WIN SHARE

新華文軒出版傳媒股份有限公司
XINHUA WINSHARE PUBLISHING AND MEDIA CO., LTD.*

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

(Stock Code: 811)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

The board of directors (the "Board") of Xinhua Winshare Publishing and Media Co., Ltd. (formerly known as "Sichuan Xinhua Winshare Chainstore Co., Ltd.")(the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2010 (the "Year").

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
REVENUE	3,4	**3,724,239**	3,208,988
Cost of sales		**(2,319,725)**	(2,008,828)
Gross profit		**1,404,514**	1,200,160
Other income and gains	4	**158,411**	80,581
Selling and distribution costs		**(798,168)**	(631,287)
Administrative expenses		**(294,189)**	(268,779)
Other expenses		**(51,742)**	(38,649)
Finance income, net	5	**23,474**	32,213
Share of profits and losses of:			
A jointly-controlled entity		**3,284**	–
Associates		**(4,042)**	(7,585)
PROFIT BEFORE TAX	6	**441,542**	366,654
Income tax expense	7	**(1,359)**	(2,922)
PROFIT FOR THE YEAR		**440,183**	363,732
Attributable to:			
Owners of the parent		**436,937**	358,658
Non-controlling interests		**3,246**	5,074
		440,183	363,732
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic *(RMB)*	10	**0.39**	0.32

* *For identification purpose only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
PROFIT FOR THE YEAR		**440,183**	363,732
Asset revaluation surplus arising on the acquisition of a subsidiary		**–**	11,018
Effect of income tax exemption from years 2009 to 2013		**–**	(6,476)
Change in fair value of an available-for-sale equity investment	*13*	**756,486**	–
Other comprehensive income for the year, after tax		**756,486**	4,542
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, AFTER TAX		**1,196,669**	368,274
Attributable to:			
Owners of the parent		**1,193,423**	363,200
Non-controlling interests		**3,246**	5,074
		1,196,669	368,274

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**889,820**	823,169
Lease prepayments for land use rights		**104,615**	109,246
Investment properties		**27,071**	5,254
Goodwill	*11*	**504,301**	3,307
Other intangible assets		**29,398**	28,372
Investment in a jointly-controlled entity	*12*	**70,549**	–
Investments in associates		**80,121**	32,599
Available-for-sale equity investments	*13*	**1,449,850**	692,835
Deferred tax assets		**32,499**	33,638
Property under development		**126,783**	124,841
Long-term prepayment	*14*	**253,934**	62,000
Total non-current assets		**3,568,941**	1,915,261
CURRENT ASSETS			
Inventories		**822,993**	696,826
Trade receivables	*15*	**471,355**	324,335
Prepayments, deposits and other receivables	*16*	**423,471**	172,079
Held-to-maturity investments		**–**	260,000
Pledged deposits		**98,270**	82,309
Cash and short-term deposits		**1,878,827**	2,347,215
Total current assets		**3,694,916**	3,882,764
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*17*	**94,250**	46,125
Trade and bills payables	*18*	**1,292,300**	1,224,160
Deposits received, other payables and accruals		**921,119**	626,556
Tax payable		**3,002**	3,345
Total current liabilities		**2,310,671**	1,900,186
NET CURRENT ASSETS		**1,384,245**	1,982,578
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,953,186**	3,897,839

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
As at 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT LIABILITIES			
Other borrowings	17	**151,125**	1,125
Total non-current liabilities		**151,125**	1,125
Net assets		**4,802,061**	3,896,714
EQUITY			
Equity attributable to owners of the parent			
Issued capital	20	**1,135,131**	1,135,131
Treasury shares	19	**(6,900)**	–
Reserves		**3,161,906**	2,357,111
Proposed final dividend		**340,539**	317,837
		4,630,676	3,810,079
Non-controlling interests		**171,385**	86,635
Total equity		**4,802,061**	3,896,714

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Xinhua Winshare Publishing and Media Co., Ltd. was established in the People's Republic of China (the "PRC") on 11 June 2005 as a joint stock limited company as part of the reorganisation (the "Reorganisation") of Sichuan Xinhua Publishing Group Co., Ltd. ("Xinhua"). Details of the formation of the joint stock limited company are set out in the Company's prospectus dated 16 May 2007 (the "Prospectus").

On 30 May 2007, the Company's H shares ("H shares") were listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and 406,340,000 H shares, consisting of 369,400,000 new shares and 36,940,000 shares converted from the Company's domestic shares (the "Domestic Shares") were issued to the public. On 7 June 2007, an additional 32,361,000 new H shares and 3,236,100 H shares converted from the Domestic Shares were issued to the public as a result of the partial exercise of the over-allotment option as detailed in the Prospectus.

On 22 June 2010, the Company entered into an equity transfer agreement with Sichuan Publication Group Company Limited ("SPG") to acquire the entire equity interests in 15 wholly-owned subsidiaries (hereinafter referred to the "Fifteen Publishers") of SPG (the "Acquisition"). The Acquisition was approved by shareholders at the extraordinary general meeting of the Company on 20 August 2010. For details of the Acquisition, please refer to the Company's announcement dated 22 June 2010 and the circular dated 28 June 2010. Upon completion of the Acquisition, the Company changed its name from "Sichuan Xinhua Winshare Chainstore Co., Ltd." to "Xinhua Winshare Publishing and Media Co., Ltd.".

The registered office of the Company is located at 12/F, No. 86 Section One, People's South Road, Qingyang District, Chengdu, Sichuan, the PRC.

The Group is principally engaged in the production and trading of publications and related products in the PRC.

In the opinion of the directors of the Company (the "Directors"), the parent of the Company is Xinhua, a state-owned enterprise established in the PRC. Xinhua has become a wholly-owned subsidiary of Sichuan Development (Holding) Co., Ltd.（四川發展（控股）有限責任公司）("Sichuan Development") as a result of a reorganisation conducted by the State-owned Assets Supervision and Administration Commission of the Sichuan Provincial Government (the "SASAC of Sichuan") as directed by the Sichuan Provincial Government in 2009. Accordingly, Sichuan Development, which is wholly owned and controlled by the SASAC of Sichuan, has become the ultimate holding company of the Company.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared on a historical cost basis, except for available-for-sale equity investment which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 1 (Revised)	First-time Adoption of International Financial Reporting Standards
IFRS 1 Amendments	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards- Additional Exemptions for First-time Adopters
IFRS 2 Amendments	Amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions
IFRS 3 (Revised)	Business Combinations
IAS 27 (Revised)	Consolidated and Separate Financial Statements
IAS 39 Amendment	Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
IFRIC 17	Distributions of Non-cash Assets to Owners
IFRS 5 Amendments included in Improvements to IFRSs issued in May 2008	Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary
Improvements to IFRSs 2009	Amendments to a number of IFRSs issued in April 2009

Other than as further explained below regarding the impact of IFRS 3 (Revised), IAS 27 (Revised), amendments to IAS 7 and IAS 17 included in Improvements to IFRSs 2009, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised IFRSs are as follows:

(a) IFRS 3 (Revised) Business Combinations and IAS 27 (Revised) Consolidated and Separate Financial Statements

IFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

IAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to IAS 7 Statement of Cash Flows, IAS 12 Income Taxes, IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) Improvements to IFRSs 2009 issued in April 2009 sets out amendments to a number of IFRSs

There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- IAS 7 Statement of Cash Flows: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- IAS 17 Leases: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in IAS 17.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

- Product: Editorial and Publishing of Publications

- Zhongpan: Bulk purchase of publications from publishers and the Product segment for onward sale to book wholesalers, the Subscription segment and the Retailing segment

- Subscription: Distribution of textbooks and supplementary materials to schools and students

- Retailing: Retailing of books and audio-visual products

- Others: Others

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax from continuing operations. The adjusted profit/(loss) before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income, finance costs, dividend income, gains on held-to-maturity investments, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude tax recoverable, pledged deposits, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, the amount due to the ultimate holding company, tax payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the prevailing market prices.

The Group has not placed reliance on any single external customers, amounting to 10% or more of its revenues.

No geographical information is presented as all of the Group's revenue is derived from customers based in the PRC, and most of its assets are located in the PRC.

The following tables present revenue and operating results by segments of the Group for the year ended 31 December 2010 and the year ended 31 December 2009:

For the year ended 31 December 2010

	Product *RMB'000*	**Zhongpan** *RMB'000*	**Subscription** *RMB'000*	**Retailing** *RMB'000*	**Others** *RMB'000*	**Consolidated** *RMB'000*
Revenue and other income						
Sales to external customers	**544,641**	**135,303**	**2,450,503**	**549,557**	**44,235**	**3,724,239**
Intersegment sales	**392,015**	**1,981,551**	**–**	**–**	**–**	**2,373,566**
Other income	**65,049**	**23,305**	**151**	**16,954**	**12,798**	**118,257**
	1,001,705	**2,140,159**	**2,450,654**	**566,511**	**57,033**	**6,216,062**
Elimination of intersegment sales						**(2,373,566)**
						3,842,496
Results						
Segment results	**104,555**	**107,875**	**297,832**	**(24,222)**	**(7,089)**	**478,951**
Elimination of intersegment results						**(53,682)**
Unallocated expenses						**(47,355)**
Unallocated income and gains						**2,221**
Finance income, net						**23,474**
Gains on held-to-maturity investments						**571**
Dividends from available-for-sale equity investments						**37,362**
Profit before tax						**441,542**

For the year ended 31 December 2009

	Product *RMB'000*	Zhongpan *RMB'000*	Subscription *RMB'000*	Retailing *RMB'000*	Others *RMB'000*	Consolidated *RMB'000*
Revenue and other income						
Sales to external customers	285,210	115,586	2,288,013	503,922	16,257	3,208,988
Intersegment sales	160,017	1,668,185	–	–	215	1,828,417
Other income	9,039	16,769	1,726	26,787	1,457	55,778
	454,266	1,800,540	2,289,739	530,709	17,929	5,093,183
Elimination of intersegment sales						(1,828,417)
						3,264,766
Results						
Segment results	52,978	18,293	304,672	(33,704)	(14,998)	327,241
Elimination of intersegment results						21,067
Unallocated expenses						(38,670)
Unallocated income and gains						592
Finance income, net						32,213
Gains on held-to-maturity investments						8,691
Dividends from available-for-sale equity investments						15,520
Profit before tax						366,654

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after deduction of relevant taxes and allowances for returns and trade discounts, and after eliminations of all significant intra-group transactions.

An analysis of revenue, other income and gains is as follows:

	Notes	**2010**	2009
		RMB'000	*RMB'000*
Revenue			
Sale of goods		**3,724,239**	3,208,988
Other income and gains			
Government grants	*(i)*	**42,024**	822
Gross rental income		**9,187**	7,479
Commission income		**31,036**	26,776
Gains on held-to-maturity investments		**571**	8,691
Dividends from available-for-sale equity investments		**37,362**	15,520
Excess over the cost of acquisition an associate or subsidiaries		**10,932**	3,590
Others		**27,299**	17,703
Total other income and gains		**158,411**	80,581

Notes:

(i) The details of the government grants are set out below:

	Note	**2010**	2009
		RMB'000	*RMB'000*
Government grants for compilation of publications	*(a)*	**32,574**	–
Value-added tax refund		**3,690**	822
Others		**5,760**	–
		42,024	822

(a) Various government grants have been received for compilation of publications in certain fields. The government grants are recorded as other income when compilation costs incur to which they relate. Government grants received for which related complication has not yet been undertaken are included in deferred income in the consolidated statement of financial position.

There are no unfulfilled conditions or contingencies relating to the government grants.

5. FINANCE INCOME, NET

	2010 *RMB'000*	2009 *RMB'000*
Bank interest income	**29,482**	35,815
Interest expense on bank and other borrowings, wholly repayable within five years	**(6,008)**	(3,602)
	23,474	32,213

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2010 *RMB'000*	2009 *RMB'000*
Cost of inventories sold	**2,319,725**	2,008,828
Depreciation:		
Property, plant and equipment	**72,266**	55,740
Investment properties	**1,134**	406
	73,400	56,146
Recognition of lease prepayments for land use rights	**4,682**	4,278
Amortisation of intangible assets*	**4,528**	4,098
Minimum lease payments under operating leases on properties	**67,771**	51,204
(Gain)/loss on disposal of items of property, plant and equipment, net	**(89)**	265
Impairment/(reversal of impairment) of trade and other receivables	**13,635**	(4,046)
Write-down of inventories to net realisable value	**2,576**	25,356
Auditors' remuneration	**3,865**	3,520
Staff costs:		
Directors' and supervisors' emoluments	**2,118**	2,056
Other staff costs		
Wages, salaries and other employee benefits	**381,522**	287,354
Post-employment pension scheme contributions	**24,177**	24,705
	405,699	312,059
	407,817	314,115
Foreign exchange differences	**(296)**	141

* The amortisation of intangible assets for the year is included in administrative expenses on the face of the consolidated income statement.

7. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. The Group is not liable for income tax in Hong Kong as it did not have assessable income arising in Hong Kong during the year. Under the prevailing PRC income tax law, except for certain preferential treatment available to the Company and certain subsidiaries, the Group and its associates and jointly-controlled entity are subject to corporate income tax at a rate of 25% on their respective taxable income.

The determination of income tax in the consolidated income statement of the Group is as follows:

	2010	2009
	RMB'000	*RMB'000*
Current PRC income tax charge for the year	**2,025**	2,826
Deferred income tax	**(666)**	96
	1,359	2,922

A reconciliation of tax expense applicable to profit before tax at the statutory rate to the tax expense at the Group's effective rate, and a reconciliation of the statutory rate to the effective tax rate, are as follows:

	2010		2009	
	RMB'000	*%*	*RMB'000*	*%*
Profit before tax	**441,542**		366,654	
Income tax at the PRC statutory income tax rate of 25%	**110,386**	**25.0**	91,663	25.0
Income not subject to tax	**(9,341)**	**(2.1)**	(3,880)	(1.1)
Expenses not deductible for tax purposes	**24,720**	**5.6**	18,600	5.1
Tax losses not recognised	**11,126**	**2.5**	1,430	0.4
Tax concessions*	**(135,532)**	**(30.7)**	(104,891)	(28.6)
Tax charge at the Group's effective rate	**1,359**	**0.3**	2,922	0.8

* Pursuant to the approval from the relevant PRC tax authorities, the Company and two subsidiaries of the Group were granted an income tax exemption from 2009 to 2013, thirteen companies of the fifteen publishers that were acquired by the Company on 31 August 2010 were granted an income tax exemption from 2010 to 2013.

The share of tax attributable to associates and the jointly-controlled entity amounting to RMB471,000 (2009: RMB594,000) and RMB7,000 (2009: nil) respectively, is included in "Share of profits and losses of associates" and "Share of profit and loss of a jointly-controlled entity" on the face of the consolidated income statement.

8. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2010 is RMB412,484,000 (2009: RMB365,836,000), which has been dealt with in the financial statements of the Company.

9. DIVIDENDS

	2010	2009
	RMB'000	*RMB'000*
Proposed final and special dividends – RMB0.30 (2009: RMB0.28) per ordinary share	**340,539**	317,837

The proposed final and special dividends for the year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The net profit after tax of the Company for the purpose of profit distribution will be the lesser of (i) the net profit determined in accordance with PRC GAAP and (ii) the net profit determined in accordance with IFRSs.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the year, which is derived from the total weighted average number of ordinary shares in issue during the year of 1,135,131,000 deducting the weighted average number of treasury shares of 2,306,444 held by Sichuan Youth and Children's Publishing House Co., Ltd., a subsidiary acquired on 31 August 2010, which held 6,900,428 ordinary shares of the Company.

	2010	2009
	RMB'000	*RMB'000*
Earnings:		
Profit attributable to ordinary equity holders of the parent	**436,937**	358,658

	Number of shares	
	2010	2009
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,135,131,000**	1,135,131,000
Less: weighted average number of treasury shares arising from acquisition of a subsidiary	**(2,306,444)**	–
	1,132,824,556	1,135,131,000

The Group had no potentially dilutive ordinary shares in issue during those years.

11. GOODWILL

	RMB'000
At 1 January 2009 and 31 December 2009:	
Cost	3,307
Accumulated impairment	–
Net carrying amount	3,307
Cost at 1 January 2010, net of accumulated impairment	3,307
Acquisition of subsidiaries	500,994
Impairment during the year	–
Cost and net carrying amount at 31 December 2010	504,301
At 31 December 2010:	
Cost	504,301
Accumulated impairment	–
Net carrying amount	504,301

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the product cash-generating unit for impairment testing, which includes three companies of the fifteen publishers, namely Sichuan Publications Printing Co., Ltd, Sichuan Education Publishing House Co., Ltd. and Sichuan Youth and Children's Publishing House Co., Ltd..

Product cash-generating unit

The recoverable amount of the product cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 14%. The growth rate used to extrapolate the cash flows of the product unit beyond the five-year period is nil.

The carrying amount of goodwill allocated to the product cash-generating unit is as follows:

	Product	
	2010	2009
	RMB'000	*RMB'000*
Carrying amount of goodwill	**504,301**	–

Key assumptions were used in the value in use calculation of the product cash-generating units for 31 December 2010. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rate – The discount rate used is before tax and reflect specific risks relating to the relevant units.

Raw materials price inflation – The basis used to determine the value assigned to raw materials price inflation is the forecast price indices during the budget year for Mainland China from where the raw materials are sourced.

The values assigned to key assumptions are consistent with external information sources.

12. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

The Company entered into an agreement with the Hainan Provincial Finance Bureau to establish Hainan Publishing House Co., Ltd. Pursuant to the agreement, the Company made a capital contribution in cash of RMB98,000,000, among which RMB38,000,000 was recorded as capital representing 50% of the total registered capital and the rest as capital reserve. Upon completion of the establishment, the Company's share of net assets of Hainan Publishing House Co., Ltd. was RMB67,265,000, the difference of RMB30,735,000 between which and the capital contribution was dealt with in the capital reserve in the consolidated financial statements.

The Group's trade payable balances due to the jointly-controlled entity are disclosed in note 18 to the financial statements.

The Group's investment in the jointly-controlled entity is directly held by the Company.

13. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

The details of the available-for-sale equity investments held by the Group are as follows:

	2010	2009
	RMB'000	*RMB'000*
Listed equity investment, at fair value		
Anhui Xinhua Media Co., Ltd. ("Wan Xin Media")	**942,901**	–
Unlisted equity investments, at cost		
Wan Xin Media	**–**	186,415
Bank of Chengdu Co., Ltd.	**240,000**	240,000
Chengdu Institute Sichuan International Studies University	**260,000**	260,000
Others	**6,949**	6,420
	1,449,850	692,835

As at 31 December 2009, the available-for-sale equity investment in Wan Xin Media was stated at an investment cost of RMB186,415,000. Wan Xin Media was listed on the Shanghai Stock Exchange on 18 January 2010. As at 31 December 2010, the equity investment in Wan Xin Media was stated at market price at RMB942,901,000. During the year, the gross gain in respect of the Group's available-for-sale investments in Wan Xin Media recognised in other comprehensive income amounted to RMB756,486,000 (2009:nil).

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon date.

As at 31 December 2010, certain unlisted equity investments with a carrying amount of RMB506,949,000 (2009: RMB692,835,000) were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair values cannot be measured reliably. The Group does not intend to dispose of these investments in the near future.

14. LONG TERM PREPAYMENT

	2010	2009
	RMB'000	*RMB'000*
Long term prepayment	**253,934**	62,000

The balance as at 31 December 2010 mainly represented the prepayments made for purchasing land use rights by the Group.

15. TRADE RECEIVABLES

	2010	2009
	RMB'000	*RMB'000*
Trade receivables	**616,385**	387,435
Impairment of trade receivables	**(139,546)**	(60,530)
Allowance for sales returns	**(5,484)**	(2,570)
	471,355	324,335

The Group normally allows a credit period of not more than 270 days to its customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group's trade receivables comprised a large number of diversified customers with individual balances ranging from RMB1,000 to RMB42,466,000. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables of the Group as at the end of the reporting period, based on the invoice date and net of impairment, is as follows:

	2010	2009
	RMB'000	*RMB'000*
Within 3 months	**346,396**	197,146
3 to 6 months	**67,662**	60,983
6 months to 1 year	**31,277**	65,285
1 to 2 years	**19,327**	921
Over 2 years	**6,693**	–
	471,355	324,335

Included in the balance as at 31 December 2010 are trade receivables from Xinhua and the fellow subsidiaries (collectively the "Xinhua Group") and associates of RMB13,325,000 (2009: RMB8,144,000) and RMB26,384,000 (2009: RMB43,565,000), respectively, which are repayable on similar credit terms to those offered to the major customers of the Group. These balances are unsecured and interest-free.

The changes in impairment of trade receivables are as follows:

	2010	2009
	RMB'000	*RMB'000*
As at 1 January	**60,530**	65,950
Charge for the year	**29,720**	16,926
Acquisition of subsidiaries	**64,523**	2,161
Amount written off	**(1,331)**	(3,540)
Amount reversed	**(13,896)**	(20,967)
	139,546	60,530

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2010	2009
	RMB'000	*RMB'000*
Deposits	**6,013**	4,690
Prepayments to suppliers	**57,264**	35,204
Prepayments for construction fees	**–**	11,847
Input value-added tax receivables	**81,157**	37,745
Due from the Xinhua Group	**211**	442
Due from associates	**97,146**	–
Prepaid expenses	**1,906**	9,974
Other receivables	**179,774**	72,177
	423,471	172,079

The balances with the Xinhua Group and the associates are unsecured, interest-free and have no fixed terms of repayment.

17. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2010	2009
	RMB'000	*RMB'000*
Bank loans – secured	**173,000**	23,000
Bank loans – unsecured	**10,000**	10,000
Other borrowings – unsecured	**62,375**	14,250
Total interest-bearing bank and other borrowings	**245,375**	47,250

The balance of the secured bank loans comprises two bank loans amounting to RMB13,000,000 and RMB10,000,000 of Xinhua Colour Printing granted by Bank of Chengdu on 24 June 2010 and 14 July 2010, respectively, bearing interest at a rate of 5.31% per annum. These two bank loans of Xinhua Colour Printing are secured by leasehold lands of the Group amounting to RMB31,181,000 and will mature on 23 June 2011 and 13 July 2011, respectively, and one bank loan amounting to RMB150,000,000 in Chengdu Xin Hui granted by Bank of Chengdu on 23 November 2010, bearing interest at a floating interest rate based on 105% of the primary rate of People's Bank of China. The bank loan of Chengdu Xin Hui is secured by the leasehold land in the property under development of the Group amounting to RMB116,615,000 and will mature on 22 November 2012.

The balance of the unsecured bank loan as at 31 December 2010 represented a bank loan amounting to RMB10,000,000 in Sichuan Xinhua Shang granted by Shenzhen Development Bank on 31 December 2010 bearing interest at a floating interest rate based on the primary rate of People's Bank of China. The bank loan is guaranteed by the Company up to an amount of RMB40,000,000 and will mature on 30 June 2011.

The balance of the unsecured other borrowings as at 31 December 2010 represented three entrusted loans granted by Xinhua to Chengdu Xin Hui and Sichuan Winshare Educational Investment Management Co., Ltd. ("Winshare Education"), two subsidiaries of the Company.

On 30 December 2009 and 30 June 2010, two entrusted loan agreements were entered into among Chengdu Xin Hui, Xinhua and China Construction Bank Co., Ltd ("CCB"), pursuant to which Xinhua entrusted CCB to grant two loans amounting to RMB1,125,000 and RMB11,250,000, respectively, to Chengdu Xin Hui, which bear interest at rates of 5.40% and 5.31% per annum and will mature on 29 December 2012 and 30 June 2011, respectively. On 12 November 2010, an entrusted loan agreement was entered into among Winshare Education, Xinhua Group and Hua Xia Bank, pursuant to which Xinhua entrusted Hua Xia Bank to grant a loan of RMB50,000,000 to Winshare Education, which bears interest at an interest rate of 5.1% per annum and will mature on 12 April 2011.

The interest expense incurred for the aforesaid entrusted loans was RMB1,124,000 during the year (2009: RMB734,000).

18. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2010	2009
	RMB'000	*RMB'000*
Within 3 months	**536,098**	403,703
3 to 6 months	**387,617**	353,924
6 months to 1 year	**180,641**	247,447
1 to 2 years	**34,356**	85,134
Over 2 years	**153,588**	133,952
	1,292,300	1,224,160

Included in the balance as at 31 December 2010 were trade payables to the Xinhua Group, a jointly-controlled entity and associates of RMB435,000 (2009: RMB197,000), RMB1,368,000 (2009: nil) and RMB4,160,000 (2009: RMB9,814,000), respectively. The trade and bills payables are interest-free and are normally settled on a one-year term.

As at 31 December 2010, the Group's bills payable of RMB239,737,000 (2009: RMB154,050,000) was secured by the Group's pledged time deposits amounting to RMB98,270,000 (2009: RMB82,309,000) and guarantees granted by the Company up to an amount of RMB149,000,000 (2009: RMB64,000,000).

19. TREASURY SHARES

	2010	2009
	RMB'000	*RMB'000*
At beginning of year	**–**	–
Acquisition of a subsidiary	**6,900**	–
At end of year	**6,900**	–

Sichuan Youth and Children's Publishing House Co., Ltd., one of the fifteen publishers, was acquired by the Company as a wholly-owned subsidiaries on 31 August 2010 (the "Acquisition Date"). Please refer to note 21 for further details about the acquisition of the fifteen publishers. On the acquisition date, Sichuan Youth and Children's Publishing House Co., Ltd., as one of the founding shareholders of the Company, held 6,900,428 shares, representing 0.61% of the share capital of the Company, which were accounted for as treasury shares and recorded at par value by the Company, and the excess over par value of RMB17,259,000 was dealt with in the capital reserve.

20. ISSUED CAPITAL

	2010	2009
	RMB'000	*RMB'000*
Issued and fully paid:		
693,194,000 (2009: 693,194,000) Domestic Shares of RMB1.00 each	**693,194**	693,194
441,937,000 (2009: 441,937,000) H shares of RMB1.00 each	**441,937**	441,937
	1,135,131	1,135,131

There was no movement in the Group's and Company's share capital during the year ended 31 December 2010.

21. BUSINESS COMBINATIONS

Acquisition of the fifteen publishers

On 22 June 2010, the Company and SPG entered into an equity transfer agreement by which the Company would acquire the entire equity interests of the fifteen publishers from SPG at an aggregate consideration of RMB1,255 million. Upon the completion of the acquisition, the fifteen publishers have become wholly-owned subsidiaries of the Group. The fifteen publishers are principally engaged in the business of publishing and wholesaling of publications and related products. The acquisition was made as part of the Group's strategy to become an integrated operator in the press and publishing industry. The purchase consideration for the acquisition was in the form of cash, with RMB1,255,000,000 paid by 31 August 2010, the acquisition date.

The fair values of the identifiable assets and liabilities of the fifteen publishers as at the acquisition date were as follows:

	Notes	**Fair value recognised on acquisition** *RMB'000*
Property, plant and equipment		36,326
Investment properties		22,951
Other intangible assets		217
Available-for-sale equity investments:		
Shares of the Company		24,159
Others		529
Deferred tax assets		5,541
Cash and short-term deposits		255,410
Inventories		82,694
Trade receivables		697,373
Prepayments and other receivables		205,320
Trade payables		(350,485)
Accruals and other payables		(217,831)
Tax payable		(491)
Deferred tax liabilities		(7,346)
Non-controlling interests		(361)
Total identifiable net assets at fair value		754,006
Goodwill on acquisition	*11*	500,994
Satisfied by cash		1,255,000

The fair value of the trade receivables and other receivables as at the date of acquisition amounted to RMB697,373,000 and RMB205,320,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB765,336,000 and RMB227,568,000, respectively, of which trade receivables of RMB67,963,000 and other receivables of RMB22,248,000 are expected to be uncollectible.

The Group incurred transaction costs of RMB11,828,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in the consolidated income statement.

An analysis of the cash flows in respect of the acquisition of the fifteen publishers is as follows:

	RMB'000
Cash and short-term deposits acquired	255,410
Cash consideration	(1,255,000)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(999,590)
Transaction costs of the acquisition included in cash flows from operating activities	(11,828)
	(1,011,418)

Since their acquisition, the fifteen publishers contributed RMB70,751,000 to the Group's turnover and RMB22,654,000 to the consolidated profit for the year ended 31 December 2010.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been RMB4,044,078,000 and RMB387,370,000, respectively.

22. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group had the following significant events:

The meeting of the board of directors of the Company was held on 30 March 2011, in which a final dividend of approximately RMB113,513,000, equivalent to RMB0.10 per share (tax inclusive) and a special dividend of approximately RMB227,026,000, equivalent to RMB0.20 per share (tax inclusive), was proposed in respect of the year.

Except for the event disclosed above, the Group did not have any significant event after the reporting period.

RESULTS AND DIVIDEND

In 2010, the turnover of the Group was RMB3,724 million, representing an increase of 16.1% as compared to 2009. The profit attributable to the equity holders of the Company was RMB437 million, representing an increase of 21.8% as compared to 2009. The basic earnings per share of the Group was RMB0.39.

The Board has proposed to distribute a final dividend of RMB0.10 per share (tax inclusive) and a special dividend of RMB0.20 per share (tax inclusive) for the year ended 31 December 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

In 2010, there was a continuous increase in national demand for cultural consumption and China's publishing industry was able to sustain a steady growth. A series of cultural industrial policies as promulgated by the Chinese government including the "planning for the revitalization of cultural industry" was implemented progressively. The Chinese government paid increasing attention towards the development of cultural industry and clearly proposed the need to develop cultural industry into a national economic pillar as stated in the recently approved "Twelfth Five-Year Plan for National Economic and Social Development". Meanwhile, with the merge of new media technology and traditional publishers developing rapidly, capital operations within the industry and the integration of the industry chain were further upgraded, signaling the entry of news and publishing industry into an important phase for strategic transformation.

In 2010, along with the gradually intensification in government support and guidance, digitalized publishing was able to maintain the rapid growth momentum experienced in these few years. On the back of the continuous increase in digitalized content and the constant expansion of the scale of industrial investments, coupled with the rapid increase in 3G penetration rate and the pilot program for the integration of three networks, China's digitalized publishing industry will certainly develop at a faster pace.

The Group believes, augmented by the nation's efforts to develop the cultural industry into a pillar industry for the domestic economy, better environment and opportunities will be available for the development of the Group. At the same time, facing intense industry competition, the emersion of digitalized publishing businesses, while the Group will gradually adjust and consolidate the traditional business, it will continue to seek new development models innovatively to promote the transformation and upgrade its traditional business, at the same time, in order to improve the overall competitiveness and profitability of the Group.

Operating Results and Financial Review

In 2010, the Group achieved revenue of RMB3,724 million and net profit of RMB440 million. The Group, was still able to maintain a rather substantial increase in the sales of supplementary education materials while the retail sales of books and the distribution business to libraries in Sichuan primary and secondary schools continued to grow. A nationwide distribution network basically took shape and the sales through "Wenxuan Platform", a specialized e-commerce platform of the Group, grew rapidly. The Group also completed the acquisition of 100% equity interests in the fifteen publishers. Synergy effects resulting from the integration of purchasing, logistics, information, production and processing platforms became more evident.

Revenue

During the year, the Group recorded a sales revenue of RMB3,724 million, representing an increase of 16.1% as compared with the same period last year, mainly attributable to the growth of sales of subscription segment, retailing segment and paper sales of the product segment, as well as the impact of consolidation of the fifteen publishers.

Gross Profit Margin

The gross profit margin of the Group for the Year was 37.71%, which was higher than the 37.40% for the corresponding period of last year, primarily as a result of the consolidation with the financial statements of the fifteen publishers.

Segment analysis

Segment revenue of the Group for the year and the corresponding period of last year is as follows:

				Percentage of segment sales to revenue before intersegment sales elimination		Percentage of segment external sales to consolidated revenue	
	2010	2009	Change	**2010**	2009	**2010**	2009
	RMB'000	*RMB'000*	%	**%**	%	**%**	%
Product segment							
External sales	**544,641**	285,210	91.0	**8.9**	5.7	**14.6**	8.9
Intersegment sales	**392,015**	160,017	145.0	**6.4**	3.2		
Total	**936,656**	445,227	110.4	**15.4**	8.9		
Zhongpan segment							
External sales	**135,303**	115,586	17.1	**2.2**	2.3	**3.6**	3.6
Intersegment sales	**1,981,551**	1,668,185	18.8	**32.5**	33.1		
Total	**2,116,854**	1,783,771	18.7	**34.7**	35.4		
Subscription segment							
External sales	**2,450,503**	2,288,013	7.1	**40.2**	45.4	**65.8**	71.3
Intersegment sales	**–**	–	–	**–**	–		
Total	**2,450,503**	2,288,013	7.1	**40.2**	45.4		
Retailing segment							
External sales	**549,557**	503,922	9.1	**9.0**	10.0	**14.8**	15.7
Intersegment sales	**–**	–	–	**–**	–		
Total	**549,557**	503,922	9.1	**9.0**	10.0		

	2010	2009	Change	Percentage of segment sales to revenue before intersegment sales elimination 2010	2009	Percentage of segment external sales to consolidated revenue 2010	2009
	RMB'000	*RMB'000*	%	%	%	%	%
Other segment							
External sales	**44,235**	16,257	172.1	**0.7**	0.3	**1.2**	0.5
Intersegment sales	**–**	215	(100.0)	**–**	–		
Total	**44,235**	16,472	168.5	**0.7**	0.3		
Revenue before intersegment sales elimination	**6,097,805**	5,037,405	21.1	**100.0**	100.0		
Intersegment sales elimination	**(2,373,566)**	(1,828,417)	29.8				
Consolidated revenue	**3,724,239**	3,208,988	16.1			**100.0**	100.0

The gross profit and the gross profit margin of each segment of the Group for the year and the corresponding period of 2009 are as follows:

	2010 Gross profit	2010 Gross profit margin	2009 Gross profit	2009 Gross profit margin
	RMB'000	%	*RMB'000*	%
Product (including intersegment revenue)	**144,867**	**15.5**	70,107	15.7
Zhongpan (including intersegment revenue)	**345,054**	**16.3**	201,838	11.3
Subscription	**801,297**	**32.7**	745,147	32.6
Retailing	**136,828**	**24.9**	134,417	26.7
Others (including intersegment revenue)	**7,913**	**17.9**	4,171	25.3
Intersegment revenue elimination	**(31,445)**	**N/A**	44,479	N/A
Total	**1,404,514**	**37.7**	1,200,159	37.4

Product

The Group's product segment covers businesses including publication, printing and paper trading. During the year, the Group completed the merger and acquisition of 100% equity interests in fifteen publishers in accordance with the strategic planning, hence achieving the integration of the industry chain, which was beneficial to the effective control of costs.

During the year, the product segment recorded a revenue of RMB937 million (including intersegment sales), representing an increase of 110.4% as compared to the corresponding period last year. The gross profit margin of the segment was 15.5%, a reduction of 0.2 percentage point as compared with 15.7% in the same period last year.

Excluding the effect of consolidation of results of the fifteen publishers from September to December 2010, the revenue from sales of such segment grew by 50.4% over the same period last year. The increase in sales revenue was mainly due to the expanding scales of sales of papers, the growth of sales of publication products and the increase in turnover of printing. As for gross profit margin, excluding the influence of the fifteen publishers, papers sales and printing business, the gross profit margin for the segment rose by 0.6 percentage point as compared to the corresponding period of last year, which was mainly due to the change in structure of publication products.

Zhongpan

The Group's Zhongpan segment is engaged in the centralized purchasing and delivery of products across the Group's internal channels. It also includes distribution to external customers through the Group's nationwide distribution network.

During the year, the Group continued to push forward steadily the construction of Zhongpan operation nationwide and strengthened the management of its sales channel, as a result of which a nationwide distribution network was basically formed by way of arrangement, construction, optimization and adjustment in the past few years.

During the year, such segment recorded a revenue of RMB2,117 million (including intersegment revenue), representing an increase of 18.7% over the same period last year. In particular, the revenue from external sales was RMB135 million for the year, representing an increase of 17.1% as compared with the corresponding period last year. The gross profit margin of Zhongpan segment was 16.3% for the year, an increase of 11.3% over the same period of last year, which was mainly due to the lower purchase costs of libraries distribution business.

Retailing

The Group's retailing segment covers the store retail operation, the group-buying operation and the distribution business to libraries in Sichuan primary and secondary schools, etc. During the year, through methods including improving store functions, enriching joint venture product items and conducting value-added channel operations, the Group was able to maintain growth in retail volume and turnover and the effects of the cultural mall model initially emerged.

During the year, such segment recorded a revenue of RMB550 million, representing an increase of 9.1% over the same period of last year, mainly attributable to the continuous growth of retailing and libraries distribution businesses. The gross profit margin of the segment fell to 24.9% for the year as compared with 26.7% in the same period last year, mainly due to the change in structure of commodities under the libraries distribution business.

Subscription

The Group's subscription segment covers the distribution of education materials, supplementary education reading and the promotion of our digitalized classrooms system "You Ke". Despite the impact from the continuous reduction in the number of students in Sichuan Province and the policy for the recycling of education materials, sales of educational materials continued to decline during the year. Nevertheless, the Company further reinforced the marketing of supplementary education materials leveraging advantages of its channels, as a result of which the sales of supplementary education materials was able to grow continuously, hence driving the sales of this business segment. Meanwhile, the implementation of the "You Ke" project, aiming at providing overall informatized education solutions for primary and secondary schools, has been started.

During the year, the subscription segment recorded a revenue of RMB2,450 million, representing an increase of 7.1% as compared to the same period last year. The gross profit margin of the segment was 32.7%, equaling the corresponding period last year.

Expenses and Costs

Selling and distribution costs and administrative expenses

During the Year, total selling and distribution costs and administrative expenses were RMB1,090 million, representing an increase of 21.3% from RMB900 million in the corresponding period of last year. This was mainly due to the higher proportion of sales of supplementary materials, resulting in an increase in promotional expenses; and the increase in labour costs due to upsizing. In addition, the increase in expenses was also attributable to the consolidation with the financial statements of the fifteen publishers acquired from September to December 2010.

Other expenses

Other expenses for the Year amounted to RMB52 million, an increase of 33.9% as compared with RMB39 million in the same period last year, which was primarily due to the increase in the relevant professional expenses such as audit and legal fee resulting from the Group's acquisition of equity interests in the fifteen publishers during the Year.

Finance Income, Net

Finance income, net for the year amounted to RMB23 million, decreased by 27.1% when compared to the same period last year. The decrease in finance income was mainly due to the continuous decrease in holding of monetary assets as various investments of the Company gradually took place.

Profit

The Group's profit for the Year amounted to RMB440 million, representing an increase of 21.0% from RMB364 million in the corresponding period of last year. The profit attributable to shareholders of the Company increased by 21.8% to RMB437 million from last year.

Earnings Per Share

Earnings per share is calculated by dividing profits attributable to equity holders of the Company by the weighted average number of ordinary shares in issue for the Year. The Group's earnings per share for the Year was RMB0.39, representing an increase of 22.1% from RMB0.32 in the corresponding period of last year. Please refer to note 10 to the financial statements for the calculation of earnings per share.

Liquidity and Financial Resources

As at 31 December 2010, the Group had cash and short-term deposits of approximately RMB1,880 million, and the bank and other borrowings of the Group represented RMB85 million of fixed-interest financing and RMB160 million of floating-rate financing of the subsidiaries. The Company did not have any bank and other borrowings. The robust financial conditions safeguarded the continuing development of the Group.

As at 31 December 2010, the gearing ratio (calculated by dividing total liabilities by total assets) of the Group was 33.9 % (31 December 2009: 32.7 %). During the Year, there was no significant change in the Group's capital structure during the Year.

Substantially 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 the Group has not entered into any foreign exchange hedging arrangement.

Working Capital Management

	31 December 2010	31 December 2009
Current Ratio	**1.60**	2.04
Inventory Turnover Days	**119.6**	138.4
Trade Receivables Turnover Days	**39.0**	36.1
Trade Payables Turnover Days	**198.0**	217.8

As at 31 December 2010, the current ratio of the Group was 1.60 (31 December 2009: 2.04) and 1.29 excluding the fifteen publishers, representing a substantial decrease as compared with last year, which was mainly attributable to the Company's payment of bank deposits amounting to RMB1,255 million during the period for the acquisition of equity interests in the fifteen publishers.

Inventory turnover days decreased from 138.4 days in 2009 to 119.6 days in 2010, and was 119.0 days excluding the fifteen publishers. This was primarily because of the shorter turnover days of the new paper trading business, which shortened the overall turnover days of the Group. Trade receivables turnover days increased from 36.1 days in 2009 to 39.0 days in 2010, and was 36.8 days excluding the fifteen publishers, representing a slight increase of 0.7 day as compared with last year. Trade payables turnover days decreased from 217.8 days in 2009 to 198.0 days in 2010, and was 227.8 days excluding the fifteen publishers, representing a slight increase as compared with last year, which was due to longer credit term generally granted by suppliers.

Overview of Material Investments

During the year, the Group actively integrated the industry resources, improved the industry chain structure, increased the investment in logistics capabilities development, e-commerce and cultural education on the basis of fostering its traditional publishing and distribution business with a view to achieving the strategic objective of building itself into a first-class cultural media group in China.

During the year, the Company acquired 100% equity interests in fifteen wholly-owned subsidiaries under Sichuan Publication Group Company Limited at RMB1,255 million. Such acquisition was approved at the extraordinary general meeting of the Company held on 20 August 2010. For details of the transaction, please refer to the announcement of the Company dated 22 June 2010 and the circular dated 28 June 2010 to shareholders. As at 31 December 2010, the consideration for the acquisition was settled and the procedures for transfer of equity interests were completed. The Company is currently accelerating the full-scale integration with the fifteen publishers in the areas of strategy, business, brand and culture in accordance with the stated plans to achieve reasonable resource allocation and utilization of strengths, accelerate integration operation of industry chain, and strengthen the competitiveness of the principal businesses of the Company.

Save as the above acquisition, during the year, the Group expanded its investments in logistics capabilities development and e-commerce business. In April 2010, as approved by the Board of the Company, the Group kicked off the construction project of "Western China Cultural Products Logistics Centre" to satisfy the increasing demand for logistics services of the Group in the future. In May 2010, the Company invested RMB22.50 million to establish Sichuan Winshare Online E-commerce Company Limited with the Parent Company to develop an e-commerce transaction and service platform for publication to better cope with the market competition.

On 18 January 2010, Anhui Xinhua Media Co., Ltd. ("Wan Xin Media", stock code: 601801), in which the Group has an interest, was successfully listed on the Shanghai Stock Exchange. During the year, the Company, which is interested in 62,320,000 shares, recognised other comprehensive income of RMB756,490,000 and dividend income of RMB4,360,000. During the year, the Company also received a dividend income for 2009 of RMB9,600,000 from Bank of Chengdu Co., Ltd., in which the Company has an interest. Chengdu Institute of Sichuan International Studies University attained steady operating conditions during the year. The Company recorded an investment gain of RMB23,400,000.

Save as disclosed above, the Company did not have any other material acquisitions and disposals during the period.

Future Prospects

On the back of the State's vigorous drive for the development of cultural industry, the Company will grab hold of opportunities, continue to develop and enhance the integrated management of publishing and distribution industry chains, enhance its earnings capabilities and capacity for sustainable development and actively develop media, cultural education and related businesses, and turn the Company into a first-class cultural media group in China. Having said that, the Company will focus on the implementation of the following strategies:

1. Take full advantage of the Group's edge in publishing resources and distribution channels so as to achieve an integrated business operation and strengthen the competitiveness of the Company's core businesses;

2. Drive the construction of the Company's e-commerce and digitalized publishing platform and improve the business model and the mode of operation of digitalized publishing leveraging resources of the traditional publishing and distribution businesses;

3. Further improve and increase the Company's logistics capabilities with the support of the project "Western China Cultural Products Logistics Centre";

4. Improve the Group's research-and-development capabilities in publication creativity, with the support of the project "Winshare Publishing and Media Products Creativity Centre" as a temporarily name.

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.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to implementing sound corporate governance. The Company has adopted and complied with all applicable code provisions of the Code on Corporate Governance Practices set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") during the Year.

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

For the purpose of governing securities transactions by the Directors and supervisors, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors and supervisors of the Company. Having made specific enquiries to each of the Directors and supervisors of the Company, all Directors and supervisors confirmed that they have complied with all the terms set out in the Model Code during the year ended 31 December 2010.

AUDIT COMMITTEE

The Company has established an Audit Committee in compliance with Appendix 14 to the Listing Rules with written terms of reference.

The Audit Committee has reviewed the audited consolidated financial statements for the Year and the annual results announcement and has discussed the financial reporting and internal control issues with the management. The Audit Committee considered that these financial statements have been prepared in accordance with applicable accounting standards and requirements and appropriate disclosures were made.

USE OF PROCEEDS RAISED

The Company was listed on the Stock Exchange in May 2007, the net proceeds of its initial public offering amounted to RMB2,110 million. As at 31 December 2010, the proceeds from the initial public offering were fully utilized in the principal operating business and related businesses as follows:

1. approximately RMB1,664 million was used for the development of the Company's principal publishing and distribution business;

2. approximately RMB321 million was used for seeking other investment opportunities in such other areas as the culture, media and education sectors which are related to the Company's principal operating businesses; and

3. RMB125 million was used as the general working capital.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2010, the Group had a total of 7,835 (2009: 6,680) staff, among which the increase of staff mainly came from the fifteen publishers, the subsidiaries of the Group.

The Company reviews the remuneration policy regularly and has established a performance management mechanism which is target-oriented and applying segmented appraisal methods and departmental results linked to personal performance. Such mechanism had received good incentive results.

The standard remuneration package of the Company includes basic salary, performance-based bonus and benefits. Pensions, medical insurance, unemployment insurance, employment injury insurance, maternity insurance and housing welfare funds are available to employees.

The Company continued to provide regular training according to the human resources training objectives for staff such as business training, online classroom training sessions and made use of the limited resources to maximize the training efficiency with a view to enhancing the business qualities and working abilities of the staff.

DIVIDENDS

The Board has proposed the distribution of a final and special dividends for the year ended 31 December 2010 totaling RMB0.30 (tax inclusive) per share, (2009: RMB0.28 per share) totaling RMB341 million (tax inclusive). Whereas the total dividend comprised the final dividend of RMB0.10 per share (tax inclusive) (2009: final dividend of RMB0.08 per share), and the special dividend of RMB0.20 per share (tax inclusive) (2009: special dividend of RMB0.20 per share). The distribution of the special dividend by the Company is not an indication of any future distribution of the same. Dividends payable to holders of the Domestic Shares will be made and paid in RMB, whereas dividends payable to holders of the H Shares will be declared in RMB and payable in Hong Kong dollars.

In accordance with the "Corporate Income Tax Law of the PRC" and its regulations effective on 1 January 2008, non-resident enterprises shall pay corporate income tax based on their income generated within the PRC, and the applicable tax rate is 10%, and the amount is withheld by the listed issuer. In this regard, any H Shares registered in the name of non-individual Shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations will be treated as being held by non-resident enterprise shareholders and the Company will distribute the final and special dividends to such non-resident enterprise shareholders after withholding a corporate income tax of 10% from the final and special dividends.

The proposed final and special dividends are subject to the approval by Shareholders at the annual general meeting (the "AGM") to be held by the Company on 25 May 2011. Holders of H Shares and Domestic Shares whose names appear on the register of members of the Company on 25 May 2011 (the "Record Date") will be entitled to the final and special dividends and to attend and vote at the AGM.

All investors should read the aforesaid contents carefully. If any investor intends to have his name appeared on the H Shares share register of members of the Company, please enquire about the relevant procedures with your nominees or trustees. The Company has no responsibility and shall not be responsible for confirming the identities of the shareholders. The Company will strictly comply with the law, and withhold and pay the corporate income tax on behalf of the relevant shareholders based on the H Shares share register of members of the Company on the Record Date. The Company will not accept any requests relating to any delay in confirming the identity of the shareholders or any inaccuracies in the identity of the shareholders.

ANNUAL GENERAL MEETING

The 2010 AGM of the Company will be held at Sichuan Xinhua International Hotel, No. 8 Guzhongshi Street, Chengdu, Sichuan, the PRC (中國四川省成都市古中市街8號四川新華國際酒店) on 25 May 2011. Details of the AGM will be set out in the notice of AGM to be despatched by the Company. Such notice will also be made available on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.winshare.com.cn).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 25 April 2011 to 25 May 2011(both dates inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed final and special dividends and to attend and vote at the AGM, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's H Shares share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for the holders of H Shares, or the head office of the Company at No. 6 Wenxuan Road, Shang Mao Avenue, Cheng Bei, Chengdu, Sichuan (Postal code: 610081), the PRC for the holders of Domestic Shares for registration no later than 4:30 pm on 21 April 2011.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The results announcement for the year ended 31 December 2010 of the Company will be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.winshare.com.cn), and the annual report for 2010 (including the audited financial statements) will be despatched to shareholders on or before 30 April 2011 and will be made available on the Stock Exchange's website and the Company's website.

By Order of the Board
Xinhua Winshare Publishing and Media Co., Ltd.
Gong Cimin
Chairman

Sichuan, the PRC
30 March 2011

As at the date of this announcement, the Board of the Company comprises (a) Mr. Gong Cimin and Mr. Zhang Bangkai as executive directors; (b) Ms. Wang Jianping, Mr. Yu Changjiu, Mr. Zhang Chengxing, Mr. Li Jiawei, Mr. Luo Jun, Mr. Zhao Junhuai, Mr. Wu Qiang and Mr. Zhao Miao as non-executive directors; and (c) Mr. Chan Yuk Tong, Mr. Han Xiaoming and Mr. Cheng Sanguo as independent non-executive directors.