrice", the Company reviewed and quality checked 213 genres of finished books cumulatively throughout the year, and carried out random checks on the editing and proofreading process, the quality of contents of new books and the quality of editing and proofreading of its nine book publishers. Publishers were urged to continue to improve their publishing quality management and were required to regularly rectify the existing problems.

#### ➤ *Control over the quality of printed textbooks*

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.

In 2020, Sichuan Publication Printing, a subsidiary of the Company, revised the Measures for Random Check of Quality of Textbooks and Supplementary Materials of Xinhua Winshare and improved the Measures for Quality Management of Printing. In addition, it carried out quality testing and evaluation of textbooks and supplementary materials, and conducted random inspections on a total of 1,156 batches of textbooks and supplementary materials, and tested 485 genres of textbooks and 436 genres of supplementary materials. No substandard batch was identified.

## Environmental, Social and Governance Report

### ➤ *Tracking of feedback on product quality*

As to general books, readers can find a contact number on the copyright page of each book to give feedback on the quality of editing, proofreading, printing and binding. For products with quality issues as to printing and packaging, we ensure timely return and exchange. For editing and proofreading issues reflected by readers, the editorial committee will make revisions during book reprint.

As to textbooks and supplementary materials, the Rules of Assessment of Printing Vendors have been formulated by Sichuan Publication Printing, a production unit of the Company. There is a special complaint hotline which is printed on the copyright page in every book where readers may directly call to file their complaints and feedback so that the Company can trace the quality of printing and packaging of textbooks and supplementary materials to provide users with quality services.

### **3.2 Promoting Digital Development**

The Group is consistently committed to promoting the in-depth integration of information technology and education and teaching. In response to the trend of digital reading, the Group continuously steps up digital development to guide the new experience of smart reading. During the Reporting Period, the Group continued to make efforts in the area of smart education. Leveraging on its accumulated experience in building the education informatization equipment business over the years, the Group 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.

In order to enrich the reading methods of users, the Group continuously strengthened the building of multi-form resources such as audio book reading, audio courses and book videos, further enriched the form of resources, adapted to the changes in users' reading needs, and provided readers with one-stop knowledge services without leaving home. In the course of digital reading development, the Group actively explores and innovates different models, utilizes existing resources, and organizes various reading activities in the form of live streaming, co-reading, Q&A sessions and topic discussions on platforms such as Apps, public accounts and social media groups, so as to continue the reading tradition and guide users to build good reading habits.

## Environmental, Social and Governance Report

### 3.3 Protection of Intellectual Property Rights

While focusing on service improvement, the Group firmly safeguards the legitimate rights and interests of consumers in strict compliance with the Consumer Rights Protection Law to protect consumers' privacy. In accordance with the Brand Planning, Administrative Measures for Brand Building and Trademark Management Measures of the Company, the Group promotes brand management, standardizes the use of trademarks to protect the legitimate rights. At the same time, the Group carries out inspection and provides guidance on the press releases, advertisements, promotional materials and VI systems of various departments to prevent false publicity. In 2020, at the National Cultural and Tourism Creative Product Development Promotion Event cum the first Sichuan Provincial Culture and Creativity Conference jointly organized by the Ministry of Culture and Tourism and the Sichuan Provincial Department of Culture and Tourism, the Company was selected among the "Top 50 Chinese Cultural and Tourism Enterprises by Brand Value for 2020" with a brand value of RMB5,439 million. During the Reporting Period, the Group had 325 trademarks, 23 new trademarks under application and 46 successfully renewed trademarks.

### 3.4 Deepening Supplier Management

While strengthening the management of its own responsibilities, the Group also standardizes 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 ESG-related performance of suppliers to strengthen quality management. The Group maintains good communication with suppliers and promotes green procurement to build a responsible supply chain together. As at the end of the Reporting Period, the Group mainly cooperated with 519 printing houses in total, 219 of them in Sichuan Province and 300 of them outside the province. The Group had a total of 1,136 book suppliers, 127 of them in Sichuan Province and 1,009 of them outside the province.

The Group implements a strict admission mechanism for printing houses, and has formulated a number of management systems in accordance with relevant laws and regulations on the admission qualifications and production specifications of printing houses to be used in regulating their product quality and production cycle. The Group implements a rating mechanism for printing houses to select the qualified printing houses, and assigns the printing business of textbooks and supplementary materials in the form of hierarchical management to exercise control over the quality of printing products. The conditions and production capacity of each printing house are reviewed before the beginning of the quarterly printing season. Cooperation will be terminated for the printing houses whose qualifications have expired or have been revoked and who do not meet the production conditions or are subject to punishment by the competent industry authorities due to violation, and have potential risks due to legal disputes. For printing houses with repeated quality incidents, the printing qualification of textbooks or supplementary materials for the next quarter will be cancelled, and the printing qualification of all products will be revoked directly for those which cannot be rectified. At the same time, the Group vigorously carries out training for quality inspection personnel, and strives to improve product quality by regulating the standardized production of each enterprise and supervising the implementation of production standards.

## Environmental, Social and Governance Report

Putting the green procurement principle into practice, the Group encourages and promotes printing houses to give priority to the use of environmentally friendly products. It is clearly stipulated in the tendering materials that printing houses of textbooks and supplementary materials must furnish the China Environmental Labelling certification, and the materials purchased by the printing houses must be environmentally friendly products. For example, the hot-melt adhesives used in bookbinding must meet the requirements of the Technical Requirement for Environmental Labelling Products about Adhesives (HJ 2541-2016). At the same time, the Company requires its subsidiary Sichuan Printing Materials Co., Ltd. to provide ink and supplies that must have the “ten-ring” China Environmental Labelling certification and to provide materials that are certified to be free of phthalates to reduce the impacts on the environment. The Group will put the list of printing houses 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 Authorization 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-honoring, 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 fulfils the conditions to continue the cooperation or the two parties are not willing to continue the cooperation, the cooperation shall be terminated in accordance with the relevant provisions.

### 4. Anti-corruption

The Group has continuously strengthened risk management and anti-corruption work, establishing systems and adopting measures to create a clean and righteous atmosphere and culture inside and outside the Group. 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 strengthens supervision and control and builds an anti-corruption system by formulating anti-corruption policies, establishing special departments for monitoring, building multiple reporting channels, monitoring important business risks, so as to carry out anti-corruption risk prevention work in a targeted manner.

The Group has adopted a number of measures in compliance and anti-corruption aspects to safeguard integrity operation. In 2020, the Group strictly complied with the relevant requirements of the “Complaint and Reporting System” and “Regulation on the Prevention of Conflicts of Interest” of the Company, paid close attention to the “key minority” and “key focus”, supervised business processes including the bidding and selection processes for prevention in advance. At the same time, the Company conducted multi-dimensional annual integrity evaluation on cadres in accordance with the Company’s Implementation Measures for Evaluation of the Integrity of Cadres.

## Environmental, Social and Governance Report

During the Reporting Period, the Company organized training seminars on “Integrity of Cadres” and “Party Conduct and Integrity Building”, as well as anti-corruption talks for new cadres. The Group promoted anti-corruption-themed education activities in various entities. During the year, the attendance of the themed training and education activities on clean practice, compliant operation, prevention of corruption and anti-corruption was 1,369. During the Reporting Period, there was no litigation in relation to corruption that incurred significant loss and had an impact on the Group’s operations.

### 5. Commitment To Social Responsibility

The Group does its best to bring social benefits generated from the place of operation and fulfills its social responsibilities. The Group 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. In 2020, the Group donated a total of RMB74,602,600 to Sichuan Publication Development Charity Foundation, education charity foundations at all levels and schools etc.

#### 5.1 Efforts to Combat Against COVID-19

Faced with the sudden outbreak of COVID-19, in response to the government’s call, the Group proactively coordinated its resources, fulfilled its responsibilities and made every effort to fight the battle of epidemic prevention and control. Closely following the government’s epidemic work deployment, the Group gave full play to the unique advantages of the publishing and distribution industry, and supported the resumption of work, production and school with practical actions.

In 2020, the Company organized its publishing units to cooperate with Western China Hospital, Chengdu University of Traditional Chinese Medicine and other units, and timely launched more than 20 books related to epidemic prevention and control, and converted these books into electronic version for upload on relevant online platforms which were made available to the public for free reading to spread the knowledge about epidemic prevention and control. In the face of the severe epidemic situation in Wuhan, the Company immediately planned and organized 3,200 books and donated to Wuhan Hanyang Mobile Cabin Hospital to comfort the patients spiritually. During the epidemic, the Group supported “continuing learning during class suspension” and timely provided students across Sichuan Province with a full version of electronic teaching materials for free download to help tens of thousands of students resume school from home, and successfully completed the task of “textbooks ready before class” for 42 consecutive years. When physical bookstores were unable to open for business due to the epidemic, the Group set up the “small window service” in bookstores, and delivered books to readers through online subscriptions and other forms. Meanwhile, in response to the call of the China Audio-video and Digital Publishing Association, the Group cooperated with the Digital Reading Committee to organize the event titled “free reading to overcome the difficulties and win the battle against the epidemic”. The special page of the event was launched simultaneously in “September Online”, “winxuan.com” and “Winshare September” applet, and nearly 300 books were available to users for free download.

## Environmental, Social and Governance Report

### 5.2 Promoting the Excellent Chinese Culture

As an important cultural enterprise in Sichuan Province, the Group shoulders the corporate mission of exploring the publishing potential of Sichuan and promoting the Chinese culture. 2020 was the final year of poverty alleviation. Sichuan People's Publishing House Co., Ltd., a subsidiary of the Company, planned the Battle of Poverty Alleviation – Sichuan Poverty Alleviation Book Series (《决战贫困 – 四川脱贫攻坚书系》) to record the whole picture of poverty alleviation efforts in Sichuan and summarize the achievements of poverty alleviation in Sichuan. The Road of Gulu (《古路之路》) published by its subsidiary, Tiandi Publishing House was shortlisted for the catalogue of selection topics for theme publication and key publication by the Publicity Department of the CPC Central Committee in 2020. The Group rationalized and launched a batch of historical classic and local literature with extremely high inheritance value, among which, the Collection of Chinese Poems and Essays of Ancient Southwest Minorities (Naxi Ethnic Minority Volume) (《古代西南少数民族汉语诗文集丛刊(纳西族卷)》) and the Summary of the General Catalogue of Daoist Canon (Revised) (《新修正统道藏总目提要》) were shortlisted for the projects funded by the National Publication Fund for 2020.

During the Reporting Period, a number of projects received national awards. Among them, the "Cliff Village" (《悬崖村》) was granted the Horse Award at the 12th national ethnic minority literature awards; the "Golden Bird" (《金鸟》) was granted the Bing Xin Children's Literature Award for 2020; and the copyright operation of "Hilarious School Diaries" (《米小圈》) book series was granted the "Best Copyright Practice Award (China) for 2020" by the Copyright Society of China. The "Embroidery and Traditional Clothing Culture of the Uyghur Minority, Hami" (《哈密维吾尔族刺绣与传统服饰文化》) and other national fund projects were rated "Outstanding" upon completion.

The Group promotes cultural prosperity and development and promotes advanced culture. In 2020, the Group organized "2020 Tianfu Book Fair" in an innovative way by means of "integrating online and offline methods with linkage at all levels across the province to organize conventions and exhibitions in parallel regions". At the book fair, over 900,000 genres of high-quality books were exhibited online and offline, with the participation of 34,520,000 online and offline readers and more than 800 online and offline cultural activities, bringing in a grand feast of reading for readers, which facilitated the development of "Bookish Tianfu • National Reading", and enhanced the brand influence of Tianfu Book Fair.



Tianfu Book Fair – City Readers (Season 2) • Pioneer Reading Program

## Environmental, Social and Governance Report

### 5.3 Serving the Education Industry

The Group is committed to serving the education industry with focus on improving the quality of education services, and has carried out a series of activities to support the development of education by capitalizing on the advantages of its principal business. Looking into the future of education, teachers' development is the key. The Group will carry out continuing education and training for teachers in primary and secondary schools, organize teacher training based on pre-school education, nine-year compulsory education, high school education and vocational education with focus on special training such as school management, mental health, subject competence and professional development of teachers. By targeting at the recipients of different teacher training programs, the Group carries out teacher training by means of theme seminars, visits to famous schools, knowledge quizzes, theme forums and other forms.

In 2020, the Company established a joint project team to launch an online training course for high school teachers on National College Entrance Examination preparation, benefiting a total of 24,000 high school teachers. The Group cooperated with the Guangyuan National Demonstration Comprehensive Practice Base and other institutions to carry out special training on labor and practice education, and trained more than 1,200 related personnel. The Company donated RMB2 million to Sichuan Education Foundation where the funds will be specially used for incentives and subsidies provided to teachers in Sichuan Province and to support activities relating to teachers in the spirit of culture and education.

In order to alleviate the difficulty of students being stuck at school during the epidemic, the Company formulated the business idea of campus field trips, and cooperated with some municipalities and counties for pilot run and carried out the First Writing Ceremony and intangible cultural heritage activities in campus. At present, the campus field trips have become an established course program and will be replicated within Sichuan Province. In 2020, more than 4,000 students participated in the course program, which was well received among schools, parents and students. At the same time, the "One More Green: Book Related Field Trip" themed event undertaken by the Company was successfully held as a side event of the "Tianfu Book Fair". Cumulative student enrolment was approximately 15,000. The event organically integrated the "One More Green" public welfare campaign with field trip practice, demonstrating the Company's principle of innovative development and serving the education industry.

The 2020 "Sun Star Public Welfare Campaign" focused on rural school management, teaching quality improvement and cultural development. The Company organized a total of 16 activities, including the "2020 Work Promotion Conference and Sichuan Rural School Revitalization Alliance Meeting", "Sichuan Rural School Revitalization Alliance – Campus series events", "Rural School Principal Research Project" and "Campus Mental Health Counselling". The "Sichuan Rural School Revitalization Alliance" has been expanded to comprise 20 schools and 11 experts.



First Writing Ceremony



"One More Green: Book-Related Field Trip" themed event

# Report of the Supervisory Committee

In 2020, to safeguard and protect the interests of the Company and its Shareholders, the Supervisory Committee effectively supervised the lawful operation, financial position, significant investments of the Company and the performance of duties by the Directors and senior management, and earnestly performed its duties in strictly compliance with the authorities and duties conferred by the Company Law, the Listing Rules, the Articles of Association and other relevant laws and regulations.

## 1. MEETINGS HELD BY THE SUPERVISORY COMMITTEE

During the Year, the Company convened four meetings of the Supervisory Committee. Prior to convening the meetings, the Company was in strict compliance with the requirements of relevant laws and regulations, and sent the meeting notices and materials to the members of the Supervisory Committee within the prescribed time limit. The procedures convening the meetings of the Supervisory Committee and the quorum of the meetings of the Supervisory Committee were in compliance with the relevant requirements of the Company Law and the Articles of Association. During the Year, the Supervisory Committee considered and approved a number of resolutions, including the Company's Report of the Supervisory Committee, the Consolidated Financial Report, the Internal Control Evaluation and Risk Management Assessment Report, the Internal Control Audit Report, the ESG Report, the Profit Distribution Proposal, the Annual Report, the Interim Report, the quarterly results and the Special Report on the Deposit and Actual Use of Proceeds. At the meetings of the Supervisory Committee, the Supervisors 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 earnestly performed its supervisory duties in the interests of the Company and the Shareholders. The Supervisory Committee supervised the legality and compliance of the Company's major decision-making matters, decision-making procedures and the performance of duties by the Directors and senior management through attending the Board meetings and general meetings of the Company during the Year. Through face-to-face communication with the Company's management and annual auditors, reviewing the operation and management information provided by the Company on a regular basis, conducting pre-meeting discussions on the Company's financial reports and issues, the Supervisory Committee supervised the Company's operation and management, internal control risks, financial conditions, investment conditions and business operations. Through on-site investigation and inspection, the Company grasped the status of the assets purchased by the Company. The Supervisory Committee is of the view that the Directors and senior management of the Company performed their duties diligently during the Year. Despite that the physical retailing and publishing business were significantly affected by COVID-19 pandemic in the first quarter of 2020, the Company's annual operating results remained stable and the annual operating targets were fully accomplished. The decision-making procedures of the Board and the general meetings were lawful, and the Board earnestly implemented the resolutions of the general meetings. No violation of the Articles of Association and other laws and regulations or damage to the Company's interests and infringement of Shareholders' interests was found in the course of performance of duties by the Directors and senior management of the Company.



## Report of the Supervisory Committee

### 3. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON CERTAIN MATTERS

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

During the Year, the Supervisory Committee, through supervision and inspection, was of the view that the Board and the management were able to operate and regulate its management in accordance with the relevant laws and regulations of the PRC and the Articles of Association; the operating results were objective and true; and the internal control was effective. The Directors and senior management of the Company were diligent and innovative in making major business decisions, business operation and management. No act of the Directors and senior management of the Company in violation of laws and regulations or detrimental to the interests of the Company and the Shareholders as a whole in performing their duties was identified.

#### (2) Financial position of the Company

During the Year, 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 2020 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 2020, 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.

#### (3) Connected transactions of the Company

The Supervisory Committee attended the meetings of the Board and general meetings to consider the Company's connected transactions, and monitored the deliberation procedures, abstention, disclosure and implementation of the Board meetings and general meetings. It was confirmed that, during the Year, upon approving the connected transactions by the Board and the general meeting, the connected Directors and connected Shareholders had abstained from voting according to the rules and the approval procedures were legitimate. No connected transactions that were not conducted at fair prices and were against the interests of the Company and minority Shareholders was identified.

#### (4) Internal control of the Company

The Supervisory Committee considered and reviewed the Internal Control Evaluation Report for 2020 and Risk Assessment Report for 2020 of the Company, and Deloitte Touche Tohmatsu expressed an unqualified opinion on the Internal Control Audit Report for 2020 upon audit of the Company's internal control for 2020. The Supervisory Committee is of the view that the Company has established a relatively comprehensive internal control system in accordance with the requirements of relevant laws and regulations, which can be effectively implemented. The Internal Control Evaluation Report for 2020 truly and objectively reflected the establishment and operation of the internal control system of the Company.

## Report of the Supervisory Committee

### (5) Actual use of proceeds of the Company

The Supervisory Committee reviewed 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 Year, there was no actual change to the investment projects and no violation regarding the use of proceeds identified by the Company.

The year 2021 is the first year for the implementation of the new strategic planning of the Company. The Supervisory Committee will continue to strengthen its supervisory functions, supervise the daily performance of duties by the Directors and senior management according to laws and regulations. While strengthening the supervision and inspection of the Company's financial and internal control, the Supervisory Committee will promote the Company's lawful operation, regulated operation and sustainable development to effectively safeguard the interests of the Company and the Shareholders.

By order of the Supervisory Committee

**Tang Xiongxing**

*Chairman*

30 March 2021

# Auditor's Report

De Shi Bao (Shen) Zi (21) No. P01583

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# Deloitte.

# 德勤

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

## 1. OPINION

We have audited the financial statements of Xinhua Winshare Publishing and Media Co., Ltd. (hereinafter referred to as "**Xinhua Winshare**"), which comprise the consolidated and parent's balance sheets as at 31 December 2020, the consolidated and parent's income statements, the consolidated and parent's statements of changes in shareholders' equity and the consolidated and parent'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 parent's financial position as of 31 December 2020, and the consolidated and parent's results of operations and consolidated and parent'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 financial statements of the current year. These matters were addressed in the context of our audit of the 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.

## Auditor's Report

De Shi Bao (Shen) Zi (21) No. P01583

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### 3. KEY AUDIT MATTERS *(Continued)*

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

As shown in the Note (VI) 37 to the consolidated financial statements and Note (XVI) 24 to the financial statements of the parent, the revenue generated from the sales of textbooks and supplementary materials by Xinhua Winshare for the current year was RMB4,771,902,200, accounting for a proportion of 53% and 81% of the consolidated and the parent's operating income respectively. Considering that the proportion of the revenue generated from the distribution and sales of textbooks and supplementary materials is significant and the main source of net profit Xinhua Winshare, which affects its key performance indicators, and such sales transactions are frequently occurred and involved with many branches, the inherent risk of misstatement is high. Accordingly, we take into account the recognition for the revenue generated from the sales of textbooks and supplementary materials as a key audit matter in the audit of the consolidated and the parent's financial statements.

With respect to the key audit matter above, our main audit procedures include:

- (1) Test the effectiveness of the key 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 internal 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.
- (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.

# Auditor's Report

De Shi Bao (Shen) Zi (21) No. P01583

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## 4. OTHER INFORMATION

The management of Xinhua Winshare is responsible for other information. The other information comprises the information included in the annual report 2020 of Xinhua Winshare, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

The management of Xinhua Winshare is responsible for the preparation of the financial statements that give a fair view in accordance with Accounting Standards for Business Enterprises, and designing, implementing and maintaining the internal control that is necessary to enable the preparation of 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.

## Auditor's Report

De Shi Bao (Shen) Zi (21) No. P01583

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### 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.

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.

## Auditor's Report

De Shi Bao (Shen) Zi (21) No. P01583

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

*(Continued)*

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*

**Ouyang Qianli**

30 March 2021

*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 2020

RMB

| ITEM  | Notes   | Balance at the end of the current year | Balance at the end of the prior year |
|---|---------|--|--------------------------------------|
| <b>Current Assets:</b>                      |         |  |                                      |
| Cash and bank balances                      | (VI) 1  | <b>5,785,974,800.85</b>                | 3,512,103,793.03                     |
| Held-for-trading financial assets           | (VI) 2  | <b>6,510,463.20</b>                    | 1,280,006,671.94                     |
| Notes receivable                            | (VI) 3  | <b>4,344,936.39</b>                    | 2,218,450.46                         |
| Accounts receivable                         | (VI) 4  | <b>1,586,906,258.90</b>                | 1,761,441,147.35                     |
| Financing receivables                       | (VI) 5  | <b>6,201,191.14</b>                    | 7,007,859.79                         |
| Prepayments                                 | (VI) 6  | <b>77,465,227.71</b>                   | 58,181,516.90                        |
| Other receivables                           | (VI) 7  | <b>103,776,291.44</b>                  | 104,061,715.50                       |
| Inventories                                 | (VI) 8  | <b>2,130,621,634.21</b>                | 2,157,448,334.24                     |
| Non-current assets due within one year      | (VI) 10 | <b>181,722,570.04</b>                  | 125,609,106.15                       |
| Other current assets                        | (VI) 9  | <b>86,231,460.17</b>                   | 77,122,753.65                        |
| <b>Total Current Assets</b>                 |         | <b>9,969,754,834.05</b>                | 9,085,201,349.01                     |
| <b>Non-current Assets:</b>                  |         |  |                                      |
| Long-term receivables                       | (VI) 10 | <b>313,418,082.51</b>                  | 350,957,672.37                       |
| Long-term equity investments                | (VI) 11 | <b>717,889,546.28</b>                  | 449,653,943.26                       |
| Other equity instrument investments         | (VI) 12 | <b>1,446,798,951.64</b>                | 1,409,845,288.08                     |
| Other non-current financial assets          | (VI) 13 | <b>680,880,618.26</b>                  | 527,436,409.71                       |
| Investment properties                       | (VI) 14 | <b>86,104,385.12</b>                   | 68,648,805.99                        |
| Fixed assets                                | (VI) 15 | <b>2,009,270,646.85</b>                | 1,322,693,949.23                     |
| Construction in progress                    | (VI) 16 | <b>37,670,169.58</b>                   | 626,686,549.71                       |
| Right-of-use assets                         | (VI) 17 | <b>447,482,542.47</b>                  | 437,964,136.29                       |
| Intangible assets                           | (VI) 18 | <b>355,813,424.01</b>                  | 367,011,714.16                       |
| Development cost                            |         | <b>18,870,289.43</b>                   | 15,224,896.49                        |
| Goodwill                                    | (VI) 19 | <b>500,571,581.14</b>                  | 500,590,036.14                       |
| Long-term prepaid expenses                  | (VI) 20 | <b>12,194,296.86</b>                   | 24,642,631.46                        |
| Deferred tax assets                         | (VI) 21 | <b>21,183,296.95</b>                   | 16,124,167.44                        |
| Other non-current assets                    | (VI) 22 | <b>350,933,345.43</b>                  | 121,821,923.19                       |
| <b>Total Non-current Assets</b>             |         | <b>6,999,081,176.53</b>                | 6,239,302,123.52                     |
| <b>TOTAL ASSETS</b>                         |         | <b>16,968,836,010.58</b>               | 15,324,503,472.53                    |
| <b>Current Liabilities:</b>                 |         |  |                                      |
| Notes payable                               | (VI) 23 | <b>45,838,225.28</b>                   | 14,054,710.75                        |
| Accounts payable                            | (VI) 24 | <b>4,550,158,695.76</b>                | 4,315,781,514.83                     |
| Contract liabilities                        | (VI) 25 | <b>442,825,006.30</b>                  | 376,701,382.73                       |
| Employee benefits payable                   | (VI) 26 | <b>472,779,571.05</b>                  | 418,106,174.73                       |
| Taxes payable                               | (VI) 27 | <b>64,081,630.88</b>                   | 49,032,631.64                        |
| Other payables                              | (VI) 28 | <b>655,979,050.64</b>                  | 297,303,824.56                       |
| Non-current liabilities due within one year | (VI) 30 | <b>103,865,186.60</b>                  | 93,885,902.56                        |
| Other current liabilities                   | (VI) 29 | <b>176,472,136.88</b>                  | 172,783,579.12                       |



## Consolidated Balance Sheet

At 31 December 2020

RMB

| ITEM   | Notes   | Balance at the end of the current year | Balance at the end of the prior year |
|--|---------|--|--------------------------------------|
| <b>Total Current Liabilities</b>   |         | <b>6,511,999,503.39</b>                | 5,737,649,720.92                     |
| <b>Non-current Liabilities:</b>  |         |  |                                      |
| Lease liabilities  | (VI) 30 | <b>357,266,005.19</b>                  | 353,248,365.44                       |
| Deferred income  | (VI) 31 | <b>45,644,566.05</b>                   | 58,755,458.63                        |
| Deferred tax liabilities   | (VI) 21 | <b>25,775,918.61</b>                   | 54,883,601.32                        |
| <b>Total Non-current Liabilities</b>   |         | <b>428,686,489.85</b>                  | 466,887,425.39                       |
| <b>TOTAL LIABILITIES</b>   |         | <b>6,940,685,993.24</b>                | 6,204,537,146.31                     |
| <b>Shareholders' Equity:</b>   |         |  |                                      |
| Share capital  | (VI) 32 | <b>1,233,841,000.00</b>                | 1,233,841,000.00                     |
| Capital reserve  | (VI) 33 | <b>2,572,524,766.32</b>                | 2,572,524,766.32                     |
| Other comprehensive income   | (VI) 34 | <b>1,016,266,307.50</b>                | 979,297,859.83                       |
| Surplus reserve  | (VI) 35 | <b>897,647,684.81</b>                  | 792,353,770.15                       |
| Retained profits   | (VI) 36 | <b>4,416,564,721.94</b>                | 3,629,232,391.16                     |
| <b>Total Shareholder's Equity Attributable to Equity Holders of the Parent</b> |         | <b>10,136,844,480.57</b>               | 9,207,249,787.46                     |
| <b>Non-controlling Interests</b>   |         | <b>(108,694,463.23)</b>                | (87,283,461.24)                      |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>  |         | <b>10,028,150,017.34</b>               | 9,119,966,326.22                     |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>                              |         | <b>16,968,836,010.58</b>               | 15,324,503,472.53                    |

The accompanying notes form part of the financial statements.

The financial statements on pages 111 to 123 were signed by the following:

**He Zhiyong**  
Legal Representative

**Zhu Zaixiang**  
Chief Accountant

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

# The Parent's Balance Sheet

At 31 December 2020

RMB

| ITEM                                   | Notes    | Balance at the end of the current year | Balance at the end of the prior year |
|--|----------|--|--------------------------------------|
| <b>Current Assets:</b>                 |          |  |                                      |
| Cash and bank balances                 | (XVI) 1  | <b>4,242,822,636.99</b>                | 2,643,010,670.59                     |
| Held-for-trading financial assets      |          | <b>10,463.20</b>                       | 1,130,006,671.94                     |
| Accounts receivables                   | (XVI) 2  | <b>747,625,909.48</b>                  | 761,232,857.11                       |
| Financing receivables                  |          | –                                      | 996,802.16                           |
| Prepayments                            | (XVI) 3  | <b>32,837,225.54</b>                   | 15,731,020.78                        |
| Other receivables                      | (XVI) 4  | <b>894,926,509.15</b>                  | 943,677,036.44                       |
| Inventories                            | (XVI) 5  | <b>606,090,436.19</b>                  | 1,005,488,071.76                     |
| Non-current assets due within one year |          | <b>73,255,497.75</b>                   | 37,854,904.23                        |
| Other current assets                   | (XVI) 6  | <b>55,991,778.32</b>                   | 51,787,766.66                        |
| <b>Total Current Assets</b>            |          | <b>6,653,560,456.62</b>                | 6,589,785,801.67                     |
| <b>Non-current Assets:</b>             |          |  |                                      |
| Long-term receivables                  |          | <b>37,035,834.38</b>                   | 126,256,199.31                       |
| Long-term equity investments           | (XVI) 7  | <b>3,995,119,165.77</b>                | 3,461,665,665.81                     |
| Other equity instrument investments    |          | <b>1,445,640,000.00</b>                | 1,408,627,200.00                     |
| Other non-current financial assets     |          | <b>194,250,814.72</b>                  | 111,887,206.48                       |
| Investment properties                  | (XVI) 8  | <b>18,988,319.25</b>                   | 19,888,509.27                        |
| Fixed assets                           | (XVI) 9  | <b>1,610,059,313.35</b>                | 895,397,065.87                       |
| Construction in progress               |          | <b>37,624,145.99</b>                   | 626,640,526.12                       |
| Right-of-use assets                    | (XVI) 10 | <b>419,981,564.62</b>                  | 403,799,157.21                       |
| Intangible assets                      | (XVI) 11 | <b>139,554,152.63</b>                  | 144,754,357.02                       |
| Development cost                       |          | <b>5,999,999.83</b>                    | 2,399,999.93                         |
| Long-term prepaid expenses             | (XVI) 12 | <b>3,958,856.56</b>                    | 11,132,727.93                        |
| Other non-current assets               | (XVI) 13 | <b>846,577,507.43</b>                  | 601,698,374.42                       |
| <b>Total Non-current Assets</b>        |          | <b>8,754,789,674.53</b>                | 7,814,146,989.37                     |
| <b>TOTAL ASSETS</b>                    |          | <b>15,408,350,131.15</b>               | 14,403,932,791.04                    |

## The Parent's Balance Sheet

At 31 December 2020

RMB

| ITEM  | Notes    | Balance at the end of the current year | Balance at the end of the prior year |
|---|----------|--|--------------------------------------|
| <b>Current Liabilities:</b>                       |          |  |                                      |
| Accounts payable                                  | (XVI) 14 | <b>4,089,235,914.59</b>                | 4,321,954,237.88                     |
| Contract liabilities                              | (XVI) 15 | <b>302,958,716.24</b>                  | 274,971,650.68                       |
| Employee benefits payable                         | (XVI) 16 | <b>324,066,777.71</b>                  | 274,810,728.97                       |
| Taxes payable                                     | (XVI) 17 | <b>20,890,204.76</b>                   | 18,572,632.61                        |
| Other payables                                    | (XVI) 18 | <b>1,009,009,072.32</b>                | 596,955,023.80                       |
| Non-current liabilities due within one year       | (XVI) 19 | <b>93,769,873.33</b>                   | 76,800,069.97                        |
| Other current liabilities                         |          | <b>49,560,392.77</b>                   | 46,538,568.99                        |
| <b>Total Current Liabilities</b>                  |          | <b>5,889,490,951.72</b>                | 5,610,602,912.90                     |
| <b>Non-current Liabilities:</b>                   |          |  |                                      |
| Leased liabilities                                | (XVI) 19 | <b>345,311,476.37</b>                  | 338,778,490.39                       |
| Deferred income                                   |          | <b>5,796,044.62</b>                    | 6,599,375.93                         |
| <b>Total Non-current Liabilities</b>              |          | <b>351,107,520.99</b>                  | 345,377,866.32                       |
| <b>TOTAL LIABILITIES</b>                          |          | <b>6,240,598,472.71</b>                | 5,955,980,779.22                     |
| <b>Shareholders' Equity:</b>                      |          |  |                                      |
| Share capital                                     | (VI) 32  | <b>1,233,841,000.00</b>                | 1,233,841,000.00                     |
| Capital reserve                                   | (XVI) 20 | <b>2,631,057,328.10</b>                | 2,631,057,328.10                     |
| Other comprehensive income                        | (XVI) 21 | <b>1,017,913,006.10</b>                | 980,900,206.10                       |
| Surplus reserve                                   | (XVI) 22 | <b>896,812,934.68</b>                  | 791,519,020.02                       |
| Retained profits                                  | (XVI) 23 | <b>3,388,127,389.56</b>                | 2,810,634,457.60                     |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                 |          | <b>9,167,751,658.44</b>                | 8,447,952,011.82                     |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> |          | <b>15,408,350,131.15</b>               | 14,403,932,791.04                    |

# Consolidated Income Statement

For the year ended 31 December 2020

RMB

| ITEM   | Notes   | Amount recognized<br>in the current year | Amount recognized<br>in the prior year |
|--|---------|--|--|
| I. Operating income  | (VI) 37 | <b>9,008,056,554.27</b>                  | 8,842,457,723.79                       |
| Less: Operating costs  | (VI) 37 | <b>5,453,686,898.97</b>                  | 5,459,861,693.69                       |
| Taxes and levies   | (VI) 38 | <b>49,186,093.62</b>                     | 43,269,701.89                          |
| Selling expenses   | (VI) 39 | <b>1,184,329,784.17</b>                  | 1,119,679,106.03                       |
| Administrative expenses  | (VI) 40 | <b>1,204,845,480.50</b>                  | 1,253,975,538.01                       |
| Research and development expenditure                                   |         | <b>3,038,699.13</b>                      | 3,255,571.48                           |
| Finance expenses   | (VI) 41 | <b>(45,819,600.44)</b>                   | (32,980,965.18)                        |
| Including: Interest expenses   |         | <b>22,163,954.57</b>                     | 19,440,321.87                          |
| Interest income  |         | <b>78,064,013.41</b>                     | 58,193,235.03                          |
| Add: Other income  | (VI) 42 | <b>91,859,820.38</b>                     | 105,188,714.79                         |
| Investment income  | (VI) 43 | <b>169,637,327.24</b>                    | 208,902,018.79                         |
| Including: Income from investments in<br>associates and joint ventures |         | <b>67,083,656.84</b>                     | 81,036,355.76                          |
| Gains from changes in fair values                                      | (VI) 44 | <b>101,627,007.34</b>                    | 37,980,059.49                          |
| Gain/(loss) on credit impairment                                       | (VI) 45 | <b>(144,517,397.58)</b>                  | (111,030,436.96)                       |
| Gain/(loss) on asset impairment  | (VI) 46 | <b>(68,594,494.90)</b>                   | (60,917,237.10)                        |
| Gains on disposal of assets  |         | <b>255,029.19</b>                        | 3,870,076.62                           |
| II. Operating profit   |         | <b>1,309,056,489.99</b>                  | 1,179,390,273.50                       |
| Add: Non-operating income  | (VI) 47 | <b>20,438,948.12</b>                     | 11,917,025.61                          |
| Less: Non-operating expenses   | (VI) 48 | <b>78,329,940.29</b>                     | 42,469,999.88                          |
| III. Total profit  |         | <b>1,251,165,497.82</b>                  | 1,148,837,299.23                       |
| Less: Income tax expenses  | (VI) 49 | <b>8,170,550.61</b>                      | 24,172,075.12                          |
| IV. Net profit   |         | <b>1,242,994,947.21</b>                  | 1,124,665,224.11                       |
| (1) Categorized by the nature of continuing<br>Operation               |         |  |  |
| 1. Profit from continuing operations                                   |         | <b>1,242,994,947.21</b>                  | 1,124,665,224.11                       |
| 2. Profit from discontinued operations                                 |         | –  | –                                      |
| (II) Categorized by ownership:   |         |  |  |
| 1. Net profit attributable to shareholders<br>of the parent            |         | <b>1,262,778,545.44</b>                  | 1,139,047,561.12                       |
| 2. Net loss attributable to<br>non-controlling interests               |         | <b>(19,783,598.23)</b>                   | (14,382,337.01)                        |

## Consolidated Income Statement

For the year ended 31 December 2020

RMB

| ITEM  | Notes   | Amount recognized<br>in the current year | Amount recognized<br>in the prior year |
|---|---------|--|--|
| V. Other comprehensive income, net of tax   | (VI) 34 | <b>36,968,447.67</b>                     | (42,209,008.00)                        |
| Other comprehensive income attributable to shareholders of the parent, net of tax |         | <b>36,968,447.67</b>                     | (42,209,008.00)                        |
| (I) Other comprehensive income not reclassified to profit or loss                 |         | <b>36,968,447.67</b>                     | (42,209,008.00)                        |
| 1. Changes in other equity instrument investment at fair value                    |         | <b>36,968,447.67</b>                     | (42,209,008.00)                        |
| Other comprehensive income attributable to non-controlling interests, net of tax  |         | –  | –                                      |
| VI. Total comprehensive income  |         | <b>1,279,963,394.88</b>                  | 1,082,456,216.11                       |
| Total comprehensive income attributable to shareholders of the parent             |         | <b>1,299,746,993.11</b>                  | 1,096,838,553.12                       |
| Total comprehensive income attributable to non-controlling interests              |         | <b>(19,783,598.23)</b>                   | (14,382,337.01)                        |
| VII. Earnings per share:  |         |  |  |
| (I) Basic earnings per share  | (VI) 50 | <b>1.02</b>                              | 0.92                                   |
| (II) Diluted earnings per share   |         | <b>N/A</b>                               | N/A                                    |

# The Parent's Income Statement

For the year ended 31 December 2020

RMB

| ITEM   | Notes    | Amount recognized<br>in the current year | Amount recognized<br>in the prior year |
|--|----------|--|--|
| I. Operating income  | (XVI) 24 | <b>5,866,537,203.90</b>                  | 5,324,183,952.54                       |
| Less: Operating costs  | (XVI) 24 | <b>3,455,626,187.18</b>                  | 3,067,558,495.26                       |
| Taxes and levies   | (XVI) 25 | <b>28,517,556.96</b>                     | 22,696,091.62                          |
| Selling expenses   | (XVI) 26 | <b>889,030,643.95</b>                    | 817,565,970.62                         |
| Administrative expenses  | (XVI) 27 | <b>892,681,526.78</b>                    | 933,574,761.92                         |
| Research and development expenditure   |          | –  | 11,904.76                              |
| Finance expenses   | (XVI) 28 | <b>(31,479,644.27)</b>                   | (17,586,613.79)                        |
| Including: Interest expenses   |          | <b>27,799,034.03</b>                     | 24,862,167.43                          |
| Interest income  |          | <b>65,920,544.56</b>                     | 44,711,316.10                          |
| Add: Other income  | (XVI) 29 | <b>9,468,459.58</b>                      | 11,120,509.90                          |
| Investment income  | (XVI) 30 | <b>510,565,092.17</b>                    | 442,848,431.37                         |
| Including: Income from investments in<br>associates and joint ventures         |          | <b>22,445,468.17</b>                     | 21,585,357.85                          |
| Gains from changes in fair values  |          | <b>82,548,995.50</b>                     | 19,910,686.76                          |
| Gain/(loss) on credit impairment   | (XVI) 31 | <b>(85,944,434.08)</b>                   | (39,222,111.38)                        |
| Gain/(loss) on asset impairment  | (XVI) 32 | <b>(27,612,906.72)</b>                   | (84,867,650.08)                        |
| Gains on disposal of assets  |          | <b>186,827.46</b>                        | 2,567,623.67                           |
| II. Operating profit   |          | <b>1,121,372,967.21</b>                  | 852,720,832.39                         |
| Add: Non-operating income  | (XVI) 33 | <b>7,862,946.38</b>                      | 1,541,922.51                           |
| Less: Non-operating expenses   | (XVI) 34 | <b>76,296,766.97</b>                     | 41,408,642.91                          |
| III. Total profit  |          | <b>1,052,939,146.62</b>                  | 812,854,111.99                         |
| Less: Income tax expenses  |          | –  | –                                      |
| IV. Net profit   |          | <b>1,052,939,146.62</b>                  | 812,854,111.99                         |
| (I) Net profit from continuing operations                                      |          | <b>1,052,939,146.62</b>                  | 812,854,111.99                         |
| (II) Net profit from discontinued operations                                   |          | –  | –                                      |
| V. Other comprehensive income, net of tax                                      | (XVI) 21 | <b>37,012,800.00</b>                     | (42,208,000.00)                        |
| (I) Other comprehensive income not<br>reclassified to profit or loss           |          | <b>37,012,800.00</b>                     | (42,208,000.00)                        |
| 1. Changes in other equity instrument<br>investment at fair value              |          | <b>37,012,800.00</b>                     | (42,208,000.00)                        |
| (II) Other comprehensive income that will be<br>reclassified to profit or loss |          | –  | –                                      |
| VI. Total comprehensive income:  |          | <b>1,089,951,946.62</b>                  | 770,646,111.99                         |

# Consolidated Cash Flow Statement

For the year ended 31 December 2020

RMB

| ITEM   | Notes      | Amount recognized<br>in the current year | Amount recognized<br>in the prior year |
|--|------------|--|--|
| <b>I. Cash Flows from Operating Activities:</b>  |            |  |  |
| Cash receipts from the sale of goods and the rendering of services                               |            | <b>9,588,783,630.79</b>                  | 8,952,187,684.21                       |
| Receipts of tax refunds  |            | <b>36,166,173.62</b>                     | 60,860,279.90                          |
| Other cash receipts relating to operating activities   | (VI) 51(1) | <b>223,123,233.54</b>                    | 129,831,662.50                         |
| Sub-total of cash inflows from operating activities  |            | <b>9,848,073,037.95</b>                  | 9,142,879,626.61                       |
| Cash payments for goods purchased and services received  |            | <b>5,556,870,229.85</b>                  | 5,375,936,171.42                       |
| Cash payments to and on behalf of employees  |            | <b>1,169,624,684.09</b>                  | 1,158,611,572.77                       |
| Payments of various types of taxes   |            | <b>153,537,186.56</b>                    | 120,693,746.06                         |
| Other cash payments relating to operating activities   | (VI) 51(2) | <b>1,149,235,646.98</b>                  | 1,123,227,616.74                       |
| Sub-total of cash outflows from operating activities   |            | <b>8,029,267,747.48</b>                  | 7,778,469,106.99                       |
| Net Cash Flow from Operating Activities  | (VI) 52(1) | <b>1,818,805,290.47</b>                  | 1,364,410,519.62                       |
| <b>II. Cash Flows from Investing Activities:</b>   |            |  |  |
| Cash receipts from disposals and recovery of investments   |            | <b>3,310,783,519.96</b>                  | 1,957,525,803.19                       |
| Cash receipts from investment income   |            | <b>188,342,215.83</b>                    | 110,970,093.25                         |
| Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets   |            | <b>2,963,890.24</b>                      | 9,381,280.95                           |
| Other cash receipts relating to investing activities   | (VI) 51(3) | <b>81,760,506.83</b>                     | 61,455,393.92                          |
| Sub-total of cash inflows from investing activities  |            | <b>3,583,850,132.86</b>                  | 2,139,332,571.31                       |
| Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets |            | <b>246,466,701.71</b>                    | 155,645,880.26                         |
| Cash payments to acquire investments   |            | <b>2,065,455,965.68</b>                  | 1,942,738,561.22                       |
| Other cash payments relating to investing activities   | (VI) 51(4) | <b>240,000,000.00</b>                    | 134,000,000.00                         |
| Sub-total of cash outflows from investing activities   |            | <b>2,551,922,667.39</b>                  | 2,232,384,441.48                       |
| Net Cash Flow from Investing Activities  |            | <b>1,031,927,465.47</b>                  | (93,051,870.17)                        |

# Consolidated Cash Flow Statement

For the year ended 31 December 2020

RMB

| ITEM  | Notes      | Amount recognized<br>in the current year | Amount recognized<br>in the prior year |
|---|------------|--|--|
| <b>III. Cash Flows from Financing Activities:</b>   |            |  |  |
| Cash receipts from capital contributions  |            | –  | 3,000,000.00                           |
| Including: Cash receipts from capital contributions from non-controlling shareholders of subsidiaries         |            | –  | 3,000,000.00                           |
| Sub-total of cash inflows from financing activities   |            | –  | 3,000,000.00                           |
| Cash payments for distribution of dividends and profits and settlement of interest expenses                   |            | <b>370,534,292.38</b>                    | 370,620,994.77                         |
| Including: Payments for distribution of dividends and profits to non-controlling shareholders of subsidiaries |            | <b>318,070.11</b>                        | 277,173.17                             |
| Other cash payments relating to financing activities  | (VI) 51(5) | <b>133,263,621.06</b>                    | 86,531,160.25                          |
| Sub-total of cash outflows from financing activities  |            | <b>503,797,913.44</b>                    | 457,152,155.02                         |
| Net Cash Flow from Financing Activities   |            | <b>(503,797,913.44)</b>                  | (454,152,155.02)                       |
| <b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>                               |            | –  | –                                      |
| <b>V. Net Increase in Cash and Cash Equivalents</b>   | (VI) 52(1) | <b>2,346,934,842.50</b>                  | 817,206,494.43                         |
| Add: Opening balance of Cash and Cash Equivalents   | (VI) 52(2) | <b>3,393,906,225.68</b>                  | 2,576,699,731.25                       |
| <b>VI. Closing Balance of Cash and Cash Equivalents</b>   | (VI) 52(2) | <b>5,740,841,068.18</b>                  | 3,393,906,225.68                       |



# The Parent's Cash Flow Statement

For the year ended 31 December 2020

RMB

| ITEM   | Notes       | Amount recognized<br>in the current year | Amount recognized<br>in the prior year |
|--|-------------|--|--|
| <b>I. Cash Flows from Operating Activities:</b>  |             |  |  |
| Cash receipts from the sale of goods and the rendering of services                               |             | <b>5,988,749,521.64</b>                  | 5,595,907,872.94                       |
| Other cash receipts relating to operating activities   | (XVI) 35(1) | <b>196,294,620.92</b>                    | 98,186,081.41                          |
| Sub-total of cash inflows from operating activities  |             | <b>6,185,044,142.56</b>                  | 5,694,093,954.35                       |
| Cash payments for goods purchased and services received  |             | <b>3,145,344,317.76</b>                  | 2,831,406,656.37                       |
| Cash payments to and on behalf of employees  |             | <b>788,376,932.64</b>                    | 770,789,595.22                         |
| Payments of various types of taxes   |             | <b>26,844,348.53</b>                     | 23,175,919.50                          |
| Other cash payments relating to operating activities   | (XVI) 35(2) | <b>889,432,639.47</b>                    | 838,820,577.44                         |
| Sub-total of cash outflows from operating activities   |             | <b>4,849,998,238.40</b>                  | 4,464,192,748.53                       |
| Net Cash Flow from Operating Activities  | (XVI) 36(1) | <b>1,335,045,904.16</b>                  | 1,229,901,205.82                       |
| <b>II. Cash Flows from Investing Activities:</b>   |             |  |  |
| Cash receipts from disposals and recovery of investments   |             | <b>2,073,562,426.22</b>                  | 1,625,768,010.54                       |
| Cash receipts from investment income   |             | <b>90,029,335.67</b>                     | 103,663,073.52                         |
| Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets   |             | <b>1,220,692.77</b>                      | 4,977,273.57                           |
| Net cash receipts from disposals of subsidiaries and other business units                        |             | <b>4,143,331.54</b>                      | –                                      |
| Other cash receipts relating to investing activities   |             | <b>324,410,115.86</b>                    | 152,627,436.42                         |
| Sub-total of cash inflows from investing activities  |             | <b>2,493,365,902.06</b>                  | 1,887,035,794.05                       |
| Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets |             | <b>218,455,812.20</b>                    | 96,856,830.34                          |
| Cash payments to acquire investments   |             | <b>1,143,380,830.22</b>                  | 1,508,418,561.22                       |
| Other cash payments relating to investing activities   |             | <b>360,000,000.00</b>                    | 274,000,000.00                         |
| Sub-total of cash outflows from investing activities   |             | <b>1,721,836,642.42</b>                  | 1,879,275,391.56                       |
| Net Cash Flow from Investing Activities  |             | <b>771,529,259.64</b>                    | 7,760,402.49                           |

## The Parent's Cash Flow Statement

For the year ended 31 December 2020

RMB

| ITEM  | Notes       | Amount recognized<br>in the current year | Amount recognized<br>in the prior year |
|---|-------------|--|--|
| <b>III. Cash Flows from Financing Activities:</b>   |             |  |  |
| Other cash receipts relating to financing activities  |             | 120,000,000.00                           | 124,000,000.00                         |
| Sub-total of cash inflows from financing activities   |             | 120,000,000.00                           | 124,000,000.00                         |
| Cash payments for distribution of dividends and profits and settlement of interest expenses |             | 377,144,937.04                           | 377,079,705.54                         |
| Other cash payments relating to financing activities  |             | 175,598,150.94                           | 170,606,604.09                         |
| Sub-total of cash outflows from financing activities  |             | 552,743,087.98                           | 547,686,309.63                         |
| Net Cash Flow from Financing Activities   |             | (432,743,087.98)                         | (423,686,309.63)                       |
| <b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>             |             | –  | –                                      |
| <b>V. Net Increase in Cash and Cash Equivalents</b>   | (XVI) 36(1) | 1,673,832,075.82                         | 813,975,298.68                         |
| Add: Opening balance of Cash and Cash Equivalents   | (XVI) 36(2) | 2,561,250,163.76                         | 1,747,274,865.08                       |
| <b>VI. Closing Balance of Cash and Cash Equivalents</b>                                     | (XVI) 36(2) | 4,235,082,239.58                         | 2,561,250,163.76                       |

# Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2020

RMB

| ITEM  | Amount for the current year                       |                  |                            |                 |                  |                           |                            |
|---|---|------------------|----------------------------|-----------------|------------------|---------------------------|----------------------------|
|   | Equity attributable to shareholders of the parent |                  |                            |                 |                  |                           |                            |
|   | Share capital                                     | Capital reserve  | Other comprehensive income | Surplus reserve | Retained profits | Non-controlling interests | Total shareholders' equity |
| I. 1 January 2020   | 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           |
| II. Changes for the current year                          |   |                  |                            |                 |                  |                           |                            |
| (I) Total comprehensive income                            | -   | -                | 36,968,447.67              | -               | 1,262,778,545.44 | (19,783,598.23)           | 1,279,963,394.88           |
| (II) Shareholders' contributions and reduction in capital |   |                  |                            |                 |                  |                           |                            |
| 1. Others   | -   | -                | -                          | -               | -                | (1,309,333.65)            | (1,309,333.65)             |
| (III) Profit distribution                                 |   |                  |                            |                 |                  |                           |                            |
| 1. Transfer to surplus reserve                            | -   | -                | -                          | 105,293,914.66  | (105,293,914.66) | -                         | -                          |
| 2. Distributions to shareholders                          | -   | -                | -                          | -               | (370,152,300.00) | (318,070.11)              | (370,470,370.11)           |
| III. 31 December 2020                                     | 1,233,841,000.00                                  | 2,572,524,766.32 | 1,016,266,307.50           | 897,647,684.81  | 4,416,564,721.94 | (108,694,463.23)          | 10,028,150,017.34          |

RMB

| ITEM  | Amount for the prior year                         |                  |                            |                 |                  |                           |                            |
|---|---|------------------|----------------------------|-----------------|------------------|---------------------------|----------------------------|
|   | Equity attributable to shareholders of the parent |                  |                            |                 |                  |                           |                            |
|   | Share capital                                     | Capital reserve  | Other comprehensive income | Surplus reserve | Retained profits | Non-controlling interests | Total shareholders' equity |
| 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           |

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

For the year ended 31 December 2020

RMB

| Item                             | Amount for the current year |                  |                            |                 |                  | Total shareholders' equity |
|----------------------------------|-----------------------------|------------------|----------------------------|-----------------|------------------|----------------------------|
|                                  | Share capital               | Capital reserve  | Other comprehensive income | Surplus reserve | Retained profits |                            |
| I. 1 January 2020                | 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           |
| II. Changes for the current year |                             |                  |                            |                 |                  |                            |
| (I) Total comprehensive income   | -                           | -                | 37,012,800.00              | -               | 1,052,939,146.62 | 1,089,951,946.62           |
| (II) Profit distribution         |                             |                  |                            |                 |                  |                            |
| 1. Transfer to surplus reserve   | -                           | -                | -                          | 105,293,914.66  | (105,293,914.66) | -                          |
| 2. Distributions to shareholders | -                           | -                | -                          | -               | (370,152,300.00) | (370,152,300.00)           |
| III. 31 December 2020            | 1,233,841,000.00            | 2,631,057,328.10 | 1,017,913,006.10           | 896,812,934.68  | 3,388,127,389.56 | 9,167,751,658.44           |

RMB

| Item                             | Amount for the prior 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           |

# Notes to the Financial Statements

For the year ended 31 December 2020

## (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 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**", formerly known as Sichuan Xinhua Winshare Chain Co., Ltd.), collectively sponsored by Sichuan Xinhua Publishing and Distribution Group Co., Ltd. (formerly known as Sichuan Xinhua Publishing Group Co., Ltd.) ("**Sichuan Xinhua Publishing and Distribution Group**"), Chengdu Huasheng (Group) Industry Co., Ltd., Sichuan Daily Newspaper Group Co., Ltd., Sichuan Cultural Industry Investment Group Co., Ltd. (formerly known as Sichuan Publication Group Co., Ltd., "**Sichuan Cultural Investment Group**"), 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.

In accordance with resolutions made on 7th meeting of the second session of the Board on 20 August 2010, the Company was renamed from "Sichuan Xinhua Winshare Chain Co., Ltd." to "Xinhua Winshare Publishing and Media Co., Ltd."

On 30 May 2007, the Company publicly offered 401,761,000 shares of overseas listed foreign shares ("**H Shares**") (including overallotment) in Hong Kong and was listed on the Hong Kong Stock Exchange. Upon completion of issuance, the share capital of the Company was changed to 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 share ("**A Shares**") to the public on 8 August 2016 and was listed on the Shanghai Stock Exchange. Upon the completion of IPO, the share capital of the Company changed into RMB1,233,841,000.00.

The legal representative of the Company is He Zhiyong. The registered address of the Company is 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 2020

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

### 1. **Company Overview** *(Continued)*

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; 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 and Distribution Group. The de facto controller of the Company is State-owned Assets Supervision and Administration Commission of Sichuan Province (“**Sichuan SASAC**”).

### 2. **Scope of Consolidation of Financial Statements**

The Company’s consolidated financial statements and the parent’s financial statements were approved by the Board of the Company on 30 March 2021.

Details of the scope of the consolidation of financial statements for the current year are set out in Note (VIII) “INTERESTS IN OTHER ENTITIES”. Details of the change in the scope of the consolidation of financial statements for the current year are set out in Note (VII) “CHANGE IN SCOPE OF CONSOLIDATION”.

# Notes to the Financial Statements

For the year ended 31 December 2020

## (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 2020, 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.

# Notes to the Financial Statements

For the year ended 31 December 2020

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

### **Basis of accounting and principle of measurement** *(Continued)*

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.

## (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

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

The financial statements are prepared by the Company in accordance with ASBE, and present truly and completely, the Company's consolidated financial position and the parent's financial position as at 31 December 2020, and the Company's consolidated results of operations and the parent's results and operations, the Company's consolidated changes in shareholders' equity and the parent's changes in shareholders' equity and the Company's consolidated cash flows and the parent's cash flows for the year 2020.

### **2. Accounting period**

The Group has adopted the Gregorian 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.



# Notes to the Financial Statements

For the year ended 31 December 2020

## (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

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.

#### 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.

# Notes to the Financial Statements

For the year ended 31 December 2020

## (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 *(Continued)*

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.

### 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 are 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.

## Notes to the Financial Statements

For the year ended 31 December 2020

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

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

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 parent 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 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.

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 parent owners' equity 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.

# Notes to the Financial Statements

For the year ended 31 December 2020

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

### 7. Classification of joint arrangements

A joint arrangement is classified into joint operation and joint venture, depending on the rights and obligations of the parties to the arrangement, which is assessed by considering the structure and the legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement.

The Group's joint arrangements are joint ventures. The Group accounts for investments in joint ventures using equity method. Refer to Note (III) 14.3.2 "Long-term equity investments accounted for using the equity method" for details.

### 8. Recognition criteria of cash and cash equivalents

Cash comprises the Group's 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.

### 9. Transactions denominated in foreign currencies

#### 9.1 Transactions denominated in foreign currencies

A foreign currency transaction is recorded, on initial recognition, by applying the spot exchange rate on the date of the transaction.

At the balance sheet date, foreign currency monetary items are translated into the functional currency 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, save as: (1) exchange differences relating to a special borrowing denominated in foreign currency qualified for capitalization are capitalized as part of the cost of the relevant asset during the capitalization period; (2) exchange differences relating to hedging instruments for the purpose of hedging against foreign currency risks are accounted for using hedge accounting; (3) exchange differences arising from changes in the carrying amounts (other than amortized cost) of monetary items classified at FVTOCI are recognized in other comprehensive income.

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.

# Notes to the Financial Statements

For the year ended 31 December 2020

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

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

#### 9.2 Translation of financial statements denominated in foreign currencies

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.

### 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 "Revenue Standard"), accounts receivable recognized shall be measured at transaction price defined based on the Revenue Standard on initial recognition.

# Notes to the Financial Statements

For the year ended 31 December 2020

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

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

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).

#### 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 etc.

The contract terms 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. Such financial assets with a maturity of more than one year since acquisition are presented as other debt investments, and those with a maturity of one year or less since the balance sheet date are presented as non-current assets due within one year. The accounts receivable and notes receivable classified at FVTOCI at the time of acquisition are presented as financing receivables, and other items with a maturity of one year or less at the time of acquisition are presented as other current assets.

## Notes to the Financial Statements

For the year ended 31 December 2020

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

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

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

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.

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.

Save as derivative financial assets, 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.

# Notes to the Financial Statements

For the year ended 31 December 2020

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

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

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

##### 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 2020

## (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 fair value through other comprehensive income (FVTOCI)

Except that impairment losses or gains relating to financial assets classified as at FVTOCI and interest income calculated using the effective interest method are included 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.

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.

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

Financial assets at FVTPL 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 2020

## (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, lease receivables 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, long-term receivables, notes receivable and financing receivables arising from transactions regulated by the Revenue Standard and operating lease receivables arising from transactions regulated by the Accounting Standards for Business Enterprises No. 21 – Lease 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 at FVTOCI, the Group recognizes credit loss allowance in other comprehensive income, without reducing the carrying amount of the financial assets presented in the balance sheet.

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.

# Notes to the Financial Statements

For the year ended 31 December 2020

## (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

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

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

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

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

# Notes to the Financial Statements

For the year ended 31 December 2020

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

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

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

##### 10.2.2 Credit-impaired financial assets

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

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

##### 10.2.3 Recognition of ECL

The Group recognizes credit loss for deposits and security deposits receivable and long-term receivables on an individual basis and recognizes credit loss of related financial instruments for accounts receivable and other receivables other than deposits and security deposits on a collective 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, the date of initial recognition, remaining contractual maturity and industry of debtor etc.

# Notes to the Financial Statements

For the year ended 31 December 2020

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

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

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

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

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 lease receivables, 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 2020

## (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.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, and it retains control of the financial asset, the Group continues to recognize the financial asset transferred to the extent of its continuing involvement and recognizes the relevant liabilities correspondingly. The Group measures the relevant liabilities in the following ways:

- If the financial asset transferred is measured at amortized cost, the carrying amount of the relevant liabilities is equal to the carrying amount of the financial asset transferred with continuing involvement less the amortized cost of the rights retained by the Group (if the Group retains relevant rights due to the transfer of financial assets) plus the amortized cost of the obligations undertaken by the Group (if the Group assumes relevant obligations due to the transfer of financial assets), and the relevant liabilities are not designated as financial liabilities at fair value through profit or loss.
- If the transferred financial asset is measured at fair value, the carrying amount of the relevant liabilities is equal to the carrying amount of the financial asset transferred with continuing involvement less the fair value of the rights retained by the Group (if the Group retains relevant rights due to the transfer of financial assets) plus the fair value of the obligations assumed by the Group (if the Group assumes relevant obligations due to the transfer of financial assets), and the fair value of the rights and obligations is measured on an individual basis.

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.

# Notes to the Financial Statements

For the year ended 31 December 2020

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

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

#### 10.3 Transfer of financial assets *(Continued)*

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.

##### *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, other payables, etc.

##### 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.

# Notes to the Financial Statements

For the year ended 31 December 2020

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

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

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

##### 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.

#### 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.



## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 11. Financing receivables

Notes receivable classified at FVTOCI with a maturity of one year or less since acquisition are presented as financing receivables, whereas notes receivable with a maturity of more than one year since acquisition are presented as other debt investments. See note 10 for the relevant accounting policies.

#### 12. Inventories

##### 12.1 Categories of inventories

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

##### 12.2 Valuation method of inventories upon delivery

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

##### 12.3 Basis for determining net realizable value of inventories and provision methods for impairment 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 impairment 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 impairment 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 impairment is determined on an aggregate basis.

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

# Notes to the Financial Statements

For the year ended 31 December 2020

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

### 12. Inventories *(Continued)*

#### 12.3 Basis for determining net realizable value of inventories and provision methods for impairment of inventories *(Continued)*

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

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

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

#### 12.4 Inventory count system

The perpetual inventory system is maintained for stock system.

#### 12.5 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 2020

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

#### 13. Assets held for sale

Non-current assets and disposal groups are classified as held for sale category when the Group recovers the book value through a sale (including an exchange of non-monetary assets that has commercial substance) rather than continuing use.

Non-current assets or disposal groups classified as held for sale are required to satisfy the following conditions at the same time: (1) the asset or disposal group is available for immediate sale in its present condition subject to terms that are usual and customary for sales of such asset or disposal group; (2) the sale is highly probable, i.e. the Group has made a resolution about a selling plan and obtained a confirmed purchase commitment and the sale is expected to be completed within one year.

Non-current assets or disposal groups classified as held for sale are measured at the lower of the book value and the net amount of the fair value less the cost of disposal. Where the carrying amount is higher than the net amount of fair value less the cost of disposal, the carrying amount should be reduced to the net amount of fair value less the cost of disposal, and such reduction is recognized as impairment loss of assets and included in profit or loss for the period. In the meantime, provision for impairment of held-for-sale assets is made. When there is increase in the net amount of fair value of non-current assets held for sale less the cost of disposal at the subsequent balance sheet date, the original deduction should be reversed from impairment loss of assets recognized after the classification as held for sale, and the reversed amount is included in profit or loss for the period. The impairment loss of assets recognized before the classification as held for sale is not reversed.

Non-current assets or non-current assets within disposal groups classified as held for sale are not depreciated or amortized, and the interests and other costs of liabilities of disposal group classified as held for sale continue to be recognized.

All or part of equity investments in an associate or joint venture are classified as held-for-sale assets. For the part that is classified as held for sale, it is no longer accounted for using the equity method since the date of the classification.

# Notes to the Financial Statements

For the year ended 31 December 2020

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

### 14. Long-term equity investments

#### 14.1 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.

#### 14.2 Determination of initial investment cost

For a long-term equity investment acquired through a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment is the attributable share of the carrying amount of the owners' equity of the acquiree in the consolidated financial statements at the date of combination. Where the initial investment cost differs from the amount of cash paid, the carrying amount of non-cash assets transferred and liabilities incurred or assumed, 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.

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 cost.

## Notes to the Financial Statements

For the year ended 31 December 2020

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

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

##### 14.3 Subsequent measurement and recognition of profit or loss

###### 14.3.1 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 parent's 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.

###### 14.3.2 Long-term equity investment accounted for using the equity method

Except for investments in associates and joint ventures which are wholly or partially classified as assets held for sale, 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 2020

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

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

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

##### 14.3.2 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.

#### 14.4 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 2020

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

#### 15. 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 policy for the investment property which is consistent with that for buildings.

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.

#### 16. Fixed assets

##### 16.1 Recognition criteria

Fixed assets are tangible assets that are produced and held for use in the production and sale of goods or provision of 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 2020

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

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

#### 16.2 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.

#### 16.3 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.

### 17. 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.



## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 18. Intangible assets

##### 18.1 Valuation method, useful life and impairment test of intangible assets

Intangible assets include land use rights, software, patents, 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  |
| 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) "19. Impairment of long-term assets".

# Notes to the Financial Statements

For the year ended 31 December 2020

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

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

#### 18.2 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 2020

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

#### 19. 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.

#### 20. 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.

#### 21. 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. Contract assets and contract liabilities under the same contract are presented on a net basis.

# Notes to the Financial Statements

For the year ended 31 December 2020

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

### 22. Employee benefits

#### 22.1 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.

#### 22.2 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.

#### 22.3 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 termination benefits provided due to proposed termination of employment or proposed downsizing; 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 2020

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

#### 23. 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.

#### 24. Revenue

Revenue of the Group is primarily from following business categories:

- (1) Sales of textbooks and supplementary materials where textbooks and supplementary materials are mainly sold by taking orders from education system and primary and middle schools.
- (2) Sales of general books where books are sold through wholesales and direct channels to end clients, such as retail stores and the Internet (including self-owned and third party electronic commercial platform), etc.
- (3) Education informatized and equipment business where the Group purchases software and hardware primarily from third parties, and integrates them to provide integrated solutions for the schools.
- (4) Printing services and supply of materials, which mainly comprises the sales of all kinds of paper and small quantities of printing machinery.
- (5) Concessionaire sales, which 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 2020

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

#### 24. 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 2020

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

#### 24. 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 date, 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 without 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 2020

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

### 24. Revenue *(Continued)*

#### **Significant financing component**

If the contract includes significant financing component (including education informatized 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 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 2020

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

#### 25. 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.

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

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

A government grant related to an asset is recognized as deferred income, and amortized to profit or loss for the period on a straight-line basis over the useful life of the related asset.

##### 25.2 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 2020

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

### 26. Deferred tax assets/deferred tax liabilities

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

#### 26.1 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.

#### 26.2 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.

# Notes to the Financial Statements

For the year ended 31 December 2020

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

### 26. Deferred tax assets/deferred tax liabilities *(Continued)*

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

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

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

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

#### 26.3 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 2020

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

### 27. 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.

#### 27.1 The Group as lessee

##### 27.1.1 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 the *Accounting Standards for Business Enterprises No. 8 – Asset Impairment* and applies accounting treatment on the impairment loss identified accordingly.

## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 27. Lease *(Continued)*

##### 27.1 The Group as lessee *(Continued)*

###### 27.1.2 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 (deducting 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.

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.

# Notes to the Financial Statements

For the year ended 31 December 2020

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

### 27. Lease *(Continued)*

#### 27.1 The Group as lessee *(Continued)*

##### 27.1.2 Lease liabilities *(Continued)*

In the following circumstances 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.

##### 27.1.3 Short-term leases

For short-term leases under premises for office and operation, 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.

##### 27.1.4 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.

## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 27. Lease *(Continued)*

##### 27.1 The Group as lessee *(Continued)*

###### 27.1.4 Lease modification *(Continued)*

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.

##### 27.2 The Group as lessor

###### 27.2.1 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.

###### 27.2.2 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.

# Notes to the Financial Statements

For the year ended 31 December 2020

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

### 28. Changes in significant accounting policies

#### 28.1 ASBE Interpretation No.13

On 10 December 2019, the MoF issued the ASBE Interpretation No.13 (“**Interpretation No.13**”) based on the document Cai Kuai [2019] No. 21. Firstly, Interpretation No.13 further supplements ASBE No. 36 – Related Party Disclosures and clarifies the circumstances that constitute a related party as follows: (1) if the entity is a joint venture or associate of the enterprise and other member companies of its affiliated group (including the parent and subsidiaries); (2) if the entity is a joint venture of the enterprise and other joint venture or associate of the enterprise. Secondly, Interpretation No.13 amends ASBE No. 20 – Business Combinations to clarify the definition of a business, provide guidance on whether the process of processing treatment is substantive, and introduce an optional concentration test for simplified assessment purpose. None of these developments has had a material effect on the Group’s and the Company’s financial statements for the year ended 31 December 2020.

#### 28.2 Accounting treatment requirements for rent concessions related to COVID-19 epidemic

On 19 June 2020, the MoF issued the “Provisions on the Accounting Treatment of COVID-19 Related Rent Concessions” based on the document Cai Kuai [2020] No. 10 (the “**Circular No. 10**”), which stipulates that the enterprise may conduct accounting treatment in accordance with ASBE No. 21 – Leases if the rent concessions meet certain conditions, or select to adopt the simplified method as stipulated in Circular No. 10 for accounting treatment. If the enterprise selects to adopt the simplified method for accounting treatment, it is not necessary to evaluate whether there is a lease modification or re-evaluate the lease classification. The enterprise shall apply such selection consistently to similar lease contracts and shall not change at as it wishes.

Except as a lessor which the Circular No. 10 does not apply, the Group has determined to apply the simplified approach to all rent concessions to the extent applicable. The impact of relevant rent concessions using the simplified method on the Group’s current profit and loss for 2020 is as follows:

| Item                       | <i>RMB</i>            |
|----------------------------|-----------------------|
|                            | 2020                  |
| Administrative expenses    | <b>(1,270,011.77)</b> |
| Income tax expenses        | –                     |
| Net profit                 | <b>1,270,011.77</b>   |
| Total comprehensive income | <b>1,270,011.77</b>   |



## Notes to the Financial Statements

For the year ended 31 December 2020

### (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.

#### 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 impairment of inventories

The Group determines provisions for impairment of inventories on the basis of the estimates of net realizable value of inventories. Judgements and estimates shall be applied in measuring provisions for impairment 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

The Group tests at least annually whether goodwill has suffered any impairment, and when there is any indication that goodwill may be impaired, the Group shall also perform impairment test. When performing the impairment test, goodwill shall be allocated to the corresponding asset group or asset groups, and the future cash flow generated by the asset group or asset groups shall be estimated, and an appropriate discount rate shall be selected to determine the present value of the future cash flow.

# Notes to the Financial Statements

For the year ended 31 December 2020

## (V) TAXES

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

| Category of tax                       | Basis of tax calculation | Tax rate        |
|---------------------------------------|--------------------------|-----------------|
| Value-added tax                       | Note                     | 13%, 9%, 6%, 3% |
| City maintenance and construction tax | Turnover tax paid        | 7%, 5%          |
| 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 recognized as per relevant tax laws.

### 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, 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 Cultural Communication Co., Ltd. ("**Sichuan Cultural Communication**") and the Company's thirteen publishing houses enjoy enterprise income tax exemption for five years from 1 January 2019.

As approved and confirmed by Chengdu Development and Reform Commission pursuant to its government approval letter [2016] No.38, the Company's subsidiary, Sichuan Winshare Education Technology Co., Ltd. ("**Winshare Education Technology**"), which 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), is subject to the enterprise income tax calculated at the rate of 15% of the assessable income. Beijing Aerospace Cloud Education Technology Co., Ltd. ("**Beijing Aerospace Cloud**"), a subsidiary of the Company, which obtained the high-tech enterprise certificate of No. GR201911008465 on 2 December 2019, is subject to the enterprise income tax calculated at 15% of the assessable income.

#### Value-added tax

In accordance with the *Notice on Persistently Promoting Cultural Value-added Tax Preferential Policies* (Cai Shui [2018] No. 53) issued by MoF and State Administration of Taxation, the Group enjoys the following value-added tax preferential policies: (1) for the period from 1 January 2018 to 31 December 2020, the Group is entitled to 100% refund upon levy and 50% refund upon levy of value-added tax for its publications; (2) for period from 1 January 2018 through 31 December 2020, the Group is exempt from value-added tax on the wholesale and retail of books.

## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 1. Cash and bank balances

| Item                 | Balance at the end of the current year |               |                  | Balance at the end of the prior year |               |                  |
|----------------------|--|---------------|------------------|--------------------------------------|---------------|------------------|
|                      | Amounts of the original currencies     | Exchange rate | Amount in RMB    | Amounts of the original currencies   | Exchange rate | Amount in RMB    |
| Cash on hand:        |  |               |                  |                                      |               |                  |
| RMB                  | 2,033,235.17                           | 1.0000        | 2,033,235.17     | 2,569,899.73                         | 1.0000        | 2,569,899.73     |
| Bank balances:       |  |               |                  |                                      |               |                  |
| RMB (Note 1)         | 5,737,135,430.61                       | 1.0000        | 5,737,135,430.61 | 3,468,962,227.91                     | 1.0000        | 3,468,962,227.91 |
| USD                  | 18,346.38                              | 6.5249        | 119,708.29       | 22,988.19                            | 6.9762        | 160,370.24       |
| EUR                  | 85.27                                  | 8.0250        | 684.29           | 85.27                                | 7.8155        | 666.43           |
| HKD                  | 35,578.73                              | 0.8416        | 29,943.06        | 27,371.58                            | 0.8958        | 24,519.46        |
| Other currency funds |  |               |                  |                                      |               |                  |
| RMB (Note 2)         | 46,655,799.43                          | 1.0000        | 46,655,799.43    | 40,386,109.26                        | 1.0000        | 40,386,109.26    |
| Total                |  |               | 5,785,974,800.85 |                                      |               | 3,512,103,793.03 |

*Note 1:* At the end of the current year, the bank balances include 3-month above term deposits and accrued interests amounting to RMB1,678,331,780.82 (31 December 2019: RMB81,760,506.83) with an interest rate ranging from 1.95% to 3.85%. During the current year, the management held the term deposit with the intention of flexible arrangement of funds and withdrew funds at any time depending on the capital needs.

*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 RMB1,522,066.76 (31 December 2019: RMB3,949,048.74), and the rest are restricted currency funds. Restricted currency funds are set out in Note (VI) 53.

# Notes to the Financial Statements

For the year ended 31 December 2020

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

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

| Item                                       | <i>RMB</i>   |  |
|--|--|--|
|  | Balance at the end<br>of the current year<br>Carrying amount | Balance at the end<br>of the prior year<br>Carrying amount |
| Financial assets at FVTPL (Note)           | <b>6,510,463.20</b>  | 1,280,006,671.94   |
| Including: Bank wealth management products | <b>6,500,000.00</b>  | 1,280,000,000.00   |
| Investment in A-share listed companies     | <b>10,463.20</b>   | 6,671.94   |
| Total                                      | <b>6,510,463.20</b>  | 1,280,006,671.94   |

*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

| Category                    | <i>RMB</i>                                |   |
|-----------------------------|---|---|
|                             | Balance at the end<br>of the current year | Balance at the end<br>of the prior year |
| Commercial acceptance bills | <b>4,344,936.39</b>                       | 2,218,450.46                            |

## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 4. Accounts receivable

##### (1) Disclosure by aging

| Aging                                       | Balance at the end of the current year |            |                       |                  | Balance at the end of the prior year |            |                       |                  |
|---|--|------------|-----------------------|------------------|--------------------------------------|------------|-----------------------|------------------|
|   | Amount                                 | Percentage | Credit loss provision | Carrying amount  | Amount                               | Percentage | Credit loss provision | Carrying amount  |
|   |  | (%)        |                       |                  |                                      | (%)        |                       |                  |
| Within 1 year                               | 1,692,271,225.55                       | 81.12      | 201,121,723.66        | 1,491,149,501.89 | 1,849,180,130.42                     | 87.29      | 144,259,504.85        | 1,704,920,625.57 |
| More than 1 year but not exceeding 2 years  | 233,683,796.55                         | 11.20      | 137,927,039.54        | 95,756,757.01    | 136,342,076.79                       | 6.44       | 79,821,555.01         | 56,520,521.78    |
| More than 2 years but not exceeding 3 years | 63,142,430.17                          | 3.03       | 63,142,430.17         | -                | 56,242,467.72                        | 2.65       | 56,242,467.72         | -                |
| More than 3 years                           | 97,111,418.39                          | 4.65       | 97,111,418.39         | -                | 76,780,471.03                        | 3.62       | 76,780,471.03         | -                |
| Total                                       | 2,086,208,870.66                       | 100.00     | 499,302,611.76        | 1,586,906,258.90 | 2,118,545,145.96                     | 100.00     | 357,103,998.61        | 1,761,441,147.35 |

RMB

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.

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

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

## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 4. Accounts receivable (Continued)

##### (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 | Balance at the end of the current year | Aging                                     | As a percentage of the total accounts receivable (%) | Closing balance of credit loss provision |
|--|-------------------------------|--|---|--|--|
| People's Education Press Co., Ltd.   | Third party                   | 120,502,705.86                         | Within 1 year,<br>1-2 years               | 5.78   | 3,598,932.36                             |
| Education Technology and Sports Bureau of Pingchang County                   | Third party                   | 78,852,108.05                          | Within 1 year,<br>1-2 years,<br>2-3 years | 3.78   | 26,072,296.12                            |
| Science and Technology Bureau of Dongpo District, Meishan City               | Third party                   | 69,455,790.12                          | 1-2 years                                 | 3.33   | 2,209,467.97                             |
| Sichuan Longyang Tianfu New District Construction Investment Co., Ltd.       | Third party                   | 35,223,903.84                          | Within 1 year,<br>1-2 years               | 1.69   | 468,726.70                               |
| Education and Technical Equipment Institute of Enyang District, Bazhong City | Third party                   | 25,254,795.80                          | Within 1 year,<br>1-2 years,<br>2-3 years | 1.21   | 9,138,585.75                             |
| Total  |                               | 329,289,303.67                         |   | 15.79  | 41,488,008.90                            |

#### 5. Financing receivables

##### (1) Classification of financing receivables

*RMB*

| Item  | Balance at the end of the current year | Balance at the end of the prior year |
|---|--|--------------------------------------|
| Bank acceptance bills measured at fair value (Note 1) | 6,201,191.14                           | 7,007,859.79                         |

## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 5. Financing receivables (Continued)

##### (2) Financing receivables endorsed by the Group at the end of year and not yet due as at 30 December 2020

| Item  | RMB                                     |   |
|---|---|---|
|   | Amounts derecognized at the end of year | Amounts not yet derecognized at the end of year |
| Bank acceptance bills measures at fair value (Note 2) | <b>26,888,870.21</b>                    | –   |

*Note 1:* In the process of managing corporate liquidity, the Group would endorse the transfer of some of its bank acceptance bills, and derecognize 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, the bank acceptance bills receivable under such business model 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 2020, the Group had bank acceptance bills endorsed and not yet due of RMB26,888,870.21 (31 December 2019: RMB15,293,314.91). 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.

#### 6. Prepayments

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

| Aging                                       | Balance at the end of the current year |                | Balance at the end of the prior year |                |
|---|--|----------------|--------------------------------------|----------------|
|   | Amount                                 | Proportion (%) | Amount                               | Proportion (%) |
| Within 1 year                               | <b>57,519,390.33</b>                   | <b>74.25</b>   | 42,647,237.72                        | 73.30          |
| More than 1 year but not exceeding 2 years  | <b>9,609,190.99</b>                    | <b>12.40</b>   | 7,640,072.02                         | 13.13          |
| More than 2 years but not exceeding 3 years | <b>4,328,156.67</b>                    | <b>5.59</b>    | 5,074,493.12                         | 8.72           |
| More than 3 years                           | <b>6,008,489.72</b>                    | <b>7.76</b>    | 2,819,714.04                         | 4.85           |
| Total                                       | <b>77,465,227.71</b>                   | <b>100.00</b>  | 58,181,516.90                        | 100.00         |

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

# Notes to the Financial Statements

For the year ended 31 December 2020

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

### 6. Prepayments (Continued)

#### (2) Top five entities with the largest balances of prepayments at the end of the year by subjects of prepayment

*RMB*

| Name of entity                                     | Relationship with the Company | Balance at the end of the current year | Aging                        | Proportion to total prepayments (%) | Reasons for unsettlement            |
|--|-------------------------------|--|------------------------------|-------------------------------------|-------------------------------------|
| Sichuan Runde Industrial Co., Ltd.                 | Third party                   | 20,121,988.51                          | Within 1 year                | 25.98                               | Goods not yet received              |
| Shanghai Yining Culture Media Center               | Third party                   | 3,659,060.00                           | Within 1 years, 1-2 years    | 4.72                                | Not yet fully published and printed |
| Echo Publishing Co., Ltd.                          | Third party                   | 3,492,504.03                           | 1-2 years, more than 3 years | 4.51                                | Services not yet fully received     |
| Walt Disney Company (Hong Kong) Limited            | Third party                   | 3,319,199.92                           | Within 1 year                | 4.28                                | Not yet fully published and printed |
| Sichuan Yuantai Construction Engineering Co., Ltd. | Third party                   | 2,501,270.48                           | Within 1 year                | 3.23                                | Services not yet received           |
| Total  |                               | 33,094,022.94                          |                              | 42.72                               |                                     |

### 7. Other receivables

#### 7.1 Summary of other receivables

*RMB*

| Item                 | Balance at the end of the current year | Balance at the end of the prior year |
|----------------------|--|--------------------------------------|
| Dividend receivables | 72,000.00                              | —                                    |
| Other receivables    | 103,704,291.44                         | 104,061,715.50                       |
| Total                | 103,776,291.44                         | 104,061,715.50                       |



## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 7. Other receivables (Continued)

##### 7.2 Dividend receivables

| <i>RMB</i>  |  |                                      |
|---|--|--------------------------------------|
| Item  | Balance at the end of the current year | Balance at the end of the prior year |
| Sichuan Education and Science Forum Magazine Press Co., Ltd.<br>("Education and Science Forum") | 72,000.00                              | –                                    |
| Total   | 72,000.00                              | –                                    |

##### 7.3 Other receivables

###### (1) Other receivables by aging

| <i>RMB</i>                                  |  |                |                       |                 |                                      |                |                       |                 |
|---|--|----------------|-----------------------|-----------------|--------------------------------------|----------------|-----------------------|-----------------|
| Aging                                       | Balance at the end of the current year |                |                       |                 | Balance at the end of the prior year |                |                       |                 |
|   | Amount                                 | Proportion (%) | Credit loss provision | Carrying amount | Amount                               | Proportion (%) | Credit loss provision | Carrying amount |
| Within 1 year                               | 73,890,005.62                          | 60.68          | 4,086,964.45          | 69,803,041.17   | 77,211,850.33                        | 63.98          | 3,865,351.89          | 73,346,498.44   |
| More than 1 year but not exceeding 2 years  | 19,951,966.23                          | 16.39          | 2,812,153.78          | 17,139,812.45   | 18,415,672.30                        | 15.26          | 288,359.34            | 18,127,312.96   |
| More than 2 years but not exceeding 3 years | 8,649,833.07                           | 7.10           | 741,670.67            | 7,908,162.40    | 6,567,956.05                         | 5.44           | 1,773,535.23          | 4,794,420.82    |
| More than 3 years                           | 19,272,074.04                          | 15.83          | 10,418,798.62         | 8,853,275.42    | 18,488,261.14                        | 15.32          | 10,694,777.86         | 7,793,483.28    |
| Total                                       | 121,763,878.96                         | 100.00         | 18,059,587.52         | 103,704,291.44  | 120,683,739.82                       | 100.00         | 16,622,024.32         | 104,061,715.50  |

###### (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 2020

### (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

| <i>RMB</i>                      |  |                                      |
|---------------------------------|--|--------------------------------------|
| Nature of other receivables     | Balance at the end of the current year | Balance at the end of the prior year |
| Amount due from related parties | <b>340,863.42</b>                      | 30,478.80                            |
| Deposit/security deposit        | <b>65,308,232.88</b>                   | 62,333,171.72                        |
| Petty cash                      | <b>1,236,805.77</b>                    | 2,745,275.14                         |
| Others                          | <b>54,877,976.89</b>                   | 55,574,814.16                        |
| Total                           | <b>121,763,878.96</b>                  | 120,683,739.82                       |

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

| <i>RMB</i>   |                           |  |                              |  |  |
|--|---------------------------|--|------------------------------|--|--|
| Name of entity   | Nature                    | Balance at the end of the current year | Aging                        | As a percentage of the total other receivables (%) | Closing balance of credit loss provision |
| Education Department of Tibet Autonomous Region                    | Deposit/guarantee deposit | <b>5,230,000.00</b>                    | Within 1 year, 1-2 years     | 4.30   | -  |
| Anhui Sihe Digital Technology Development Co., Ltd.                | Others                    | <b>5,107,996.00</b>                    | More than 3 years            | 4.20   | 5,107,996.00                             |
| Education, Sports and Science and Technology Bureau of Xide County | Deposit/guarantee deposit | <b>3,419,198.45</b>                    | Within 1 year                | 2.81   | -  |
| Dazhou Senior High School  | Deposit/guarantee deposit | <b>3,158,938.20</b>                    | Within 1 year                | 2.59   | -  |
| Chengdu Zhonghang Real Estate Development Co., Ltd.                | Deposit/guarantee deposit | <b>3,113,802.00</b>                    | 2-3 years, more than 3 years | 2.56   | -  |
| Total  |                           | <b>20,029,934.65</b>                   |                              | 16.46  | 5,107,996.00                             |

## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 8. Inventories

##### (1) Categories of inventories

*RMB*

| Item             | Balance at the end of the current year |                          |                  | Balance at the end of the prior year |                          |                  |
|------------------|--|--------------------------|------------------|--------------------------------------|--------------------------|------------------|
|                  | Book balance                           | Provision for impairment | Carrying amount  | Book balance                         | Provision for impairment | Carrying amount  |
| Goods on hand    | 2,180,053,344.97                       | 240,104,806.50           | 1,939,948,538.47 | 2,143,044,979.35                     | 209,060,781.56           | 1,933,984,197.79 |
| Work-in-progress | 140,412,358.95                         | -                        | 140,412,358.95   | 170,609,926.07                       | -                        | 170,609,926.07   |
| Raw materials    | 53,532,538.00                          | 3,271,801.21             | 50,260,736.79    | 56,126,011.59                        | 3,271,801.21             | 52,854,210.38    |
| Total            | 2,373,998,241.92                       | 243,376,607.71           | 2,130,621,634.21 | 2,369,780,917.01                     | 212,332,582.77           | 2,157,448,334.24 |

##### (2) Provision for impairment of inventories

*RMB*

| Categories of inventories | 1 January 2020 | Provision for the current year | Decrease in the current year Write-off/reversal | 31 December 2020      |
|---------------------------|----------------|--------------------------------|---|-----------------------|
| Goods on hand             | 209,060,781.56 | 61,388,572.04                  | 30,344,547.10                                   | <b>240,104,806.50</b> |
| Raw materials             | 3,271,801.21   | -                              | -   | <b>3,271,801.21</b>   |
| Total                     | 212,332,582.77 | 61,388,572.04                  | 30,344,547.10                                   | <b>243,376,607.71</b> |

*Note:* As the expected net realizable value was below the cost of inventories at the end of the year, a provision for impairment of inventories amounting to RMB61,388,572.04 (2019: RMB60,917,237.10) was made in the current year. The provision for impairment of inventories written off due to retirement of inventories during the current year amounted to RMB12,442,528.67 (2019: RMB16,848,658.36). A reversal of provision for impairment of inventories amounting to RMB17,902,018.43 (2019: RMB8,076,720.08) was made since the goods where provision for impairment of inventories was made were sold. The provision totalled RMB30,344,547.10 (2019: RMB24,925,378.44).

# Notes to the Financial Statements

For the year ended 31 December 2020

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

### 9. Other current assets

| Item                                | <i>RMB</i>                             |                                      |
|-------------------------------------|--|--------------------------------------|
|                                     | Balance at the end of the current year | Balance at the end of the prior year |
| Refund costs receivable             | <b>61,433,364.54</b>                   | 57,110,745.49                        |
| VAT input tax to be deducted (Note) | <b>24,798,095.63</b>                   | 20,012,008.16                        |
| <b>Total</b>                        | <b>86,231,460.17</b>                   | 77,122,753.65                        |

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   | <i>RMB</i>                             |                       |                       | <i>RMB</i>                           |                       |                 |
|--|--|-----------------------|-----------------------|--------------------------------------|-----------------------|-----------------|
|  | Balance at the end of the current year |                       |                       | Balance at the end of the prior year |                       |                 |
|  | Book balance                           | Credit loss provision | Carrying amount       | Book balance                         | Credit loss provision | Carrying amount |
| Goods sold by installments (Note)  | <b>495,140,652.55</b>                  | -                     | <b>495,140,652.55</b> | 476,566,778.52                       | -                     | 476,566,778.52  |
| Less: Long-term receivables included in non-current assets due within one year | <b>181,722,570.04</b>                  | -                     | <b>181,722,570.04</b> | 125,609,106.15                       | -                     | 125,609,106.15  |
| <b>Net</b>   | <b>313,418,082.51</b>                  | -                     | <b>313,418,082.51</b> | 350,957,672.37                       | -                     | 350,957,672.37  |

Note: Receivables of goods sold by installments are the Group's receivables of sales of education informatized 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%-5.00%.

## Notes to the Financial Statements

For the year ended 31 December 2020

## (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<br>2020 | Changes for the current year |                            |   |   |                            |  | Closing balance<br>of provision for<br>impairment |
|--|-------------------|------------------------------|----------------------------|---|---|----------------------------|--|---|
|  |                   | Addition in<br>investment    | Reduction in<br>investment | Investment gain<br>recognized<br>under equity<br>method | Adjustment<br>of other<br>comprehensive<br>income | Changes in<br>other equity | Distribution<br>of cash<br>dividends<br>or profits<br>declared |   |
| Joint Ventures   |                   |                              |                            |   |   |                            |  |   |
| Hainan Publishing House Co., Ltd.<br>("Hainan Publishing House")                               | 165,107,228.38    | -                            | -                          | 36,567,452.18   | -   | -                          | -  | 201,674,680.56                                    |
| Sichuan Fudou Technology Co., Ltd.   | -                 | -                            | -                          | -   | -   | -                          | -  | -   |
| Shenzhen Xuancai Venture Capital Investment Fund<br>Management Co., Ltd. (Note 1)              | 7,675,583.46      | -                            | -                          | 4,674,438.01  | -   | -                          | -  | 12,350,021.47                                     |
| Liangshan Xinhua Winshare Education Technology<br>Co. Ltd. (Note 2)                            | 19,637,833.39     | -                            | -                          | 375,459.93  | -   | -                          | -  | 20,013,293.32                                     |
| Subtotal   | 192,420,645.23    | -                            | -                          | 41,617,350.12   | -   | -                          | -  | 234,037,995.35                                    |
| Associates   |                   |                              |                            |   |   |                            |  |   |
| Sichuan Winshare BLOGS Supply Chain<br>Co., Ltd. (Note 3)                                      | 44,325,539.63     | -                            | -                          | 1,568,832.95  | -   | -                          | -  | 45,894,372.58                                     |
| The Commercial Press (Chengdu) Co., Ltd.   | 2,846,167.54      | -                            | -                          | 444,283.82  | -   | -                          | -  | 3,290,451.36                                      |
| Ren Min Eastern (Beijing) Book Industry Co., Ltd.  | 11,063,418.98     | -                            | -                          | 1,396,974.36  | -   | (1,200,000.00)             | -  | 11,260,393.34                                     |
| Guizhou Xinhua Winshare Book Audio-Visual Product<br>Chainstore Co., Ltd. ("Guizhou Winshare") | -                 | -                            | -                          | -   | -   | -                          | -  | -   |
| Ming Bo Education Technology Holdings Co., Ltd.  | 39,914,422.65     | -                            | -                          | (9,403,035.08)  | -   | -                          | -  | 30,511,387.57                                     |

RMB

## Notes to the Financial Statements

For the year ended 31 December 2020

## (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)

| Investee  | 1 January<br>2020 | Changes for the current year |                            |   |   |                            |  |                                  | Closing balance<br>of provision for<br>impairment |        |                     |                |
|---|-------------------|------------------------------|----------------------------|---|---|----------------------------|--|----------------------------------|---|--------|---------------------|----------------|
|   |                   | Addition in<br>investment    | Reduction in<br>investment | Investment gain<br>recognized<br>under equity<br>method | Adjustment<br>of other<br>comprehensive<br>income | Changes in<br>other equity | Distribution<br>of cash<br>dividends<br>or profits<br>declared | Provision for<br>impairment loss |   | Others | 31 December<br>2020 |                |
| Shanghai Jingjie Information Technology Co., Ltd.   | 454,528.04        | -                            | -                          | (454,528.04)  | -   | -                          | -  | -                                | -   | -      | -                   | -              |
| Sichuan Winshare Preschool Educational Management Co., Ltd. ("Winshare Preschool")        | 6,718,343.79      | -                            | -                          | 508,634.75  | -   | -                          | -  | (1,604,619.30)                   | -   | -      | 5,622,359.24        | (1,604,619.30) |
| Chengdu Winshare Venture Capital Investment Fund Management Co., Ltd.                     | 30,599,541.14     | -                            | -                          | 6,032,870.05  | -   | -                          | -  | -                                | -   | -      | 36,632,411.19       | -              |
| Education Forum   | 484,419.10        | -                            | -                          | 374,776.35  | -   | -                          | (72,000.00)  | -                                | -   | -      | 787,195.45          | -              |
| Fuzhou Winshare Technology Partnership (Limited Partnership) ("Fuzhou Winshare") (Note 4) | 82,616,683.15     | 7,205,633.80                 | (30,854,180.55)            | 31,991,024.07   | -   | -                          | (84,341,236.50)  | -                                | -   | -      | 6,617,923.97        | -              |
| Sichuan Jiaoyang Sihuo Film Co., Ltd.   | 130,463.57        | -                            | -                          | (3,230.21)  | -   | -                          | -  | -                                | -   | -      | 127,233.36          | -              |
| Xinhua Yingxuan (Beijing) Screen Culture Co., Ltd. ("Xinhua Yingxuan")                    | 18,116,255.53     | -                            | -                          | (7,248,801.83)  | -   | -                          | -  | (5,042,726.27)                   | -   | -      | 5,824,727.43        | (5,042,726.27) |
| Tianjin Tianxi Zhongda Cultural Development Co., Ltd. (Note 5)                            | 19,581,323.06     | -                            | -                          | 454,005.49  | -   | -                          | -  | -                                | -   | -      | 20,035,328.55       | -              |
| Winshare Yirshi (Beijing) Cultural Communication Co., Ltd. ("Winshare Yirshi") (Note 6)   | 382,191.85        | -                            | -                          | (195,499.96)  | -   | -                          | -  | -                                | -   | -      | 186,691.89          | -              |
| Hainan Phoenix Xinhua Publishing and Distribution Co., Ltd. ("Hainan Phoenix") (Note 7)   | -                 | 317,061,075.00               | -                          | -   | -   | -                          | -  | -                                | -   | -      | 317,061,075.00      | -              |
| Subtotal  | 257,233,298.03    | 324,266,708.80               | (30,854,180.55)            | 25,466,306.72   | -   | -                          | (85,613,236.50)  | (6,647,345.57)                   | -   | -      | 483,851,550.93      | (6,647,345.57) |
| Total   | 449,653,943.26    | 324,266,708.80               | (30,854,180.55)            | 67,083,656.84   | -   | -                          | (85,613,236.50)  | (6,647,345.57)                   | -   | -      | 717,889,546.28      | (6,647,345.57) |

RMB

# Notes to the Financial Statements

For the year ended 31 December 2020

## (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:* According to the articles of association of Shenzhen Xuancai Venture Capital Management Co., Ltd., Winshare Investment 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 2:* In March 2017, the Company and Xichang Xinhua Bookstore entered into an investment agreement, jointly establishing Liangshan Xinhua Winshare Education Technology Co. Ltd., with a shareholding proportion 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 two-thirds of the voting power. Therefore, the Company and the other shareholder have common control over Liangshan Xinhua Winshare Education Technology Co. Ltd. Therefore, Liangshan Xinhua Winshare Education Technology Co. Ltd. is a joint venture of the Group.

*Note 3:* 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 a shareholding proportion 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 4:* As a limited partner, Winshare Investment, a subsidiary of the Company, contributed 56.34% of the total subscribed capital to Fuzhou Winshare (formerly known as Tibet Winshare Venture Capital Fund Partnership (Limited Partnership)). According to the partnership agreement of Fuzhou 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 Fuzhou Winshare. Therefore, Fuzhou Winshare is an associate of the Group.

During the current year, new investment amounted to RMB7,205,633.80; The Company received dividends of RMB84,341,236.50 due to the liquidation and exit, and recovered RMB30,854,180.55 in total upon liquidation and exit of the investment project.

*Note 5:* 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 Tianxi Zhongda, with a shareholding proportion 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.

# Notes to the Financial Statements

For the year ended 31 December 2020

## (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:* 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 a shareholding proportion 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.

*Note 7:* On 30 December 2020, Hainan Xinhua Bookstore Group Co., Ltd. transferred 25% equity interests in Hainan Phoenix to the Company by way of transfer under an agreement. According to the articles of association of Hainan Phoenix, the Company has appointed two directors to Hainan Phoenix and is able to exercise significant influence over Hainan Phoenix. Therefore, Hainan Phoenix is an associate of the Group.

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

| Item                               | <i>RMB</i>  |  |   |  |
|------------------------------------|---|--|---|--|
|                                    | Balance at the end of the current year              |  | Balance at the end of the prior year              |  |
|                                    | Unrecognized investment losses for the current year | Accumulated unrecognized investment losses | Unrecognized investment losses for the prior year | Accumulated unrecognized investment losses |
| Guizhou Winshare                   | –   | 5,557,990.70                               | –   | 5,557,990.70                               |
| Sichuan Fudou Technology Co., Ltd. | 1,728,044.32  | 2,565,245.82                               | 837,201.50  | 837,201.50                                 |
| Total                              | 1,728,044.32  | 8,123,236.52                               | 837,201.50  | 6,395,192.20                               |



## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 12. Other equity instrument investments

##### (1) Details of other equity instruments investments

Other equity instrument investments designated at FVTOCI

| <i>RMB</i>  |  |                                      |
|---|--|--------------------------------------|
| Item  | Balance at the end of the current year | Balance at the end of the prior year |
| Anhui Xinhua Media Co., Ltd.<br>("Wan Xin Media")   | 592,040,000.00                         | 683,027,200.00                       |
| Jiangsu Hagong Intelligent Robot Co., Ltd. ("HGZN") | 783,557.83                             | 842,694.27                           |
| Bank of Chengdu Co., Ltd.<br>("Bank of Chengdu")    | 853,600,000.00                         | 725,600,000.00                       |
| Others  | 375,393.81                             | 375,393.81                           |
| Total   | 1,446,798,951.64                       | 1,409,845,288.08                     |

##### (2) Details of equity instruments investments not held for trading

| <i>RMB</i>      |   |                              |   |   |  |
|-----------------|---|------------------------------|---|---|--|
| Item            | Dividend income recognized for the current year | Accumulated profits (losses) | Amount transferred from other comprehensive income to retained earnings during the current year | Reasons for equity instruments investments not held for trading designated at FVTOCI            | Reasons for transfer from other comprehensive income to retained earnings for the current year |
| Wan Xin Media   | 19,942,400.00                                   | 405,624,672.00               | -   | The investment is not held for the purpose of selling it in the near term for short-term gains. | N/A  |
| HGZN            | 2,016.02  | 0.74                         | -   |   | N/A  |
| Bank of Chengdu | 33,600,000.00                                   | 613,600,000.00               | -   |   | N/A  |
| Others          | -   | (2,958,365.24)               | -   |   | N/A  |
| Total           | 53,544,416.02                                   | 1,016,266,307.50             | -   |   |  |

## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 13. Other non-current financial assets

| Item   | <i>RMB</i>                                |   |
|--|---|---|
|  | Balance at the end<br>of the current year | Balance at the end<br>of the prior year |
| Citic Buyout Investment Fund (Shenzhen)<br>Partnership (Limited Partnership) (Note 1)                                | <b>191,250,814.72</b>                     | 111,887,206.48                          |
| Winshare Hengxin (Shenzhen) Equity Investment<br>Fund Partnership (Limited Partnership) (Note 2)                     | <b>233,637,441.71</b>                     | 292,338,697.14                          |
| Qingdao Goldstone Zhixin Investment Center<br>(Limited Partnership) (Note 3)   | <b>111,676,675.26</b>                     | 102,430,506.09                          |
| Ningbo Meishan Free Trade Port Winshare<br>Dingsheng Equity Investment Partnership<br>(Limited Partnership) (Note 4) | <b>141,315,686.57</b>                     | 20,780,000.00                           |
| Xinhua Internet E-commerce Co., Ltd.<br>("Xinhua Internet") (Note 5)   | <b>3,000,000.00</b>                       | –                                       |
| <b>Total</b>   | <b>680,880,618.26</b>                     | 527,436,409.71                          |

*Note 1:* Changes in fair value for the current year were gains of RMB82,545,597.96, and were included in gains from changes in fair values. Other major changes were the recovery of the exit money totalling RMB3,181,989.72 due to liquidation of investment project.

*Note 2:* Changes in fair value for the current year were gains of RMB11,665,657.76, and were included in gains from changes in fair value. Other major changes were the recovery of the exit money totalling RMB70,366,913.19 due to liquidation of investment project.

*Note 3:* Changes in fair value for the current year were gains of RMB9,246,169.17, and were included in gains from changes in fair value. During the current year, Winshare Investment received dividends of RMB1,789,460.56 from Qingdao Goldstone Zhixin Investment Center (Limited Partnership), which were included in investment income.

*Note 4:* During the current year, new investment cost amounted to RMB122,369,501.66, and changes in fair value were losses of RMB1,833,815.09, and were included in the losses from changes in fair value. During current the year, Winshare Investment received dividends of RMB254,784.87 from Ningbo Meishan Free Trade Port Winshare Dingsheng Equity Investment Partnership (Limited Partnership), which were included in investment income.

*Note 5:* In November 2020, the Company entered into an investment agreement with Xinhua Bookstore Headquarters Co., Ltd. and Wan Xin Media to make an investment of RMB3,000,000.00 in Xinhua Internet E-commerce Co., Ltd. ("Xinhua Internet"). The shareholding of the Company was 1.6585%.

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 2020

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

#### 14. Investment properties

##### (1) Investment properties measured at cost

| Item                                | Buildings      | RMB |
|-------------------------------------|----------------|-----|
| I. Cost                             |                |     |
| 1. 1 January 2020                   | 99,871,581.61  |     |
| 2. Increase in the current year     | 20,704,680.14  |     |
| (1) Acquisition in the current year | 712,887.94     |     |
| (2) Transfer from fixed assets      | 732,637.42     |     |
| (3) Transfer from others            | 19,259,154.78  |     |
| 3. 31 December 2020                 | 120,576,261.75 |     |
| II. Accumulated depreciation        |                |     |
| 1. 1 January 2020                   | 31,222,775.62  |     |
| 2. Increase in the current year     | 3,249,101.01   |     |
| (1) Provision                       | 3,031,739.72   |     |
| (2) Transfer from fixed assets      | 217,361.29     |     |
| 3. 31 December 2020                 | 34,471,876.63  |     |
| III. Carrying amount                |                |     |
| 1. 31 December 2020                 | 86,104,385.12  |     |
| 2. 1 January 2020                   | 68,648,805.99  |     |

##### (2) Investment properties of which certificates of title that have not been obtained at the end of the current year

| Item  | Carrying amount | Reasons why certificates of title have not been obtained | RMB |
|---|-----------------|--|-----|
| Low-rise shops Nos.11-21, Building No.7 under "Renbei Shop Relocation" (人北遷返商舖) | 19,972,042.72   | In process   |     |

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

## Notes to the Financial Statements

For the year ended 31 December 2020

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

## 15. Fixed assets

## (1) Fixed assets

| Item  |                  |                         |                                 |                         | RMB              |
|---|------------------|-------------------------|---------------------------------|-------------------------|------------------|
|   | Buildings        | Machinery and equipment | Electronic equipment and others | Transportation vehicles | Total            |
| I. Cost                                       |                  |                         |                                 |                         |                  |
| 1. 1 January 2020                             | 1,702,841,406.31 | 285,792,120.33          | 176,555,703.11                  | 93,677,136.25           | 2,258,866,366.00 |
| 2. Increase in the current year               | 701,600,656.71   | 52,692,033.70           | 18,491,964.76                   | 2,547,295.45            | 775,331,950.62   |
| (1) Acquisition                               | 186,605,762.96   | 9,632,284.84            | 18,385,909.90                   | 2,547,295.45            | 217,171,253.15   |
| (2) Transfer from construction in progress    | 513,486,337.75   | 43,059,748.86           | 106,054.86                      | -                       | 556,652,141.47   |
| (3) Transfer from others                      | 1,508,556.00     | -                       | -                               | -                       | 1,508,556.00     |
| 3. Decrease in the current year               | 1,826,444.76     | 164,102.56              | 21,769,347.25                   | 4,972,491.27            | 28,732,385.84    |
| (1) Disposal                                  | 905,404.00       | 164,102.56              | 21,769,347.25                   | 4,972,491.27            | 27,811,345.08    |
| (2) Transfer to investment property           | 732,637.42       | -                       | -                               | -                       | 732,637.42       |
| (3) Transfer to others                        | 188,403.34       | -                       | -                               | -                       | 188,403.34       |
| 4. 31 December 2020                           | 2,402,615,618.26 | 338,320,051.47          | 173,278,320.62                  | 91,251,940.43           | 3,005,465,930.78 |
| II. Accumulated depreciation                  |                  |                         |                                 |                         |                  |
| 1. 1 January 2020                             | 509,410,437.63   | 216,623,818.75          | 136,507,413.99                  | 73,630,746.40           | 936,172,416.77   |
| 2. Increase in the current year               | 45,698,632.86    | 14,584,542.30           | 19,036,674.68                   | 5,390,131.93            | 84,709,981.77    |
| (1) Provision                                 | 45,698,632.86    | 14,584,542.30           | 19,036,674.68                   | 5,390,131.93            | 84,709,981.77    |
| 3. Decrease in the current year               | 687,711.07       | 112,144.36              | 19,831,481.66                   | 4,614,354.81            | 25,245,691.90    |
| (1) Disposal                                  | 470,349.78       | 112,144.36              | 19,831,481.66                   | 4,614,354.81            | 25,028,330.61    |
| (2) Transfer to investment property           | 217,361.29       | -                       | -                               | -                       | 217,361.29       |
| 4. 31 December 2020                           | 554,421,359.42   | 231,096,216.69          | 135,712,607.01                  | 74,406,523.52           | 995,636,706.64   |
| III. Provision for impairment of fixed assets |                  |                         |                                 |                         |                  |
| 1. 1 January 2020                             | -                | -                       | -                               | -                       | -                |
| 2. Increase in the current year               | 558,577.29       | -                       | -                               | -                       | 558,577.29       |
| 3. 31 December 2020                           | 558,577.29       | -                       | -                               | -                       | 558,577.29       |
| IV. Carrying amount                           |                  |                         |                                 |                         |                  |
| 1. 31 December 2020                           | 1,847,635,681.55 | 107,223,834.78          | 37,565,713.61                   | 16,845,416.91           | 2,009,270,646.85 |
| 2. 1 January 2020                             | 1,193,430,968.68 | 69,168,301.58           | 40,048,289.12                   | 20,046,389.85           | 1,322,693,949.23 |

## Notes to the Financial Statements

For the year ended 31 December 2020

### (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)                 | 59,090,764.52   | In process   |
| Warehouse and office building (Sichuan Nanchong) | 13,922,891.81   | In process   |
| Warehouse and office building (Sichuan Longquan) | 7,686,526.55    | In process   |
| Warehouse and office building (Sichuan Peng'an)  | 4,684,002.78    | In process   |
| Warehouse and office building (Sichuan Guang'an) | 8,532,626.99    | In process   |
| Warehouse and office building (Sichuan Bazhong)  | 15,311,660.53   | In process   |
| Warehouse and office building (Nanjiang)         | 8,677,706.24    | In process   |
| Office building (Wenjiang)                       | 184,266,936.90  | In process   |
| Total  | 302,173,116.32  |  |

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

##### (3) There were 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 2020

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

#### 16. Construction in progress

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

| Item  | Balance at the end of the current year |               |                      | Balance at the end of the prior year |               |                |
|---|--|---------------|----------------------|--------------------------------------|---------------|----------------|
|   | Book                                   | Provision for | Carrying             | Book                                 | Provision for | Carrying       |
|   | balance                                | impairment    | amount               | balance                              | impairment    | amount         |
| Publishing and Media<br>Creativity Center                                   | -                                      | -             | -                    | 594,470,914.98                       | -             | 594,470,914.98 |
| Nanjiang Commercial Building<br>(renovation project)                        | -                                      | -             | -                    | -                                    | -             | -              |
| Ziyang textbooks transfer<br>station project                                | 32,988,295.59                          | -             | 32,988,295.59        | 32,169,611.14                        | -             | 32,169,611.14  |
| Lezhi branch complex  | 500,000.00                             | -             | 500,000.00           | -                                    | -             | -              |
| Publishing and Media<br>Creativity Center secondary<br>installation project | 4,135,850.40                           | -             | 4,135,850.40         | -                                    | -             | -              |
| Others  | 46,023.59                              | -             | 46,023.59            | 46,023.59                            | -             | 46,023.59      |
| <b>Total</b>  | <b>37,670,169.58</b>                   | <b>-</b>      | <b>37,670,169.58</b> | 626,686,549.71                       | -             | 626,686,549.71 |

RMB

## Notes to the Financial Statements

For the year ended 31 December 2020

## (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 2020        | Increase in the current year | Transfer to fixed assets for the current year | Transfer to others   | 31 December 2020     | 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 rate for capitalization the year (%) | Source of funds | RMB            |
|---|-------------------------|-----------------------|------------------------------|---|----------------------|----------------------|--|---------------------------|---|--|---|-----------------|----------------|
|   |                         |                       |                              |   |                      |                      |  |                           |   |  |   |                 |                |
| Publishing and Media Creativity Center                                | 736,000,000.00          | 594,470,914.98        | 4,293,410.05                 | 544,923,244.14                                | 53,841,080.89        | -                    | 81.35  | 100.00                    | -   | -  | -   | -               | self-financing |
| Nanjing Commercial Building (under renovation on site)                | 9,651,048.00            | -                     | 8,677,706.24                 | 8,677,706.24                                  | -                    | -                    | 89.91  | 100.00                    | -   | -  | -   | -               | self-financing |
| Ziyang textbooks transfer station project                             | 35,730,000.00           | 32,169,611.14         | 818,684.45                   | -   | -                    | 32,988,295.59        | 92.33  | 92.33                     | -   | -  | -   | -               | self-financing |
| Lezhi branch complex  | 19,700,000.00           | -                     | 3,369,198.17                 | 2,869,198.17                                  | -                    | 500,000.00           | 98.28  | 98.28                     | -   | -  | -   | -               | self-financing |
| Publishing and Media Creativity Center secondary installation project | 249,000,000.00          | -                     | 4,135,850.40                 | -   | -                    | 4,135,850.40         | 1.66   | 1.66                      | -   | -  | -   | -               | self-financing |
| Others  | -                       | 46,023.59             | 181,992.92                   | 181,992.92                                    | -                    | 46,023.59            | -  | -                         | -   | -  | -   | -               | self-financing |
| <b>Total</b>  | <b>1,050,081,048.00</b> | <b>626,686,549.71</b> | <b>21,476,842.23</b>         | <b>556,652,141.47</b>                         | <b>53,841,080.89</b> | <b>37,670,169.58</b> |  |                           | <b>-</b>  | <b>-</b>   | <b>-</b>                                      | <b>-</b>        |                |

# Notes to the Financial Statements

For the year ended 31 December 2020

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

### 17. Right-of-use assets

#### (1) Details of right-of-use assets

| <b>Item</b>                     | <i>RMB</i><br><b>Buildings</b> |
|---------------------------------|--------------------------------|
| I. Cost                         |                                |
| 1. 1 January 2020               | 532,674,371.21                 |
| 2. Increase in the current year | 131,259,003.82                 |
| 3. Decrease in the current year | 35,033,521.90                  |
| 4. 31 December 2020             | 628,899,853.13                 |
| II. Accumulated depreciation    |                                |
| 1. 1 January 2020               | 94,710,234.92                  |
| 2. Increase in the current year | 118,026,681.65                 |
| (1) Provision                   | 118,026,681.65                 |
| 3. Decrease in the current year | 31,319,605.91                  |
| 4. 31 December 2020             | 181,417,310.66                 |
| III. Carrying amount            |                                |
| 1. 31 December 2020             | 447,482,542.47                 |
| 2. 1 January 2020               | 437,964,136.29                 |

The lease term of buildings of the Group mainly ranged from 1 to 15 years.



## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 17. Right-of-use assets *(Continued)*

##### (2) Amount recognized in the profit or loss

| <b>Building</b>  | <i>RMB</i><br><b>Amount<br/>recognized in<br/>the current year</b> |
|--|--|
| Depreciation expense for right-of-use assets (Note 1)                                    | 118,026,681.65   |
| Rent reduction qualified under Circular No. 10   | (1,270,011.77)   |
| Interest expense on lease liabilities (Note 2)   | 22,100,032.30  |
| Short-term lease expenses  | 12,154,626.95  |
| Lease expense for low-value assets   | –  |
| Variable lease payments not included in the measurement of<br>lease liabilities (Note 3) | –  |
| Income from sublease of right-of-use assets  | –  |

*Note 1:* During the current year, there was no depreciation expense for right-of-use assets capitalized.

*Note 2:* During the current year, there was no interest expense on lease liabilities capitalized.

*Note 3:* During the current year, there were no variable lease payments not included in the measurement of lease liabilities.

##### (3) The total cash outflow for leases in the current year was RMB144,474,457.49.

## Notes to the Financial Statements

For the year ended 31 December 2020

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

## 18. Intangible assets

## (1) Intangible assets

RMB

| Item                               | Land use rights | Patent       | Software       | Distribution channel | Others       | Total          |
|------------------------------------|-----------------|--------------|----------------|----------------------|--------------|----------------|
| I. Cost                            |                 |              |                |                      |              |                |
| 1. 1 January 2020                  | 356,454,080.19  | 9,027,647.58 | 184,736,715.94 | 44,944,000.00        | 8,018,825.17 | 603,181,268.88 |
| 2. Increase in the current year    | -               | 116,702.69   | 20,292,080.59  | -                    | 676,310.07   | 21,085,093.35  |
| (1) Acquisition                    | -               | 116,702.69   | 7,440,276.67   | -                    | 676,310.07   | 8,233,289.43   |
| (2) Transfer from development cost | -               | -            | 12,851,803.92  | -                    | -            | 12,851,803.92  |
| 3. Decrease in the current year    | 982,887.00      | -            | 42,735.00      | -                    | 36,590.10    | 1,062,212.10   |
| (1) Disposal                       | 982,887.00      | -            | 42,735.00      | -                    | 36,590.10    | 1,062,212.10   |
| 4. 31 December 2020                | 355,471,193.19  | 9,144,350.27 | 204,986,061.53 | 44,944,000.00        | 8,658,545.14 | 623,204,150.13 |
| II. Accumulated amortization       |                 |              |                |                      |              |                |
| 1. 1 January 2020                  | 92,120,164.30   | 4,601,266.49 | 90,537,194.31  | 32,944,000.00        | 3,966,929.62 | 224,169,554.72 |
| 2. Increase in the current year    | 8,777,663.93    | 1,283,489.55 | 21,092,981.99  | -                    | 384,387.72   | 31,538,523.19  |
| (1) Provision                      | 8,777,663.93    | 1,283,489.55 | 21,092,981.99  | -                    | 384,387.72   | 31,538,523.19  |
| 3. Decrease in the current year    | 261,881.19      | -            | 27,421.41      | -                    | 28,049.19    | 317,351.79     |
| (1) Disposal                       | 261,881.19      | -            | 27,421.41      | -                    | 28,049.19    | 317,351.79     |
| 4. 31 December 2020                | 100,635,947.04  | 5,884,756.04 | 111,602,754.89 | 32,944,000.00        | 4,323,268.15 | 255,390,726.12 |
| III. Provision for impairment      |                 |              |                |                      |              |                |
| 1. 1 January 2020                  | -               | -            | -              | 12,000,000.00        | -            | 12,000,000.00  |
| 2. 31 December 2020                | -               | -            | -              | 12,000,000.00        | -            | 12,000,000.00  |
| IV. Carrying amount                |                 |              |                |                      |              |                |
| 1. 31 December 2020                | 254,835,246.15  | 3,259,594.23 | 93,383,306.64  | -                    | 4,335,276.99 | 355,813,424.01 |
| 2. 1 January 2020                  | 264,333,915.89  | 4,426,381.09 | 94,199,521.63  | -                    | 4,051,895.55 | 367,011,714.16 |

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 17.61%.

## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 19. Goodwill

##### (1) Original carrying amount of goodwill

*RMB*

| Name of the investee and item resulting in goodwill | 1 January 2020 | Increase in the current year | Decrease in the current year | 31 December 2020      |
|---|----------------|------------------------------|------------------------------|-----------------------|
| Acquisitions of 15 publishing companies (Note)      | 500,571,581.14 | –                            | –                            | <b>500,571,581.14</b> |
| Others  | 3,870,061.53   | –                            | 18,455.00                    | <b>3,851,606.53</b>   |
| Total   | 504,441,642.67 | –                            | 18,455.00                    | <b>504,423,187.67</b> |

*Note:* Goodwill of RMB500,571,581.14 was generated from the Group's acquisition of 15 publishing companies on 31 August 2010, which has been distributed to related asset groups, including 3 of the 15 publishing companies of the publication 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. All budget gross profits during the budget period is determined based on the average gross profit achieved in the five years before the historical year (2016 to 2020). The revenue growth rate of operating income after 5 years is from nil to 2% (31 December 2019: nil to 2%). Discount rate of 14%-15% (31 December 2019: 14%-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 relevant asset group exceeds its recoverable amount.

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

*RMB*

| Name of the investee and item resulting in goodwill | 1 January 2020 | Increase in the current year | Decrease in the current year | 31 December 2020    |
|---|----------------|------------------------------|------------------------------|---------------------|
| Others  | 3,851,606.53   | –                            | –                            | <b>3,851,606.53</b> |

# Notes to the Financial Statements

For the year ended 31 December 2020

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

### 20. Long-term prepaid expenses

| Item                  | <i>RMB</i>        |                             |                              |                      |
|-----------------------|-------------------|-----------------------------|------------------------------|----------------------|
|                       | 1 January<br>2020 | Increase in<br>current year | Amortization<br>for the year | 31 December<br>2020  |
| Leasehold improvement | 24,011,026.44     | 8,538,252.22                | 20,375,623.93                | <b>12,173,654.73</b> |
| Others                | 631,605.02        | 74,559.89                   | 685,522.78                   | <b>20,642.13</b>     |
| Total                 | 24,642,631.46     | 8,612,812.11                | 21,061,146.71                | <b>12,194,296.86</b> |

### 21. Deferred tax assets/deferred tax liabilities

#### (1) Deferred tax assets

| Item   | Balance at the end<br>of the current year |                        | Balance at the end<br>of the prior year |                        |
|--|---|------------------------|---|------------------------|
|  | Deductible<br>temporary<br>differences    | Deferred<br>tax assets | Deductible<br>temporary<br>differences  | Deferred<br>tax assets |
| Provision for impairment<br>losses of assets | <b>81,305,598.23</b>                      | <b>20,326,399.55</b>   | 43,763,673.56                           | 10,940,918.39          |
| Employee benefits payable                    | <b>3,427,589.58</b>                       | <b>856,897.40</b>      | 20,732,996.20                           | 5,183,249.05           |
| Total  | <b>84,733,187.81</b>                      | <b>21,183,296.95</b>   | 64,496,669.76                           | 16,124,167.44          |

## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 21. Deferred tax assets/deferred tax liabilities (Continued)

##### (2) Deferred tax liabilities

| Item  | Balance at the end of the current year |                          | Balance at the end of the prior year |                          |
|---|--|--------------------------|--------------------------------------|--------------------------|
|   | Deductible temporary differences       | Deferred tax liabilities | Deductible temporary differences     | Deferred tax liabilities |
| Differences between carrying amount and fair value in the acquisition of subsidiary | <b>30,583,115.80</b>                   | <b>7,645,778.95</b>      | 33,473,140.64                        | 8,368,285.16             |
| Relocation compensation   | –                                      | –                        | 20,457,549.56                        | 5,114,387.39             |
| Changes in the fair value of other equity instrument investments                    | <b>484,290.52</b>                      | <b>121,072.63</b>        | 543,426.95                           | 135,856.74               |
| Changes in the fair value of other non-current financial assets                     | <b>72,036,268.13</b>                   | <b>18,009,067.03</b>     | 112,976,953.05                       | 28,244,238.26            |
| Investment in associates accounted for using the equity method                      | –                                      | –                        | 52,083,335.07                        | 13,020,833.77            |
| Total   | <b>103,103,674.45</b>                  | <b>25,775,918.61</b>     | 219,534,405.27                       | 54,883,601.32            |

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 2020

### (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                             | Balance at the end<br>of the current year | Balance at the end<br>of the prior year |
| Deductible temporary differences | <b>165,431,836.73</b>                     | 118,727,162.49                          |
| Deductible taxable losses        | <b>162,818,978.89</b>                     | 280,621,367.62                          |
| Total                            | <b>328,250,815.62</b>                     | 399,348,530.11                          |

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       | Balance at the end<br>of the current year | Balance at the end<br>of the prior year |
| 2020       | –   | 72,442,473.64                           |
| 2021       | <b>22,437,281.03</b>                      | 42,125,357.18                           |
| 2022       | <b>31,705,074.32</b>                      | 39,848,677.12                           |
| 2023       | <b>28,984,175.26</b>                      | 34,302,467.81                           |
| 2024       | <b>39,194,524.69</b>                      | 91,902,391.87                           |
| 2025       | <b>40,497,923.59</b>                      | –                                       |
| Total      | <b>162,818,978.89</b>                     | 280,621,367.62                          |

## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 22. Other non-current assets

| Item                                  | <i>RMB</i>                                |   |
|---------------------------------------|---|---|
|                                       | Balance at the end<br>of the current year | Balance at the end<br>of the prior year |
| Prepaid land funds                    | <b>35,355,838.00</b>                      | 35,355,837.99                           |
| VAT input tax to be deducted (Note 1) | <b>60,228,693.74</b>                      | 48,592,877.42                           |
| Prepaid purchase price for property   | <b>13,904,800.00</b>                      | 17,105,497.00                           |
| Term deposits (Note 2)                | <b>241,444,013.69</b>                     | –                                       |
| Others                                | –   | 20,767,710.78                           |
| <b>Total</b>                          | <b>350,933,345.43</b>                     | 121,821,923.19                          |

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

*Note 2:* Term deposits are fixed deposits that the Group cannot withdraw in advance or does not intend to withdraw in advance within one year, with interest rates ranging 3.50% to 4.07%.

#### 23. Notes payable

| Item                        | <i>RMB</i>                                |   |
|-----------------------------|---|---|
|                             | Balance at the end<br>of the current year | Balance at the end<br>of the prior year |
| Commercial acceptance bills | <b>11,927,902.85</b>                      | 3,129,159.00                            |
| Bank acceptance bills       | <b>33,910,322.43</b>                      | 10,925,551.75                           |
| <b>Total</b>                | <b>45,838,225.28</b>                      | 14,054,710.75                           |

At the end of the current year, the Group's deposit for the above-mentioned bank acceptance bills was RMB10,926,115.05.

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

# Notes to the Financial Statements

For the year ended 31 December 2020

## (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  | Balance at the end of the current year | Balance at the end of the prior year |
| Within 1 year                               | <b>3,597,085,730.79</b>                | 3,237,967,685.53                     |
| More than 1 year but not exceeding 2 years  | <b>611,824,665.46</b>                  | 747,755,788.80                       |
| More than 2 years but not exceeding 3 years | <b>166,494,831.79</b>                  | 205,784,181.87                       |
| More than 3 years                           | <b>174,753,467.72</b>                  | 124,273,858.63                       |
| Total                                       | <b>4,550,158,695.76</b>                | 4,315,781,514.83                     |

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

### 25. Contract liabilities

#### (1) Presentation of contract liabilities

| <i>RMB</i>                       |  |                                      |
|----------------------------------|--|--------------------------------------|
| Item                             | Balance at the end of the current year | Balance at the end of the prior year |
| Advanced receipts for sold goods | <b>440,976,479.36</b>                  | 373,162,442.02                       |
| Membership card points           | <b>1,848,526.94</b>                    | 3,538,940.71                         |
| Total                            | <b>442,825,006.30</b>                  | 376,701,382.73                       |

(2) The Group's recognized revenue of RMB375,886,882.13, of which the carrying amount of contract liabilities at the beginning of the year, for current year includes contract liabilities of RMB373,162,442.02 arising from advanced receipts for sold goods, and contract liabilities of RMB2,724,440.11 arising from membership card points. It is expected that carrying amount of advanced receipts for sold goods at the end of the year will be recognized as revenue in 2021.



## Notes to the Financial Statements

For the year ended 31 December 2020

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

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

##### (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 students 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.

#### 26. Employee benefits payable

##### (1) Employee benefits payable

|  |                |                              |                              | <i>RMB</i>            |
|--|----------------|------------------------------|------------------------------|-----------------------|
| Item   | 1 January 2020 | Increase in the current year | Decrease in the current year | 31 December 2020      |
| I. Short-term benefits                                   | 413,560,586.44 | 1,111,455,334.72             | 1,056,487,149.79             | <b>468,528,771.37</b> |
| II. Post-employment benefits – defined contribution plan | 4,545,588.29   | 109,395,833.69               | 109,690,622.30               | <b>4,250,799.68</b>   |
| III. Termination benefits                                | –              | 3,446,912.00                 | 3,446,912.00                 | –                     |
| Total  | 418,106,174.73 | 1,224,298,080.41             | 1,169,624,684.09             | <b>472,779,571.05</b> |

# Notes to the Financial Statements

For the year ended 31 December 2020

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

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

#### (2) Short-term benefits

|  |                       |                                 |                                 | <i>RMB</i>            |
|--|-----------------------|---------------------------------|---------------------------------|-----------------------|
| Item   | 1 January 2020        | Increase in the<br>current year | Decrease in the<br>current year | 31 December 2020      |
| I. Wages or salaries, bonuses,<br>allowances and subsidies | 347,903,667.52        | 933,766,536.40                  | 889,664,914.60                  | <b>392,005,289.32</b> |
| II. Staff welfare  | 4,000.00              | 12,708,658.35                   | 12,708,358.35                   | <b>4,300.00</b>       |
| III. Social security contributions                         | 343,522.12            | 48,022,572.15                   | 48,232,382.87                   | <b>133,711.40</b>     |
| Including: Medical insurance                               | 257,059.38            | 42,834,247.10                   | 43,048,059.93                   | <b>43,246.55</b>      |
| Work injury insurance                                      | 48,334.73             | 1,152,681.08                    | 1,172,943.02                    | <b>28,072.79</b>      |
| Maternity insurance  | 33,946.91             | 3,858,730.07                    | 3,878,674.80                    | <b>14,002.18</b>      |
| Other insurances   | 4,181.10              | 176,913.90                      | 132,705.12                      | <b>48,389.88</b>      |
| IV. Housing funds  | 1,549,868.89          | 80,861,250.50                   | 81,549,346.47                   | <b>861,772.92</b>     |
| V. Union running costs and<br>employee education costs     | 63,533,562.20         | 31,937,318.00                   | 20,040,533.96                   | <b>75,430,346.24</b>  |
| VI. Others   | 225,965.71            | 4,158,999.32                    | 4,291,613.54                    | <b>93,351.49</b>      |
| <b>Total</b>   | <b>413,560,586.44</b> | <b>1,111,455,334.72</b>         | <b>1,056,487,149.79</b>         | <b>468,528,771.37</b> |

# Notes to the Financial Statements

For the year ended 31 December 2020

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

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

#### (3) Defined contribution plan

|                                    |                |                                 |                                 | <i>RMB</i>          |
|------------------------------------|----------------|---------------------------------|---------------------------------|---------------------|
| Item                               | 1 January 2020 | Increase in the<br>current year | Decrease in the<br>current year | 31 December 2020    |
| I. Basic pension insurance         | 728,952.02     | 51,455,921.02                   | 52,115,082.05                   | <b>69,790.99</b>    |
| II. Unemployment insurance expense | 79,115.09      | 1,911,871.89                    | 1,949,696.57                    | <b>41,290.41</b>    |
| III. Enterprise annuity            | 3,737,521.18   | 56,028,040.78                   | 55,625,843.68                   | <b>4,139,718.28</b> |
| Total                              | 4,545,588.29   | 109,395,833.69                  | 109,690,622.30                  | <b>4,250,799.68</b> |

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 RMB51,455,921.02 and RMB1,911,871.89 (2019: RMB102,830,768.08 and RMB3,752,538.94) to the pension insurance and unemployment insurance plans respectively. As at 31 December 2020, the outstanding contributions payable of RMB69,790.99 and RMB41,290.41 (31 December 2019: RMB728,952.02 and RMB79,115.09) 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 2020

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

#### 27. Taxes payable

| <i>RMB</i>                            |   |   |
|---------------------------------------|---|---|
| Item                                  | Balance at the end<br>of the current year | Balance at the end<br>of the prior year |
| Income tax                            | <b>19,669,009.58</b>                      | 7,916,246.19                            |
| Value added tax                       | <b>18,402,837.69</b>                      | 18,776,491.60                           |
| City construction and maintenance tax | <b>411,311.53</b>                         | 682,046.30                              |
| Education surcharges                  | <b>295,876.08</b>                         | 477,162.50                              |
| Property tax                          | <b>2,857,068.83</b>                       | 58,830.74                               |
| Individual income tax                 | <b>4,020,540.48</b>                       | 3,041,441.68                            |
| Others                                | <b>18,424,986.69</b>                      | 18,080,412.63                           |
| Total                                 | <b>64,081,630.88</b>                      | 49,032,631.64                           |

#### 28. Other Payables

| <i>RMB</i>   |   |   |
|--|---|---|
| Item   | Balance at the end<br>of the current year | Balance at the end<br>of the prior year |
| Amounts due to related parties                                     | <b>48,205,419.86</b>                      | 6,210,151.46                            |
| Security deposit/deposit/quality warranty/<br>performance security | <b>55,047,287.60</b>                      | 67,405,502.62                           |
| Construction and infrastructure<br>construction expenses           | <b>21,121,626.42</b>                      | 25,973,935.91                           |
| Amounts due to/from other entities                                 | <b>46,607,276.02</b>                      | 43,115,718.18                           |
| Investment payables (Note)   | <b>317,061,075.00</b>                     | –                                       |
| Others   | <b>167,936,365.74</b>                     | 154,598,516.39                          |
| Total  | <b>655,979,050.64</b>                     | 297,303,824.56                          |

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

*Note:* On 30 December 2020, Hainan Xinhua Bookstore Group Co., Ltd. transferred its 25% equity interests in Hainan Phoenix to the Company by way of agreement transfer at a total transfer consideration of RMB317,061,075.00. For details, please refer to note (VI) 11.

## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 29. Other current liabilities

| Item                            | <i>RMB</i>                             |                                      |
|---------------------------------|--|--------------------------------------|
|                                 | Balance at the end of the current year | Balance at the end of the prior year |
| Government grants (Note 1)      | <b>97,012,083.80</b>                   | 103,535,074.58                       |
| Expected sales returns (Note 2) | <b>73,793,586.53</b>                   | 69,248,504.54                        |
| Output tax to be transferred    | <b>5,666,466.55</b>                    | –                                    |
| Total                           | <b>176,472,136.88</b>                  | 172,783,579.12                       |

Note 1: Items involving with government grants:

| Item                      | <i>RMB</i>     |                                 |   |                      |                                       |
|---------------------------|----------------|---------------------------------|---|----------------------|---------------------------------------|
|                           | 1 January 2020 | New grants for the current year | Credited into other income for the current year | 31 December 2020     | Related to an asset/related to income |
| Books subsidies<br>(Note) | 103,535,074.58 | 21,977,227.19                   | 28,500,217.97                                   | <b>97,012,083.80</b> | Related to income                     |

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

Note 2: 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 2020

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

### 30. Lease liabilities

|  | <i>RMB</i>                                   |  |
|--|--|--|
| Item   | Balance at<br>the end of the<br>current year | Balance at<br>the end of the<br>prior year |
| Rents  | <b>461,131,191.79</b>                        | 447,134,268.00                             |
| Less: Lease liabilities included in non-current<br>liabilities due within one year | <b>103,865,186.60</b>                        | 93,885,902.56                              |
| Net  | <b>357,266,005.19</b>                        | 353,248,365.44                             |

### 31. Deferred income

|                   | <i>RMB</i>                                   |  |
|-------------------|--|--|
| Item              | Balance at<br>the end of the<br>current year | Balance at<br>the end of the<br>prior year |
| Government grants | <b>45,644,566.05</b>                         | 58,755,458.63                              |

## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 31. Deferred income (Continued)

Items involving with government grants:

RMB

| Item  | 1 January<br>2020 | New grants<br>for the<br>current year | Credited to<br>other income<br>for the<br>current year | Other<br>decreases<br>for the<br>current year | 31 December<br>2020 | Related to an<br>asset/related<br>to income |
|---|-------------------|---------------------------------------|--|---|---------------------|---|
| Copyright protection of audio and video<br>cloud application system   | 1,067,105.88      | -                                     | 148,898.49   | -   | 918,207.39          | related to an asset                         |
| Integration and Application Demonstration of<br>Key Technology in Digital Education   | 1,205,627.58      | -                                     | 397,101.19   | -   | 808,526.39          | related to an asset                         |
| Construction of Full Media Center of<br>"Tibetan-Chinese Bilingual Language"  | 55,284.40         | -                                     | 7,410.86   | -   | 47,873.54           | related to an asset                         |
| Western Culture Logistics and Distribution Base   | 1,188,449.34      | -                                     | 256,059.93   | -   | 932,389.41          | related to an asset                         |
| Special funds for technological transformation<br>R&D and industrialization project of rich media<br>digital resources online edit system | 11,416,978.59     | -                                     | 4,195,562.89   | -   | 7,221,415.70        | related to an asset                         |
| Wisdom Bookstore Project  | 2,953,109.95      | -                                     | 633,136.03   | -   | 2,319,973.92        | related to an asset                         |
| UClass Digital Teaching Application System  | 3,227,328.56      | -                                     | 1,088,142.08   | -   | 2,139,186.48        | related to an asset                         |
| Winshare Cloud Digital Campus Development<br>and Application Promotion  | 570.26            | -                                     | 570.26   | -   | -                   | related to an asset                         |
| Special fund for Stackway   | 10,667.51         | -                                     | 9,786.67   | -   | 880.84              | related to an asset                         |
| Network Construction of Bookish Tianfu,<br>Wisdom Xinhua Physical Bookstore – finance   | 2,914,057.38      | -                                     | 430,261.57   | -   | 2,483,795.81        | related to an asset                         |
| Digital Media Education Service System Construction   | 1,561,109.85      | -                                     | 623,373.82   | -   | 937,736.03          | related to an asset                         |
| Digital Evaluation Platform   | 754,503.60        | -                                     | 161,679.36   | -   | 592,824.24          | related to an asset                         |
| Establishment of Big data based Math Analysis<br>Model which is published on demand and<br>Key Technology Research Project                | 2,338,678.52      | -                                     | 326,327.23   | -   | 2,012,351.29        | related to an asset                         |
| Model project of semantics-based content resources<br>linking technology and education compound<br>application system R&D and application | 3,491,850.62      | -                                     | 398,944.00   | -   | 3,092,906.62        | related to an asset                         |
| Tianfu Book Fair  | 475,192.79        | -                                     | 6,871.13   | -   | 468,321.66          | related to an asset                         |
| Support project for physical bookstores in Chengdu  | -                 | 4,091,518.55                          | 4,091,518.55   | -   | -                   | related to income                           |
| Promotion activities for Gogo Reading book series   | -                 | 1,517,000.00                          | 1,517,000.00   | -   | -                   | related to income                           |
| Education and media convergence projects  | -                 | 2,000,000.00                          | 2,000,000.00   | -   | -                   | related to income                           |
| Unified content-based media distribution service<br>platform for culture and education  | -                 | 500,000.00                            | -  | -   | 500,000.00          | related to an asset                         |
| Others  | 26,094,943.80     | 1,000,000.00                          | -  | -   | 1,000,000.00        | related to an asset                         |
| Total   | 58,755,458.63     | 9,121,155.58                          | 18,045,983.82  | 4,186,064.34                                  | 45,644,566.05       |   |

# Notes to the Financial Statements

For the year ended 31 December 2020

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

### 32. Share capital

*RMB*

| Item                                    | 1 January 2020          | Changes for the current year |             |                                   |          | Subtotal | 31 December 2020        |
|---|-------------------------|------------------------------|-------------|-----------------------------------|----------|----------|-------------------------|
|   |                         | Issue of new shares          | Bonus issue | Capitalization of surplus reserve | Others   |          |                         |
| Promoter's shares                       | 692,468,091.00          | -                            | -           | -                                 | -        | -        | 692,468,091.00          |
| Foreign shares listed overseas          | 441,937,100.00          | -                            | -           | -                                 | -        | -        | 441,937,100.00          |
| Domestically-listed RMB ordinary shares | 99,435,809.00           | -                            | -           | -                                 | -        | -        | 99,435,809.00           |
| <b>Total</b>                            | <b>1,233,841,000.00</b> | <b>-</b>                     | <b>-</b>    | <b>-</b>                          | <b>-</b> | <b>-</b> | <b>1,233,841,000.00</b> |

*RMB*

| Item   | 1 January 2019          | Changes for the current year |             |                                   |              | Subtotal     | 31 December 2019        |
|--|-------------------------|------------------------------|-------------|-----------------------------------|--------------|--------------|-------------------------|
|  |                         | Issue of new shares          | 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) | (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           | -                            | -           | -                                 | 725,809.00   | 725,809.00   | 99,435,809.00           |
| <b>Total</b>                                   | <b>1,233,841,000.00</b> | <b>-</b>                     | <b>-</b>    | <b>-</b>                          | <b>-</b>     | <b>-</b>     | <b>1,233,841,000.00</b> |



## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 33. Capital reserve

| <i>RMB</i>   |                         |                                 |                                 |                         |
|--|-------------------------|---------------------------------|---------------------------------|-------------------------|
| Item   | 1 January<br>2020       | Increase in<br>the current year | Decrease in<br>the current year | 31 December<br>2020     |
| Share capital premium  | 2,540,421,521.70        | -                               | -                               | 2,540,421,521.70        |
| Including: Capital contributed by investors  | 2,623,214,037.85        | -                               | -                               | 2,623,214,037.85        |
| Effect of business combination involving<br>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<br>in subsidiaries  | (2,865,206.59)          | -                               | -                               | (2,865,206.59)          |
| Other capital reserve  | 32,103,244.62           | -                               | -                               | 32,103,244.62           |
| Including: Transfer from capital reserve under the<br>previous accounting system                         | 23,281,007.10           | -                               | -                               | 23,281,007.10           |
| Conversion of appreciation of net assets<br>arising from associates to subsidiaries<br>on pro-rata basis | 9,820,616.03            | -                               | -                               | 9,820,616.03            |
| Treasury shares  | (998,378.51)            | -                               | -                               | (998,378.51)            |
| <b>Total</b>   | <b>2,572,524,766.32</b> | <b>-</b>                        | <b>-</b>                        | <b>2,572,524,766.32</b> |

| <i>RMB</i>   |                         |                                 |                                 |                         |
|--|-------------------------|---------------------------------|---------------------------------|-------------------------|
| Item   | 1 January<br>2019       | Increase in<br>the current year | Decrease in<br>the current year | 31 December<br>2019     |
| Share capital premium  | 2,540,421,521.70        | -                               | -                               | 2,540,421,521.70        |
| Including: Capital contributed by investors  | 2,623,214,037.85        | -                               | -                               | 2,623,214,037.85        |
| Effect of business combination involving<br>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<br>of subsidiaries  | (2,865,206.59)          | -                               | -                               | (2,865,206.59)          |
| Other capital reserve  | 32,103,244.62           | -                               | -                               | 32,103,244.62           |
| Including: Transfer from capital reserve under the<br>previous accounting system                         | 23,281,007.10           | -                               | -                               | 23,281,007.10           |
| Conversion of appreciation of net assets<br>arising from associates to subsidiaries<br>on pro-rata basis | 9,820,616.03            | -                               | -                               | 9,820,616.03            |
| Treasury shares  | (998,378.51)            | -                               | -                               | (998,378.51)            |
| <b>Total</b>   | <b>2,572,524,766.32</b> | <b>-</b>                        | <b>-</b>                        | <b>2,572,524,766.32</b> |

## Notes to the Financial Statements

For the year ended 31 December 2020

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

## 34. Other comprehensive income

RMB

| Item   | Changes for the current year |   |   |                              |  |   |                  | 31 December<br>2020 |
|--|------------------------------|---|---|------------------------------|--|---|------------------|---------------------|
|  | 1 January<br>2020            | Amount before<br>income tax for<br>the current year | Less: amount<br>included in other<br>comprehensive<br>income in the<br>prior period that<br>is transferred to<br>profit or loss<br>for the period | Less: Income<br>tax expenses | Post-tax amount<br>attributable to<br>the owner of<br>the parent | Post-tax amount<br>attributable to<br>non-controlling<br>shareholders |                  |                     |
| Other comprehensive income that cannot be reclassified into profit or loss | 979,297,859.83               | 36,953,663.56                                       | -   | (14,784.11)                  | 36,968,447.67  | -   | 1,016,266,307.50 |                     |
| Changes in fair value of other equity instrument investments               | 979,297,859.83               | 36,953,663.56                                       | -   | (14,784.11)                  | 36,968,447.67  | -   | 1,016,266,307.50 |                     |

RMB

| Item   | Changes for the current year |   |   |                              |  |   |                | 31 December<br>2019 |
|--|------------------------------|---|---|------------------------------|--|---|----------------|---------------------|
|  | 1 January<br>2019            | Amount before<br>income tax for<br>the current year | Less: amount<br>included in other<br>comprehensive<br>income in the<br>prior period that<br>is transferred to<br>profit or loss<br>for the period | Less: Income<br>tax expenses | Post-tax amount<br>attributable to<br>the owner of<br>the parent | Post-tax amount<br>attributable to<br>non-controlling<br>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 |                     |
| 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 |                     |

## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 35. Surplus reserve

| <i>RMB</i>                |                       |                                 |                                 |                       |
|---------------------------|-----------------------|---------------------------------|---------------------------------|-----------------------|
| Item                      | 1 January<br>2020     | Increase in the<br>current year | Decrease in the<br>current year | 31 December<br>2020   |
| Statutory surplus reserve | <b>792,353,770.15</b> | <b>105,293,914.66</b>           | –                               | <b>897,647,684.81</b> |

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

#### 36. Retained profits

| <i>RMB</i>   |                         |                  |   |
|--|-------------------------|------------------|---|
| Item   | Current year            | Prior year       | Proportion of<br>appropriation or<br>distribution |
| Retained profits at the beginning<br>of the year                                   | <b>3,629,232,391.16</b> | 2,941,622,541.24 |   |
| Add: Net profit attributable to shareholders<br>of the parent for the current year | <b>1,262,778,545.44</b> | 1,139,047,561.12 |   |
| Less: Appropriation to statutory surplus reserve                                   | <b>105,293,914.66</b>   | 81,285,411.20    | (1)   |
| Distribution of dividends on ordinary shares                                       | <b>370,152,300.00</b>   | 370,152,300.00   | (2)   |
| Retained profits at the end of the year  | <b>4,416,564,721.94</b> | 3,629,232,391.16 |   |

# Notes to the Financial Statements

For the year ended 31 December 2020

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

### 36. 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 2020, the resolution regarding the Company's 2019 Annual Profit Distribution Proposal was approved at 2019 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)) were 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 RMB163,620,261.97 (31 December 2019: RMB134,816,191.16) appropriated to subsidiaries.

### 37. Operating income and operating costs

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

| Item                          | <i>RMB</i>                               |  |
|-------------------------------|--|--|
|                               | Amount recognized<br>in the current year | Amount recognized<br>in the prior year |
| Principal operating income    | <b>8,873,374,924.36</b>                  | 8,647,468,762.45                       |
| Other operating income (Note) | <b>134,681,629.91</b>                    | 194,988,961.34                         |
| Total income                  | <b>9,008,056,554.27</b>                  | 8,842,457,723.79                       |
| Operating costs               | <b>5,453,686,898.97</b>                  | 5,459,861,693.69                       |

Note: Included in other operating income was commissions from concessionaire sales of RMB39,135,568.21. Among which, gross revenue from concessionaire sales was RMB277,165,035.13 and gross cost from concessionaire sales was RMB238,029,466.92 (2019: commissions from concessionaire sales of RMB47,650,918.49. Among which, gross revenue from concessionaire sales was RMB341,709,690.76 and gross cost from concessionaire sales was RMB294,058,772.27).

## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 37. Operating income and operating costs (Continued)

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

| Item   | Operating income                      |                                     | Operating costs                       |                                     |
|--|---------------------------------------|-------------------------------------|---------------------------------------|-------------------------------------|
|  | Amount recognized in the current year | Amount recognized in the prior year | Amount recognized in the current year | Amount recognized in the prior year |
|  |                                       |                                     |                                       |                                     |
| <b>Publication segment</b>                       |                                       |                                     |                                       |                                     |
| Textbooks and supplementary materials            | 1,441,306,485.11                      | 1,365,400,296.92                    | 813,140,144.13                        | 823,110,321.45                      |
| General books                                    | 677,624,735.81                        | 888,276,334.06                      | 473,711,913.12                        | 578,860,240.65                      |
| Printing and supplies                            | 266,244,949.59                        | 292,929,038.01                      | 237,648,319.21                        | 262,440,383.00                      |
| Newspapers and journals                          | 35,957,382.82                         | 39,269,642.68                       | 18,485,622.62                         | 20,059,435.06                       |
| Others   | 41,918,353.79                         | 53,326,441.08                       | 16,953,471.60                         | 30,474,307.93                       |
| <b>Subtotal</b>                                  | <b>2,463,051,907.12</b>               | <b>2,639,201,752.75</b>             | <b>1,559,939,470.68</b>               | <b>1,714,944,688.09</b>             |
| <b>Distribution segment</b>                      |                                       |                                     |                                       |                                     |
| Education services                               | 5,386,014,599.89                      | 4,999,021,879.42                    | 3,311,627,315.62                      | 3,151,508,386.35                    |
| Including: Textbooks and supplementary materials | 4,771,902,213.75                      | 4,330,236,742.33                    | 2,789,297,332.30                      | 2,584,392,969.07                    |
| Education informatized and equipment business    | 555,158,358.25                        | 668,785,137.09                      | 479,971,492.60                        | 567,115,417.28                      |
| Online sales                                     | 1,671,227,992.84                      | 1,512,497,368.84                    | 1,409,378,272.69                      | 1,293,068,239.71                    |
| Retailing  | 630,614,254.64                        | 739,842,209.34                      | 391,406,109.28                        | 455,348,770.66                      |
| <b>Others</b>                                    | <b>224,440,913.83</b>                 | <b>383,730,284.89</b>               | <b>195,996,946.44</b>                 | <b>302,106,935.09</b>               |
| <b>Subtotal</b>                                  | <b>7,912,297,761.20</b>               | <b>7,635,091,742.49</b>             | <b>5,308,408,644.03</b>               | <b>5,202,032,331.81</b>             |
| <b>Others</b>                                    | <b>409,067,036.90</b>                 | <b>393,467,244.10</b>               | <b>362,920,869.25</b>                 | <b>339,700,734.20</b>               |
| Less: Inter-segment elimination                  | 1,776,360,150.95                      | 1,825,303,015.55                    | 1,777,582,084.99                      | 1,796,816,060.41                    |
| <b>Total</b>                                     | <b>9,008,056,554.27</b>               | <b>8,842,457,723.79</b>             | <b>5,453,686,898.97</b>               | <b>5,459,861,693.69</b>             |

Details of publication 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 2020

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

#### 38. Taxes and levies

| <i>RMB</i>                            |  |  |
|---------------------------------------|--|--|
| Item                                  | Amount recognized<br>in the current year | Amount recognized<br>in the prior year |
| City construction and maintenance tax | <b>4,861,803.14</b>                      | 4,809,004.47                           |
| Education surcharges                  | <b>3,478,449.86</b>                      | 3,438,355.09                           |
| Property tax                          | <b>24,589,967.88</b>                     | 21,199,919.23                          |
| Urban land use tax                    | <b>2,241,120.18</b>                      | 3,782,606.17                           |
| Stamp duty                            | <b>8,700,289.00</b>                      | 2,422,799.57                           |
| Vessel and vehicle tax                | <b>254,257.77</b>                        | 283,554.70                             |
| Disabled person security fund         | <b>4,567,109.22</b>                      | 7,084,634.75                           |
| Others                                | <b>493,096.57</b>                        | 248,827.91                             |
| <b>Total</b>                          | <b>49,186,093.62</b>                     | 43,269,701.89                          |

#### 39. Selling expenses

| <i>RMB</i>                     |  |  |
|--------------------------------|--|--|
| Item                           | Amount recognized<br>in the current year | Amount recognized<br>in the prior year |
| Wages and other human costs    | <b>483,663,543.20</b>                    | 459,660,697.10                         |
| Transportation costs           | <b>245,392,011.80</b>                    | 230,695,503.66                         |
| Entrusted logistics fees       | <b>124,673,900.17</b>                    | 96,190,960.49                          |
| Business conference fees       | <b>48,567,751.92</b>                     | 49,344,202.55                          |
| Vehicle fees                   | <b>18,170,264.10</b>                     | 20,251,674.71                          |
| Travel expenses                | <b>18,856,323.51</b>                     | 25,725,283.36                          |
| Advertising and promotion fees | <b>129,792,157.37</b>                    | 123,504,100.85                         |
| Distribution commission        | <b>48,001,765.64</b>                     | 40,235,990.88                          |
| Packing expenses               | <b>15,678,460.98</b>                     | 14,296,484.36                          |
| Others                         | <b>51,533,605.48</b>                     | 59,774,208.07                          |
| <b>Total</b>                   | <b>1,184,329,784.17</b>                  | 1,119,679,106.03                       |

## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 40. Administrative expenses

| <i>RMB</i>                             |  |  |
|--|--|--|
| Item                                   | Amount recognized<br>in the current year | Amount recognized<br>in the prior year |
| Wages and other human costs            | <b>663,146,426.47</b>                    | 700,133,404.30                         |
| Business entertainment fees            | <b>125,449,914.41</b>                    | 127,295,029.56                         |
| Lease payments                         | <b>12,154,626.95</b>                     | 34,970,007.95                          |
| Depreciation and amortization expenses | <b>210,647,953.66</b>                    | 191,031,775.34                         |
| Conference fees                        | <b>18,784,401.58</b>                     | 24,353,407.29                          |
| Property management fees               | <b>40,816,939.12</b>                     | 35,897,673.64                          |
| Travelling expenses                    | <b>6,822,499.53</b>                      | 12,601,277.93                          |
| Energy costs                           | <b>17,025,691.28</b>                     | 18,480,681.47                          |
| Office expenses                        | <b>7,599,650.94</b>                      | 8,202,276.77                           |
| Repair charges                         | <b>15,461,748.71</b>                     | 12,972,192.59                          |
| Audit and other non-audit service fees | <b>3,367,924.53</b>                      | 3,367,924.53                           |
| Others                                 | <b>83,567,703.32</b>                     | 84,669,886.64                          |
| Total                                  | <b>1,204,845,480.50</b>                  | 1,253,975,538.01                       |

#### 41. Finance expenses

| <i>RMB</i>                                     |  |  |
|--|--|--|
| Item   | Amount recognized<br>in the current year | Amount recognized<br>in the prior year |
| Interest expense                               | <b>63,922.27</b>                         | 191,521.60                             |
| Interest expense on lease liabilities          | <b>22,100,032.30</b>                     | 19,248,800.27                          |
| Less: Interest income                          | <b>64,984,348.52</b>                     | 40,530,235.98                          |
| Less: Interest income of long-term receivables | <b>13,079,664.89</b>                     | 17,662,999.05                          |
| Exchange gains or losses and others            | <b>10,080,458.40</b>                     | 5,771,947.98                           |
| Total  | <b>(45,819,600.44)</b>                   | (32,980,965.18)                        |

## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 42. Other income

| Item                                       | <i>RMB</i>                               |  |
|--|--|--|
|  | Amount recognized<br>in the current year | Amount recognized<br>in the prior year |
| Book publishing subsidies                  | <b>28,500,217.97</b>                     | 26,172,041.86                          |
| Income from VAT first levied then returned | <b>36,166,173.62</b>                     | 53,182,436.43                          |
| Other financial subsidies                  | <b>27,193,428.79</b>                     | 25,834,236.50                          |
| Total                                      | <b>91,859,820.38</b>                     | 105,188,714.79                         |

#### 43. Investment income

| Item  | <i>RMB</i>                               |  |
|---|--|--|
|   | Amount recognized<br>in the current year | Amount recognized<br>in the prior year |
| Income from long-term equity investments                                | <b>66,836,347.91</b>                     | 101,036,355.76                         |
| Including: Income from investments under equity method                  | <b>67,083,656.84</b>                     | 81,036,355.76                          |
| Investment income (loss) on disposal of<br>long-term equity investments | <b>(247,308.93)</b>                      | 20,000,000.00                          |
| Investment income from other non-current financial assets               | <b>2,044,245.43</b>                      | 4,817,239.26                           |
| Investment income from other equity instrument investments              | <b>53,544,416.02</b>                     | 49,859,237.00                          |
| Investment income from disposal of financial assets<br>at FVTPL         | <b>47,212,317.88</b>                     | 33,689,186.77                          |
| Others  | -  | 19,500,000.00                          |
| Total   | <b>169,637,327.24</b>                    | 208,902,018.79                         |



## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 44. Gains from fair value change

| <i>RMB</i>                             |  |  |
|--|--|--|
| Source of gains from fair value change | Amount recognized<br>in the current year | Amount recognized<br>in the prior year |
| Financial assets at FVTPL              | <b>101,627,007.34</b>                    | 37,980,059.49                          |

#### 45. Gain (loss) on credit impairment

| <i>RMB</i>  |  |  |
|---|--|--|
| Item  | Amount recognized<br>in the current year | Amount recognized<br>in the prior year |
| Gain (loss) on credit impairment of accounts receivable | <b>(142,249,916.80)</b>                  | (107,862,514.00)                       |
| Gain (loss) on credit impairment of other receivables   | <b>(2,267,480.78)</b>                    | (3,167,922.96)                         |
| Total   | <b>(144,517,397.58)</b>                  | (111,030,436.96)                       |

#### 46. Gain (loss) on asset impairment

| <i>RMB</i>  |  |  |
|---|--|--|
| Item  | Amount recognized<br>in the current year | Amount recognized<br>in the prior year |
| Gain (loss) on impairment of inventories                  | <b>(61,388,572.04)</b>                   | (60,917,237.10)                        |
| Gain (loss) on impairment of fixed assets                 | <b>(558,577.29)</b>                      | –                                      |
| Gain (loss) on impairment of long-term equity investments | <b>(6,647,345.57)</b>                    | –                                      |
| Total   | <b>(68,594,494.90)</b>                   | (60,917,237.10)                        |

# Notes to the Financial Statements

For the year ended 31 December 2020

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

### 47. Non-operating income

| <i>RMB</i> |   |   |   |
|------------|---|---|---|
| Item       | Amount<br>recognized in<br>the current year | Amount<br>recognized in<br>the prior year | Amount included<br>in non-recurring<br>profit or loss for<br>the current year |
| Others     | <b>20,438,948.12</b>                        | 11,917,025.61                             | 20,438,948.12   |

### 48. Non-operating expenses

| <i>RMB</i>   |   |   |  |
|--------------|---|---|--|
| Item         | Amount<br>recognized in<br>the current year | Amount<br>recognized in<br>the prior year | Amount included<br>in non-recurring<br>profit and loss for<br>the current year |
| Donations    | <b>74,602,560.79</b>                        | 41,260,106.61                             | 74,602,560.79  |
| Penalty cost | <b>21,008.26</b>                            | 45,743.05                                 | 21,008.26  |
| Others       | <b>3,706,371.24</b>                         | 1,164,150.22                              | 3,706,371.24   |
| Total        | <b>78,329,940.29</b>                        | 42,469,999.88                             | 78,329,940.29  |

## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 49. Income tax expenses

| <i>RMB</i>   |  |  |
|--|--|--|
| Item   | Amount recognized<br>in the current year | Amount recognized<br>in the prior year |
| Current tax calculated according to tax laws and relevant requirements | <b>42,322,578.72</b>                     | 5,894,196.92                           |
| Deferred income tax expenses   | <b>(34,152,028.11)</b>                   | 18,277,878.20                          |
| Total  | <b>8,170,550.61</b>                      | 24,172,075.12                          |

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

| <i>RMB</i>  |  |  |
|---|--|--|
| Item  | Amount recognized<br>in the current year | Amount recognized<br>in the prior year |
| Accounting profit   | <b>1,251,165,497.82</b>                  | 1,148,837,299.23                       |
| Income tax expenses calculated at 25%   | <b>312,791,374.49</b>                    | 287,209,324.81                         |
| Tax concessions   | <b>(319,139,430.75)</b>                  | (290,711,911.87)                       |
| Effect of non-deductible expenses   | <b>33,659,426.99</b>                     | 31,129,108.86                          |
| Effect of non-assessable income   | <b>(13,386,104.01)</b>                   | (12,464,809.25)                        |
| Effect of utilization of deductible losses for which no deferred income tax asset was recognized in the prior period                            | <b>(8,612,514.64)</b>                    | (6,943,950.37)                         |
| Effect of utilization of deductible temporary differences for which no deferred income tax asset was recognized in the prior period             | <b>(9,652,406.87)</b>                    | (12,542,463.64)                        |
| Effect of deductible temporary differences or deductible losses for which no deferred income tax asset was recognized during the current period | <b>12,510,205.40</b>                     | 28,496,776.58                          |
| Total   | <b>8,170,550.61</b>                      | 24,172,075.12                          |

## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 50. 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>                                  |   |
|---|---|---|
|   | Amount<br>recognized in<br>the current year | Amount<br>recognized in<br>the prior year |
| Net profit for the current period attributable to ordinary shareholders | <b>1,262,778,545.44</b>                     | 1,139,047,561.12                          |
| Including: Net profit from continuing operations                        | <b>1,262,778,545.44</b>                     | 1,139,047,561.12                          |

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 | <b>1,233,841,000</b> | 1,233,841,000 |
| Number of ordinary shares outstanding at the end of year       | <b>1,233,841,000</b> | 1,233,841,000 |

Earnings per share:

|  | <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  | <b>1.02</b>  | 0.92       |
| 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 | <b>1.02</b>  | 0.92       |

The Company has no dilutive potential ordinary shares.

## Notes to the Financial Statements

For the year ended 31 December 2020

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

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

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

| <i>RMB</i>        |  |  |
|-------------------|--|--|
| Item              | Amount recognized<br>in the current year | Amount recognized<br>in the prior year |
| Interest income   | <b>63,540,334.83</b>                     | 34,661,302.40                          |
| Government grants | <b>40,245,827.74</b>                     | 45,709,019.15                          |
| Others            | <b>119,337,070.97</b>                    | 49,461,340.95                          |
| Total             | <b>223,123,233.54</b>                    | 129,831,662.50                         |

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

| <i>RMB</i>                     |  |  |
|--------------------------------|--|--|
| Item                           | Amount recognized<br>in the current year | Amount recognized<br>in the prior year |
| Selling expenses               | <b>700,666,240.97</b>                    | 660,018,408.93                         |
| Of which: Transportation costs | <b>245,392,011.80</b>                    | 230,695,503.66                         |
| Advertising and promotion fees | <b>124,673,900.17</b>                    | 96,190,960.49                          |
| Entrusted logistics fees       | <b>129,792,157.37</b>                    | 123,504,100.85                         |
| Business conference fees       | <b>48,567,751.92</b>                     | 49,344,202.55                          |
| Distribution commission        | <b>48,001,765.64</b>                     | 40,235,990.88                          |
| Travel expenses                | <b>18,856,323.51</b>                     | 25,725,283.36                          |
| Vehicle fees                   | <b>18,170,264.10</b>                     | 20,251,674.71                          |
| Administrative expenses        | <b>305,305,869.74</b>                    | 384,312,709.09                         |
| Of which: Lease payment        | <b>12,154,626.95</b>                     | 34,970,007.95                          |
| Business entertainment fees    | <b>125,449,914.41</b>                    | 127,295,029.56                         |
| Property management fees       | <b>40,816,939.12</b>                     | 35,897,673.64                          |
| Conference fees                | <b>18,784,401.58</b>                     | 24,353,407.29                          |
| Energy costs                   | <b>17,025,691.28</b>                     | 18,480,681.47                          |
| Repair charges                 | <b>15,461,748.71</b>                     | 12,972,192.59                          |
| Others                         | <b>143,263,536.27</b>                    | 78,896,498.72                          |
| Total                          | <b>1,149,235,646.98</b>                  | 1,123,227,616.74                       |

## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 51. Notes to items in the cash flow statement (Continued)

##### (3) Other cash receipts relating to investing activities

| <i>RMB</i>                                     |  |  |
|--|--|--|
| Item   | Amount recognized<br>in the current year | Amount recognized<br>in the prior year |
| Receipt of term deposit over 3 months          | <b>77,000,000.00</b>                     | 57,000,000.00                          |
| Recovery of interest from term deposit         | <b>4,760,506.83</b>                      | 1,434,629.84                           |
| Cash received from acquisition of subsidiaries | –  | 3,020,764.08                           |
| <b>Total</b>                                   | <b>81,760,506.83</b>                     | 61,455,393.92                          |

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

| <i>RMB</i>                             |  |  |
|--|--|--|
| Item                                   | Amount recognized<br>in the current year | Amount recognized<br>in the prior year |
| Increase in term deposit over 3 months | <b>240,000,000.00</b>                    | 134,000,000.00                         |

##### (5) Other cash payments relating to financing activities

| <i>RMB</i>   |  |  |
|--|--|--|
| Item   | Amount recognized<br>in the current year | Amount recognized<br>in the prior year |
| Payment for lease payments   | <b>132,241,521.44</b>                    | 85,441,382.43                          |
| Payment for capital reduction by non-controlling shareholders of Winshare VIVI Advertising Media (Chengdu) Co., Ltd. (“ <b>VIVI Advertising</b> ”)                       | –  | 1,089,777.82                           |
| Payment for capital reduction by non-controlling shareholders of Sichuan People’s Education Times Xinhua Audio and Video Co., Ltd. (“ <b>People’s Education Times</b> ”) | <b>1,022,099.62</b>                      | –                                      |
| <b>Total</b>   | <b>133,263,621.06</b>                    | 86,531,160.25                          |

# Notes to the Financial Statements

For the year ended 31 December 2020

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

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

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

|  | <i>RMB</i>                               |  |
|--|--|--|
| Supplementary information  | Amount recognized<br>in the current year | Amount recognized<br>in the prior year |
| <b>1. Reconciliation of net profit to cash flow from operating activities:</b>                   |  |  |
| Net profit   | <b>1,242,994,947.21</b>                  | 1,124,665,224.11                       |
| Add: Impairment losses of assets   | <b>68,594,494.90</b>                     | 60,917,237.10                          |
| Loss on credit impairment  | <b>144,517,397.58</b>                    | 111,030,436.96                         |
| Depreciation of fixed assets   | <b>84,709,981.77</b>                     | 82,750,474.87                          |
| Depreciation of right-of-use assets  | <b>116,756,669.88</b>                    | 95,343,647.81                          |
| Depreciation of investment properties  | <b>3,031,739.72</b>                      | 3,407,076.31                           |
| Amortization of intangible assets  | <b>31,538,523.19</b>                     | 34,820,568.14                          |
| Amortization of long-term prepaid expenses   | <b>21,061,146.71</b>                     | 16,222,340.58                          |
| Loss (gain) on disposal of assets  | <b>(255,029.19)</b>                      | (3,870,076.62)                         |
| Loss (gain) from changes in fair value   | <b>(101,627,007.34)</b>                  | (37,980,059.49)                        |
| Finance expenses   | <b>22,163,954.57</b>                     | 1,777,322.82                           |
| Investment loss (income)   | <b>(169,637,327.24)</b>                  | (208,902,018.79)                       |
| Decrease (increase) in deferred tax assets   | <b>(5,059,129.51)</b>                    | (4,449,379.11)                         |
| Increase (decrease) in deferred tax liabilities  | <b>(29,092,898.60)</b>                   | 22,727,257.31                          |
| Decrease (increase) in inventories   | <b>(34,561,872.01)</b>                   | (296,820,806.08)                       |
| Decrease (increase) in receivables from operating activities                                     | <b>(38,090,987.38)</b>                   | (474,894,744.40)                       |
| Increase (decrease) in payables from operating activities  | <b>461,760,686.21</b>                    | 837,691,789.89                         |
| Others   | –  | (25,771.79)                            |
| Net cash flow from operating activities  | <b>1,818,805,290.47</b>                  | 1,364,410,519.62                       |
| <b>2. Material investment and financing activities not involving cash receipts and payments:</b> |  |  |
| Right-of-use assets recognized on lease on fixed assets  | <b>131,259,003.82</b>                    | 187,356,113.35                         |
| <b>3. Net changes in cash and cash equivalents:</b>  |  |  |
| Closing balance of cash  | <b>5,740,841,068.18</b>                  | 3,393,906,225.68                       |
| Less: Opening balance of cash  | <b>3,393,906,225.68</b>                  | 2,576,699,731.25                       |
| Net increase in cash and cash equivalents  | <b>2,346,934,842.50</b>                  | 817,206,494.43                         |

# Notes to the Financial Statements

For the year ended 31 December 2020

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

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

#### (2) Cash and cash equivalents

| <i>RMB</i>  |   |   |
|---|---|---|
| Item  | Balance at the end<br>of the current year | Balance at the end<br>of the prior year |
| Cash  | <b>5,740,841,068.18</b>                   | 3,393,906,225.68                        |
| Including: Cash on hand                                       | <b>2,033,235.17</b>                       | 2,569,899.73                            |
| Bank deposits readily available for payment                   | <b>5,737,285,766.25</b>                   | 3,387,387,277.21                        |
| Other cash and bank balances readily<br>available for payment | <b>1,522,066.76</b>                       | 3,949,048.74                            |
| Balance of cash and cash equivalents                          | <b>5,740,841,068.18</b>                   | 3,393,906,225.68                        |

### 53. Assets with restricted ownership

| <i>RMB</i>                       |   |   |
|----------------------------------|---|---|
| Assets with restricted ownership | Balance at the end<br>of the current year | Balance at the end<br>of the prior year |
| Cash and bank balances (Note)    | <b>45,133,732.67</b>                      | 36,437,060.52                           |

*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 RMB10,926,115.05 (31 December 2019: RMB3,277,665.53); security deposit placed in bank for the issuance of guarantee letter of RMB8,527,574.17 (31 December 2019: RMB2,372,042.16); special fund for housing reform and housing repair of RMB24,727,430.45 (31 December 2019: RMB24,643,831.83); and bank deposits frozen as a result of the litigation of Beijing Aerospace Cloud, a subsidiary, of RMB952,613.00 (31 December 2019: RMB6,143,521.00).



## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 54. Net current assets

|                           |  | <i>RMB</i>                           |
|---------------------------|--|--------------------------------------|
| Item                      | Balance at the end of the current year | Balance at the end of the prior year |
| Current assets            | <b>9,969,754,834.05</b>                | 9,085,201,349.01                     |
| Less: Current liabilities | <b>6,511,999,503.39</b>                | 5,737,649,720.92                     |
| Net current assets        | <b>3,457,755,330.66</b>                | 3,347,551,628.09                     |

#### 55. Total assets less current liabilities

|                                       |  | <i>RMB</i>                           |
|---------------------------------------|--|--------------------------------------|
| Item                                  | Balance at the end of the current year | Balance at the end of the prior year |
| Total assets                          | <b>16,968,836,010.58</b>               | 15,324,503,472.53                    |
| Less: Current liabilities             | <b>6,511,999,503.39</b>                | 5,737,649,720.92                     |
| Total assets less current liabilities | <b>10,456,836,507.19</b>               | 9,586,853,751.61                     |

### (VII) CHANGES IN SCOPE OF CONSOLIDATION

#### 1. Change of scope of consolidation due to other reasons

The liquidation of the Company's subsidiaries People's Education Times, VIVI Advertising and Washington Winshare Media, Inc. ("**Washington Media**") completed, which ceased to be consolidated into the Group for the current year.

## Notes to the Financial Statements

For the year ended 31 December 2020

## (VIII) INTERESTS IN OTHER ENTITIES

## 1. Subsidiaries

## (1) Subsidiaries incorporated by investments

*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 |
|--|-----------------------------------|--|----------------------------------|--------------------|---|---------------------------------------|--------------------------------|--------------------------------|
| People's Education Times (Note (VII))  | 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                          | N                              |
| Sichuan Xinhua Winshare Media Co., Ltd. ("Winshare Media")                           | LLC                               | Chengdu  | Journals                         | 3,990,000.00       | Sales of books and journals, etc.                                   | 100.00                                | 100.00                         | Y                              |
| Winshare Education Technology  | LLC                               | Chengdu  | Technical services               | 330,000,000.00     | Software development and sales of electronic equipment              | 100.00                                | 100.00                         | Y                              |
| Sichuan Wenchuan Logistics Co., Ltd. ("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 journals                             | 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                              |
| Sichuan Winshare Online E-commerce Co., Ltd. ("Winshare Online")                     | LLC                               | Chengdu  | Sales of publications            | 60,000,000.00      | Online sales of various products                                    | 75.00                                 | 75.00                          | Y                              |
| Washington Media (Note (VII))  | LLC                               | United States of America                               | Distribution of publications     | 1,910,430.00       | Copyright trade, foreign cooperation in publishing and distribution | 90.00                                 | 90.00                          | N                              |
| Sichuan Watch Panda Magazine Co., Ltd. ("Watch Panda")                               | LLC                               | Chengdu  | Journals                         | 2,000,000.00       | Sales of journals   | 100.00                                | 100.00                         | Y                              |
| VIVI Advertising (Note (VII))  | LLC                               | Chengdu  | Advertising                      | 7,500,000.00       | Advertising   | 53.00                                 | 53.00                          | N                              |

# Notes to the Financial Statements

For the year ended 31 December 2020

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

### 1. Subsidiaries (Continued)

#### (1) Subsidiaries incorporated by investments (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 Winshare Cloud Image Culture Innovation Technology Co., Ltd.<br>("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                 | 300,000,000.00     | Venture investment, business investment   | 100.00                                | 100.00                         | Y                              |
| Winshare International Cultural Communication Co., Ltd.<br>("Winshare International")            | LLC                    | Chengdu  | Business advisory services | 50,000,000.00      | Organization and planning cultural and art exchange activities, business consulting, conference and exhibition services | 100.00                                | 100.00                         | Y                              |
| Sichuan Winshare Xingzhi Study Tour Travel Agency Co., Ltd.                                      | LLC                    | Chengdu  | Business services          | 5,000,000.00       | Travel agency and related services, study tour event planning, conference, exhibition and related services              | 100.00                                | 100.00                         | Y                              |
| Winshare Quan Media (Beijing) Culture Communication Co., Ltd.<br>("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.<br>("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                              |

## Notes to the Financial Statements

For the year ended 31 December 2020

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

## 1. Subsidiaries (Continued)

## (1) Subsidiaries incorporated by investments (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 |
|--|------------------------|--|-----------------------|--------------------|---|---------------------------------------|--------------------------------|--------------------------------|
| 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. ("Stackway") | LLC                    | Chengdu  | Wholesale and retail  | 50,000,000.00      | Wholesale and retail of books                         | 100.00                                | 100.00                         | Y                              |
| Chengdu Cangjiong Online Technology Co., Ltd.                          | LLC                    | Chengdu  | Technical services    | 30,000.00          | Computer system services, production and agency, etc. | 100.00                                | 100.00                         | Y                              |
| Sichuan Moyuan Cultural Communication Co., Ltd.                        | LLC                    | Chengdu  | Sales                 | 1,000,000.00       | Sales of books  | 75.00                                 | 75.00                          | Y                              |
| Sichuan Xinyaxuan Cultural Communication Co., Ltd.                     | LLC                    | Chengdu  | Sales                 | 1,000,000.00       | Sales of books  | 75.00                                 | 75.00                          | Y                              |
| Sichuan Aiyuecheng Cultural Communication Co., Ltd.                    | LLC                    | Chengdu  | Sales                 | 1,000,000.00       | Sales of publications                                 | 75.00                                 | 75.00                          | Y                              |
| Sichuan Xingyueyue Cultural Communication Co., Ltd.                    | LLC                    | Chengdu  | Sales                 | 1,000,000.00       | Sales of publications                                 | 75.00                                 | 75.00                          | Y                              |
| Sichuan Tianyuge Cultural Communication Co., Ltd.                      | LLC                    | Chengdu  | Sales                 | 1,000,000.00       | Sales of publications                                 | 75.00                                 | 75.00                          | Y                              |
| Sichuan Xuehaizhizhou Cultural Communication Co., Ltd.                 | LLC                    | Chengdu  | Sales                 | 1,000,000.00       | Sales of publications                                 | 75.00                                 | 75.00                          | Y                              |

# Notes to the Financial Statements

For the year ended 31 December 2020

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

### 1. Subsidiaries (Continued)

#### (1) 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, wholesale and retail of commodities | 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 Cultural Communication | LLC                    | Chengdu  | Advertising agency and leasing | 20,523,700.00      | Advertising agency and leasing                           | 100.00                                | 100.00                         | Y                              |

#### (1) 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      | Plate-leased printing and supply of textbooks   | 100.00                                | 100.00                         | Y                              |

# Notes to the Financial Statements

For the year ended 31 December 2020

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

### 1. Subsidiaries *(Continued)*

#### (1) 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 and distribution 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 journals                 | 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 journals                           | 100.00                                | 100.00                         | Y                              |
| Sichuan Fine Arts Publishing House Co., Ltd. ("Fine Arts Publishing House")                       | LLC                    | Chengdu  | Publication        | 16,250,000.00      | Sales of arts and crafts and 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        | 230,634,700.00     | Publication of books                              | 100.00                                | 100.00                         | Y                              |

# Notes to the Financial Statements

For the year ended 31 December 2020

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

### 1. Subsidiaries *(Continued)*

#### (1) 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 Times English Cultural Communication Co., Ltd.              | LLC                    | Chengdu  | Publication          | 600,000.00         | Publication of domestic books, newspapers and journals   | 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                              |
| Sichuan Printing Materials Co., Ltd. ("Printing Materials")         | LLC                    | Chengdu  | Retail and wholesale | 30,000,000.00      | Wholesale and retail of goods  | 100.00                                | 100.00                         | Y                              |
| Sichuan Digital Publishing & Media Co., Ltd. ("Digital Publishing") | LLC                    | Chengdu  | Publication          | 10,000,000.00      | Publication of audio and video product, Internet publishing  | 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 journals  | 100.00                                | 100.00                         | Y                              |
| Sichuan Xinhua Printing Co., Ltd. ("Sichuan Xinhua Printing")       | LLC                    | Chengdu  | Publication          | 100,160,000.00     | Printing of publications   | 100.00                                | 100.00                         | Y                              |
| Sichuan Yunhan Internet and Media Co., Ltd. ("Sichuan Yunhan")      | LLC                    | Chengdu  | Wholesale            | 50,000,000.00      | Wholesale of publications  | 75.00                                 | 75.00                          | Y                              |

## Notes to the Financial Statements

For the year ended 31 December 2020

### (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 (%) | Profit/loss attributable to non-controlling shareholders |                                     | Non-controlling interests              |                                      |
|-----------------------------|--|---|--|-------------------------------------|--|--------------------------------------|
|                             |  |   | Amount recognized in the current year                    | Amount recognized in the prior year | Balance at the end of the current year | Balance at the end of the prior year |
| Beijing Winshare Commercial | 49.00  | 49.00   | <b>(14,732,668.73)</b>                                   | (15,347,475.39)                     | <b>(86,048,394.40)</b>                 | (71,315,725.67)                      |
| Winshare Online             | 25.00  | 25.00   | <b>88,166.81</b>   | (3,838,544.25)                      | <b>(23,664,531.14)</b>                 | (23,752,697.95)                      |

#### 1. Beijing Winshare Commercial

*RMB*

|                         | Balance at the end of the current year | Balance at the end of the prior year |
|-------------------------|--|--------------------------------------|
| Current assets          | <b>75,395,366.02</b>                   | 121,671,381.69                       |
| Non-current assets      | <b>1,415,330.35</b>                    | 2,645,702.47                         |
| Current liabilities     | <b>199,620,385.84</b>                  | 216,782,942.44                       |
| Non-current liabilities | <b>29,890.94</b>                       | 307,051.25                           |

*RMB*

|  | Amount recognized in the current year | Amount recognized in the prior year |
|--|---------------------------------------|-------------------------------------|
| Operating income                             | <b>77,524,414.73</b>                  | 140,522,829.20                      |
| Operating costs and expenses                 | <b>107,591,085.61</b>                 | 171,844,207.55                      |
| Total profit (total loss), net profit (loss) | <b>(30,066,670.88)</b>                | (31,321,378.35)                     |
| Net cash flow from operating activities      | <b>(6,413,932.87)</b>                 | 7,047,284.83                        |
| Net cash flow from investing activities      | <b>19,677.67</b>                      | (286,693.71)                        |
| Net cash flow from financing activities      | <b>(500,422.16)</b>                   | (1,159,367.02)                      |



## Notes to the Financial Statements

For the year ended 31 December 2020

### (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>  |   |
|-------------------------|---|---|
|                         | <b>Balance at the end<br/>of the current year</b> | Balance at the end<br>of the prior year |
| Current assets          | <b>2,233,317,121.33</b>                           | 1,884,945,460.85                        |
| Non-current assets      | <b>5,877,029.65</b>                               | 8,167,405.51                            |
| Current liabilities     | <b>2,333,223,275.52</b>                           | 1,987,494,658.15                        |
| Non-current liabilities | <b>629,000.00</b>                                 | 629,000.00                              |

|  | <i>RMB</i>                                       |  |
|--|--|--|
|  | <b>Amount recognized<br/>in the current year</b> | Amount recognized<br>in the prior year |
| Operating income                             | <b>2,130,978,100.31</b>                          | 2,010,130,134.72                       |
| Operating costs and expenses                 | <b>2,130,625,433.06</b>                          | 2,025,484,311.70                       |
| Total profit (total loss), net profit (loss) | <b>352,667.25</b>                                | (15,354,176.98)                        |
| Net cash flow from operating activities      | <b>289,060,509.79</b>                            | 240,186,550.24                         |
| Net cash flow from investing activities      | <b>153,942,906.32</b>                            | (110,393,786.87)                       |
| Net cash flow from financing activities      | -  | -                                      |

# Notes to the Financial Statements

For the year ended 31 December 2020

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

### 3. Interests in joint ventures or associates

#### (1) Significant joint ventures or associates

| Name of joint ventures or associates              | Principle place of operation 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, journals, 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 2020

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

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

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

###### 1. Hainan Publishing House

|  | <b>Balance at the end<br/>of the current year/<br/>Amount recognized<br/>in the current year</b> | <i>RMB</i><br>Balance at the end<br>of the prior year/<br>Amount recognized<br>in the prior year |
|--|--|--|
| Current assets   | <b>472,386,697.85</b>  | 427,037,522.05   |
| Including: Cash and cash equivalents                           | <b>81,273,980.90</b>   | 22,369,544.62  |
| Non-current assets   | <b>145,262,234.96</b>  | 55,342,532.74  |
| Total assets   | <b>617,648,932.81</b>  | 482,380,054.79   |
| Current liabilities  | <b>249,015,496.97</b>  | 192,752,537.08   |
| Non-current liabilities  | <b>19,900,000.00</b>   | 19,890,000.00  |
| Total liabilities  | <b>268,915,496.97</b>  | 212,642,537.08   |
| Equity attributable to the parent's<br>shareholders            | <b>341,878,299.15</b>  | 268,743,394.79   |
| Non-controlling interests                                      | <b>6,855,136.69</b>  | 994,122.92   |
| Net assets calculated on pro-rata<br>basis of shareholding     | <b>170,939,149.58</b>  | 134,371,697.40   |
| Goodwill   | <b>30,735,530.98</b>   | 30,735,530.98  |
| Carrying amount of equity investments<br>in joint ventures     | <b>201,674,680.56</b>  | 165,107,228.38   |
| Operating income   | <b>235,164,460.41</b>  | 170,071,953.47   |
| Net profit and total comprehensive income                      | <b>78,995,918.13</b>   | 33,048,798.09  |
| Profit or loss attributable to<br>non-controlling shareholders | <b>5,861,013.77</b>  | (710,741.38)   |
| Interest income  | <b>123,096.21</b>  | 106,720.69   |
| Income tax   | <b>10,925.51</b>   | 111,106.08   |

## Notes to the Financial Statements

For the year ended 31 December 2020

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

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

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

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

|   | <b>Balance at the end<br/>of the current year/<br/>Amount recognized<br/>in the current year</b> | <i>RMB</i><br>Balance at the end<br>of the prior year/<br>Amount recognized<br>in the prior year |
|---|--|--|
| Current assets  | <b>104,226,134.07</b>  | 105,702,082.60   |
| Non-current assets  | <b>6,198,847.80</b>  | 5,457,378.93   |
| Total assets  | <b>110,424,981.87</b>  | 111,159,461.53   |
| Current liabilities   | <b>54,123,015.16</b>   | 55,842,366.63  |
| Non-current liabilities   | –  | –  |
| Total liabilities   | <b>54,123,015.16</b>   | 55,842,366.63  |
| Share of net assets calculated based on<br>proportion of shareholding | <b>11,260,393.34</b>   | 11,063,418.98  |
| Carrying amount of equity investments<br>in associates                | <b>11,260,393.34</b>   | 11,063,418.98  |
| Operating income  | <b>72,468,137.45</b>   | 75,200,157.72  |
| Net profit and total comprehensive income                             | <b>6,984,871.81</b>  | 12,703,069.52  |
| Dividends receipts from associates for<br>the current year            | <b>1,200,000.00</b>  | 2,400,000.00   |

## Notes to the Financial Statements

For the year ended 31 December 2020

### (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.*

|   | <b>Balance at the end<br/>of the current year/<br/>Amount recognized<br/>in the current year</b> | <i>RMB</i><br>Balance at the end<br>of the prior year/<br>Amount recognized<br>in the prior year |
|---|--|--|
| Current assets  | <b>195,863,567.27</b>  | 141,332,370.97   |
| Non-current assets  | <b>35,634,973.18</b>   | 93,792,140.62  |
| Total assets  | <b>231,498,540.45</b>  | 235,124,511.59   |
| Current liabilities   | <b>75,380,489.65</b>   | 38,897,206.68  |
| Non-current liabilities   | <b>6,552,230.87</b>  | 535,631.20   |
| Total liabilities   | <b>81,932,720.52</b>   | 39,432,837.88  |
| Equity attributable to the<br>parent's shareholders                   | <b>149,565,625.32</b>  | 195,658,934.54   |
| Non-controlling interests   | <b>194.61</b>  | 32,739.17  |
| Share of net assets calculated based on<br>proportion of shareholding | <b>30,511,387.57</b>   | 39,914,422.65  |
| Carrying amount of equity investments<br>in associates                | <b>30,511,387.57</b>   | 39,914,422.65  |
| Operating income  | <b>204,063,553.09</b>  | 136,494,760.01   |
| Net profit and total comprehensive income                             | <b>(46,125,853.78)</b>   | 14,714,524.23  |
| Profit or loss attributable to<br>non-controlling shareholders        | <b>(32,544.56)</b>   | 403,068.89   |

## Notes to the Financial Statements

For the year ended 31 December 2020

### (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.

|   | <b>Balance at the end<br/>of the current year/<br/>Amount recognized<br/>in the current year</b> | Balance at the end<br>of the prior year/<br>Amount recognized<br>in the prior year |
|---|--|--|
|   |  | <i>RMB</i>   |
| Current assets  | <b>395,778,599.02</b>  | 145,605,871.85   |
| Non-current assets  | <b>16,050,693.80</b>   | 56,511,513.76  |
| Total assets  | <b>411,829,292.82</b>  | 202,117,385.61   |
| Current liabilities   | <b>309,536,158.90</b>  | 90,195,513.24  |
| Non-current liabilities   | <b>279,853.59</b>  | 393,111.50   |
| Total liabilities   | <b>309,816,012.49</b>  | 90,588,624.74  |
| Equity attributable to the<br>parent's shareholders                   | <b>101,987,494.62</b>  | 98,501,199.17  |
| Non-controlling interests   | <b>25,785.71</b>   | 13,027,561.70  |
| Share of net assets calculated based on<br>proportion of shareholding | <b>45,894,372.58</b>   | 44,325,539.63  |
| Carrying amount of equity investment<br>in associates                 | <b>45,894,372.58</b>   | 44,325,539.63  |
| Operating income  | <b>822,380,697.51</b>  | 256,965,181.91   |
| Net profit (loss) and total<br>comprehensive income                   | <b>1,230,607.84</b>  | (1,675,915.82)   |
| Profit or loss attributable to<br>non-controlling shareholders        | <b>(2,255,687.61)</b>  | (569,061.42)   |

## Notes to the Financial Statements

For the year ended 31 December 2020

### (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>   |                |
|--|--|----------------|
|  | Balance at the end<br>of the current year/<br>Amount recognized<br>in the current year |                |
|  | Balance at the end<br>of the prior year/<br>Amount recognized<br>in the prior year     |                |
| Insignificant joint ventures   |  |                |
| Total carrying amount of investments   | <b>32,363,314.79</b>   | 27,313,416.85  |
| Sum of net profit and total comprehensive<br>income calculated based on according to<br>proportion of investment | <b>5,049,897.94</b>  | 6,927,275.09   |
| Insignificant associates   |  |                |
| Total carrying amount of investments   | <b>396,185,397.44</b>  | 161,929,916.77 |
| Sum of net profit and total comprehensive income<br>calculated based on proportion of investment                 | <b>31,903,534.49</b>   | 52,267,244.62  |

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

The Group's major financial instruments consist of financial assets measured at amortized cost, financing receivables, financial assets at FVTPL, other equity instrument investments, other non-current assets (term deposits), notes payable and accounts payable. 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.

# Notes to the Financial Statements

For the year ended 31 December 2020

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

### 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

##### 1.1.3 Currency risk

The Group mainly operates in China, and the sales and purchases of the Group are mainly denominated and settled in RMB. At the 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 foreign exchange rates may have no significant impact on the net profit and the shareholders' equity of the Group.

| <i>RMB</i>             |   |   |
|------------------------|---|---|
| Item                   | Balance at the end<br>of the current year | Balance at the end<br>of the prior year |
| Cash and bank balances |   |   |
| USD                    | <b>119,708.29</b>                         | 160,370.24                              |
| EUR                    | <b>684.29</b>                             | 666.43                                  |
| HKD                    | <b>29,943.06</b>                          | 24,519.46                               |

##### 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 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 2020

### (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 Bank of Chengdu 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 Bank of Chengdu. For the current year, the direct investments in the shares of Wan Xin Media, HGZN and Bank of Chengdu recognized in other comprehensive income by the Group were RMB(90,987,200.00), RMB(59,136.44) and RMB128,000,000.00, 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 |                                     |
|                                     |                      | Amount recognized in the current year                         | Amount recognized in the prior year |
| Other equity instrument investments |                      |   |                                     |
| Wan Xin Media                       | Stock prices rise 5% | <b>29,602,000.00</b>  | 34,151,360.00                       |
| HGZN                                | Stock prices rise 5% | <b>39,177.89</b>  | 42,134.71                           |
| Bank of Chengdu                     | Stock prices rise 5% | <b>42,680,000.00</b>  | 36,280,000.00                       |
| Other equity instrument investments |                      |   |                                     |
| Wan Xin Media                       | Stock prices fall 5% | <b>(29,602,000.00)</b>  | (34,151,360.00)                     |
| HGZN                                | Stock prices fall 5% | <b>(39,177.89)</b>  | (42,134.71)                         |
| Bank of Chengdu                     | Stock prices fall 5% | <b>(42,680,000.00)</b>  | (36,280,000.00)                     |

# Notes to the Financial Statements

For the year ended 31 December 2020

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

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

#### 1.2 Credit risk

As at 31 December 2020, 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, other receivables, long-term receivables and other non-current assets (term deposits), 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.

Please refer to Note (III) 10.2.1, Note (III) 10.2.2, Note (III) 10.2.3 and Note (III) 10.2.4 for specific methods of assessing whether credit risk has increased significantly since initial recognition, the basis for determining credit impairment of financial assets, the method for assessing expected credit losses on a collective basis and the accounting policies for direct write-down of financial assets.

The management considers the credit risk on cash and bank balance, financing receivables and other non-current assets – term deposits 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 2020

### (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<br>31 December 2020 |
| <b>Financial assets measured at amortized cost:</b>                              |   |                                  |
| Bank and cash  | Future 12-month expected credit losses                | <b>5,785,974,800.85</b>          |
| Accounts receivable  | Lifetime expected credit losses (not credit-impaired) | <b>1,680,243,208.13</b>          |
|  | Lifetime expected credit losses (credit-impaired)     | <b>405,965,662.53</b>            |
| Notes receivable   | Lifetime expected credit losses (not credit-impaired) | <b>4,344,936.39</b>              |
|  | Lifetime expected credit losses (credit-impaired)     | –                                |
| Other receivables  | Future 12-month expected credit losses                | <b>104,745,850.96</b>            |
|  | Lifetime expected credit losses (not credit-impaired) | –                                |
|  | Lifetime expected credit losses (credit-impaired)     | <b>15,781,222.23</b>             |
| Long-term receivables (including those expected to be recovered within one year) | Lifetime expected credit losses (not credit-impaired) | <b>495,140,652.55</b>            |
| Other non-current assets (term deposits)   | Future 12-month expected credit losses                | <b>241,444,013.69</b>            |
| <b>Financial assets at FVTOCI:</b>   |   |                                  |
| Financing receivables  | Lifetime expected credit losses                       | <b>6,201,191.14</b>              |

# Notes to the Financial Statements

For the year ended 31 December 2020

## (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 2020 and 31 December 2019, description of credits risks and expected credit losses of the Group's accounts receivable are as follows:

| Aging             | Balance at the end of the current year |                  |                       | Balance at the end of the prior year |                  |                       |
|-------------------|--|------------------|-----------------------|--------------------------------------|------------------|-----------------------|
|                   | Expected average                       | Amount           | Credit loss provision | Expected average                     | Amount           | Credit loss provision |
|                   | loss rate                              |                  |                       | loss rate                            |                  |                       |
| Within 1 year     | 11.88%                                 | 1,692,271,225.55 | 201,121,723.66        | 7.80%                                | 1,849,180,130.42 | 144,259,504.85        |
| 1-2 years         | 59.02%                                 | 233,683,796.55   | 137,927,039.54        | 58.55%                               | 136,342,076.79   | 79,821,555.01         |
| 2-3 years         | 100.00%                                | 63,142,430.17    | 63,142,430.17         | 100.00%                              | 56,242,467.72    | 56,242,467.72         |
| More than 3 years | 100.00%                                | 97,111,418.39    | 97,111,418.39         | 100.00%                              | 76,780,471.03    | 76,780,471.03         |
| Total             |  | 2,086,208,870.66 | 499,302,611.76        |                                      | 2,118,545,145.96 | 357,103,998.61        |

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 2019 and 2020, the Group's assessment method and significant assumptions did not change.

## Notes to the Financial Statements

For the year ended 31 December 2020

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

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

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

###### *Accounts receivable (Continued)*

Changes in credit loss provision for accounts receivable:

|   | <i>RMB</i>   |  |                |
|---|--|--|----------------|
|   | Full lifetime<br>expected credit loss<br>(not credit impaired) | Full lifetime<br>expected credit loss<br>(credit impaired) | Total          |
| Balance as at 1 January 2020            | 132,231,487.43   | 224,872,511.18   | 357,103,998.61 |
| Provision for the current year          | 56,862,218.81  | 89,192,476.46  | 146,054,695.27 |
| Reversal for the current year           | -  | (3,804,778.47)   | (3,804,778.47) |
| Write-off/reversal for the current year | -  | (51,303.65)  | (51,303.65)    |
| Balance as at 31 December 2020          | 189,093,706.24   | 310,208,905.52   | 499,302,611.76 |

###### *Other receivables*

Credit loss provision for other receivables:

|                                | <i>RMB</i>   |  |  |                |
|--------------------------------|--|--|--|----------------|
| Credit loss provision          | Stage 1<br>Future<br>12-month<br>expected credit<br>losses | Stage 2<br>Lifetime expected<br>credit losses<br>(not credit-<br>impaired) | Stage 3<br>Lifetime expected<br>credit losses<br>(credit-<br>impaired) | Total          |
| Balance as at 1 January 2020   | 3,996,224.78   | -  | 12,625,799.54  | 16,622,024.32  |
| Provision for the current year | 151,824.15   | -  | 3,836,431.12   | 3,988,255.27   |
| Reversal for the current year  | (61,084.48)  | -  | (1,659,690.01)   | (1,720,774.49) |
| Write-off for the current year | -  | -  | (829,917.58)   | (829,917.58)   |
| Balance as at 31 December 2020 | 4,086,964.45   | -  | 13,972,623.07  | 18,059,587.52  |

###### *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. The management consider that the credit risk of long-term receivables is low.

# Notes to the Financial Statements

For the year ended 31 December 2020

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

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

#### 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.

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    | 45,838,225.28    | -              | -                 | 45,838,225.28    |
| Accounts payable  | 4,550,158,695.76 | -              | -                 | 4,550,158,695.76 |
| Other payables    | 655,979,050.64   | -              | -                 | 655,979,050.64   |
| Lease liabilities | 123,635,067.97   | 332,630,204.87 | 71,190,043.44     | 527,455,316.28   |
| Total             | 5,375,611,039.65 | 332,630,204.87 | 71,190,043.44     | 5,779,431,287.96 |

*End of the prior year*

| <i>RMB</i>        |                  |                |                   |                  |
|-------------------|------------------|----------------|-------------------|------------------|
| Item              | Within 1 year    | 1 to 5 years   | More than 5 years | Total            |
| Notes payable     | 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 |

## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 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 RMB26,888,870.21 (31 December 2019: RMB15,293,314.91), 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 12 months from the end of the balance sheet date.

## Notes to the Financial Statements

For the year ended 31 December 2020

## (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 balance sheet date. The fair value measurements for such financial assets are detailed as follows:

| Financial assets   | Fair value                             |                                      | Fair value hierarchy | Valuation method and inputs  | Significant unobservable inputs | Relationship between unobservable inputs and fair value | RMB |
|--|--|--------------------------------------|----------------------|--|---------------------------------|---|-----|
|  | Balance at the end of the current year | Balance at the end of the prior year |                      |  |                                 |   |     |
| Held-for-trading financial assets – shares of A-share listed companies                   | 10,463.20                              | 6,671.94                             | Level 1              | Quoted prices in active markets  | N/A                             | N/A   |     |
| Other equity instrument investments – shares of A share listed company – Wan Xin Media   | 592,040,000.00                         | 683,027,200.00                       | Level 1              | Quoted prices in active markets  | N/A                             | N/A   |     |
| Other equity instrument investments – shares of A share listed company – HGZN            | 783,557.83                             | 842,694.27                           | Level 1              | Quoted prices in active markets  | N/A                             | N/A   |     |
| Other equity instrument investments – shares of A share listed company – Bank of Chengdu | 853,600,000.00                         | 725,600,000.00                       | Level 1              | Quoted prices in active markets  | N/A                             | N/A   |     |
| Held-for-trading financial assets – bank wealth management products                      | 6,500,000.00                           | 1,180,000,000.00                     | Level 2              | Calculated based on a discounted cash flow model, the input values are EUR/USD spot exchange rates | N/A                             | N/A   |     |



# Notes to the Financial Statements

For the year ended 31 December 2020

## (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                             |                                      | Fair value hierarchy | Valuation method and inputs   | Significant unobservable inputs  | Relationship between unobservable inputs and fair value  | RMB |
|---|--|--------------------------------------|----------------------|---|--|--|-----|
|   | Balance at the end of the current year | Balance at the end of the prior year |                      |   |  |  |     |
| Financing receivables-bank acceptance bills                         | 6,201,191.14                           | 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  |     |
| Held-for-trading financial assets – bank wealth management products | -                                      | 100,000,000.00                       | Level 3              | Discounted cash flow. Future cash flow is estimated based on expected recoverable amount and discounted at the rate determined by the management based on the best estimate of expected future risk level | <ul style="list-style-type: none"> <li>Expected recoverable amount;</li> <li>Discount rate in line with expected risk level</li> </ul> | <ul style="list-style-type: none"> <li>The higher the expected recoverable amount, the higher the fair value;</li> <li>The lower the discount rate, the higher the fair value</li> </ul> |     |
| Other equity instrument investments – others                        | 375,393.81                             | 375,393.81                           | Level 3              | Discounted cash flow. Future cash flow is estimated based on expected recoverable amount and discounted at the rate determined by the management based on the best estimate of expected future risk level | <ul style="list-style-type: none"> <li>Expected recoverable amount;</li> <li>Discount rate in line with expected risk level</li> </ul> | <ul style="list-style-type: none"> <li>The higher the expected recoverable amount, the higher the fair value;</li> <li>The lower the discount rate, the higher the fair value</li> </ul> |     |

## Notes to the Financial Statements

For the year ended 31 December 2020

## (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                             |                                      | Fair value hierarchy | Valuation method and inputs   | Significant unobservable inputs   | Relationship between unobservable inputs and fair value  |
|---|--|--------------------------------------|----------------------|---|---|--|
|   | Balance at the end of the current year | Balance at the end of the prior year |                      |   |   |  |
| Other non-current financial assets – CITIC Buyout Investment Fund (Shenzhen) (Limited Partnership)            | 191,250,814.72                         | 111,887,206.48                       | Level 3              | Market approach, method of discounted future cash flow  | <ul style="list-style-type: none"> <li>Price earnings ratio, price sales ratio, liquidity discount</li> <li>Discount rate in line with expected risk level</li> </ul> | <ul style="list-style-type: none"> <li>The higher the price earnings ratio and price sales ratio, the higher the fair value;</li> <li>The lower the liquidity discount, the higher the fair value</li> <li>The lower the discount rate, the higher the fair value</li> </ul> |
| Other non-current financial assets – Winshare Hengxin (Shenzhen) Equity Investment Fund (Limited Partnership) | 233,637,441.71                         | 292,338,697.14                       | Level 3              | Adjusted quoted prices in active markets, method of discounted future cash flow   | <ul style="list-style-type: none"> <li>Liquidity discount</li> <li>Discount rate in line with expected risk level</li> </ul>  | <ul style="list-style-type: none"> <li>The lower the liquidity discount, the higher the fair value</li> <li>The lower the discount rate, the higher the fair value</li> </ul>  |
| Other non-current financial assets – Qingdao Goldstone Zhixin Investment Center (Limited Partnership)         | 111,676,675.26                         | 102,430,506.09                       | Level 3              | Discounted cash flow. Future cash flow is estimated based on expected recoverable amount and discounted at the rate determined by the management based on the best estimate of expected future risk level | <ul style="list-style-type: none"> <li>Expected recoverable amount;</li> <li>Discount rate in line with expected risk level</li> </ul>                                | <ul style="list-style-type: none"> <li>The higher the expected recoverable amount, the higher the fair value;</li> <li>The lower the discount rate, the higher the fair value</li> </ul>   |

RMB

# Notes to the Financial Statements

For the year ended 31 December 2020

## (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                             |                                      | Fair value hierarchy | Valuation method and inputs  | Significant unobservable inputs  | Relationship between unobservable inputs and fair value  | RMB |
|---|--|--------------------------------------|----------------------|--|--|--|-----|
|   | Balance at the end of the current year | Balance at the end of the prior year |                      |  |  |  |     |
| Other non-current financial assets –<br>Mingbo Weishan Free Trade Port Winshare<br>Dingsheng Equity Investment Partnership<br>(Limited Partnership) | 141,315,686.57                         | 20,780,000.00                        | Level 3              | Adjusted quoted prices in active markets, method of discounted future cash flow  | <ul style="list-style-type: none"> <li>Liquidity discount</li> <li>Discount rate in line with expected risk level</li> </ul>           | <ul style="list-style-type: none"> <li>The lower the liquidity discount, the higher the fair value</li> <li>The lower the discount rate, the higher the fair value</li> </ul>            |     |
| Other non-current financial assets –<br>Xinhua Internet E-Commerce Co., Ltd.  | 3,000,000.00                           | -                                    | Level 3              | Discounted cash flow. Future cash flow is estimated based on expected recoverable amount and discounted at the rate determined by the management based on the best estimate of expected future risk level. | <ul style="list-style-type: none"> <li>Expected recoverable amount;</li> <li>Discount rate in line with expected risk level</li> </ul> | <ul style="list-style-type: none"> <li>The higher the expected recoverable amount, the higher the fair value;</li> <li>The lower the discount rate, the higher the fair value</li> </ul> |     |

# Notes to the Financial Statements

For the year ended 31 December 2020

## (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

|   | <b>Amount recognized<br/>in the current year</b> | Amount recognized<br>in the prior year |
|---|--|--|
|   |  | <i>RMB</i>                             |
| 1 January 2020  | <b>627,811,803.52</b>                            | 1,578,062,161.72                       |
| Included in gains or losses arising from<br>changes in fair value in the current year | <b>101,623,609.80</b>                            | 37,862,897.57                          |
| Additions in the current year   | <b>125,369,501.66</b>                            | 487,720,000.00                         |
| Transfer into Level 1 in the current year   | –  | (618,240,000.00)                       |
| Disposals in the current year   | <b>(173,548,902.91)</b>                          | (857,593,255.77)                       |
| 31 December 2020  | <b>681,256,012.07</b>                            | 627,811,803.52                         |

#### 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.

# Notes to the Financial Statements

For the year ended 31 December 2020

## (XI) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

### 1. Parent of the Company

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| 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 | Unified social credit code |
|--|--------------------|------------------------|----------------------|---|--------------------|---|---|---|----------------------------|
| Sichuan Xinhua Publishing and Distribution Group | LLC                | Chengdu                | Luo Yong             | Goods wholesale and retail, property lease, real estate, project investment | 59,382.20          | 50.95 (Note)  | 50.95 (Note)  | SASAC of Sichuan                          | 91510000708<br>9237087     |

*Note:* Sichuan Xinhua Publishing and Distribution 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 and Distribution Group holds 35,824,000 H shares of the Company, accounting for 2.90% of the total share capital of the Company, resulting in a total shareholding of 50.95% of the total share capital of the Company.

### 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 joint ventures or associates                          | Relationship with the Company |
|---|-------------------------------|
| The Commercial Press (Chengdu) Co., Ltd.                      | Associate                     |
| Shanghai Jingjie Information Technology Co., Ltd.             | Associate                     |
| Chengdu Winshare Equity Investment Funds Management Co., Ltd. | Associate                     |
| Ren Min Eastern (Beijing) Book Industry Co., Ltd.             | Associate                     |
| Ming Bo Education Technology Holdings Co., Ltd.               | Associate                     |
| Xinhua Yingxuan   | Associate                     |
| Tianxi Zhongda  | Associate                     |
| Sichuan Winshare BLOGIS Supply Chain Co., Ltd.                | Associate                     |
| Hainan Publishing House                                       | Joint venture                 |
| Liangshan Xinhua Winshare Education Technology Co. Ltd.       | Joint venture                 |

# Notes to the Financial Statements

For the year ended 31 December 2020

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

### 4. Other related parties

| Name of other related parties  | 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                      | Controlling shareholder's branch  |
| Chengdu Xinhua Chuangzhi Cultural Industry Investment Co., Ltd.                    | Controlling shareholder's subsidiary  |
| Sichuan Cultural Investment Group  | Other enterprise over which the directors of the Company have significant influence |
| Sichuan Hengxi Property Management Co., Ltd.                                       | Other enterprise over which the directors of the Company have significant influence |
| SPG Xichang Tianguang Yueying Hotel  | Other enterprise over which the directors of the Company have significant influence |
| Sichuan Chongwenju Forest Hotel Co., Ltd.  | Other enterprise over which the directors of the Company have significant influence |

## Notes to the Financial Statements

For the year ended 31 December 2020

### (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                                     | 360,832.17                          | 354,463.65                        |
| Sichuan Guanghan Sanxingdui Qushanyuan Cultural Ltd.          | Receipt of services                       | Payments for hotel and conference service fees | Price negotiated by both parties                                     | 179,419.25                          | 210,802.68                        |
| Chengdu Huang Peng Property Co., Ltd.                         | Receipt of services                       | Payments for property management service fees  | Price negotiated by both parties                                     | 12,160,809.93                       | 8,727,390.22                      |
| Sichuan Hengxi Property Management Co., Ltd.                  | Receipt of services                       | Payments for property management service fees  | Price negotiated by both parties                                     | 3,293,889.35                        | 3,120,443.57                      |
| 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                         |
| 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                                     | 16,124,315.29                       | 19,930,797.69                     |
| The Commercial Press (Chengdu) Co., Ltd.                      | Purchase of goods                         | Payments for goods purchased                   | Price negotiated by both parties                                     | 28,070,898.09                       | 13,027,023.06                     |
| Ren Min Eastern (Beijing) Book Industry Co., Ltd.             | Purchase of goods                         | Payments for goods purchased                   | Price negotiated by both parties                                     | 3,475,388.06                        | 3,018,867.92                      |
| Hainan Publishing House                                       | Purchase of goods                         | Payments for goods purchased                   | Price negotiated by both parties                                     | 9,296,831.40                        | 6,697,122.90                      |
| 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                                     | 186,513.11                          | 390,622.06                        |
| Sichuan Xinhua Haiyi Hotel Co., Ltd.                          | Receipt of services                       | Payments for hotel and conference service fees | Price negotiated by both parties                                     | 225,215.09                          | 145,228.30                        |
| 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                     |
| Sichuan Winshare BLOGIS Supply Chain Co., Ltd.                | Purchase of goods                         | Payments for goods purchased                   | Price negotiated by both parties                                     | 4,110.66                            | 69,300.48                         |
| Sichuan Xinhua Fanyue Culture Media Co., Ltd.                 | Receipt of services                       | Payments for services                          | Price negotiated by both parties                                     | 20,370.00                           | -                                 |
| Sichuan Xinhua Wanyun Technology Co., Ltd.                    | Purchase of goods                         | Payments for goods purchased                   | Price negotiated by both parties                                     | 2,869.81                            | -                                 |
| Tianxi Zhongda  | Purchase of goods                         | Payments for goods purchased                   | Price negotiated by both parties                                     | 14,270,125.90                       | -                                 |
| <b>Total</b>  |   |  |  | <b>87,671,588.11</b>                | <b>92,284,459.11</b>              |

# Notes to the Financial Statements

For the year ended 31 December 2020

## (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 and Distribution Group        | Sales of goods                    | Sales of publications and provision of services | Price negotiated by both parties                                     | 736,409.39                          | 1,140,086.06                      |
| Sichuan Cultural Investment Group                       | Provision of copyright license    | Payment of royalty                              | Price negotiated by both parties                                     | -                                   | 48,988.35                         |
| Sichuan Xinhua Wanyun Technology Co., Ltd.              | Provision of services             | Provision of after-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                                     | 288,723.49                          | 755,871.27                        |
| 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                                     | 11,324.95                           | 3,211.01                          |
| Tianxi Zhongda  | Provision of copyright license    | Payment of royalty                              | Price negotiated by both parties                                     | 200,260.00                          | -                                 |
| Total   |                                   |   |  | 1,236,717.83                        | 2,649,515.64                      |



## Notes to the Financial Statements

For the year ended 31 December 2020

### (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 and Distribution Group | Buildings             | 2019.1.1                    | 2021.12.31                | Contractual price negotiated by both parties | <b>1,496,656.90</b>                         | 1,279,575.77                              |  |
| The Company    | Xinhua Yingxuan                                  | Buildings             | 2019.3.1                    | 2021.2.28                 | Contractual price negotiated by both parties | <b>299,413.92</b>                           | 336,943.89                                |  |
| The Company    | Xinhua Yingxuan                                  | Buildings             | 2017.3.1                    | 2019.2.28                 | Contractual price negotiated by both parties | -   | 90,801.43                                 |  |
| <b>Total</b>   |  |                       |                             |                           |  | <b>1,796,070.82</b>                         | 1,707,321.09                              |  |

# Notes to the Financial Statements

For the year ended 31 December 2020

## (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 payment recognized in the current year | Lease payment recognized in the prior year |
| Sichuan Xinhua Publishing and Distribution Group (Note 1)                      | The Group      | Buildings             | 2019.1.1                    | 2021.12.31                | Contractual price negotiated by both parties | 40,470,374.29                                | 41,167,580.92                              |
| Sichuan Cultural Investment Group (Note 2)                                     | The Group      | Buildings             | 2020.1.1                    | 2022.12.31                | Contractual price negotiated by both parties | 11,906,695.52                                | N/A  |
| Sichuan Cultural Investment Group  | The Group      | Buildings             | 2017.1.1                    | 2019.12.31                | Contractual price negotiated by both parties | N/A  | 13,356,561.61                              |
| Chengdu Winshare Venture Capital Investment Fund Management Co., Ltd. (Note 3) | The Group      | Buildings             | 2020.6.1                    | 2023.5.31                 | Contractual price negotiated by both parties | 583,827.43                                   | N/A  |
| Chengdu Winshare Venture Capital Investment Fund Management Co., Ltd. (Note 4) | The Group      | Buildings             | 2017.6.1                    | 2020.5.31                 | Contractual price negotiated by both parties | N/A  | N/A  |
| Total  |                |                       |                             |                           |  | 52,960,897.24                                | 54,524,142.53                              |

*Note 1:* During the current year, the Company as lessee rented buildings from Sichuan Xinhua Publishing and Distribution Group. The decrease in right-of-use assets amounting to RMB1,839,663.35 arising from lease modification was recognized for the current year; whereas depreciation of right-of-use assets amounting to RMB34,978,276.08 were recognized during the current year.

*Note 2:* During the current year, the Company as lessee rented buildings from Sichuan Cultural Investment Group. Right-of-use assets amounting to RMB33,419,330.17 were recognized during the current year, while depreciation of right-of-use assets amounting to RMB11,141,876.68 was recognized during the current year.

*Note 3:* During the current year, the Company as lessee rented buildings from Chengdu Winshare Venture Capital Investment Fund Management Co., Ltd. Right-of-use assets amounting to RMB2,299,261.37 were recognized during the current year; whereas right-of-use assets amounting to RMB447,078.59 were recognized during the current year.

*Note 4:* On 1 June 2017, the Group rented buildings from Chengdu Winshare Equity Investment Fund Management Co., Ltd. and paid the rent in one lump sum on the lease commencement date. Therefore, the disclosure of rent paid in the current year and rent paid in the prior year is not applicable.

## Notes to the Financial Statements

For the year ended 31 December 2020

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

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

##### (3) Advance payments from a related party

| 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<br>BLOGIS Supply Chain<br>Co., Ltd (Note) | <b>6,361,936.11</b> | <b>63,922.27</b>                    | 12,844,358.25     |

Note: The interest expenses incurred during the current year amounted to RMB63,922.27 in aggregate and represented the advance payment of Sichuan Winshare BLOGIS Supply Chain Co., Ltd. for Beijing Commercial Supermarket of RMB6,361,936.11.

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

| Item                                      | Amount recognized in the current year | Amount recognized in the prior year |
|---|---------------------------------------|-------------------------------------|
| Compensation for key management personnel | <b>8,211,089.37</b>                   | 7,743,815.95                        |

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 2020

### (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                      | <b>821</b>                            | 530                                 | <b>190</b>                            | 190                                 |
| Other remunerations:            |                                       |                                     |                                       |                                     |
| Salaries and allowances         | <b>34</b>                             | 65                                  | <b>467</b>                            | 452                                 |
| Performance linked bonus        | –                                     | –                                   | <b>443</b>                            | 410                                 |
| Retirement benefit contribution | <b>15</b>                             | –                                   | <b>96</b>                             | 116                                 |
| Subtotal                        | <b>49</b>                             | 65                                  | <b>1,006</b>                          | 978                                 |
| Total                           | <b>870</b>                            | 595                                 | <b>1,196</b>                          | 1,168                               |

## Notes to the Financial Statements

For the year ended 31 December 2020

### (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:

|                                      | <i>RMB'000</i>                        |                         |                    |                                     |                         |                    |
|--------------------------------------|---------------------------------------|-------------------------|--------------------|-------------------------------------|-------------------------|--------------------|
|                                      | 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. Chan Yuk Tong                    | 280                                   | -                       | 280                | 280                                 | 18                      | 298                |
| Mr. Fang Bingxi                      | 160                                   | 21                      | 181                | 160                                 | 24                      | 184                |
| Ms. Xiao Liping                      | -                                     | -                       | -                  | -                                   | -                       | -                  |
| <b>Total</b>                         | <b>440</b>                            | <b>21</b>               | <b>461</b>         | 440                                 | 42                      | 482                |

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 2020

### (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)<br>(Note 1) | 291                                   | 13                      | -                        | 15                              | 319                |
| Mr. Chen Yunhua (Note 2)              | -                                     | -                       | -                        | -                               | -                  |
| Subtotal                              | 291                                   | 13                      | -                        | 15                              | 319                |
| Non-executive directors:              |                                       |                         |                          |                                 |                    |
| Mr. Luo Jun (Note 3)                  | -                                     | -                       | -                        | -                               | -                  |
| Mr. Zhang Peng (Note 2)               | -                                     | -                       | -                        | -                               | -                  |
| Mr Han Xiaoming                       | 90                                    | -                       | -                        | -                               | 90                 |
| Subtotal                              | 90                                    | -                       | -                        | -                               | 90                 |
| Total                                 | 381                                   | 13                      | -                        | 15                              | 409                |

## Notes to the Financial Statements

For the year ended 31 December 2020

### (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)*

|                                       | <i>RMB'000</i> |                         |                          |                                 | Total remuneration |
|---------------------------------------|----------------|-------------------------|--------------------------|---------------------------------|--------------------|
|                                       | Emolument      | Salaries and allowances | Performance linked bonus | Retirement benefit contribution |                    |
| Executive directors:                  |                |                         |                          |                                 |                    |
| Mr. He Zhiyong (Chairman)<br>(Note 1) | -              | -                       | -                        | -                               | -                  |
| Mr. Chen Yunhua (Note 2)              | -              | -                       | -                        | -                               | -                  |
| Mr. Yang Miao                         | -              | 8                       | -                        | -                               | 8                  |
| Subtotal                              | -              | 8                       | -                        | -                               | 8                  |
| Non-executive directors:              |                |                         |                          |                                 |                    |
| Mr. Luo Jun (Note 3)                  | -              | -                       | -                        | -                               | -                  |
| Mr. Zhang Peng (Note 2)               | -              | -                       | -                        | -                               | -                  |
| Mr. Han Xiaoming                      | 90             | 15                      | -                        | -                               | 105                |
| Subtotal                              | 90             | 15                      | -                        | -                               | 105                |
| Total                                 | 90             | 23                      | -                        | -                               | 113                |

*Note 1:* The emoluments of this director were paid by the Group since October 2020 and were paid by Sichuan Xinhua Publishing and Distribution Group in prior periods.

*Note 2:* The emoluments of this director were paid by Sichuan Cultural Investment Group, which is wholly owned by Sichuan Development Holding Co., Ltd. ("**Sichuan Development**"). The Group did not pay any remuneration to this director during the current year and the prior year.

*Note 3:* The emoluments of this director were paid by Sichuan Xinhua Publishing and Distribution Group and no emoluments were paid by the Group to this director during the current year and prior year.

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 2020

## (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 4) | -                                     | -                       | -                        | -                               | -                  |
| Ms. Lan Hong                | -                                     | 215                     | 252                      | 48                              | 515                |
| Mr. Li Xu                   | 70                                    | 18                      | -                        | -                               | 88                 |
| Ms. Liu Mixia               | 70                                    | 18                      | -                        | -                               | 88                 |
| Ms. Wang Yan                | -                                     | 198                     | 191                      | 48                              | 437                |
| Mr. Chao Hsun               | 50                                    | 18                      | -                        | -                               | 68                 |
| <b>Total</b>                | <b>190</b>                            | <b>467</b>              | <b>443</b>               | <b>96</b>                       | <b>1,196</b>       |

RMB'000

|                             | Prior year |                         |                          |                                 | Total remuneration |
|-----------------------------|------------|-------------------------|--------------------------|---------------------------------|--------------------|
|                             | Emolument  | Salaries and allowances | Performance linked bonus | Retirement benefit contribution |                    |
| Supervisors:                |            |                         |                          |                                 |                    |
| Mr. Tang Xiongxing (Note 4) | -          | -                       | -                        | -                               | -                  |
| 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                 |
| <b>Total</b>                | <b>190</b> | <b>452</b>              | <b>410</b>               | <b>116</b>                      | <b>1,168</b>       |

Note 4: The emoluments of this supervisor were paid by Sichuan Cultural Investment Group. 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 2020

### (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 RMB420,800.00), except for two supervisors whose remuneration fell within the range of HK\$500,000.00 (equivalent to RMB420,800.00) to HK\$1,000,000.00 (equivalent to RMB841,600.00).

During the prior 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).

###### (d) Staff of top five remunerations

During the current year and the prior year, the Group's staff of top five remunerations were not directors or supervisors of the Company. The remuneration of the highest paid staff is set out as follows:

|   | <i>RMB'000</i>                           |  |
|---|--|--|
|   | Amount recognized<br>in the current year | Amount recognized<br>in the prior year |
| Salaries, allowances and benefits-in-kind | 2,188                                    | 2,178                                  |
| Performance linked bonus                  | 5,369                                    | 5,137                                  |
| Retirement benefit contribution           | 241                                      | 291                                    |
| <b>Total</b>                              | <b>7,798</b>                             | 7,606                                  |

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 RMB1,262,400.00) to HK\$2,000,000.00 (equivalent to RMB1,683,200.00), except for one individual whose remuneration fell within the range of HK\$2,000,000.00 (equivalent to RMB1,683,200.00) to HK\$2,500,000.00 (equivalent to RMB2,104,000.00).

During the prior 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).

# Notes to the Financial Statements

For the year ended 31 December 2020

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

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

#### (6) Other related party transactions

During the current year, the Company purchased a property for office use from Chengdu Xinhua Chuangzhi Cultural Industry Investment Co., Ltd. at a total consideration of RMB193,480,283.75. As at 31 December 2020, the Company made cumulative payments of the consideration of RMB154,784,227.90.

During the current year, the Company completed the final account of public facilities between the Company and Sichuan Xinhua Publishing and Distribution Group under the construction in progress and the settlement and liquidation. Accordingly, the Company transferred from the construction in progress and recovered the construction payment of RMB28,284,253.60.

### 6. Amount due to/from related parties

|                     |   | <i>RMB</i>                             |                                      |
|---------------------|---|--|--------------------------------------|
| Item                | Related party   | Balance at the end of the current year | Balance at the end of the prior year |
| Accounts receivable | Shanghai Jingjie Information Technology Co., Ltd.       | 195,984.00                             | 195,984.00                           |
|                     | Sichuan Xinhua Haiyi Cultural Development Co., Ltd.     | -                                      | 1,754.00                             |
|                     | Sichuan Xinhua Publishing and Distribution Group        | -                                      | 78,175.93                            |
|                     | Liangshan Xinhua Winshare Education Technology Co. Ltd. | 312,500.00                             | -                                    |
|                     | Sichuan Xinhua Wanyun Technology Co., Ltd.              | 140,000.00                             | 140,000.00                           |
| <b>Total</b>        |   | <b>648,484.00</b>                      | 415,913.93                           |
| Prepayments         | Ming Bo Education Technology Holdings Co., Ltd.         | -                                      | 1,200,000.00                         |
|                     | Ren Min Eastern (Beijing) Book Industry Co., Ltd.       | -                                      | 1,509,433.90                         |
| <b>Total</b>        |   | <b>-</b>                               | 2,709,433.90                         |
| Other receivables   | Shanghai Jingjie Information Technology Co., Ltd.       | 26,478.80                              | 26,478.80                            |
|                     | Xinhua Yingxuan   | 314,384.62                             | -                                    |
|                     | The Commercial Press (Chengdu) Co., Ltd.                | -                                      | 4,000.00                             |
| <b>Total</b>        |   | <b>340,863.42</b>                      | 30,478.80                            |

## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 6. Amount due to/from related parties *(Continued)*

|                      |   | <i>RMB</i>                             |                                      |
|----------------------|---|--|--------------------------------------|
| Item                 | Related party   | Balance at the end of the current year | Balance at the end of the prior year |
| Accounts payable     | The Commercial Press (Chengdu) Co., Ltd.                        | 12,562,642.62                          | 20,863,621.86                        |
|                      | Hainan Publishing House   | 1,783,709.54                           | 122,481.66                           |
|                      | Ming Bo Education Technology Holdings Co., Ltd.                 | 144,373.83                             | 190.00                               |
|                      | Liangshan Xinhua Winshare Education Technology Co. Ltd.         | 2,038,599.50                           | 22,836,805.37                        |
|                      | Shanghai Jingjie Information Technology Co., Ltd.               | -                                      | 18,941.36                            |
|                      | Ren Min Eastern (Beijing) Book Industry Co., Ltd.               | 1,032,448.12                           | -                                    |
|                      | Sichuan Winshare BLOGIS Supply Chain Co., Ltd.                  | 180.69                                 | -                                    |
|                      | Sichuan Xinhua Wanyun Technology Co., Ltd.                      | 1,188.68                               | -                                    |
|                      | Tianxi Zhongda  | 15,554,437.23                          | -                                    |
| <b>Total</b>         |   | <b>33,117,580.21</b>                   | <b>43,842,040.25</b>                 |
| Notes payable        | Ming Bo Education Technology Holdings Co., Ltd.                 | 6,145,870.00                           | -                                    |
| <b>Total</b>         |   | <b>6,145,870.00</b>                    | <b>-</b>                             |
| Contract liabilities | Ming Bo Education Technology Holdings Co., Ltd.                 | -                                      | 1,360,000.00                         |
|                      | Sichuan Xinhua Publishing and Distribution Group                | 52,895.75                              | -                                    |
| <b>Total</b>         |   | <b>52,895.75</b>                       | <b>1,360,000.00</b>                  |
| Other payables       | Chengdu Huang Peng Property Co., Ltd.                           | 2,282,113.71                           | 6,353.75                             |
|                      | Ming Bo Education Technology Holdings Co., Ltd.                 | 1,540,862.08                           | -                                    |
|                      | Sichuan Winshare BLOGIS Supply Chain Co., Ltd.                  | 4,714,542.82                           | 6,203,797.71                         |
|                      | Chengdu Xinhua Chuangzhi Cultural Industry Investment Co., Ltd. | 38,696,055.85                          | -                                    |
|                      | Sichuan Cultural Investment Group                               | 971,845.40                             | -                                    |
| <b>Total</b>         |   | <b>48,205,419.86</b>                   | <b>6,210,151.46</b>                  |

## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 6. Amount due to/from related parties *(Continued)*

| Item                                  | Related party   | Balance at the end of the current year | Balance at the end of the prior year |
|---------------------------------------|---|--|--------------------------------------|
| Lease liabilities due within one year | Sichuan Xinhua Publishing and Distribution Group              | 34,045,456.57                          | 32,732,098.83                        |
|                                       | Sichuan Cultural Investment Group                             | 11,130,484.13                          | -                                    |
|                                       | Chengdu Winshare Equity Investment Funds Management Co., Ltd. | 750,867.61                             | -                                    |
| Total                                 |   | 45,926,808.31                          | 32,732,098.83                        |
| Lease liabilities                     | Sichuan Xinhua Publishing and Distribution Group              | 112,378,231.45                         | 148,175,155.93                       |
|                                       | Sichuan Cultural Investment Group                             | 11,670,845.13                          | -                                    |
|                                       | Chengdu Winshare Equity Investment Funds Management Co., Ltd. | 990,052.09                             | -                                    |
| Total                                 |   | 125,039,128.67                         | 148,175,155.93                       |

#### 7. Transactions with Bank of Chengdu 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 Bank of Chengdu. The Group's transactions with Bank of Chengdu within the current year and closing balance are detailed as follows:

##### (1) Dividend income

| Current year  |                | Prior year    |                |
|---------------|----------------|---------------|----------------|
| Amount        | Proportion (%) | Amount        | Proportion (%) |
| 33,600,000.00 | 19.81          | 28,000,000.00 | 13.40          |

RMB

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

## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 7. Transactions with Bank of Chengdu and closing balance *(Continued)*

##### (2) Interest income

| Current year |                | Prior year   |                |
|--------------|----------------|--------------|----------------|
| Amount       | Proportion (%) | Amount       | Proportion (%) |
| 1,476,226.42 | 2.27           | 1,076,519.85 | 2.65           |

RMB

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

##### (3) Amount due to/from

| Item          | Balance at the end of the current year | Balance at the end of the prior year |
|---------------|--|--------------------------------------|
| Bank balances | 242,868,911.17                         | 74,843,225.98                        |

RMB

### (XII) CONTINGENCIES

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

### (XIII) COMMITMENTS

#### Capital and other commitments

|  | Balance at the end of the current year | Balance at the end of the prior year |
|--|--|--------------------------------------|
| Commitment that are contracted but not yet recognized in the financial statements for acquisition and construction of long-term assets | 82,333,269.43                          | 90,915,971.47                        |
| Subscribed capital contribution commitments to joint venture   | 56,850,498.34                          | 179,220,000.00                       |
| Total  | 139,183,767.77                         | 270,135,971.47                       |

RMB

# Notes to the Financial Statements

For the year ended 31 December 2020

## (XIV) EVENTS AFTER THE BALANCE SHEET DATE

At the board meeting held on 30 March 2021, the resolution regarding the profit distribution for 2020 was passed where the undistributed profit at the end of 2020 was distributed at the price of RMB0.31 (tax inclusive) and the proposed dividend amounted to RMB382,490,710.00 (tax inclusive). The resolution shall take effect upon obtaining approval at the annual general meeting for 2020 to be held in May 2021.

## (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 2020

## (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 two reporting segments, which are publication segment and distribution segment. The reporting segments are determined based on the Group'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 segment: Publishing of publications including books, journals, audio-visual products and digital products; provision of printing services and supply of printing materials; and

Distribution segment: Distribution of textbooks and supplementary materials to schools, teachers and students and supply of education informatized and equipment service 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 2020

## (XV) OTHER SIGNIFICANT EVENTS (Continued)

## 2. Segment reporting (Continued)

## (1) Segment reporting information

| Current year  |                        |                         |                  |                      |                               | RMB               |
|---|------------------------|-------------------------|------------------|----------------------|-------------------------------|-------------------|
|   | Publication<br>segment | Distribution<br>segment | Others           | Unallocated<br>items | Inter-segment<br>eliminations | Total             |
| External revenue  | 837,043,013.24         | 7,903,362,375.69        | 267,651,165.34   | -                    | -                             | 9,008,056,554.27  |
| Inter-segment revenue   | 1,626,008,893.88       | 8,935,385.51            | 141,415,871.56   | -                    | (1,776,360,150.95)            | -                 |
| Total operating income  | 2,463,051,907.12       | 7,912,297,761.20        | 409,067,036.90   | -                    | (1,776,360,150.95)            | 9,008,056,554.27  |
| Operating profit  | 644,015,860.41         | 505,089,489.57          | 63,168,659.41    | 70,826,960.07        | 25,955,520.53                 | 1,309,056,489.99  |
| Non-operating income  | 7,994,922.35           | 12,238,767.66           | 205,258.11       | -                    | -                             | 20,438,948.12     |
| Non-operating expenses  | 459,715.40             | 77,870,023.64           | 201.25           | -                    | -                             | 78,329,940.29     |
| Total profit  | 651,551,067.36         | 439,458,233.59          | 63,373,716.27    | 70,826,960.07        | 25,955,520.53                 | 1,251,165,497.82  |
| Total assets  | 7,371,667,566.98       | 11,186,850,518.16       | 1,353,835,243.58 | 1,661,074,111.66     | (4,604,591,429.80)            | 16,968,836,010.58 |
| Total liabilities   | 2,916,032,420.21       | 7,926,779,537.40        | 533,620,715.55   | 51,007,446.99        | (4,486,754,126.91)            | 6,940,685,993.24  |
| Supplementary information   |                        |                         |                  |                      |                               |                   |
| Depreciation  | 18,567,984.12          | 157,167,861.58          | 28,762,545.67    | -                    | -                             | 204,498,391.37    |
| Amortization  | 4,780,270.46           | 45,174,173.42           | 2,645,226.02     | -                    | -                             | 52,599,669.90     |
| Interest income   | 1,374,739.76           | 75,927,465.95           | 761,807.70       | -                    | -                             | 78,064,013.41     |
| Loss on credit impairment recognized<br>in the current period             | 17,972,499.80          | 123,643,050.79          | 2,901,846.99     | -                    | -                             | 144,517,397.58    |
| Impairment losses of assets<br>recognized in the current period           | 32,049,043.11          | 36,078,004.53           | 467,447.26       | -                    | -                             | 68,594,494.90     |
| Investment income from long-term<br>equity investment under equity method | 825,551.63             | 21,990,940.13           | 44,267,165.08    | -                    | -                             | 67,083,656.84     |
| Long-term equity investments<br>under equity method                       | 20,949,757.36          | 595,445,059.71          | 101,494,729.21   | -                    | -                             | 717,889,546.28    |
| Capital expenditure   | 8,523,451.78           | 252,914,152.65          | 1,940,977.24     | -                    | -                             | 263,378,581.67    |
| Including: Construction in<br>progress expense                            | 120,205.80             | 21,356,636.43           | -                | -                    | -                             | 21,476,842.23     |
| Expenditure arising from<br>purchase of fixed assets                      | 3,409,610.38           | 211,820,665.53          | 1,940,977.24     | -                    | -                             | 217,171,253.15    |
| Expenditure arising from<br>purchase of intangible assets                 | 2,931,257.33           | 5,302,032.10            | -                | -                    | -                             | 8,233,289.43      |
| Development cost  | 2,062,378.27           | 14,434,818.59           | -                | -                    | -                             | 16,497,196.86     |



# Notes to the Financial Statements

For the year ended 31 December 2020

## (XV) OTHER SIGNIFICANT EVENTS (Continued)

### 2. Segment reporting (Continued)

#### (1) Segment reporting information (Continued)

| Prior 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      | 428,819,553.10       | 88,926,056.91    | 36,239,083.78     | (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      | 388,090,253.34       | 89,244,388.94    | 36,239,083.78     | (2,137,779.60)             | 1,148,837,299.23  |
| Total assets  | 6,617,201,364.15    | 9,181,371,495.94     | 1,267,018,555.19 | 2,661,706,818.85  | (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        | 51,516,501.41        | 2,212,389.17     | -                 | -                          | 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 gains 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 expense                           | 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 2020

### (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 RMB1,011,905,166.86 (prior year: RMB992,769,471.65), 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.

## Notes to the Financial Statements

For the year ended 31 December 2020

### (XVI) NOTES TO ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT

#### 1. Cash and bank balances

| Item                          | Balance at the end of the current year |               |                  | Balance at the end of the prior year |               |                  |
|-------------------------------|--|---------------|------------------|--------------------------------------|---------------|------------------|
|                               | Amounts of the original currencies     | Exchange rate | Amount in RMB    | Amounts of the original currencies   | Exchange rate | Amount in RMB    |
| Cash on hand:                 |  |               |                  |                                      |               |                  |
| RMB                           | 1,699,308.10                           | 1.0000        | 1,699,308.10     | 2,127,353.64                         | 1.0000        | 2,127,353.64     |
| Bank balances:                |  |               |                  |                                      |               |                  |
| RMB (Note 1)                  | 4,233,225,124.54                       | 1.0000        | 4,233,225,124.54 | 2,640,827,420.64                     | 1.0000        | 2,640,827,420.64 |
| USD                           | 4,499.54                               | 6.5249        | 29,359.05        | 4,497.70                             | 6.9762        | 31,376.85        |
| HKD                           | 35,578.73                              | 0.8416        | 29,943.06        | 27,371.58                            | 0.8958        | 24,519.46        |
| Other cash and bank balances: |  |               |                  |                                      |               |                  |
| RMB (Note 2)                  | 7,838,902.24                           | 1.0000        | 7,838,902.24     | -                                    | -             | -                |
| Total                         |  |               | 4,242,822,636.99 |                                      |               | 2,643,010,670.59 |

*Note 1:* At the end of the current year, the bank balances include 3-month above term deposits and accrued interests amounting to RMB1,678,331,780.82 (31 December 2019: RMB81,760,506.83) with an interest rate of 1.95%-3.85%. During the current year, the management held the term deposit with the intention of flexible arrangement of funds and withdrew funds at any time depending on the capital needs.

*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 RMB98,504.83, and the remaining are restricted currency funds. Restricted currency funds are set out in Note (XVI)37.

# Notes to the Financial Statements

For the year ended 31 December 2020

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

### 2. Accounts receivable

#### (1) Disclosure of accounts receivable by aging:

RMB

| Aging                                       | Balance at the end of the current year |                |                       |                 | Balance at the end of the prior year |                |                       |                 |
|---|--|----------------|-----------------------|-----------------|--------------------------------------|----------------|-----------------------|-----------------|
|   | Amount                                 | Proportion (%) | Credit loss provision | Carrying amount | Amount                               | Proportion (%) | Credit loss provision | Carrying amount |
| Within 1 year                               | 881,457,057.87                         | 89.14          | 151,173,624.37        | 730,283,433.50  | 799,177,959.03                       | 87.27          | 65,645,263.81         | 733,532,695.22  |
| More than 1 year but not exceeding 2 years  | 55,672,174.64                          | 5.63           | 38,329,698.66         | 17,342,475.98   | 58,294,525.33                        | 6.37           | 30,594,363.44         | 27,700,161.89   |
| More than 2 years but not exceeding 3 years | 8,811,936.05                           | 0.89           | 8,811,936.05          | -               | 11,553,018.03                        | 1.26           | 11,553,018.03         | -               |
| More than 3 years                           | 42,887,220.23                          | 4.34           | 42,887,220.23         | -               | 46,722,520.39                        | 5.10           | 46,722,520.39         | -               |
| Total                                       | 988,828,388.79                         | 100.00         | 241,202,479.31        | 747,625,909.48  | 915,748,022.78                       | 100.00         | 154,515,165.67        | 761,232,857.11  |

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

Credit loss provision in the current year is RMB88,251,611.73, and the reversal of credit loss provision is RMB1,564,298.09.

#### (3) Accounts receivable written off in the current year

No accounts receivable was actually written off for the current year.

## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 2. Accounts receivable *(Continued)*

##### (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 Company | Balance at the end of the current year | Aging                                       | Proportion of the amount to the total accounts receivable (%) | Closing balance of credit loss provision |
| Winshare Education Technology   | Subsidiary                    | 231,748,586.42                         | Within 1 year, 1-2 years                    | 23.44   | -  |
| Beijing Commercial Supermarket  | Subsidiary                    | 100,853,374.42                         | Within 1 year                               | 10.20   | -  |
| Sichuan Longyang Tianfu New District Construction Investment Co., Ltd.          | Third party                   | 26,573,454.24                          | Within 1 year, 1-2 years                    | 2.69  | 210,690.27                               |
| Hunan Province Xinhua Bookstore Group Book Audio and Video Distribution Company | Third party                   | 17,696,447.70                          | Within 1 year, 1-2 years, more than 3 years | 1.79  | 3,802,629.53                             |
| Liaoning Northern Education Investment Holdings Limited                         | Third party                   | 15,572,216.04                          | Within 1 year                               | 1.57  | -  |
| Total   |                               | 392,444,078.82                         |   | 39.69   | 4,013,319.80                             |

# Notes to the Financial Statements

For the year ended 31 December 2020

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

### 3. Prepayments

#### (1) Aging analysis of prepayments is as follow:

*RMB*

| Aging             | Balance at the end of the current year |                | Balance at the end of the prior year |                |
|-------------------|--|----------------|--------------------------------------|----------------|
|                   | Amount                                 | Proportion (%) | Amount                               | Proportion (%) |
| Within 1 year     | 31,474,882.47                          | 95.86          | 13,395,431.17                        | 85.16          |
| 1-2 years         | 838,302.45                             | 2.55           | 1,671,991.25                         | 10.63          |
| 2-3 years         | 50,000.00                              | 0.15           | 548,094.47                           | 3.48           |
| More than 3 years | 474,040.62                             | 1.44           | 115,503.89                           | 0.73           |
| Total             | 32,837,225.54                          | 100.00         | 15,731,020.78                        | 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 at the end of the year by subjects of prepayment

*RMB*

| Name of entity                                     | Relationship with the Company | Balance at the end of the current year | Aging         | Proportion to total prepayments |                           |
|--|-------------------------------|--|---------------|---------------------------------|---------------------------|
|  |                               |  |               | (%)                             | Reasons for unsettlement  |
| Sichuan Runde Industrial Co., Ltd.                 | Third party                   | 20,121,988.51                          | Within 1 year | 61.28                           | Goods not yet received    |
| Sichuan Yuantai Construction Engineering Co., Ltd. | Third party                   | 2,501,270.48                           | Within 1 year | 7.62                            | Services not yet received |
| Nanjiang Yilian Properties Limited                 | Third party                   | 592,307.06                             | 1-2 years     | 1.80                            | Services not yet received |
| Guangzhou Yunxi Technology Co., Ltd.               | Third party                   | 558,018.86                             | Within 1 year | 1.70                            | Services not yet received |
| Sichuan Shibi Construction Engineering Co., Ltd.   | Third party                   | 500,000.00                             | Within 1 year | 1.52                            | Services not yet received |
| Total  |                               | 24,273,584.91                          |               | 73.92                           |                           |

# Notes to the Financial Statements

For the year ended 31 December 2020

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

### 4. Other receivables

#### 4.1 Other receivables summary

(1) *Other receivables by categories*

| <i>RMB</i>           |   |                                      |
|----------------------|---|--------------------------------------|
| <b>Item</b>          | <b>Balance at the end of the current year</b> | Balance at the end of the prior year |
| Dividends receivable | <b>400,000,000.00</b>                         | 320,000,000.00                       |
| Other receivables    | <b>494,926,509.15</b>                         | 623,677,036.44                       |
| <b>Total</b>         | <b>894,926,509.15</b>                         | 943,677,036.44                       |

#### 4.2 Dividend receivable

(1) *Dividend receivables*

| <i>RMB</i>                 |   |                                      |
|----------------------------|---|--------------------------------------|
| <b>Item</b>                | <b>Balance at the end of the current year</b> | Balance at the end of the prior year |
| Education Publishing House | <b>300,000,000.00</b>                         | 250,000,000.00                       |
| Publication Printing       | <b>100,000,000.00</b>                         | 70,000,000.00                        |
| <b>Total</b>               | <b>400,000,000.00</b>                         | 320,000,000.00                       |

(2) *Material dividend receivables aged over 1 year*

At the end of the current year, there were no dividend receivables aged over 1 year.

# Notes to the Financial Statements

For the year ended 31 December 2020

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

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

#### 4.3 Other receivables

(1) *Other receivables by aging:*

RMB

| Aging                                       | Balance at the end of the current year |                |                       |                 | Balance at the end of the prior year |                |                       |                 |
|---|--|----------------|-----------------------|-----------------|--------------------------------------|----------------|-----------------------|-----------------|
|   | Amount                                 | Proportion (%) | Credit loss provision | Carrying amount | Amount                               | Proportion (%) | Credit loss provision | Carrying amount |
| Within 1 year                               | 329,225,563.93                         | 65.73          | 207,512.04            | 329,018,051.89  | 426,457,832.29                       | 67.56          | 268,482.52            | 426,189,349.77  |
| More than 1 year but not exceeding 2 years  | 73,680,831.61                          | 14.71          | -                     | 73,680,831.61   | 83,304,851.14                        | 13.20          | 82,766.57             | 83,222,084.57   |
| More than 2 years but not exceeding 3 years | 30,628,857.78                          | 6.12           | -                     | 30,628,857.78   | 40,060,617.24                        | 6.35           | 72,589.32             | 39,988,027.92   |
| More than 3 years                           | 67,307,437.00                          | 13.44          | 5,708,669.13          | 61,598,767.87   | 81,342,714.08                        | 12.89          | 7,065,139.90          | 74,277,574.18   |
| Total                                       | 500,842,690.32                         | 100.00         | 5,916,181.17          | 494,926,509.15  | 631,166,014.75                       | 100.00         | 7,488,978.31          | 623,677,036.44  |

(2) *Credit loss provision for the current year*

The amount of credit loss provision for the current year was RMB857,769.14, amount of bad debts reversed was RMB1,600,648.70.

(3) *Other receivables written off in the current year*

The amount of other receivables written off was RMB829,917.58 in the current year.



## Notes to the Financial Statements

For the year ended 31 December 2020

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

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

##### 4.3 Other receivables *(Continued)*

###### (4) Other receivables disclosed by their nature

| <i>RMB</i>                             |  |                                      |
|--|--|--------------------------------------|
| Nature of other receivables            | Balance at the end of the current year | Balance at the end of the prior year |
| Other receivables from related parties | <b>442,812,844.52</b>                  | 578,231,507.74                       |
| Deposit and security deposit           | <b>34,642,386.10</b>                   | 37,370,129.80                        |
| Petty cash                             | <b>913,452.05</b>                      | 2,003,508.06                         |
| Others                                 | <b>22,474,007.65</b>                   | 13,560,869.15                        |
| <b>Total</b>                           | <b>500,842,690.32</b>                  | 631,166,014.75                       |

###### (5) Top five entities with the largest balances of other receivables at the end of the year

| <i>RMB</i>                    |                               |  |  |   |  |
|-------------------------------|-------------------------------|--|--|---|--|
| Name of entity                | Nature                        | Balance at the end of the current year | Aging  | Proportion of the amount to the total other receivables (%) | Closing balance of credit loss provision |
| Printing Materials            | Receivables from subsidiaries | <b>199,708,418.05</b>                  | More than 3 years                                      | 39.87   | -  |
| Winshare Education Technology | Receivables from subsidiaries | <b>55,202,868.15</b>                   | Within 1 year, 1-2 years, 2-3 years, more than 3 years | 11.02   | -  |
| Reader's Journal Press        | Receivables from subsidiaries | <b>37,436,217.01</b>                   | Within 1 year, 1-2 years, 2-3 years, more than 3 years | 7.47  | -  |
| Winshare Investment           | Receivables from subsidiaries | <b>28,833,409.82</b>                   | Within 1 year, 1-2 years, 2-3 years, more than 3 years | 5.76  | -  |
| Arts Investment               | Receivables from subsidiaries | <b>28,183,930.12</b>                   | More than 3 years                                      | 5.63  | -  |
| <b>Total</b>                  |                               | <b>349,364,843.15</b>                  |  | 69.75   | -  |

# Notes to the Financial Statements

For the year ended 31 December 2020

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

### 5. Inventories

#### (1) Categories of inventories

RMB

| Item             | Balance at the end of the current year |   |                 | Balance at the end of the prior year |   |                  |
|------------------|--|---|-----------------|--------------------------------------|---|------------------|
|                  | Book balance                           | Provision for impairment of inventories | Carrying amount | Book balance                         | Provision for impairment of inventories | Carrying amount  |
| Goods on hand    | 699,119,192.80                         | 97,581,049.90                           | 601,538,142.90  | 1,083,195,112.75                     | 81,299,103.70                           | 1,001,896,009.05 |
| Work-in-progress | 858,437.29                             | -                                       | 858,437.29      | 762,941.79                           | -                                       | 762,941.79       |
| Raw materials    | 3,693,856.00                           | -                                       | 3,693,856.00    | 2,829,120.92                         | -                                       | 2,829,120.92     |
| Total            | 703,671,486.09                         | 97,581,049.90                           | 606,090,436.19  | 1,086,787,175.46                     | 81,299,103.70                           | 1,005,488,071.76 |

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

#### (2) Provision for impairment of inventories

RMB

| Category of inventories | 1 January 2020 | Increase in the current year | Decrease in the current year |               | 31 December 2020 |
|-------------------------|----------------|------------------------------|------------------------------|---------------|------------------|
|                         |                |                              | Reversals                    | Write-off     |                  |
| Goods on hand           | 81,299,103.70  | 27,612,906.72                | -                            | 11,330,960.52 | 97,581,049.90    |

## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 6. Other current assets

| Item                                   | <i>RMB</i>                                |   |
|--|---|---|
|  | Balance at the end<br>of the current year | Balance at the end<br>of the prior year |
| VAT input tax to be deducted           | <b>11,041,907.94</b>                      | 10,330,711.60                           |
| Receivables from cost of sales returns | <b>44,949,870.38</b>                      | 41,457,055.06                           |
| Total                                  | <b>55,991,778.32</b>                      | 51,787,766.66                           |

#### 7. Long-term equity investment

##### (1) Classification of long-term equity investment

| Item                                       | <i>RMB</i>                                |   |
|--|---|---|
|  | Balance at the end<br>of the current year | Balance at the end<br>of the prior year |
| Investment in subsidiaries                 | <b>3,399,674,106.06</b>                   | 3,204,527,149.27                        |
| Investment in associates or joint ventures | <b>595,445,059.71</b>                     | 257,138,516.54                          |
| Total                                      | <b>3,995,119,165.77</b>                   | 3,461,665,665.81                        |

## Notes to the Financial Statements

For the year ended 31 December 2020

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

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

## (2) Investment in subsidiaries

| Investee                              | 1 January 2020 | Change for the current year |                         |                          | 31 December 2020 | Closing balance of impairment provision |
|---------------------------------------|----------------|-----------------------------|-------------------------|--------------------------|------------------|---|
|                                       |                | 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           | 36,800,000.00  | -                           | -                       | -                        | 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     | -                                       |
| VVI Advertising                       | 2,746,101.61   | -                           | (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                    | 5,605,427.63   | -                           | -                       | -                        | 5,605,427.63     | -                                       |
| Literature & Art Publishing House     | 60,731,819.65  | -                           | -                       | -                        | 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 | 100,000,000.00              | -                       | -                        | 239,379,050.03   | -                                       |
| 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 | 100,000,000.00              | -                       | -                        | 300,000,000.00   | -                                       |

## Notes to the Financial Statements

For the year ended 31 December 2020

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

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

##### (2) Investment in subsidiaries *(Continued)*

| Investee                       | 1 January 2020   | Change for the current year |                         |                          | 31 December 2020 | Closing balance of impairment provision |
|--------------------------------|------------------|-----------------------------|-------------------------|--------------------------|------------------|---|
|                                |                  | Addition in investment      | Reduction in investment | Provision for impairment |                  |   |
| Sichuan Xinhua Printing        | 248,599,490.28   | -                           | -                       | -                        | 248,599,490.28   | -                                       |
| Beijing Aerospace Cloud        | 29,248,300.00    | -                           | -                       | -                        | 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 Cultural Communication | 30,710,006.28    | -                           | -                       | -                        | 30,710,006.28    | -                                       |
| Stackway                       | 50,000,000.00    | -                           | -                       | -                        | 50,000,000.00    | -                                       |
| Total                          | 3,204,527,149.27 | 200,000,000.00              | (4,853,043.21)          | -                        | 3,399,674,106.06 | (57,072,032.00)                         |

## Notes to the Financial Statements

For the year ended 31 December 2020

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

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

## (3) Investment in joint ventures or associates

RMB

| Investee   | 1 January<br>2020 | Change for the year       |                            |  |   |                            |   |                                     |        | 31 December<br>2020 | Closing<br>balance of<br>impairment<br>provision |   |
|--|-------------------|---------------------------|----------------------------|--|---|----------------------------|---|-------------------------------------|--------|---------------------|--|---|
|  |                   | Addition in<br>investment | Reduction in<br>investment | Investment<br>profit or<br>loss under<br>equity method | Adjustment<br>of other<br>comprehensive<br>income | Changes in<br>other equity | Distribution<br>of cash<br>dividends or<br>profits declared | Provision for<br>impairment<br>loss | Others |                     |  |   |
| Joint Ventures   |                   |                           |                            |  |   |                            |   |                                     |        |                     |  |   |
| Hainan Publishing House                                    | 165,107,228.38    | -                         | -                          | 36,567,452.18  | -   | -                          | -   | -                                   | -      | -                   | 201,674,680.56                                   | - |
| Liangshan Xinhua Winshare<br>Education Technology Co. Ltd. | 19,637,833.39     | -                         | -                          | 375,459.93   | -   | -                          | -   | -                                   | -      | -                   | 20,013,293.32                                    | - |
| Subtotal   | 184,745,061.77    | -                         | -                          | 36,942,912.11  | -   | -                          | -   | -                                   | -      | -                   | 221,687,973.88                                   | - |
| Associates   |                   |                           |                            |  |   |                            |   |                                     |        |                     |  |   |
| The Commercial Press (Chengdu)<br>Co., Ltd.                | 2,846,167.54      | -                         | -                          | 444,283.82   | -   | -                          | -   | -                                   | -      | -                   | 3,290,451.36                                     | - |
| Ren Min Eastern (Beijing) Book<br>Industry Co., Ltd.       | 11,063,418.98     | -                         | -                          | 1,396,974.36   | -   | -                          | (1,200,000.00)  | -                                   | -      | -                   | 11,260,393.34                                    | - |
| Ming Bo Education Technology<br>Holdings Co., Ltd.         | 39,914,422.65     | -                         | -                          | (9,403,035.08)   | -   | -                          | -   | -                                   | -      | -                   | 30,511,387.57                                    | - |
| Winshare Preschool   | 5,113,724.49      | -                         | -                          | 508,634.75   | -   | -                          | -   | -                                   | -      | -                   | 5,622,359.24                                     | - |
| Xinhua Yingxuan  | 13,073,529.26     | -                         | -                          | (7,248,801.83)   | -   | -                          | -   | -                                   | -      | -                   | 5,824,727.43                                     | - |
| Winshare Yinshi  | 382,191.85        | -                         | -                          | (195,499.96)   | -   | -                          | -   | -                                   | -      | -                   | 186,691.89                                       | - |
| Hainan Phoenix   | -                 | 317,061,075.00            | -                          | -  | -   | -                          | -   | -                                   | -      | -                   | 317,061,075.00                                   | - |
| Subtotal   | 72,393,454.77     | 317,061,075.00            | -                          | (14,497,443.94)  | -   | -                          | (1,200,000.00)  | -                                   | -      | -                   | 373,757,085.83                                   | - |
| Total  | 257,138,516.54    | 317,061,075.00            | -                          | 22,445,468.17  | -   | -                          | (1,200,000.00)  | -                                   | -      | -                   | 595,445,059.71                                   | - |

# Notes to the Financial Statements

For the year ended 31 December 2020

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

### 8. Investment properties

#### Investment properties measured at cost

| Item                                   | RMB       |               |
|--|-----------|---------------|
|  | Buildings |               |
| I. Cost                                |           |               |
| 1. 1 January 2020 and 31 December 2020 |           | 33,651,290.75 |
| II. Accumulated depreciation           |           |               |
| 1. 1 January 2020                      |           | 13,762,781.48 |
| 2. Increase in the current year        |           | 900,190.02    |
| (1) Provision                          |           | 900,190.02    |
| 3. 31 December 2020                    |           | 14,662,971.50 |
| III. Carrying amount                   |           |               |
| 1. 31 December 2020                    |           | 18,988,319.25 |
| 2. 1 January 2020                      |           | 19,888,509.27 |

### 9. Fixed assets

| Item                                       | RMB              |                            |                                    |                            |                  |
|--|------------------|----------------------------|------------------------------------|----------------------------|------------------|
|  | Buildings        | Machinery<br>and equipment | Electronic equipment<br>and others | Transportation<br>vehicles | Total            |
| I. Cost                                    |                  |                            |                                    |                            |                  |
| 1. 1 January 2020                          | 1,238,099,947.91 | 81,458,865.35              | 132,830,672.81                     | 72,639,856.11              | 1,525,029,342.18 |
| 2. Increase in the current year            | 699,915,213.92   | 51,577,084.24              | 14,007,913.44                      | 1,397,711.36               | 766,897,922.96   |
| (1) Acquisition                            | 186,428,876.17   | 8,531,486.32               | 14,007,913.44                      | 1,397,711.36               | 210,365,987.29   |
| (2) Transfer from construction in progress | 513,486,337.75   | 43,045,597.92              | -                                  | -                          | 556,531,935.67   |
| 3. Decrease in the current year            | 1,093,807.34     | 37,606.84                  | 4,823,083.41                       | 2,364,582.69               | 8,319,080.28     |
| (1) Disposal                               | 905,404.00       | 37,606.84                  | 4,823,083.41                       | 2,364,582.69               | 8,130,676.94     |
| (2) Transfer to others                     | 188,403.34       | -                          | -                                  | -                          | 188,403.34       |
| 4. 31 December 2020                        | 1,936,921,354.49 | 132,998,342.75             | 142,015,502.84                     | 71,672,984.78              | 2,283,608,184.86 |
| II. Accumulated depreciation:              |                  |                            |                                    |                            |                  |
| 1. 1 January 2020                          | 408,263,288.80   | 67,650,520.02              | 97,063,040.47                      | 56,655,427.02              | 629,632,276.31   |
| 2. Increase in the current year            | 31,432,073.06    | 2,927,394.24               | 12,897,790.21                      | 4,310,284.79               | 51,567,542.30    |
| (1) Provision                              | 31,432,073.06    | 2,927,394.24               | 12,897,790.21                      | 4,310,284.79               | 51,567,542.30    |
| 3. Decrease in the current year            | 470,349.78       | 36,478.64                  | 4,852,838.20                       | 2,291,280.48               | 7,650,947.10     |
| (1) Disposal                               | 470,349.78       | 36,478.64                  | 4,852,838.20                       | 2,291,280.48               | 7,650,947.10     |
| 4. 31 December 2020                        | 439,225,012.08   | 70,541,435.62              | 105,107,992.48                     | 58,674,431.33              | 673,548,871.51   |
| III. Carrying amount                       |                  |                            |                                    |                            |                  |
| 1. 31 December 2020                        | 1,497,696,342.41 | 62,456,907.13              | 36,907,510.36                      | 12,998,553.45              | 1,610,059,313.35 |
| 2. 1 January 2020                          | 829,836,659.11   | 13,808,345.33              | 35,767,632.34                      | 15,984,429.09              | 895,397,065.87   |

# Notes to the Financial Statements

For the year ended 31 December 2020

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

### 10. Intangible assets

#### (1) Presentation of right-of-use assets

| <b>Item</b>                     | <i>RMB</i><br><b>Buildings</b> |
|---------------------------------|--------------------------------|
| I. Cost:                        |                                |
| 1. 1 January 2020               | 484,692,835.22                 |
| 2. Increase in the current year | 121,254,484.34                 |
| 3. Decrease in the current year | 30,097,061.93                  |
| 4. 31 December 2020             | 575,850,257.63                 |
| II. Accumulated depreciation    |                                |
| 1. 1 January 2020               | 80,893,678.01                  |
| 2. Increase in the current year | 101,688,890.64                 |
| (1) Provision                   | 101,688,890.64                 |
| 3. Decrease in the current year | 26,713,875.64                  |
| 4. 31 December 2020             | 155,868,693.01                 |
| III. Carrying amount            |                                |
| 1. 31 December 2020             | 419,981,564.62                 |
| 2. 1 January 2020               | 403,799,157.21                 |

The lease term of buildings of the Group ranged from one to 15 years.



## Notes to the Financial Statements

For the year ended 31 December 2020

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

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

##### (2) Amount recognized in the profit or loss

|  | <i>RMB</i>                                       |
|--|--|
| <b>Building</b>  | <b>Amount recognized<br/>in the current year</b> |
| Depreciation expense for right-of-use assets (Note 1)                                    | 101,688,890.64                                   |
| Rent reduction qualified under Circular No. 10   | (1,216,145.12)                                   |
| Interest expense on lease liabilities (Note 2)   | 20,806,396.99                                    |
| Short-term lease expenses  | 11,784,219.15                                    |
| Lease expense for low-value assets   | –  |
| Variable lease payments not included in the<br>measurement of lease liabilities (Note 3) | –  |
| Income from sublease of right-of-use assets  | 7,309,686.11                                     |

*Note 1:* In 2020, there was no depreciation expense for right-of-use assets capitalized.

*Note 2:* In 2020, there was no interest expense on lease liabilities capitalized.

*Note 3:* In 2020, there were no variable lease payments not included in the measurement of lease liabilities.

##### (3) The total cash outflow for leases in the current year was RMB122,860,197.31.

# Notes to the Financial Statements

For the year ended 31 December 2020

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

### 11. Intangible assets

| Item                            | RMB             |               |            |                |
|---------------------------------|-----------------|---------------|------------|----------------|
|                                 | Land use rights | Software      | Others     | Total          |
| I. Cost                         |                 |               |            |                |
| 1. 1 January 2020               | 188,210,645.50  | 81,743,728.19 | 167,700.00 | 270,122,073.69 |
| 2. Increase in the current year | -               | 5,286,718.51  | -          | 5,286,718.51   |
| (1) Acquisition                 | -               | 5,286,718.51  | -          | 5,286,718.51   |
| 3. Decrease in the current year | 982,887.00      | -             | -          | 982,887.00     |
| (1) Disposal                    | 982,887.00      | -             | -          | 982,887.00     |
| 4. 31 December 2020             | 187,227,758.50  | 87,030,446.70 | 167,700.00 | 274,425,905.20 |
| II. Accumulated amortization    |                 |               |            |                |
| 1. 1 January 2020               | 68,709,653.87   | 56,490,362.80 | 167,700.00 | 125,367,716.67 |
| 2. Increase in the current year | 4,968,143.91    | 4,797,773.18  | -          | 9,765,917.09   |
| (1) Provision                   | 4,968,143.91    | 4,797,773.18  | -          | 9,765,917.09   |
| 3. Decrease in the current year | 261,881.19      | -             | -          | 261,881.19     |
| (1) Disposal                    | 261,881.19      | -             | -          | 261,881.19     |
| 4. 31 December 2020             | 73,415,916.59   | 61,288,135.98 | 167,700.00 | 134,871,752.57 |
| III. Carrying amount            |                 |               |            |                |
| 1. 31 December 2020             | 113,811,841.91  | 25,742,310.72 | -          | 139,554,152.63 |
| 2. 1 January 2020               | 119,500,991.63  | 25,253,365.39 | -          | 144,754,357.02 |

### 12. Long-term prepaid expenses

| Item                  | RMB               |                                 |                                      |                     |
|-----------------------|-------------------|---------------------------------|--------------------------------------|---------------------|
|                       | 1 January<br>2020 | Increase in the<br>current year | Amortization for<br>the current year | 31 December<br>2020 |
| Leasehold improvement | 11,132,727.93     | 5,090,692.98                    | 12,264,564.35                        | <b>3,958,856.56</b> |
| Total                 | 11,132,727.93     | 5,090,692.98                    | 12,264,564.35                        | <b>3,958,856.56</b> |

## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 13. Other non-current assets

| Item                                | <i>RMB</i>                                |   |
|-------------------------------------|---|---|
|                                     | Balance at the end<br>of the current year | Balance at the end<br>of the prior year |
| Receivables from subsidiaries       | <b>531,000,000.00</b>                     | 536,000,000.00                          |
| VAT input tax to be deducted        | <b>60,228,693.74</b>                      | 48,592,877.42                           |
| Prepaid purchase price for property | <b>13,904,800.00</b>                      | 17,105,497.00                           |
| Term deposits (Note)                | <b>241,444,013.69</b>                     | –                                       |
| Total                               | <b>846,577,507.43</b>                     | 601,698,374.42                          |

*Note:* Term deposits are fixed deposits that the Company cannot withdraw in advance or does not intend to withdraw in advance within one year with an interest rate ranging 3.50% to 4.07%.

#### 14. Accounts payable

Details of aging analysis of accounts payable are as follows:

| Item  | <i>RMB</i>                                |   |
|---|---|---|
|   | Balance at the end<br>of the current year | Balance at the end<br>of the prior year |
| Within 1 year                               | <b>3,393,914,705.23</b>                   | 3,181,812,542.19                        |
| More than 1 year but not exceeding 2 years  | <b>377,157,923.44</b>                     | 755,498,406.59                          |
| More than 2 years but not exceeding 3 years | <b>125,940,849.90</b>                     | 248,315,320.29                          |
| More than 3 years                           | <b>192,222,436.02</b>                     | 136,327,968.81                          |
| Total                                       | <b>4,089,235,914.59</b>                   | 4,321,954,237.88                        |

# Notes to the Financial Statements

For the year ended 31 December 2020

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

### 15. Contract liabilities

#### (1) Disclosure of contract liabilities

| <i>RMB</i>                       |   |   |
|----------------------------------|---|---|
| Item                             | Balance at the end<br>of the current year | Balance at the end<br>of the prior year |
| Advanced receipts for sold goods | <b>301,110,189.30</b>                     | 271,432,709.97                          |
| Membership card points           | <b>1,848,526.94</b>                       | 3,538,940.71                            |
| Total                            | <b>302,958,716.24</b>                     | 274,971,650.68                          |

- (2) During the current year, the Company's recognized revenue of RMB274,157,150.08, including the carrying amount of contract liabilities at the beginning of the year, comprised contract liabilities of RMB271,432,709.97 arising from advanced receipts for sold goods, and contract liabilities of RMB2,724,440.11 arising from membership card points. It is expected that carrying amount of advanced receipts for sold goods at the end of the year will be recognized as revenue in 2021.

### 16. Employee benefits payable

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

| <i>RMB</i>  |                   |                                 |                                 |                       |
|---|-------------------|---------------------------------|---------------------------------|-----------------------|
| Item  | 1 January<br>2020 | Increase in the<br>current year | Decrease in the<br>current year | 31 December<br>2020   |
| I. Short-term<br>employee benefits                          | 270,510,956.48    | 742,882,387.23                  | 693,578,852.56                  | <b>319,814,491.15</b> |
| II. Post-employment benefits<br>– defined contribution plan | 4,299,772.49      | 94,213,884.50                   | 94,261,370.43                   | <b>4,252,286.56</b>   |
| III. Termination benefits                                   | –                 | 536,709.65                      | 536,709.65                      | –                     |
| Total   | 274,810,728.97    | 837,632,981.38                  | 788,376,932.64                  | <b>324,066,777.71</b> |

## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 16. Employee benefits payable (Continued)

##### (2) Disclosure of short-term employee benefits

|   |                   |                                 |                                 | <i>RMB</i>            |
|---|-------------------|---------------------------------|---------------------------------|-----------------------|
| Item  | 1 January<br>2020 | Increase in the<br>current year | Decrease in the<br>current year | 31 December<br>2020   |
| I. Wages or salaries, bonuses,<br>allowance and subsidies | 225,935,050.17    | 624,900,170.10                  | 582,924,995.46                  | <b>267,910,224.81</b> |
| II. Staff welfare   | 4,000.00          | 7,597,845.44                    | 7,597,545.43                    | <b>4,300.01</b>       |
| III. Social security contributions                        | 144,971.12        | 31,555,854.78                   | 31,656,147.50                   | <b>44,678.40</b>      |
| Including: Medical insurance                              | 101,099.77        | 28,168,207.08                   | 28,234,404.33                   | <b>34,902.52</b>      |
| Work-related  |                   |                                 |                                 |                       |
| injury insurance  | 22,952.27         | 1,051,976.40                    | 1,068,706.12                    | <b>6,222.55</b>       |
| Maternity insurance                                       | 20,919.08         | 2,330,572.43                    | 2,347,938.18                    | <b>3,553.33</b>       |
| Other insurances  | –                 | 5,098.87                        | 5,098.87                        | –                     |
| IV. Housing funds   | 1,329,715.55      | 53,727,642.54                   | 54,414,771.96                   | <b>642,586.13</b>     |
| V. Union running costs and<br>employee education costs    | 42,889,303.92     | 21,861,847.96                   | 13,631,801.54                   | <b>51,119,350.34</b>  |
| VI. Others  | 207,915.72        | 3,239,026.41                    | 3,353,590.67                    | <b>93,351.46</b>      |
| Total   | 270,510,956.48    | 742,882,387.23                  | 693,578,852.56                  | <b>319,814,491.15</b> |

##### (3) Defined contribution plan

|                            |                   |                                 |                                 | <i>RMB</i>          |
|----------------------------|-------------------|---------------------------------|---------------------------------|---------------------|
| Item                       | 1 January<br>2020 | Increase in the<br>current year | Decrease in the<br>current year | 31 December<br>2020 |
| I. Basic pension insurance | 523,499.98        | 44,994,181.73                   | 45,409,777.18                   | <b>107,904.53</b>   |
| II. Unemployment insurance | 38,751.33         | 1,737,779.63                    | 1,771,867.21                    | <b>4,663.75</b>     |
| III. Enterprise annuity    | 3,737,521.18      | 47,481,923.14                   | 47,079,726.04                   | <b>4,139,718.28</b> |
| Total                      | 4,299,772.49      | 94,213,884.50                   | 94,261,370.43                   | <b>4,252,286.56</b> |

## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 17. Taxes payable

| Item                                  | <i>RMB</i>                                |   |
|---------------------------------------|---|---|
|                                       | Balance at the end<br>of the current year | Balance at the end<br>of the prior year |
| City construction and maintenance tax | <b>30,660.92</b>                          | 73,336.23                               |
| Education surcharges                  | <b>18,266.54</b>                          | 33,602.87                               |
| Individual income tax                 | <b>1,229,490.36</b>                       | 1,137,885.87                            |
| Property tax                          | <b>2,095,174.61</b>                       | –                                       |
| Others                                | <b>17,516,612.33</b>                      | 17,327,807.64                           |
| Total                                 | <b>20,890,204.76</b>                      | 18,572,632.61                           |

#### 18. Other payables

| Item   | <i>RMB</i>                                |   |
|--|---|---|
|  | Balance at the end<br>of the current year | Balance at the end<br>of the prior year |
| Amounts due to related parties                                     | <b>578,369,183.75</b>                     | 473,561,751.60                          |
| Security deposit/deposit/quality warranty/<br>performance security | <b>26,829,200.60</b>                      | 54,670,829.22                           |
| Construction and infrastructure<br>construction expenses           | <b>19,958,854.13</b>                      | 24,199,581.82                           |
| Investment payables  | <b>317,061,075.00</b>                     | –                                       |
| Others   | <b>66,790,758.84</b>                      | 44,522,861.16                           |
| Total  | <b>1,009,009,072.32</b>                   | 596,955,023.80                          |

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 2020

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

#### 19. Lease liabilities

| <i>RMB</i>  |   |   |
|---|---|---|
| Item  | Balance at the end<br>of the current year | Balance at the end<br>of the prior year |
| Rents   | <b>439,081,349.70</b>                     | 415,578,560.36                          |
| Less: Lease liabilities included in non- current<br>liabilities due within one year | <b>93,769,873.33</b>                      | 76,800,069.97                           |
| Net   | <b>345,311,476.37</b>                     | 338,778,490.39                          |

#### 20. Capital reserve

| <i>RMB</i>   |                         |                                 |                                 |                         |
|--|-------------------------|---------------------------------|---------------------------------|-------------------------|
| Item   | 1 January 2020          | Increase in the<br>current year | Decrease in the<br>current year | 31 December<br>2020     |
| Share capital premium  | <b>2,607,708,268.43</b> | -                               | -                               | <b>2,607,708,268.43</b> |
| Including: Capital contributed by investors                                      | <b>2,622,033,862.15</b> | -                               | -                               | <b>2,622,033,862.15</b> |
| Effects of business combination<br>involving enterprises under<br>common control | <b>(14,325,593.72)</b>  | -                               | -                               | <b>(14,325,593.72)</b>  |
| Other capital reserve  | <b>23,349,059.67</b>    | -                               | -                               | <b>23,349,059.67</b>    |
| Including: Transfer from capital reserve under<br>the previous accounting system | <b>23,349,059.67</b>    | -                               | -                               | <b>23,349,059.67</b>    |
| Total  | <b>2,631,057,328.10</b> | -                               | -                               | <b>2,631,057,328.10</b> |

# Notes to the Financial Statements

For the year ended 31 December 2020

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

### 20. Capital reserve (Continued)

| Item   | RMB               |                                 |                                 |                     |
|--|-------------------|---------------------------------|---------------------------------|---------------------|
|  | 1 January<br>2019 | Increase in the<br>current year | Decrease in the<br>current year | 31 December<br>2019 |
| Share capital premium  | 2,607,708,268.43  | -                               | -                               | 2,607,708,268.43    |
| Including: Capital contributed by investors                                      | 2,622,033,862.15  | -                               | -                               | 2,622,033,862.15    |
| Effects of business combination<br>involving enterprises under<br>common control | (14,325,593.72)   | -                               | -                               | (14,325,593.72)     |
| Other capital reserve  | 23,349,059.67     | -                               | -                               | 23,349,059.67       |
| Including: Transfer from capital reserve under<br>the previous accounting system | 23,349,059.67     | -                               | -                               | 23,349,059.67       |
| Total  | 2,631,057,328.10  | -                               | -                               | 2,631,057,328.10    |

### 21. Other comprehensive income

| Item  | RMB               |  |  |                              |   |  |                     |
|---|-------------------|--|--|------------------------------|---|--|---------------------|
|   | 1 January<br>2020 | Changes in the year                                    |  |                              |   |  | 31 December<br>2020 |
|   |                   | Amount for<br>the current<br>year before<br>income tax | Less: Amount<br>included in other<br>comprehensive<br>income in the<br>prior period that<br>is transferred to<br>profit or loss for<br>the current<br>period | Less: Income<br>tax expenses | Post-tax amount<br>attributable to<br>owners of the<br>parent | Post-tax amount<br>attributable to<br>non-controlling<br>interests |                     |
| Other comprehensive income that cannot be<br>reclassified into profit or loss | 980,900,206.10    | 37,012,800.00  | -  | -                            | 37,012,800.00   | -  | 1,017,913,006.10    |
| Changes in fair value of other equity<br>instrument investments               | 980,900,206.10    | 37,012,800.00  | -  | -                            | 37,012,800.00   | -  | 1,017,913,006.10    |



## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 21. Other comprehensive income (Continued)

##### For the current year (Continued)

RMB

| Item   | 1 January<br>2019 | Changes in the year                                 |   |                              |  |   | 31 December<br>2019 |
|--|-------------------|---|---|------------------------------|--|---|---------------------|
|  |                   | Amount for the<br>current year<br>before income tax | Less: Amount<br>included in other<br>comprehensive<br>income in the<br>prior period that<br>is transferred to<br>profit or loss for the<br>current period | Less: Income<br>tax expenses | Post-tax<br>amount<br>attributable to<br>owners of the<br>parent | Post-tax<br>amount<br>attributable to<br>non-controlling<br>interests |                     |
| Other comprehensive income<br>that cannot be reclassified<br>into profit or loss | 1,023,108,206.10  | (42,208,000.00)                                     | -   | -                            | (42,208,000.00)  | -   | 980,900,206.10      |
| Changes in fair value of<br>other equity instrument<br>investments               | 1,023,108,206.10  | (42,208,000.00)                                     | -   | -                            | (42,208,000.00)  | -   | 980,900,206.10      |

#### 22. Surplus reserve

RMB

| Item                      | 1 January<br>2020     | Increase in the<br>current year | Decrease in the<br>current year | 31 December<br>2020   |
|---------------------------|-----------------------|---------------------------------|---------------------------------|-----------------------|
| Statutory surplus reserve | <b>791,519,020.02</b> | <b>105,293,914.66</b>           | -                               | <b>896,812,934.68</b> |

RMB

| Item                      | 1 January<br>2019 | Increase in the<br>current year | Decrease in the<br>current year | 31 December<br>2019 |
|---------------------------|-------------------|---------------------------------|---------------------------------|---------------------|
| Statutory surplus reserve | 710,233,608.82    | 81,285,411.20                   | -                               | 791,519,020.02      |

# Notes to the Financial Statements

For the year ended 31 December 2020

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

### 23. Retained profits

|   |                         |                  | <i>RMB</i>                  |
|---|-------------------------|------------------|-----------------------------|
| Item  | Current year            | Prior year       | Proportion of appropriation |
| Retained profits at the beginning of current year | <b>2,810,634,457.60</b> | 2,449,218,056.81 |                             |
| Add: Net profit for the current year              | <b>1,052,939,146.62</b> | 812,854,111.99   |                             |
| Less: Appropriation to statutory surplus reserve  | <b>105,293,914.66</b>   | 81,285,411.20    |                             |
| Distribution of dividends on ordinary shares      | <b>370,152,300.00</b>   | 370,152,300.00   | Note (VI) 36(2)             |
| Retained profits at the end of the year           | <b>3,388,127,389.56</b> | 2,810,634,457.60 |                             |

### 24. Operating income and operating costs

|  |                                       |                                     | <i>RMB</i> |
|--|---------------------------------------|-------------------------------------|------------|
| Item   | Amount recognized in the current year | Amount recognized in the prior year |            |
| Principal operating income                       | <b>5,727,712,657.05</b>               | 5,139,702,566.06                    |            |
| Including: Textbooks and supplementary materials | <b>4,771,902,213.75</b>               | 4,330,236,742.33                    |            |
| Other operating income (Note)                    | <b>138,824,546.85</b>                 | 184,481,386.48                      |            |
| Total income                                     | <b>5,866,537,203.90</b>               | 5,324,183,952.54                    |            |
| Operating costs                                  | <b>3,455,626,187.18</b>               | 3,067,558,495.26                    |            |

*Note:* Included in other operating income was commissions from concessionaire sales of RMB38,136,427.72. Among which, gross revenue from concessionaire sales was RMB276,165,894.64 and gross cost from concessionaire sales was RMB238,029,466.92 (2019: commissions from concessionaire sales of RMB47,458,552.90; gross revenue from concessionaire sales was RMB339,575,547.95 and gross cost from concessionaire sales was RMB292,116,995.05).

## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 25. Taxes and levies

| Item                                  | <i>RMB</i>                               |  |
|---------------------------------------|--|--|
|                                       | Amount recognized<br>in the current year | Amount recognized<br>in the prior year |
| City construction and maintenance tax | <b>8,267.07</b>                          | 19,305.68                              |
| Education surcharges                  | <b>5,870.32</b>                          | 17,150.78                              |
| Property tax                          | <b>19,236,469.98</b>                     | 15,762,982.74                          |
| Urban land use tax                    | <b>644,035.22</b>                        | 2,131,248.21                           |
| Stamp duty                            | <b>5,856,041.18</b>                      | 195,831.60                             |
| Vessel and vehicle tax                | <b>189,378.57</b>                        | 163,873.86                             |
| Disabled person security fund         | <b>2,553,833.64</b>                      | 4,378,307.33                           |
| Others                                | <b>23,660.98</b>                         | 27,391.42                              |
| Total                                 | <b>28,517,556.96</b>                     | 22,696,091.62                          |

#### 26. Selling expenses

| Item                                 | <i>RMB</i>                               |  |
|--------------------------------------|--|--|
|                                      | Amount recognized<br>in the current year | Amount recognized<br>in the prior year |
| Wages and other human costs          | <b>393,293,715.99</b>                    | 362,734,574.08                         |
| Transportation costs                 | <b>166,650,324.06</b>                    | 149,367,409.47                         |
| Entrusted logistics fees             | <b>124,744,614.22</b>                    | 97,587,753.64                          |
| Business conference fees             | <b>48,241,221.13</b>                     | 48,920,544.70                          |
| Vehicle fees                         | <b>16,341,286.17</b>                     | 17,907,783.12                          |
| Travel expenses                      | <b>15,592,396.82</b>                     | 20,382,914.97                          |
| Distribution commission              | <b>48,001,765.64</b>                     | 40,235,990.88                          |
| Advertisement and promotion expenses | <b>38,158,273.74</b>                     | 42,002,614.61                          |
| Packing expenses                     | <b>15,406,773.40</b>                     | 13,928,243.77                          |
| Others                               | <b>22,600,272.78</b>                     | 24,498,141.38                          |
| Total                                | <b>889,030,643.95</b>                    | 817,565,970.62                         |

# Notes to the Financial Statements

For the year ended 31 December 2020

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

### 27. Administrative expenses

| Item                                   | <i>RMB</i>                               |  |
|--|--|--|
|  | Amount recognized<br>in the current year | Amount recognized<br>in the prior year |
| Wages and other human costs            | <b>430,151,846.51</b>                    | 460,865,445.28                         |
| Business entertainment fees            | <b>119,887,156.00</b>                    | 119,874,569.39                         |
| Lease payments                         | <b>11,784,219.15</b>                     | 31,921,130.96                          |
| Depreciation and amortization expenses | <b>173,771,052.74</b>                    | 155,007,839.16                         |
| Conference fees                        | <b>17,580,360.29</b>                     | 23,111,918.83                          |
| Energy costs                           | <b>13,887,544.92</b>                     | 15,556,822.29                          |
| Property management fees               | <b>32,708,381.27</b>                     | 27,407,164.02                          |
| Travel expenses                        | <b>4,630,266.54</b>                      | 8,804,422.91                           |
| Repair charges                         | <b>13,781,494.14</b>                     | 11,031,204.05                          |
| Office expenses                        | <b>4,982,767.80</b>                      | 5,839,893.96                           |
| Audit and other non-audit service fees | <b>3,367,924.53</b>                      | 3,367,924.53                           |
| Others                                 | <b>66,148,512.89</b>                     | 70,786,426.54                          |
| Total                                  | <b>892,681,526.78</b>                    | 933,574,761.92                         |

### 28. Finance expenses

| Item   | <i>RMB</i>                               |  |
|--|--|--|
|  | Amount recognized<br>in the current year | Amount recognized<br>in the prior year |
| Interest expenses                              | <b>6,992,637.04</b>                      | 6,927,405.54                           |
| Interest expenses on lease liabilities         | <b>20,806,396.99</b>                     | 17,934,761.89                          |
| Less: Interest income                          | <b>59,505,923.32</b>                     | 35,062,294.77                          |
| Less: Interest income on long-term receivables | <b>6,414,621.24</b>                      | 9,649,021.33                           |
| Exchange gains or losses and others            | <b>6,641,866.26</b>                      | 2,262,534.88                           |
| Total  | <b>(31,479,644.27)</b>                   | (17,586,613.79)                        |

## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 29. Other income

| <i>RMB</i>              |  |  |
|-------------------------|--|--|
| Item                    | Amount recognized<br>in the current year | Amount recognized<br>in the prior year |
| Other government grants | <b>9,468,459.58</b>                      | 11,120,509.90                          |

#### 30. Investment income

| <i>RMB</i>  |  |  |
|---|--|--|
| Item  | Amount recognized<br>in the current year | Amount recognized<br>in the prior year |
| Income from long-term equity investments<br>Including: Investment income recognized at cost | <b>400,000,000.00</b>                    | 320,000,000.00                         |
| Investment income recognized using<br>equity method   | <b>22,445,468.17</b>                     | 21,585,357.85                          |
| Gain (loss) on disposal of long-term<br>equity investment                                   | <b>(709,711.67)</b>                      | –                                      |
| Investment income generated from other equity<br>instrument investments                     | <b>53,542,400.00</b>                     | 49,812,000.00                          |
| Investment income from disposal of financial assets<br>at FVTPL                             | <b>35,286,935.67</b>                     | 31,951,073.52                          |
| Others  | –  | 19,500,000.00                          |
| Total   | <b>510,565,092.17</b>                    | 442,848,431.37                         |

#### 31. Gain (loss) on credit impairment

| <i>RMB</i>  |  |  |
|---|--|--|
| Item  | Amount recognized<br>in the current year | Amount recognized<br>in the prior year |
| Gain (loss) on credit impairment of accounts receivable | <b>(86,687,313.64)</b>                   | (40,327,187.75)                        |
| Gain (loss) on credit impairment of other receivables   | <b>742,879.56</b>                        | 1,105,076.37                           |
| Total   | <b>(85,944,434.08)</b>                   | (39,222,111.38)                        |

# Notes to the Financial Statements

For the year ended 31 December 2020

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

### 32. Gain (loss) on asset impairment

| <i>RMB</i>   |  |  |
|--|--|--|
| Item   | Amount recognized<br>in the current year | Amount recognized<br>in the prior year |
| Gain (loss) on impairment of inventories                     | <b>(27,612,906.72)</b>                   | (29,867,650.08)                        |
| Gain (loss) on impairment of long-term<br>equity investments | –  | (55,000,000.00)                        |
| Total  | <b>(27,612,906.72)</b>                   | (84,867,650.08)                        |

### 33. Non-operating income

| <i>RMB</i> |  |  |
|------------|--|--|
| Item       | Amount recognized<br>in the current year | Amount recognized<br>in the prior year |
| Others     | <b>7,862,946.38</b>                      | 1,541,922.51                           |

### 34. Non-operating expenses

| <i>RMB</i> |  |  |
|------------|--|--|
| Item       | Amount recognized<br>in the current year | Amount recognized<br>in the prior year |
| Donations  | <b>74,562,563.19</b>                     | 41,096,588.04                          |
| Penalties  | <b>13,882.58</b>                         | 1,128.45                               |
| Others     | <b>1,720,321.20</b>                      | 310,926.42                             |
| Total      | <b>76,296,766.97</b>                     | 41,408,642.91                          |

# Notes to the Financial Statements

For the year ended 31 December 2020

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

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

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

| <i>RMB</i>      |  |  |
|-----------------|--|--|
| Item            | Amount recognized<br>in the current year | Amount recognized<br>in the prior year |
| Interest income | <b>58,061,909.63</b>                     | 29,193,361.19                          |
| Others          | <b>138,232,711.29</b>                    | 68,992,720.22                          |
| Total           | <b>196,294,620.92</b>                    | 98,186,081.41                          |

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

| <i>RMB</i>                            |  |  |
|---------------------------------------|--|--|
| Item                                  | Amount recognized<br>in the current year | Amount recognized<br>in the prior year |
| Selling expenses                      | <b>495,736,927.96</b>                    | 454,831,396.54                         |
| Of which: Transportation costs        | <b>166,650,324.06</b>                    | 149,367,409.47                         |
| Commissioned logistics costs          | <b>124,744,614.22</b>                    | 97,587,753.64                          |
| Business conference fees              | <b>48,241,221.13</b>                     | 48,920,544.70                          |
| Distribution commission               | <b>48,001,765.64</b>                     | 40,235,990.88                          |
| Advertising and promotion fees        | <b>38,158,273.74</b>                     | 42,002,614.61                          |
| Vehicle fees                          | <b>16,341,286.17</b>                     | 17,907,783.12                          |
| Travel expenses                       | <b>15,592,396.82</b>                     | 20,382,914.97                          |
| Administrative expenses               | <b>263,013,396.90</b>                    | 317,701,477.48                         |
| Of which: Business entertainment fees | <b>119,887,156.00</b>                    | 119,874,569.39                         |
| Lease payments                        | <b>11,784,219.15</b>                     | 31,921,130.96                          |
| Property management fees              | <b>32,708,381.27</b>                     | 27,407,164.02                          |
| Conference fees                       | <b>17,580,360.29</b>                     | 23,111,918.83                          |
| Repair charges                        | <b>13,781,494.14</b>                     | 11,031,204.05                          |
| Energy costs                          | <b>13,887,544.92</b>                     | 15,556,822.29                          |
| Amount due/from subsidiaries          | <b>4,774,364.50</b>                      | 50,461,794.05                          |
| Others                                | <b>125,907,950.11</b>                    | 15,825,909.37                          |
| Total                                 | <b>889,432,639.47</b>                    | 838,820,577.44                         |

# Notes to the Financial Statements

For the year ended 31 December 2020

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

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

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

| <i>RMB</i>   |  |  |
|--|--|--|
| Supplementary information  | Amount recognized<br>in the current year | Amount recognized<br>in the prior year |
| <b>1. Reconciliation of net profit to cash flow from operating activities:</b>                   |  |  |
| Net profit   | <b>1,052,939,146.62</b>                  | 812,854,111.99                         |
| Add: Impairment losses of assets   | <b>27,612,906.72</b>                     | 84,867,650.08                          |
| Losses on credit impairment  | <b>85,944,434.08</b>                     | 39,222,111.38                          |
| Depreciation of fixed assets   | <b>51,567,542.30</b>                     | 48,643,208.03                          |
| Depreciation of right-of-use assets  | <b>100,472,745.52</b>                    | 81,527,090.90                          |
| Depreciation of investment properties  | <b>900,190.02</b>                        | 900,190.03                             |
| Amortization of intangible assets  | <b>9,765,917.09</b>                      | 8,896,417.48                           |
| Amortization of long-term prepaid expenses   | <b>12,264,564.35</b>                     | 13,025,838.54                          |
| Loss (gain) on disposal of assets  | <b>(186,827.46)</b>                      | (2,567,623.67)                         |
| Loss (gain) from changes in fair value   | <b>(82,548,995.50)</b>                   | (19,910,686.76)                        |
| Finance expenses   | <b>27,799,034.03</b>                     | 15,213,146.10                          |
| Investment loss (income)   | <b>(510,565,092.17)</b>                  | (442,848,431.37)                       |
| Decrease (increase) in inventories   | <b>371,784,728.85</b>                    | (573,953,364.17)                       |
| Decrease (increase) in receivables from operating activities                                     | <b>(16,465,394.82)</b>                   | 30,545,786.20                          |
| Increase in payables from operating activities   | <b>203,761,004.53</b>                    | 1,133,485,761.06                       |
| Net cash flow from operating activities  | <b>1,335,045,904.16</b>                  | 1,229,901,205.82                       |
| <b>2. Material investment and financing activities not involving cash receipts and payments:</b> |  |  |
| Right-of-use assets recognized on lease on fixed assets  | <b>121,254,484.34</b>                    | 144,765,972.80                         |
| <b>3. Net changes in cash and cash equivalents:</b>  |  |  |
| Closing balance of cash  | <b>4,235,082,239.58</b>                  | 2,561,250,163.76                       |
| Less: Opening balance of cash  | <b>2,561,250,163.76</b>                  | 1,747,274,865.08                       |
| Net increase in cash and cash equivalents  | <b>1,673,832,075.82</b>                  | 813,975,298.68                         |



## Notes to the Financial Statements

For the year ended 31 December 2020

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

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

##### (2) Cash and cash equivalents

| <i>RMB</i>  |   |   |
|---|---|---|
| Item  | Balance at the end<br>of the current year | Balance at the end<br>of the prior year |
| Cash  | <b>4,235,082,239.58</b>                   | 2,561,250,163.76                        |
| Including: Cash on hand                                       | <b>1,699,308.10</b>                       | 2,127,353.64                            |
| Bank deposits readily withdrawn<br>on demand                  | <b>4,233,284,426.65</b>                   | 2,559,122,810.12                        |
| Other cash and bank balances readily<br>available for payment | <b>98,504.83</b>                          | –                                       |
| Balance of cash and cash equivalents                          | <b>4,235,082,239.58</b>                   | 2,561,250,163.76                        |

#### 37. Assets with restricted ownership

| <i>RMB</i>                               |   |   |
|--|---|---|
| Type of assets with restricted ownership | Balance at the end<br>of the current year | Balance at the end<br>of the prior year |
| Cash and bank balances (Note)            | <b>7,740,397.41</b>                       | –                                       |

*Note:* At the end of the current year, the Group's cash and bank balances with restricted ownership consist of security deposit placed in bank for the issuance of guarantee letter of RMB7,740,397.41 (31 December 2019: nil).

# Notes to the Financial Statements

For the year ended 31 December 2020

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

### 38. Related party relationship and transactions

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

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

RMB

| Related party   | Type of related party transaction | Details of related party transaction                | Pricing and decision-making procedures of related party transactions | Amount 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                                     | <b>318,016.17</b>                     | 325,184.65                          |
| Sichuan Guanghan Sanxingdui Qushanyuan Cultural Ltd.          | Receipt of services               | Payments for hotel and conference service fees      | Price negotiated by both parties                                     | <b>179,419.25</b>                     | 210,802.68                          |
| Chengdu Huang Peng Property Co., Ltd.                         | Receipt of services               | Payments for property management fees               | Price negotiated by both parties                                     | <b>9,180,858.61</b>                   | 5,738,036.90                        |
| Sichuan Xinhua Haiyi Cultural Development Co., Ltd.           | Receipt of services               | Payments for hotel and conference service fees      | Price negotiated by both parties                                     | <b>116,630.10</b>                     | 390,622.06                          |
| 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                           |
| Sichuan Winshare BLOGIS Supply Chain Co., Ltd.                | Purchase of goods                 | Payments for goods purchased                        | Price negotiated by both parties                                     | <b>4,110.66</b>                       | 69,300.48                           |
| The Commercial Press (Chengdu) Co., Ltd.                      | Purchase of goods                 | Payments for goods purchased                        | Price negotiated by both parties                                     | <b>28,070,898.09</b>                  | 13,027,023.06                       |
| Hainan Publishing House                                       | Purchase of goods                 | Payments for goods purchased                        | Price negotiated by both parties                                     | <b>7,405,408.90</b>                   | 6,697,122.90                        |
| Bashu Publishing House  | Purchase of goods                 | Payments for goods purchased and receiving services | Price negotiated by both parties                                     | <b>8,700,036.05</b>                   | 15,158,825.07                       |
| Education Publishing House                                    | Purchase of goods                 | Payments for goods purchased                        | Price negotiated by both parties                                     | <b>728,293,196.06</b>                 | 717,028,034.22                      |
| Publication Printing  | Purchase of goods                 | Payments for goods purchased                        | Price negotiated by both parties                                     | <b>347,673,521.32</b>                 | 277,765,338.75                      |
| Printing Materials  | Purchase of goods                 | Payments for goods purchased                        | Price negotiated by both parties                                     | <b>1,074,386.76</b>                   | 1,773,735.48                        |
| Lexicographical Publishing House                              | Purchase of goods                 | Payments for goods purchased                        | Price negotiated by both parties                                     | <b>5,862,589.48</b>                   | 14,576,433.91                       |
| Science & Technology Publishing House                         | Purchase of goods                 | Payments for goods purchased                        | Price negotiated by both parties                                     | <b>3,452,892.87</b>                   | 4,715,859.64                        |
| Winshare International  | Purchase of goods                 | Payments for goods purchased                        | Price negotiated by both parties                                     | <b>3,180,930.94</b>                   | 153,805.83                          |
| Winshare Quan Media   | Purchase of goods                 | Payments for goods purchased                        | Price negotiated by both parties                                     | <b>155,059.71</b>                     | 70,560.00                           |

## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 38. 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 |
|---------------------------------------|-----------------------------------|---|--|---------------------------------------|-------------------------------------|
| 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                                     | <b>20,235,484.65</b>                  | 19,374,071.96                       |
| People's Publishing House             | Purchase of goods                 | Payments for goods purchased                        | Price negotiated by both parties                                     | <b>27,434,069.75</b>                  | 24,420,387.11                       |
| Youth and Children's Publishing House | Purchase of goods                 | Payments for goods purchased                        | Price negotiated by both parties                                     | <b>184,480.08</b>                     | –                                   |
| Tiandi Publishing House               | Purchase of goods                 | Payments for goods purchased                        | Price negotiated by both parties                                     | <b>23,317,795.46</b>                  | 19,673,292.37                       |
| Literature & Art Publishing House     | Purchase of goods                 | Payments for goods purchased                        | Price negotiated by both parties                                     | <b>6,745,892.86</b>                   | 10,136,942.73                       |
| Digital Publishing                    | Purchase of goods                 | Payments for goods purchased and receiving services | Price negotiated by both parties                                     | <b>46,753.17</b>                      | 381,044.33                          |
| Pictorial                             | Purchase of goods                 | Payments for goods purchased                        | Price negotiated by both parties                                     | <b>18,396.23</b>                      | 9,433.96                            |
| Xinhua Online                         | Purchase of goods                 | Payments for goods purchased                        | Price negotiated by both parties                                     | <b>3,088,239.55</b>                   | –                                   |
| Winshare Education Technology         | Receipt of services               | Payments for goods purchased                        | Price negotiated by both parties                                     | <b>26,817,159.80</b>                  | 18,904,159.59                       |
| Beijing Shuchuan                      | Purchase of goods                 | Payments for goods purchased                        | Price negotiated by both parties                                     | <b>87,970,816.76</b>                  | 143,991,053.72                      |
| Wenchuan Logistics                    | Receipt of services               | Commissioned logistics costs                        | Price negotiated by both parties                                     | <b>131,559,419.52</b>                 | 124,649,703.73                      |
| Winshare Online                       | Purchase of goods                 | Payments for goods purchased                        | Price negotiated by both parties                                     | <b>466,186,618.47</b>                 | 506,939,708.15                      |
| Sichuan Xinhua Printing               | Receipt of services               | Payments for printing services                      | Price negotiated by both parties                                     | <b>283,794.52</b>                     | 525,905.19                          |
| Sichuan Cultural Communication        | Purchase of goods                 | Payments for goods purchased                        | Price negotiated by both parties                                     | <b>2,661,916.17</b>                   | 5,425,122.80                        |

# Notes to the Financial Statements

For the year ended 31 December 2020

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

### 38. 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 |
|---|-----------------------------------|--|--|---------------------------------------|-------------------------------------|
| Winshare Cloud Image                              | Purchase of goods                 | Payments for goods purchased                   | Price negotiated by both parties                                     | 1,345,375.96                          | 2,228,413.02                        |
| Xinhua Haiyi Hotel Co., Ltd.                      | Receipt of services               | Payments for hotel and conference service fees | Price negotiated by both parties                                     | 225,215.09                            | 136,082.07                          |
| Reader's Journal Press                            | Purchase of goods                 | Payments for goods purchased                   | Price negotiated by both parties                                     | 496,063.22                            | 249,236.76                          |
| Ren Min Eastern (Beijing) Book Industry Co., Ltd. | Purchase of goods                 | Payments for goods purchased                   | Price negotiated by both parties                                     | 2,720,671.10                          | -                                   |
| Sichuan Xinhua Fanyue Culture Media Co., Ltd.     | Receipt of services               | Payments of services rendered                  | Price negotiated by both parties                                     | 20,370.00                             | -                                   |
| Sichuan Xinhua Wanyun Technology Co., Ltd.        | Purchase of goods                 | Payments for goods purchased                   | Price negotiated by both parties                                     | 2,869.81                              | -                                   |
| Total   |                                   |  |  | 1,945,029,357.14                      | 1,934,804,334.26                    |

## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 38. Related party relationship and transactions *(Continued)*

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

###### *Sales of goods/provision of services*

|   |  |   |   |  | <i>RMB</i>                                 |  |
|---|--|---|---|--|--|--|
| <b>Related party</b>                                    | <b>Type of related party transaction</b> | <b>Details of related party transaction</b>                 | <b>Pricing and decision-making procedures of related party transactions</b> | <b>Amount recognized in the current year</b> | <b>Amount recognized in the prior year</b> |  |
| Sichuan Xinhua Publishing and Distribution Group        | Sales of goods                           | Receipts for goods sold                                     | Price negotiated by both parties  | <b>66,633.44</b>                             | 44,190.92                                  |  |
| Winshare Online   | Sales of goods                           | Receipts for goods sold                                     | Price negotiated by both parties  | <b>60,690,767.61</b>                         | -  |  |
| Winshare Online   | Provision of services                    | Receipts for commissioned logistics costs                   |   | <b>48,178,103.27</b>                         | 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  | <b>1,991,315.87</b>                          | 1,894,747.22                               |  |
| Sichuan Xinhua Fanyue Culture Media Co., Ltd.           | Sales of goods                           | Receipts for goods sold                                     | Price negotiated by both parties  | <b>11,324.95</b>                             | 3,211.01                                   |  |
| Winshare Education Technology                           | Sales of goods                           | Receipts for goods sold                                     | Price negotiated by both parties  | <b>20,183,964.00</b>                         | 11,707,119.51                              |  |
| Sichuan Xinhua Printing                                 | Sales of goods                           | Receipts for goods sold                                     | Price negotiated by both parties  | <b>116,731.26</b>                            | 111,156.12                                 |  |
| Stackway  | Sales of goods                           | Receipts for books  | Price negotiated by both parties  | <b>12,507,106.23</b>                         | 9,287,089.28                               |  |
| Sichuan Cultural Investment Group                       | 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  | <b>99,557.52</b>                             | 96,392.24                                  |  |
| <b>Total</b>  |  |   |   | <b>143,845,504.15</b>                        | 66,226,570.73                              |  |

# Notes to the Financial Statements

For the year ended 31 December 2020

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

### 38. 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:

|                |  |                       |                             |                           |  | <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 |
| The Company    | Sichuan Xinhua Publishing and Distribution Group | Buildings             | 2019.1.1                    | 2021.12.31                | Contractual price negotiated by both parties | <b>1,496,656.90</b>                          | 1,279,575.78                               |
| The Company    | Printing materials                               | Buildings             | 2020.1.1                    | 2022.12.31                | Contractual price negotiated by both parties | <b>417,247.71</b>                            | 415,366.71                                 |
| The Company    | Bashu Publishing House                           | Buildings             | 2020.1.1                    | 2022.12.31                | Contractual price negotiated by both parties | <b>796,405.87</b>                            | 792,816.15                                 |
| The Company    | Youth and Children's Publishing House            | Buildings             | 2020.1.1                    | 2022.12.31                | Contractual price negotiated by both parties | <b>1,032,777.25</b>                          | 1,028,120.29                               |
| The Company    | Literature & Art Publishing House                | Buildings             | 2020.1.1                    | 2022.12.31                | Contractual price negotiated by both parties | <b>759,502.57</b>                            | 756,081.58                                 |
| The Company    | People's Publishing House                        | Buildings             | 2020.1.1                    | 2022.12.31                | Contractual price negotiated by both parties | <b>1,549,160.92</b>                          | 1,542,180.44                               |
| The Company    | Science & Technology Publishing House            | Buildings             | 2020.1.1                    | 2022.12.31                | Contractual price negotiated by both parties | <b>829,658.71</b>                            | 825,921.21                                 |
| The Company    | Tiandi Publishing House                          | Buildings             | 2020.1.1                    | 2022.12.31                | Contractual price negotiated by both parties | <b>767,087.32</b>                            | 756,528.19                                 |
| The Company    | Lexicographical Publishing House                 | Buildings             | 2020.1.1                    | 2022.12.31                | Contractual price negotiated by both parties | <b>598,433.72</b>                            | 595,730.67                                 |
| The Company    | Publication Printing                             | Buildings             | 2020.1.1                    | 2022.12.31                | Contractual price negotiated by both parties | <b>559,412.04</b>                            | 556,892.79                                 |
| The Company    | Xinhua Yingxuan                                  | Buildings             | 2019.3.1                    | 2021.2.28                 | Contractual price negotiated by both parties | <b>299,413.92</b>                            | 336,943.89                                 |
| The Company    | Xinhua Yingxuan                                  | Buildings             | 2017.3.1                    | 2019.2.28                 | Contractual price negotiated by both parties | -  | 90,801.43                                  |
| <b>Total</b>   |  |                       |                             |                           |  | <b>9,105,756.93</b>                          | 8,976,959.13                               |

## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 38. 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 and Distribution Group | The Company    | Buildings             | 2019.1.1                    | 2021.12.31                | Contractual price negotiated by both parties | <b>40,470,374.29</b>                         | 41,167,580.92                              |
| Sichuan Cultural Investment Group                | The Company    | Buildings             | 2020.1.1                    | 2022.12.31                | Contractual price negotiated by both parties | <b>11,906,695.52</b>                         | N/A  |
| Sichuan Cultural Investment Group                | The Company    | Buildings             | 2017.1.1                    | 2019.12.31                | Contractual price negotiated by both parties | N/A  | 13,356,561.61                              |
| Total  |                |                       |                             |                           |  | <b>52,377,069.81</b>                         | 54,524,142.53                              |

*Note:* During the current year, the Company as lessee rented buildings from Sichuan Xinhua Publishing and Distribution Group. The decrease in right-of-use assets amounting to RMB1,839,663.35 arising from lease modification was recognized for the current year; whereas depreciation of right-of-use assets amounting to RMB34,978,276.08 were recognized during the current year. During the current year, the Company as lessee rented buildings from Sichuan Cultural Investment Group. During the current year, right-of-use assets amounting to RMB33,419,330.17 and depreciation of right-of-use assets amounting to RMB11,141,876.68 were recognized.

# Notes to the Financial Statements

For the year ended 31 December 2020

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

### 38. Related party relationship and transactions *(Continued)*

#### (4) Borrowings/loans with related parties

| Related party                         | Current year          | Balance at the end of the current year | RMB            |                                      |
|---------------------------------------|-----------------------|--|----------------|--------------------------------------|
|                                       |                       |  | Prior year     | Balance at the end of the prior year |
| Borrowings                            |                       |  |                |                                      |
| Winshare Media                        | 8,000,000.00          | –                                      | 7,000,000.00   | –                                    |
| Sichuan Cultural Communication        | 22,000,000.00         | 22,000,000.00                          | 20,000,000.00  | –                                    |
| Winshare Sports                       | –                     | 12,000,000.00                          | 12,000,000.00  | 12,055,232.88                        |
| Pictorial                             | 8,000,000.00          | –                                      | 7,000,000.00   | –                                    |
| Lexicographical Publishing House      | 4,000,000.00          | 4,000,000.00                           | 6,000,000.00   | –                                    |
| Winshare Investment                   | 38,000,000.00         | –                                      | 38,000,000.00  | –                                    |
| Bashu Publishing House                | 10,000,000.00         | 30,000,000.00                          | 20,000,000.00  | 20,000,000.00                        |
| Science & Technology Publishing House | –                     | 20,000,000.00                          | –              | 20,800,000.00                        |
| Winshare International                | –                     | –                                      | 14,000,000.00  | –                                    |
| Fine Arts Publishing House            | 10,000,000.00         | 30,003,000.00                          | –              | 20,003,000.00                        |
| Winshare Quan Media                   | –                     | 9,500,000.00                           | –              | 9,500,000.00                         |
| Stackway                              | –                     | 39,486,202.77                          | –              | 42,238,814.71                        |
| Tiandi Publishing House               | 20,000,000.00         | 20,000,000.00                          | –              | –                                    |
| <b>Total</b>                          | <b>120,000,000.00</b> | <b>186,989,202.77</b>                  | 124,000,000.00 | 124,597,047.59                       |
| Loans                                 |                       |  |                |                                      |
| Winshare Investment                   | –                     | 228,833,409.82                         | 25,000,000.00  | 247,555,888.15                       |
| Wenchuan Logistics                    | –                     | 176,358,000.00                         | –              | 169,572,000.00                       |
| Winshare Education Technology         | 120,000,000.00        | 230,202,868.15                         | 55,000,000.00  | 244,867,614.73                       |
| Sichuan Xinhua Printing               | –                     | 16,650,136.98                          | –              | 25,943,113.01                        |
| Printing Materials                    | –                     | 199,708,418.05                         | –              | 200,575,247.10                       |
| Reader's Journal Press                | –                     | 37,436,217.01                          | –              | 36,486,596.13                        |
| Tiandi Publishing House               | –                     | –                                      | 60,000,000.00  | 60,861,657.53                        |
| Xinhua Shang                          | –                     | 2,500,000.00                           | –              | 2,500,000.00                         |
| Digital Publishing & Media            | –                     | 17,935,711.48                          | –              | 17,935,711.48                        |
| Arts Investment                       | –                     | 28,183,930.12                          | –              | 28,183,930.12                        |
| <b>Total</b>                          | <b>120,000,000.00</b> | <b>937,808,691.61</b>                  | 140,000,000.00 | 1,034,481,758.25                     |



## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 38. 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                        | Amount recognized in the current year |            | Amount recognized in the prior year |            |
|---------------------------------------|---------------------------------------|------------|-------------------------------------|------------|
|                                       | Amount                                | Proportion | Amount                              | Proportion |
|                                       |                                       | (%)        |                                     | (%)        |
| Winshare Media                        | 284,324.62                            | 4.29       | 252,600.74                          | 3.85       |
| Sichuan Cultural Communication        | 783,817.52                            | 11.84      | 747,479.95                          | 11.40      |
| Winshare International                | –                                     | –          | 475,914.35                          | 7.26       |
| Pictorial                             | 252,686.74                            | 3.82       | 253,657.29                          | 3.87       |
| Bashu Publishing House                | 784,750.57                            | 11.85      | 714,913.40                          | 10.90      |
| Lexicographical Publishing House      | 106,270.37                            | 1.61       | 207,495.48                          | 3.16       |
| Science & Technology Publishing House | 716,981.12                            | 10.83      | 754,716.96                          | 11.51      |
| Fine Arts Publishing House            | 784,750.58                            | 11.85      | 754,717.00                          | 11.51      |
| Winshare Sports                       | 430,188.68                            | 6.50       | 52,106.49                           | 0.79       |
| Winshare Quan Media                   | 340,566.04                            | 5.14       | 358,490.56                          | 5.47       |
| Stackway                              | 1,402,078.09                          | 21.18      | 1,600,576.42                        | 24.41      |
| Winshare Investment                   | 526,011.11                            | 7.94       | 385,157.60                          | 5.87       |
| Tiandi Publishing House               | 208,710.26                            | 3.15       | –                                   | –          |
| Total                                 | 6,621,135.70                          | 100.00     | 6,557,826.24                        | 100.00     |

RMB

## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 38. 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               | Amount recognized<br>in the current year | Amount recognized<br>in the prior year |
| Sichuan Xinhua Printing       | 667,003.75                               | 1,070,213.56                           |
| Printing Materials            | 3,271,053.02                             | 3,271,053.02                           |
| Winshare Investment           | 8,962,264.16                             | 9,393,047.94                           |
| Reader's Journal Press        | 895,868.75                               | 895,868.76                             |
| Winshare Cloud Image          | –  | 150,153.15                             |
| Wenchuan Logistics            | 6,401,886.80                             | 6,401,886.80                           |
| Winshare Education Technology | 4,206,906.69                             | 6,213,141.30                           |
| Tiandi Publishing House       | 101,188.92                               | 1,958,005.94                           |
| Total                         | 24,506,172.09                            | 29,353,370.47                          |

##### (7) Other related party transactions

During the current year, the Company purchased a property for office use from Chengdu Xinhua Chuangzhi Cultural Industry Investment Co., Ltd. at a total consideration of RMB193,480,283.75. As at 31 December 2020, the Company made cumulative payments of the consideration of RMB154,784,227.90.

During the current year, the Company completed the final account of public facilities between the Company and Sichuan Xinhua Publishing and Distribution Group under the construction in progress and the settlement and liquidation. Accordingly, the Company transferred from the construction in progress and recovered the construction payment of RMB28,284,253.60.

## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 38. Related party relationship and transactions *(Continued)*

##### (8) Amounts due from/to related parties

|                     |  | <i>RMB</i>  |  |
|---------------------|--|---|--|
|                     | <i>Related party</i>                                       | <b>Balance<br/>at the end of the<br/>current year</b> | Balance<br>at the end of the<br>prior year |
| Accounts receivable | Liangshan Xinhua Winshare<br>Education Technology Co. Ltd. | <b>112,500.00</b>                                     | –  |
|                     | Beijing Winshare Commercial                                | <b>100,853,374.42</b>                                 | 99,734,700.73                              |
|                     | Winshare Education Technology                              | <b>231,748,586.42</b>                                 | 218,953,808.22                             |
|                     | Winshare Cloud Image                                       | –   | 240,979.68                                 |
| Total               |  | <b>332,714,460.84</b>                                 | 318,929,488.63                             |
| Prepayments         | Xinhua Online  | –   | 1,805,893.78                               |
| Total               |  | –   | 1,805,893.78                               |

## Notes to the Financial Statements

For the year ended 31 December 2020

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

## 38. Related party relationship and transactions (Continued)

## (8) Amounts due from/to related parties (Continued)

|                          |  | RMB  |  |
|--------------------------|--|--|--|
| Related party            |  | Balance<br>at the end of the<br>current year | Balance<br>at the end of the<br>prior year |
| Other receivables        | Publication Printing                     | 100,000,000.00                               | 70,000,000.00                              |
|                          | Education Publishing House               | 300,000,000.00                               | 250,000,000.00                             |
|                          | The Commercial Press (Chengdu) Co., Ltd. | –  | 4,000.00                                   |
|                          | Xinhua Yingxuan                          | 314,384.62                                   | –  |
|                          | Printing Materials                       | 199,708,418.05                               | 200,575,247.10                             |
|                          | Winshare Education Technology            | 55,202,868.15                                | 64,867,614.73                              |
|                          | Tiandi Publishing House                  | –  | 60,861,657.53                              |
|                          | Winshare Online                          | 3,938,214.57                                 | 50,457,794.05                              |
|                          | Xinhua Shang                             | 2,500,000.00                                 | 2,500,000.00                               |
|                          | Reader's Journal Press                   | 37,436,217.01                                | 36,486,596.13                              |
|                          | Digital Publishing                       | 17,935,711.48                                | 17,935,711.48                              |
|                          | Arts Investment                          | 28,183,930.12                                | 28,183,930.12                              |
|                          | Science & Technology Publishing House    | 2,016,727.71                                 | 3,133,678.65                               |
|                          | Beijing Winshare Commercial              | 20,266,215.65                                | 20,266,215.65                              |
|                          | Winshare Investment                      | 28,833,409.82                                | 47,555,888.15                              |
|                          | Literature & Art Publishing House        | 2,483,579.96                                 | 3,348,238.32                               |
|                          | People's Publishing House                | 4,228,408.22                                 | 2,539,822.82                               |
|                          | Sichuan Xinhua Printing                  | 16,650,136.98                                | 25,943,113.01                              |
|                          | Wenchuan Logistics                       | 20,358,000.00                                | 13,572,000.00                              |
| Stackway                 | 2,756,622.18                             | –  |  |
| Total                    |  | <b>842,812,844.52</b>                        | 898,231,507.74                             |
| Other non-current assets | Wenchuan Logistics                       | 156,000,000.00                               | 156,000,000.00                             |
|                          | Winshare Education Technology            | 175,000,000.00                               | 180,000,000.00                             |
|                          | Winshare Investment                      | 200,000,000.00                               | 200,000,000.00                             |
| Total                    |  | <b>531,000,000.00</b>                        | 536,000,000.00                             |

## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 38. Related party relationship and transactions *(Continued)*

##### (8) Amounts due from/to related parties *(Continued)*

|                  |  | <i>RMB</i>  |   |
|------------------|--|---|---|
|                  | <b>Related party</b>                                 | <b>Balance<br/>at the end of the<br/>current year</b> | <b>Balance<br/>at the end of the<br/>prior year</b> |
| Accounts payable | The Commercial Press (Chengdu)<br>Co., Ltd.          | <b>11,997,965.97</b>                                  | 20,863,621.86                                       |
|                  | Hainan Publishing House                              | <b>192,384.15</b>                                     | 122,481.66  |
|                  | Shanghai Jingjie Information<br>Technology Co., Ltd. | –   | 18,941.00   |
|                  | Ren Min Eastern (Beijing) Book<br>Industry Co., Ltd. | <b>1,032,448.12</b>                                   | –   |
|                  | Sichuan Winshare BLOGIS Supply Chain<br>Co., Ltd.    | <b>180.69</b>   | –   |
|                  | Sichuan Xinhua Wanyuan Technology<br>Co., Ltd.       | <b>1,188.68</b>                                       | –   |
|                  | Publication Printing                                 | <b>514,753,804.87</b>                                 | 438,426,203.84                                      |
|                  | Education Publishing House                           | <b>1,248,148,999.60</b>                               | 1,086,449,536.05                                    |
|                  | People's Publishing House                            | <b>49,050,691.73</b>                                  | 53,331,453.64                                       |
|                  | Youth and Children's Publishing House                | <b>22,729,286.35</b>                                  | 22,540,453.01                                       |
|                  | Winshare Education Technology                        | <b>19,347,161.56</b>                                  | 19,561,806.52                                       |
|                  | Digital Publishing                                   | <b>116,494.39</b>                                     | 121,367.37  |
|                  | Lexicographical Publishing House                     | <b>14,818,462.43</b>                                  | 16,325,171.13                                       |
|                  | Tiandi Publishing House                              | <b>4,243,560.49</b>                                   | 728,417.24  |
|                  | Literature & Art Publishing House                    | <b>43,224,756.43</b>                                  | 43,452,923.36                                       |
|                  | Science & Technology Publishing House                | <b>10,725,019.72</b>                                  | 10,292,535.55                                       |
|                  | Fine Arts Publishing House                           | <b>21,136,781.70</b>                                  | 22,215,611.46                                       |
|                  | Bashu Publishing House                               | <b>6,330,743.09</b>                                   | 11,440,199.58                                       |
|                  | Reader's Journal Press                               | <b>27,931.00</b>                                      | –   |
|                  | Printing Materials                                   | <b>186,540.47</b>                                     | 263,287.12  |
|                  | Beijing Shuchuan                                     | <b>195,079,799.30</b>                                 | 179,738,669.66                                      |
|                  | Winshare Cloud Image                                 | <b>1,123,169.00</b>                                   | 228,390.00  |
|                  | Winshare Online                                      | <b>83,098,435.25</b>                                  | 140,580,296.04                                      |
| Total            |  | <b>2,247,365,804.99</b>                               | 2,066,701,366.09                                    |

## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 38. Related party relationship and transactions *(Continued)*

##### (8) Amounts due from/to related parties *(Continued)*

|                      |                 | <i>RMB</i>  |  |
|----------------------|-----------------|---|--|
| <b>Related party</b> |                 | <b>Balance<br/>at the end of the<br/>current year</b> | Balance<br>at the end of the<br>prior year |
| Receipts in advance  | Winshare Online | –   | 78,332,519.56                              |
| Contract liabilities | Winshare Online | <b>1,426,695.80</b>                                   | –  |
|                      | Stackway        | <b>352,245.81</b>                                     | –  |
| Total                |                 | <b>1,778,941.61</b>                                   | –  |

## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 38. Related party relationship and transactions *(Continued)*

##### (8) Amounts due from/to related parties *(Continued)*

|                      |  | <i>RMB</i>  |  |
|----------------------|--|---|--|
| <i>Related party</i> |  | <b>Balance<br/>at the end of the<br/>current year</b> | Balance<br>at the end of the<br>prior year |
| Other payables       | Youth and Children's Publishing House                              | <b>23,161,400.00</b>                                  | 23,161,400.00                              |
|                      | Xinhua Shang   | <b>200,000.00</b>                                     | 200,000.00                                 |
|                      | Sichuan Winshare BLOGIS Supply Chain<br>Co., Ltd.                  | <b>3,000.00</b>                                       | 3,000.00                                   |
|                      | Chengdu Huang Peng Property Co., Ltd.                              | <b>6,353.75</b>                                       | 6,353.75                                   |
|                      | Bashu Publishing House   | <b>30,000,000.00</b>                                  | 20,000,000.00                              |
|                      | Sichuan Xinhua Printing  | <b>200,000.00</b>                                     | 200,000.00                                 |
|                      | People's Publishing House  | –   | 3,000.00                                   |
|                      | Publication Printing   | <b>258,449,177.96</b>                                 | 258,449,177.96                             |
|                      | Fine Arts Publishing House   | <b>30,003,000.00</b>                                  | 20,003,000.00                              |
|                      | Digital Publishing   | <b>50,000.00</b>                                      | 50,000.00                                  |
|                      | Winshare Sports  | <b>12,000,000.00</b>                                  | 12,055,232.88                              |
|                      | Xinhua Online  | <b>66,880,000.00</b>                                  | 66,880,000.00                              |
|                      | Winshare Quan Media  | <b>9,500,000.00</b>                                   | 9,500,000.00                               |
|                      | Xuankehui  | <b>39,486,202.77</b>                                  | 42,238,814.71                              |
|                      | Winshare Cloud Image   | –   | 3,700.00                                   |
|                      | Science & Technology Publishing House                              | <b>20,000,000.00</b>                                  | 20,800,000.00                              |
|                      | Winshare Education Technology                                      | –   | 360.00                                     |
|                      | Wenchuan Logistics   | <b>3,543,605.42</b>                                   | –  |
|                      | VIVI Advertising   | –   | 7,712.30                                   |
|                      | Tiandi Publishing House  | <b>20,000,000.00</b>                                  | –  |
|                      | Lexicographical Publishing House                                   | <b>4,000,000.00</b>                                   | –  |
|                      | Winshare International   | <b>190,388.00</b>                                     | –  |
|                      | Sichuan Cultural Communication                                     | <b>22,000,000.00</b>                                  | –  |
|                      | Chengdu Xinhua Chuangzhi Cultural<br>Industry Investment Co., Ltd. | <b>38,696,055.85</b>                                  | –  |
| Total                |  | <b>578,369,183.75</b>                                 | 473,561,751.60                             |

## Notes to the Financial Statements

For the year ended 31 December 2020

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

#### 38. Related party relationship and transactions *(Continued)*

##### (8) Amounts due from/to related parties *(Continued)*

|  |   | <i>RMB</i>                  |                     |
|--|---|-----------------------------|---------------------|
| <i>Related party</i>                   |   | <b>31 December<br/>2020</b> | 31 December<br>2019 |
| Lease liabilities due<br>within a year | Sichuan Xinhua Publishing and<br>Distribution Group | <b>34,045,456.57</b>        | 32,732,098.83       |
|  | Sichuan Cultural Investment Group                   | <b>11,130,484.13</b>        | –                   |
| Total                                  |   | <b>45,175,940.70</b>        | 32,732,098.83       |
| Lease liabilities                      | Sichuan Xinhua Publishing and<br>Distribution Group | <b>112,378,231.45</b>       | 148,175,155.93      |
|  | Sichuan Cultural Investment Group                   | <b>11,670,845.13</b>        | –                   |
| Total                                  |   | <b>124,049,076.58</b>       | 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           |
|--|------------------------|
| Gain/loss on disposal of non-current assets  | <b>7,720.26</b>        |
| Government grants recognized in profit or loss (other than grants which are closely related to the Company's business and are either in fixed amounts or determined under quantitative methods in accordance with the national standard)                                   | <b>27,193,428.79</b>   |
| Gain/loss from changes in fair value of held-for-trading financial assets and other non-current financial assets, and investment income from disposal of the above financial assets, except for effective hedging business relating to the normal operation of the Company | <b>129,761,313.38</b>  |
| Other non-operating income and expenses other than the aforesaid items   | <b>(57,890,992.17)</b> |
| Income tax effects   | <b>(3,590,462.15)</b>  |
| Effects attributable to non-controlling interests (after tax)  | <b>(3,860,615.19)</b>  |
| <b>Total</b>   | <b>91,620,392.92</b>   |

*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 gains of such investments and gains from fair value changes for the current year amounted to nil (prior year: RMB517,394.74) and RMB19,078,011.84 (prior year: 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<br>average return<br>on net assets (%) | EPS (RMB)   |             |
|--|---|-------------|-------------|
|  |   | Basic EPS   | Diluted EPS |
| Net profit attributable to ordinary shareholders of the parent   | <b>13.06</b>                                    | <b>1.02</b> | <b>N/A</b>  |
| Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company | <b>12.11</b>                                    | <b>0.95</b> | <b>N/A</b>  |

The Company has no dilutive potential ordinary shares.

**winshare**文軒

**新華文軒出版傳媒股份有限公司**

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

No. 6, Wenxuan Road, Rong Bei  
Shang Mao Avenue, Jinniu District, Chengdu, Sichuan  
Postal Code: 610081

Website: [www.winshare.com.cn](http://www.winshare.com.cn)