阅文集团
CHINA LITERATURE

China Literature Announces 2018 Annual Results

Hong Kong, March 18, 2019 – China Literature Limited ("China Literature" or "the Company", stock code: 0772), a leading online literature platform in China, today announced the audited consolidated annual results for the year ended December 31, 2018.

Results Highlights [1]

- Total revenues increased 23.0% year-over-year to RMB5,038.3 million (USD734.1 million).
- Gross profit increased 23.2% year-over-year to RMB2,558.0 million (USD372.7 million). Gross margin increased slightly from 50.7% in 2017 to 50.8%.
- Operating profit increased 81.4% year-over-year to RMB1,115.0 million (USD162.4 million). Operating margin increased from 15.0% in 2017 to 22.1%.
- Net profit attributable to equity holders of the Company increased 63.7% year-over-year to RMB910.6 million (USD132.7 million). Net profit attributable to equity holders of the Company as a percentage of revenues increased from 13.6% in 2017 to 18.1%.
- Basic earnings per share were RMB1.01. Diluted earnings per share were RMB1.00.

Mr. Wu Wenhui, Co-Chief Executive Officer of China Literature stated, "We are pleased to report that we generated solid operational and financial results in 2018 as we continued to execute our mission of introducing high-quality literary content to readers, and allowing authors to profit from their original writing. During the year, we added a significant amount of new content across a variety of categories, and further improved our personalized reader recommendation system by leveraging our data analytics and advanced algorithms. We also strengthened the social features on our platform to increase user stickiness. To further broaden our reach, we strengthened our partnerships with a variety of major handset manufacturers by pre-installing our apps on their handsets, and we continued to work with our key strategic shareholder, Tencent, to distribute our content across its platform."

Mr. Liang Xiaodong, Co-Chief Executive Officer of China Literature, added, "We believe China's online literature market and downstream entertainment industries have enormous growth potential, which we are increasingly tapping into through our burgeoning intellectual property ('IP') business. During the year, we licensed over 130 online works of literature to various third parties. To further bolster our position as a leading player in IP and help us further develop and monetize our deep library of content, we acquired New Classics Media – a renowned TV series, web series and film studio in China – in October 2018. We have already started working with them to adapt certain content in-house, and we are exploring ways to identify content from our library that has potential to become successful in other formats. Looking ahead, we are confident in our ability to continue delivering long-term value for our shareholders by leveraging our high-quality literature and developing it into blockbuster IP."

2018 Financial Review [2][3]

Revenues increased 23.0% year-over-year to RMB5,038.3 million (USD734.1 million).

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1. Figures stated in USD are based on USD1 to RMB6.8634.
2. Certain figures included in this press release have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures shown in the breakdown items.
3. Effective as of December 31, 2018, we changed our financial disclosure to report our business in two separate segments: (i) online business, which primarily reflects revenues from online paid reading, online advertising and distribution of third-party online games on our platform, and (ii) intellectual property operations and others, which primarily reflects the production and distribution of TV, web and animated series, films, licensing of IP rights for adaptation, operation of in-house online games and the sales of physical books. See "Segment Information" in this press release.

Revenues from online business increased by 9.7% year-over-year to RMB3,827.9 million (USD557.7 million) in 2018. Online business revenues from our self-owned platform products increased by 13.9% year-over-year to RMB2,213.1 million (USD322.4 million), primarily driven by an increase in the number of paying users and their growing willingness to pay for premium online literature content for our own products. Online business revenues from our self-operated channels on Tencent products decreased by 12.0% year-over-year to RMB951.8 million (USD138.7 million), primarily due to a decline in the number of paying users accessing our content on certain Tencent products. Online business revenues from third-party platforms increased 42.6% year-over-year to RMB663.1 million (USD96.6 million), as we continued to enhance cooperation with existing third-party distribution channels in 2018.

Revenues from IP operations and others increased 100.0% year-over-year to RMB1,210.3 million (USD176.3 million) in 2018. Revenues from IP operations increased by 160.1% year-over-year to RMB1,003.0 million (USD146.1 million), primarily due to (i) the consummation of the acquisition of New Classics Media in October 2018, which contributed RMB274.6 million (USD40.0 million) in revenues from the distribution of TV series, web series and films during the last two months in 2018, (ii) an increase in revenues from the licensing of copyrighted content for adaptation into various entertainment formats, reflecting the growing commercial value of our content and the rising demand from our content adaptation partners for our high-quality literary titles, and (iii) the increase in revenues from our co-invested TV and web series as well as co-produced animations in 2018. Revenues from others, which mainly includes revenues from the sales of physical books, decreased by 5.5% year-over-year to RMB207.3 million (USD30.2 million) as we continued to adjust our offline physical book business and distribution channels in tandem with our business development strategy.

Cost of revenues increased by 22.8% year-over-year to RMB2,480.3 million (USD361.4 million) in 2018, mainly due to greater content costs and production costs for TV, web and animated series and films. The content costs increased by 19.5% year-over-year to RMB1,529.3 million (USD222.8 million), primarily due to the increase in revenues from our online reading and IP licensing businesses. The production costs of TV, web and animated series and films increased to RMB273.3 million (USD39.8 million), primarily due to (i) the consolidation of RMB153.0 million (USD22.3 million) in production costs from New Classics Media's business since October 2018 and (ii) the increase in costs related to co-invested TV and web series as well as co-produced animated series in tandem with the revenue growth.

Gross profit increased 23.2% year-over-year to RMB2,558.0 million (USD372.7 million). Gross margin increased from 50.7% in 2017 to 50.8% in 2018.

Interest income increased 93.5% year-over-year to RMB 200.8 million (USD29.3 million).

Other gains, net were RMB338.9 million (USD49.4 million), compared with RMB110.7 million in 2017. Our other gains in 2018 primarily consisted of (i) gains on the deemed disposal of a subsidiary of RMB127.9 million (USD18.6 million), (ii) a fair value gain of RMB108.9 million (USD15.9 million) due to a change in fair value of consideration liabilities related to the acquisition of New Classics Media, (iii) a fair value gain on financial assets of RMB94.8 million (USD13.8 million) and (iv) government subsidies of RMB44.8 million (USD6.5 million).

Selling and marketing expenses increased 34.0% year-over-year to RMB1,293.1 million (USD188.4 million). The increase was primarily due to (i) an increase in promotion and advertising expenses as our business expanded, (ii) an increase in payment handling costs, largely as a result of the increase in revenues from online business and because more payments were handled by channels with higher charge rates, and (iii) the selling and marketing expenses from New Classics Media since the consolidation of its business in October 2018. As a result, selling and marketing expenses as a percentage of revenues increased from 23.6% in 2017 to 25.7% in 2018.

General and administrative expenses increased 6.2% year-over-year to RMB726.5 million (USD105.8 million), primarily attributable to an increase in employee benefit expenses and the consolidation of New Classics Media's business in October 2018. As a percentage of revenues, general and administrative expenses decreased to 14.4% in 2018 from 16.7% in 2017, as the growth in our revenues outpaced the growth in our general and administrative expenses as a result of economies of scale.

Net reversal of/(provision for) impairment losses on financial assets was in relation to the provision for doubtful receivables. In 2018, we reversed a provision for doubtful receivables of RMB36.8 million (USD5.4 million) on a net basis as a result of the collection of these receivables which were impaired in prior years.

Operating profit increased 81.4% year-over-year to RMB1,115.0 million (USD162.4 million) in 2018, with operating margin increasing from 15.0% to 22.1%.

Profit attributable to equity holders of the Company increased 63.7% year-over-year to RMB910.6 million (USD132.7 million) in 2018, with its proportion of revenues increasing from 13.6% to 18.1%.

Key Operating Information

- Average MAUs on our self-owned platform products and self-operated channels increased 11.5% from 191.5 million in 2017 to 213.5 million, of which MAUs on our self-owned platform products and self-operated channels, respectively, increased from 90.9 million and 100.6 million in 2017 to 109.2 million and 104.3 million. The increases in average MAUs were mainly driven by our continual innovation to further improve the user experience and to sustain the expansion of our distribution channels.
- Average MPUs on our self-owned platform products and self-operated channels decreased 2.7% to 10.8 million from 11.1 million in 2017. The decrease was mainly due to the decline in the number of paying users of our self-operated channels on Tencent products, and was partially offset by an increase in the number of paying users of our self-owned platform products. The decrease in MPUs of our self-operated channels on Tencent products started in the second half of 2017 when the user allocation strategy for certain Tencent products was changed and less online reading content was promoted. Out total average MPUs started to stabilize at 10.7 million in the first half of 2018 and rose to 10.8 million in the second half of 2018. As a result of the foregoing, the paying ratio decreased from 5.8% in 2017 to 5.1% in 2018.
- Monthly ARPU increased by 8.1% from RMB22.3 in 2017 to RMB24.1 in 2018, primarily due to a steady increase in user engagement among paying users and their growing willingness to pay for premium online literature content.

Other Key Financial Information

- EBITDA increased 28.3% year-over-year to RMB739.3 million (USD107.7 million). Adjusted EBITDA increased 24.4% year-over-year to RMB944.5 million (USD137.6 million).
- As of December 31, 2018, the Company had net cash of RMB6,358.3 million (USD926.4 million).

- On October 31, 2018, we acquired 100% of the equity interest in New Classics Media. New Classics Media recorded RMB275.3 million (USD40.1 million) in revenues and RMB67.9 million (USD9.9 million) in net profit from October 31 to December 31, 2018.

2018 Business Review and Outlook

In 2018, we continued to expand our online reading ecosystem and saw a solid increase in the number of writers, literary works, and readers on our platform, as well as a rising presence among the top writers and top titles. By year end, our library featured 7.7 million writers and 11.2 million works of literature, including 10.7 million original literary works created by writers on our platform, 350 thousand works that are sourced from third-party platforms and 200 thousand e-books. In terms of Chinese characters, a standard measure of literary output in the Chinese-reading world, 44.3 billion individual characters were added to our platform during the period. According to Baidu's search ranking in December 2018, 25 out of the top 30 online literary works originated on our platform.

During the year, we added a sizable amount of new content from genres such as comic fiction, competitive sports, and science fiction, in addition to our collection of traditional fantasy and immortal hero-themed content. In particular, we promoted literature based on realistic and contemporary urban themes. In November, we organized the Third Realism Theme Online Original Literary Writing Competition, which saw 30% more entries compared with 2017. A number of these works received positive reviews by well-known third-party organizations. For example, *China Railway Man (中国铁路人)* was endorsed and promoted by the China Railway Electrification Engineering Bureau while *The Strongest Special Force (最强特种兵)* won the 10th Guangdong Lu Xun Literature and Art Award (Literature).

Leveraging our data analytics and advanced algorithms, we further improved our personalized reader recommendation system during the year. We also strengthened the social features on our platform. For example, we now encourage users to build fan groups so that they can more actively reward the writers they like, subscribe to content, post comments and vote on their favorite authors and works of literature. In 2018, the total number of monthly virtual tickets submitted by paying users who voted on the most popular 100 works on our platform increased 35% year-over-year, reflecting higher user engagement and overall enthusiasm on our platform. Since the 2017 introduction of a comment function on paragraphs and chapters, users have increasingly been posting their own opinions and reviews. In late 2018, the highest number of comments for a single piece of literature exceeded 1.5 million. Furthermore, a growing number of movies, TV series and animated comics were adapted from content on our platform and released this year, so we organized a series of corresponding marketing events to fuel interest in the original titles and attract new users to our platform.

During the year, we strengthened our partnerships with major handset manufacturers, including OPPO, Huawei and VIVO, by pre-installing our apps on more of their handset models. We also continued to work with Tencent, our strategic shareholder, to distribute our content on a number of its platforms, including Mobile QQ, QQ Browser, Weixin Reading, Tencent News and Tencent Video.

In addition to our core online reading business, our IP operation business represents another cornerstone of our company as it allows us to further develop and monetize our deep library of content. We are pleased to report that we made substantial progress in 2018. During the period, we licensed over 130 online works of literature to various third parties that intend to adapt the content into other formats. In addition, several web and TV series in which we co-invested were broadcast, including *Pretty Man (国民老公)*, *Our Glamorous Time (你和我的倾城时光)*, *Martial*

Universe (武动乾坤), *Battle Through the Heavens (斗破苍穹)*, and *Ever Night (将夜)*. On the animation side, new titles *Stellar Transformations (星辰变)* and *Cinderella Chef (萌妻食神)*, as well as new seasons of *The King's Avatar (全职高手)*, *Battle Through the Heavens (斗破苍穹)*, *Pretty Man (国民老公带回家)*, *Fighter of the Destiny (择天记)* and *Fulltime Master (全职法师)* were released.

As a part of our strategy to strengthen our position as a leading source of IP in the pan-entertainment market and expand further downstream, we acquired New Classics Media in October 2018. We believe this acquisition enables us to participate in a larger share of the entertainment market. We have started working with New Classics Media to select certain of our literary works for adaptation in-house. In addition, we are developing a systematic approach to uncover content that we believe has the potential to become successful in other formats. In particular, we are working to curate portfolios of IP licenses that target the experience and preferences of specific content partners. Furthermore, when we released video content produced by New Classics Media, we conducted joint marketing events on our reading platform to promote the related novels, including *Battle Through the Heavens (斗破苍穹)* and *Ruyi's Royal Love in the Palace (如懿传)*. Daily average sales of *Ruyi's Royal Love in the Palace (如懿传)*, for example, increased nearly five times on our platform during the release of the adapted TV series.

We have also made some early progress internationally. Since we launched WebNovel, our foreign language website and mobile platform, in 2017, we have enlarged the breadth and depth of the content and genres that we offer. As of December 31, 2018, our international library of content included over 13,000 titles created by local writers and 300 titles translated from Chinese, attracting over 20 million cumulative visitors.

We believe China's upstream online literature market and downstream entertainment industries have enormous growth potential. Looking ahead, we will further develop our literary ecosystem by facilitating the creation of high-quality content and by enhancing our user operations and experience. We believe that the addition of New Classics Media accelerates our adaptation of high-quality IP across various business models, via licensing, co-investment, co-production and in-house production, facilitating the emergence of widely-popular IP that spans entertainment formats.

Segment Information

Effective as of December 31, 2018, we changed our financial disclosure to report our business in two separate segments: (i) online business, which primarily reflects revenues from online paid reading, online advertising and distribution of third-party online games on our platform, and (ii) IP operations and others, which primarily reflects the production and distribution of TV, web and animated series, films, licensing of IP rights for adaptation, operation of in-house online games and the sales of physical books. This change in reporting better reflects the significant growth in revenues contributed by both of these business lines in 2018. We retrospectively revised our prior period consolidated statements of income to conform to the current period's presentation. This change in segment reporting does not affect our consolidated balance sheets or consolidated statements of cash flows.

About China Literature Limited

China Literature Limited is a pioneer in the online literature market and operates China's leading online literature platform. The Company owns nine major branded products. Among these, QQ Reading, a unified mobile content aggregation and distribution platform, is the flagship product. Other products focus on individual genres and their respective fan bases. China Literature's shareholder and strategic partner, Tencent, provides the Company with exclusive content distribution access via its suite of leading mobile and Internet products, including Mobile QQ, QQ Browser, Tencent News, Weixin Reading and Tencent Video. The Company also has distribution beyond the Tencent platforms by pre-installing apps on handsets partners such as OPPO, Huawei and VIVO as well as licensing content to third-party partners such as Baidu, Sogou, JD.com and Xiaomi. China Literature monetizes its vast and proprietary content library through online paid reading and content adaptations for a variety of entertainment formats. China Literature's diverse and high quality content library is a significant competitive advantage that lies at the core of its business model. China Literature further expanded its content capabilities downstream by acquiring New Classics Media, a renowned TV series, web series and film producer in China in 2018.

Contact

For investors / analysts:	For media:
Maggie Zhou	Vivian Wang
Tel: +8621 6187 0500 ext. 80605	Tel: +852 2232 3978
Email: IR@yuewen.com	Email: vwang@Christensenir.com

Non-GAAP Financial Measures

To supplement the consolidated financial statements of the Company prepared in accordance with IFRS, several non-GAAP measures, which are adjusted EBITDA, operating profit, operating margin, profit for the period, net margin, profit attributable to equity holders of the Company, basic EPS and diluted EPS, as additional financial measures, have been presented in this press release for the convenience of readers. These unaudited non-GAAP financial measures should be considered in addition to, not as a substitute for, measures of the Company's financial performance prepared in accordance with IFRS. In addition, these non-GAAP financial measures may be defined differently from similar terms used by other companies.

The Company's management believes that the presentation of non-GAAP measures when shown in conjunction with the corresponding IFRS measures provides useful information to investors and management regarding financial and business trends relating to its financial condition and results of operations. The Company's management also believes that the non-GAAP measures are appropriate for evaluating the Company's operation performances. From time to time in the future, there may be other items that the Company may exclude in reviewing its financial results.

Forward-Looking Statements

This press release contains forward-looking statements relating to the industry and business outlook, forecast business plans and growth strategies of the Company. These forward-looking statements are based on information currently available to the Company and are stated herein on the basis of the outlook at the time of this press release. They are based on certain expectations, assumptions and premises, some of which are subjective or beyond our control. These forward-looking statements may prove to be incorrect and may not be realized in future. Underlying the forward-looking statements is a large number of risks and uncertainties. Further information regarding these risks and uncertainties is included in our other public disclosure documents on our corporate website.

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CONSOLIDATED INCOME STATEMENT

	Year ended December 31,	
	2018	**2017**
	(RMB in million, unless specified)	
Revenues		
Online business	3,827.9	3,490.0
Intellectual property operations and others	1,210.3	605.0
	5,038.3	**4,095.1**
Cost of revenues	(2,480.3)	(2,019.6)
Gross profit	**2,558.0**	**2,075.4**
Gross margin	***50.8%***	***50.7%***
Interest income	200.8	103.8
Other gains, net	338.9	110.7
Selling and marketing expenses	(1,293.1)	(965.1)
General and administrative expenses	(726.5)	(684.2)
Net reversal of/(provision for) impairment losses on financial assets	36.8	(26.0)
Operating profit	**1,115.0**	**614.6**
Operating margin	***22.1%***	***15.0%***
Finance costs	(148.5)	(35.2)
Share of net profit of associates and joint ventures	111.3	66.3
Profit before income tax	**1,077.8**	**645.7**
Income tax expense	(165.4)	(83.0)
Profit for the period	912.4	562.7
Net margin	***18.1%***	***13.7%***
Profit attributable to:		
Equity holders of the Company	910.6	556.1
Non-controlling interests	1.8	6.6
	912.4	**562.7**
Earnings per share		
(in RMB per share)		
- Basic earnings per share	1.01	0.74
- Diluted earnings per share	1.00	0.72

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended December 31,	
	2018	**2017**
	(RMB in million)	
Profit for the period	**912.4**	**562.7**
Other comprehensive income/(loss):		
Items that may be subsequently reclassified to profit or loss		
Share of other comprehensive loss of an associate	(0.2)	-
Currency translation differences	430.1	(150.1)
Total comprehensive income for the period	**1,342.3**	**412.6**
Total comprehensive income attributable to:		
Equity holders of the Company	1,340.5	406.0
Non-controlling interests	1.8	6.6
	1,342.3	**412.6**

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SEGMENT INFORMATION

	Year ended December 31,	
	2018	**2017**
	(RMB in million, except percentages)	
Revenues		
Online business	3,827.9	3,490.0
Intellectual property operations and others	1,210.3	605.0
Total revenues	**5,038.3**	**4,095.1**
Cost of revenues		
Online business	(1,700.8)	(1,604.1)
Intellectual property operations and others	(779.5)	(415.5)
Total cost of revenues	**(2,480.3)**	**(2,019.6)**
Gross profit		
Online business	2,127.2	1,886.0
Intellectual property operations and others	430.8	189.5
Total gross profit	**2,558.0**	**2,075.4**
Gross margin		
Online business	55.6%	54.0%
Intellectual property operations and others	35.6%	31.3%
Total gross margin	**50.8%**	**50.7%**

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of	
	December 31, 2018	**December 31, 2017**
	(RMB in million)	
ASSETS		
Non-current assets		
Property, plant and equipment	47.7	36.1
Intangible assets	12,141.2	4,501.1
Investments in associates and joint ventures	680.9	342.3
Investments in redeemable shares of associates	-	267.0
Other investments	-	25.1
Derivative financial assets	-	37.6
Financial assets at fair value through profit or loss	444.1	-
Deferred income tax assets	95.6	20.3
Prepayments, deposits and other assets	147.5	22.9
Term deposits	-	450.9
	13,557.0	**5,703.2**
Current assets		
Inventories	129.7	222.5
Television series and film rights	2,857.1	-
Financial assets at fair value through profit or loss	26.8	-
Trade and notes receivables	1,830.4	760.0
Prepayments, deposits and other assets	609.9	295.8
Term deposits	481.6	653.4
Cash and cash equivalents	8,342.2	7,502.4
	14,277.6	**9,434.1**
Total assets	**27,834.6**	**15,137.4**
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	0.6	0.6
Shares held for RSU scheme	(0.0)	(0.0)
Share premium	16,456.6	12,143.5
Other reserves	898.2	309.2
Retained earnings	1,048.1	168.0
	18,403.5	**12,621.2**
Non-controlling interests	**11.6**	**41.5**
Total equity	**18,415.0**	**12,662.7**

	As of	
	December 31, 2018	December 31, 2017
	(RMB in million)	
LIABILITIES		
Non-current liabilities		
Borrowings	380.0	475.0
Deferred income tax liabilities	449.8	193.9
Deferred revenue	39.3	41.6
Financial liabilities at fair value through profit or loss	1,954.2	-
	2,823.3	**710.5**
Current liabilities		
Borrowings	1,385.4	-
Trade payables	1,131.1	657.0
Other payables and accruals	1,818.2	657.7
Deferred revenue	1,005.3	414.8
Current income tax liabilities	65.4	34.7
Financial liabilities at fair value through profit or loss	1,191.0	-
	6,596.3	**1,764.2**
Total liabilities	**9,419.6**	**2,474.7**
Total equity and liabilities	**27,834.6**	**15,137.4**

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RECONCILIATION OF OPERATING PROFIT TO EBITDA AND ADJUSTED EBITDA

	Year ended December 31,	
	2018	**2017**
	(RMB in million)	
Reconciliation of operating profit to EBITDA and adjusted EBITDA:		
Operating profit	1,115.0	614.6
Adjustments:		
Interest income	(200.8)	(103.8)
Other gains, net	(338.9)	(110.7)
Depreciation of property, plant and equipment	17.9	22.2
Amortization of intangible assets	146.2	154.0
EBITDA	**739.3**	**576.3**
Adjustments:		
Share-based compensation	152.2	137.4
One-off listing expense	-	45.5
Expenditure related to acquisition	53.0	-
Adjusted EBITDA	**944.5**	**759.3**

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RECONCILIATIONS OF IFRS TO NON-GAAP RESULTS

	Year ended December 31, 2018				
		Adjustments			
	As reported	Share-based compensation	Net (gain) from investments and acquisition[1]	Amortization of intangible assets[2]	Non-GAAP
	(RMB in million, unless specified)				
Operating profit	1,115.0	152.2	(280.9)	89.2	1,075.5
Profit for the period	912.4	152.2	(229.0)	66.9	902.5
Profit attributable to equity holders of the Company	910.6	152.2	(229.0)	66.6	900.5
EPS (RMB per share)					
- basic	1.01				1.00
- diluted	1.00				0.99
Operating margin	22.1%				21.3%
Net margin	18.1%				17.9%

	Year ended December 31, 2017							
		Adjustments						
	As reported	Share-based compensation	Net (gain) from investee companies[1]	Amortization of intangible assets[2]	One-off listing expense	Impairment provision[3]	Interest (income) on IPO subscription deposit	Non-GAAP
	(RMB in million, unless specified)							
Operating profit	614.6	137.4	(158.4)	63.1	45.5	156.3	(55.6)	802.9
Profit for the period	562.7	137.4	(124.6)	47.3	45.5	117.2	(55.6)	730.0
Profit attributable to equity holders of the Company	556.1	137.4	(124.6)	45.7	45.5	117.2	(55.6)	721.8
EPS (RMB per share)								
- basic	0.74							0.96
- diluted	0.72							0.94
Operating margin	15.0%							19.6%
Net margin	13.7%							17.8%

Notes:

(1) The Group applied the new rules of IFRS 9 "Financial Instruments" retrospectively from 1 January 2018, and reclassified its investments in redeemable shares of associates to financial assets at fair value. During the year ended December 31, 2018, this item includes fair value gains on financial assets at fair value, gains on deemed disposal of a subsidiary and net gains related to acquisition of New Classics Media of RMB54.5 million. During the year ended December 31, 2017, this item includes fair value gain of investments in redeemable shares of associates, dilution gains and gains from the disposal of investee companies.

(2) Represents amortization of intangible assets and TV series and film rights resulting from acquisitions, net of related deferred tax.

(3) Includes impairment provision for intangible assets.