

China Literature Announces 2019 Annual Results

Hong Kong, March 17, 2020 – China Literature Limited (“China Literature” or “the Company”, stock code: 0772), a leading online literature platform in China, today announced the audited consolidated results for the year ended December 31, 2019.

Results Highlights ⁽¹⁾

- Total revenues increased 65.7% year-over-year to RMB8,347.8 million (USD1,196.6 million).
- Gross profit increased 44.3% year-over-year to RMB3,692.0 million (USD529.2 million).
- Operating profit increased 7.1% year-over-year to RMB1,193.9 million (USD171.1 million).
- Profit attributable to equity holders of the Company increased 20.4% year-over-year to RMB1,096.0 million (USD157.1 million).
- Basic earnings per share were RMB1.10. Diluted earnings per share were RMB1.09.
- On a non-GAAP basis:
 - Operating profit increased 31.6% year-over-year to RMB1,415.8 million (USD202.9 million).
 - Profit attributable to equity holders of the Company increased 32.7% year-over-year to RMB1,194.6 million (USD171.2 million).
 - Basic earnings per share were RMB1.20. Diluted earnings per share were RMB1.19.

Mr. Wu Wenhui, Co-Chief Executive Officer of China Literature stated, “In 2019, we continued to offer users high-quality reading experience and achieved several major milestones. We brought on-board more up-and-coming writers, improve the quality and diversity of content and genres, and evolved our business model by introducing free-to-read services. While adapting to industry change, we enhanced our existing strategies and strengths that we believe differentiate us from our peers. We continued to nurture and extend our literature creation platform and consumption community while continuing to support writers who choose to monetize their efforts via our pay-to-read model. We continued to develop New Classics Media (‘NCM’)’s position as a leading drama series and film production studio and deepened our relationships with key distribution and content partners in the entertainment industry. We believe these efforts will strengthen our competitive advantage and support our long-term sustainable growth.”

Financial Review ⁽²⁾

Revenues increased 65.7% year-over-year to RMB8,347.8 million (USD1,196.6 million) in 2019.

Revenues from online business were RMB3,710.4 million (USD531.9 million) in 2019, compared to RMB3,827.9 million in 2018. Online business revenues from our self-owned platform products increased 9.6% year-over-year to RMB2,425.1 million (USD347.6 million) in 2019, primarily driven by the revenue growth of our paid reading business, as well as the initial contribution of advertising revenues during the year. Online business revenues from our self-operated channels on Tencent products decreased 12.2% year-over-year to RMB836.0 million (USD119.8 million), primarily due to the continued decline in paid reading revenues from our self-operated channels on certain Tencent products, partially offset by the contribution of online advertising revenues generated from the free-to-read model that we introduced in 2019 on these Tencent products. Online business revenues from third-party platforms

¹ Figures stated in USD are based on USD1 to RMB6.9764 and USD1 to HKD7.7879.

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.

decreased 32.2% year-over-year to RMB449.2 million (USD64.4 million), primarily due to the suspension of cooperation with several distribution partners and the decrease in revenues from certain third-party platform cooperators during 2019.

Revenues from intellectual property (“IP”) operations and others increased 283.1% year-over-year from RMB1,210.3 million in 2018 to RMB4,637.3 million (USD664.7 million) in 2019. Revenues from IP operations increased 341.0% year-over-year from RMB1,003.0 million in 2018 to RMB4,423.1 million (USD634.0 million) in 2019, primarily due to (i) the full year contribution of revenues generated by NCM since we acquired its business in October 2018, and (ii) an increase in revenues from IP-related self-operated online games and co-invested drama series, reflecting our increasing participation in the IP adaptation businesses. Revenues from others increased 3.4% year-over-year to RMB214.2 million (USD30.7 million) in 2019.

Cost of revenues increased 87.7% year-over-year to RMB4,655.7 million (USD667.4 million) in 2019, mainly due to greater production costs of TV, web and animated series and films, which increased from RMB273.3 million in 2018 to RMB2,134.1 million (USD305.9 million) in 2019 along with the rapid increase in revenues, as well as an increase in distribution costs related to self-operated online games as revenue increased and expansion of online reading channels.

Gross profit increased 44.3% year-over-year to RMB3,692.0 million (USD529.2 million) in 2019. Gross margin was 44.2%, compared to 50.8% in 2018. The change in the gross margin was mainly due to the significant change of our revenue mix in 2019 compared to 2018.

Interest income was RMB157.5 million (USD22.6 million), compared to RMB200.8 million in 2018.

Other gains, net were RMB453.2 million (USD65.0 million), compared to RMB338.9 million in 2018. Our other gains in 2019 mainly consisted of (i) a fair value gain of RMB273.0 million (USD39.1 million) due to a change in the fair value of consideration liabilities related to the acquisition of NCM, and (ii) government subsidies of RMB110.1 million (USD15.8 million).

Selling and marketing expenses increased 60.4% year-over-year to RMB2,073.9 million (USD297.3 million) in 2019. The increase was primarily due to (i) greater marketing expenses to promote our online reading content including for free-to-read content, (ii) greater marketing expenses to promote our self-operated mobile game, and (iii) the full year consolidation of selling and marketing expenses from NCM related to promoting films and drama series. As a percentage of revenues, our selling and marketing expenses decreased to 24.8% in 2019 from 25.7% in 2018.

General and administrative expenses increased 39.1% year-over-year to RMB1,010.3 million (USD144.8 million) in 2019, primarily due to (i) an increase in employee benefit expenses resulting from increased headcount and salary for our employees, (ii) an increase in outsourcing research and development expenses, and (iii) the full year consolidation of NCM’s business. As a percentage of revenues, general and administrative expenses decreased to 12.1% in 2019 from 14.4% in 2018.

Net (provision for)/reversal of impairment losses on financial assets was in relation to the provision for doubtful receivables. In 2019, we accrued a provision for doubtful receivables of RMB24.6 million (USD3.5 million) on a net basis.

Operating profit increased 7.1% to RMB1,193.9 million (USD171.1 million) in 2019. Operating margin was 14.3% in 2019, compared to 22.1% in 2018.

Profit attributable to equity holders of the Company increased 20.4% to RMB1,096.0 million (USD157.1 million) in 2019. Its proportion of revenues was 13.1% in 2019, compared to 18.1% in 2018.

Key Operating Information

- Average MAUs on our self-owned platform products and self-operated channels increased 2.9% year-over-year from 213.5 million in 2018 to 219.7 million in 2019, among which (i) MAUs on our self-owned platform products increased 9.4% year-over-year from 109.2 million to 119.5 million, driven by user growth from our paid reading products, as well as the user contribution from our free-to-read product; and (ii) MAUs on our self-operated channels on Tencent products decreased 3.9% year-over-year from 104.3 million to 100.2 million, primarily due to the user allocation strategy for certain Tencent products was changed and less online paid reading content was promoted, partially offset by the introduction of free-to-read content attracting new users in 2019.
- Average MPUs on our self-owned platform products and self-operated channels decreased 9.3% year-over-year from 10.8 million in 2018 to 9.8 million in 2019, mainly due to the continued decline of paying users from our self-operated channels on certain Tencent products as more users were allocated to read free-to-read content on these Tencent products in 2019.
- Monthly ARPU increased 5.0% year-over-year from RMB24.1 in 2018 to RMB25.3 in 2019, mainly because we enhanced the depth of our content operations, optimized our recommendation system and expanded content distribution channels during the year.

Other Key Information

- EBITDA increased 5.5% year-over-year to RMB780.2 million (USD111.8 million) in 2019. Adjusted EBITDA increased 25.6% year-over-year to RMB1,185.9 million (USD170.0 million) in 2019.
- As of December 31, 2019, the Company had net cash of RMB5,139.3 million (USD736.7 million).
- On October 31, 2018, the Company acquired 100% of the equity interest in NCM which is primarily engaged in the production and distribution of TV series, web series and films in China. NCM, on a standalone basis, recorded RMB3,236.3 million (USD463.9 million) in revenues and RMB548.6 million (USD78.6 million) in profit attributable to equity holders of the company in 2019.
- During the period from June 12, 2019 to December 9, 2019, the Company repurchased approximately 10.2 million shares for an aggregate consideration of approximately HKD272.2 million (USD35.0 million) ⁽¹⁾. All repurchased shares have been cancelled.

2019 Business Review and Outlook

1. Online Business

How we innovate content

In 2019, we further strengthened our content offerings and expanded the catalog of high-quality literary works and writers on our platform. As of December 31, 2019, our library featured 8.1 million writers and 12.2 million works of

literature, including 11.5 million original literary works written by writers on our platform, 400,000 works sourced from third-party platforms, and 280,000 e-books. In terms of Chinese characters, a standard measure of literary output in the Chinese-reading world, around 38 billion individual Chinese characters were added to our platform in 2019. According to Baidu's February 2020 search rankings, 25 out of the top 30 online literary works were created on our platform.

We believe innovation is critical to developing content and is a key driver for our platform's growth. In 2019, much of the innovation taking place on our platform in terms of content is contributed by Generation Z writers who have the passion and ability to engage with younger demographics in a distinctively different manner than previous generations. Collectively they account for 25% of our platinum and phenomenal writers at present and help us to push the boundaries of China's online literature world. For example, the author of *Lord of the Mysteries* (诡秘之主) managed to creatively combine elements of drama and video games to tell his story in an unconventional way. The success of *Lord of the Mysteries* (诡秘之主) is reflected in the over two million user comments it has generated and the close to one million fan-base its seven major characters have created. We believe this novel and the many others like it created by Generation Z writers are still at very early stages of development and have enormous growth potential as they expand their influence in the future.

Our platform not only incubates best-sellers but also encourages diversity. This ensures the healthy growth of our content ecosystem and helps us promote the unique value proposition we offer to our massive user base. Each year, we test a number of new content categories to gauge user appetite. This year's winning categories included science fiction, comic fiction, history and short-form novels. Traffic growth to these categories significantly outperformed others on our platform and is further supported by strong user satisfaction and our strengthened cross-promotional capabilities.

Combining innovation and diversity, our platform's success is increasingly being recognized by mainstream media. In 2019, 45 of our literary works and 27 of our authors were recognized with honors and awards from the State Administration of Press, Publication, Radio, Film and Television ("SAPPRFT") and the China Writers Association ("CWA") at the national and regional level. Six of our literary works, namely *Great Power Heavy Industry* (大国重工), *A Story of Police Man* (朝阳警事), *Era of the Earth* (地球纪元), *Magic Industrial Times* (魔力工业时代), *Forty Millenniums of Cultivation* (星域四万年) and *Legend of Xiao Chuo* (燕云台), were selected by SAPPRFT and CWA in recognition of their contribution to online literature during the celebration of the 70th anniversary of the founding of the People's Republic of China, a feat which no other company in the sector could match.

How we engage users

We believe content is only the starting point for an engaging reading experience. We value every minute our readers spend on our platform and are committed to delivering a superior experience through operational improvements and technological innovations, often times beyond reading itself.

One example is "paragraph commenting", a function we launched in 2018 to enhance user engagement with the writer by encouraging more instant comments from readers. We quickly found that this function also strengthened user engagement among themselves with many commenting on each other in such a way that they are in essence creating "user-generated content". We also rolled out a new function in late 2019 which allows users to submit their own audio recordings of select sentences in a novel and listen to and comment on others which instantly became popular. This function creates an incentive for users to become content creators by bringing a voice to the original

text and creates more layers of context for engagement which brings the community closer together. As of December 31, 2019, the most popular literary work has accumulated approximately 20,000 audio readings and approximately 140,000 comments related to these audio readings.

In addition to building a social graph within our community, we also use deep learning and natural language processing technologies to map out the interests of individual users and features of literary works so that we can recommend the most relevant content to our users. This is an integral part of how we enhance user satisfaction and improve the overall efficiency of content distribution. We also introduced a central data platform, which uses an integrated recommendation system for multiple products and further improved recommendation and R&D efficiency.

We continued to grow our user base throughout the year as we optimized our content and operations, with MAU increasing to 219.7 million in 2019 from 213.5 million in 2018.

How we evolve our business model

We understand the diversity of our massive user base and are ready to capture new business opportunities by launching new product offerings. For price-sensitive users, we introduced a free-to-read model which allows users to read literary works for free while we monetize through advertising. The free-to-read content is sourced from both selected works from our in-house and external partner libraries. To avoid cannibalizing users from our paid-content model, we have selected less popular but still high-quality works from our paid apps, as viewership for paid titles in our library is unevenly distributed and many titles are not able to generate meaningful revenues shortly after their debuts. We began distributing free content on Tencent's Mobile QQ and QQ Browser apps in the first quarter of 2019, and through our independent free-to-read app Feidu in the second quarter of 2019.

The free-to-read model directly complements our existing paid content model and allows us to offer a greater breadth of content and serve a broader range of users. We will continue to expand the free content library and believe high-quality content is our core competitive differentiator. The complementary offerings of free and paid content will help us broaden our user base and diversify our monetization channels.

2. IP Operations

Integration of NCM

We took a major step towards bringing our best-in-class IPs to life through drama series with the acquisition of NCM in October 2018. Despite industry headwinds, NCM has demonstrated its unique ability to develop top-tier content with the release of *Memories of Peking* (芝麻胡同), *Awakening of Insects* (惊蛰), *Joy of Life* (庆余年) and *The Best Partner* (精英律师) throughout 2019. All of these drama series ranked top in terms of viewership during their respective broadcast time slots.

Most notably, *Joy of Life* (庆余年), which was adapted from one of our most popular novels, ranked first among all TV and web series on Baidu and Toutiao's 2019 search indices. The success of the drama series has also rekindled interest in the novel, which once again topped the rankings on our best-seller list since its original launch over 10 years ago and attracted 3.5 million recommendations and over 600,000 rewards. Building on this phenomenal success, development for *Joy of Life* (庆余年) season 2 is already underway.

The success of *Joy of Life* (庆余年) strengthens our confidence in NCM's capabilities making them the ideal partner-

of-choice. NCM is the critical missing piece that we have been seeking to amplify the value of our IPs. We expect to replicate this success with other suitable IPs and build out a sustainable product pipeline.

To leverage existing fan bases for popular drama series and IPs, NCM is planning to produce sequels for a number of drama series. In addition to the above-mentioned *Joy of Life* (庆余年) season 2, NCM is developing season 2 for *The Best Partner* (精英律师) and *Battle Through the Heavens* (斗破苍穹). We believe this will create a virtuous cycle where a successful drama creates a large fan base for the sequel which in turn further grows the fan base and prolongs the lifecycle of the content.

Proprietary IP Operation

We continued to make progress in licensing our IP for adaptation into other content formats such as films, TV and web series, animations and games. In 2019, around 160 literary works were licensed to third-party partners for adaptation.

We released a number of high-quality animations in 2019, including *Galaxy Devastator* (崩坏星河), *Cinderella Chef* (萌妻食神), *Martial Universe* (武动乾坤), as well as new seasons for *Battle Through the Heavens* (斗破苍穹). In particular, *Martial Universe* (武动乾坤) Season 1 generated over 800 million views, and *Battle Through the Heavens* (斗破苍穹) Season 3 and its Special Edition 2 accumulated a total of 1.3 billion views, making the animation series collectively attract over 5.4 billion views. In addition, *The King's Avatar: For the Glory* (全职高手之巅峰荣耀) was the first E-sports animated film to hit Chinese cinemas in 2019. A number of co-produced drama series have also gone on to become very popular in 2019, including *The Golden Eyes* (黄金瞳), *Pretty Man 2* (国民老公2) and *Sweet Tai Chi* (淑女飘飘拳).

By cooperating with high-caliber partners across the entertainment industry, we are seeing our growing library of adapted films, TV and web series, animations, and games amplifying the value of our IPs. For example, *the Soul Land* (斗罗大陆), an adaption of one of our flagship literary works, was the most watched domestic animation series in China in 2018 and 2019. *New Soul Land* (新斗罗大陆), a mobile game adapted from the same IP and operated by ourselves, gained instant popularity after its release and won a number of high profile awards such as the 2019 Golden Gyro "Popular IP Game of the Year" (2019 金陀螺 "年度人气 IP 游戏奖") and the 2019 Golden Grape "Most Remarkable Game" (2019 金葡萄 "最受关注游戏奖"). We believe this IP-centric monetization model will allow us to prolong the lifecycle of our IP and monetize it efficiently across various different formats.

To expand our presence in the audio market, we recently formed a strategic partnership with Tencent Music, a leading online music entertainment platform in China. The strategic partnership allows Tencent Music to produce audiobooks for our online literary content and these audiobooks will be made available on both parties' platforms. We believe this collaboration will enrich our audiobook library, expand our content user base, further diversify our monetization methods and in turn attract more writers to create on our platform.

3. International Expansion

WebNovel, our foreign language website and mobile platform, grew steadily throughout the year by generating approximately 36 million visits. As of December 31, 2019, WebNovel offered nearly 700 literary works translated from Chinese and 88,000 original literary works in English and other local languages, representing a significant increase from 13,000 literary works that were offered as of December 31, 2018.

To accelerate our presence in Southeast Asia, we entered into a strategic partnership with Singapore Telecommunications Limited, a leading communications technology group in Asia, to jointly develop online literary services and content platforms. In addition, we invested in Ookbee U Company Limited, a leading online literature platform in Thailand, to better explore opportunities and penetrate the Thailand online literature market.

We also formed a strategic partnership with Transsion Holdings Limited, a leading smart device manufacturer and mobile internet service provider in emerging markets overseas, to expand into Africa's largely untapped online literature market.

4. Outlook

Looking forward, we will continue to develop best-in-class content that exceeds market expectations and effectively caters to the evolving tastes of our users. We will further develop our literary ecosystem by enhancing our user operations and building a more engaging community. As NCM is integrated deeper into our operations, we will continue to expand our presence in drama adaptation and production and develop drama sequels for top-performing IPs. Joining forces with NCM and other top partners in the entertainment industry reflects our commitment to developing IPs into best-in-class drama series, films, animations, comics and games to enhance their value.

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 branded 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 handset partners such as OPPO, Huawei and VIVO, as well as licensing content to third-party partners such as Baidu, Sogou, JD.com and Xiaomi Duokan. China Literature monetizes its vast and proprietary content library mainly 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. In 2018, China Literature further expanded its content capabilities downstream by acquiring New Classics Media, a renowned TV series, web series and film production company in China. For more information, please visit <http://ir.yuewen.com/>.

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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.

CHINA LITERATURE
CONSOLIDATED INCOME STATEMENT

	Year ended December 31,	
	2019	2018
(RMB in million, unless specified)		
Revenues		
Online business ⁽¹⁾	3,710.4	3,827.9
Intellectual property operations and others ⁽²⁾	4,637.3	1,210.3
	8,347.8	5,038.3
Cost of revenues	(4,655.7)	(2,480.3)
Gross profit	3,692.0	2,558.0
	Gross margin 44.2%	50.8%
Interest income	157.5	200.8
Other gains, net	453.2	338.9
Selling and marketing expenses	(2,073.9)	(1,293.1)
General and administrative expenses	(1,010.3)	(726.5)
Net (provision for)/reversal of impairment losses on financial assets	(24.6)	36.8
Operating profit	1,193.9	1,115.0
	Operating margin 14.3%	22.1%
Finance costs	(172.6)	(148.5)
Share of net profit of associates and joint ventures	158.5	111.3
Profit before income tax	1,179.8	1,077.8
Income tax expense	(67.7)	(165.4)
Profit for the period	1,112.1	912.4
	Net margin 13.3%	18.1%
Profit attributable to:		
Equity holders of the Company	1,096.0	910.6
Non-controlling interests	16.2	1.8
	1,112.1	912.4
Earnings per share		
(in RMB per share)		
- Basic earnings per share	1.10	1.01
- Diluted earnings per share	1.09	1.00

Notes:

- (1) Revenues from online business primarily reflect revenues from online paid reading, online advertising and distribution of third-party online games on our platform.
- (2) Revenues from intellectual property operations and others primarily reflect revenues from production and distribution of TV, web and animated series, films, licensing of IP rights for adaptation, operation of self-operated online games and sales of physical books.

CHINA LITERATURE
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended December 31,	
	2019	2018
	(RMB in million)	
Profit for the period	1,112.1	912.4
Other comprehensive income/(loss):		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Share of other comprehensive loss of associates and joint ventures	(10.5)	(0.2)
Currency translation differences	65.7	430.1
Total comprehensive income for the period	1,167.4	1,342.3
Total comprehensive income attributable to:		
Equity holders of the Company	1,151.2	1,340.5
Non-controlling interests	16.2	1.8
	1,167.4	1,342.3

CHINA LITERATURE
SEGMENT INFORMATION

	Year ended December 31,	
	2019	2018
	(RMB in million, except percentages)	
Revenues		
Online business	3,710.4	3,827.9
Intellectual property operations and others	4,637.3	1,210.3
Total revenues	8,347.8	5,038.3
Cost of revenues		
Online business	(1,600.6)	(1,700.8)
Intellectual property operations and others	(3,055.1)	(779.5)
Total cost of revenues	(4,655.7)	(2,480.3)
Gross profit		
Online business	2,109.8	2,127.2
Intellectual property operations and others	1,582.2	430.8
Total gross profit	3,692.0	2,558.0
Gross margin		
Online business	56.9%	55.6%
Intellectual property operations and others	34.1%	35.6%
Total gross margin	44.2%	50.8%

CHINA LITERATURE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of	
	December 31, 2019	December 31, 2018
	(RMB in million)	
ASSETS		
Non-current assets		
Property, plant and equipment	41.5	47.7
Right-of-use assets	92.6	-
Intangible assets	12,168.8	12,141.2
Investments in associates and joint ventures	963.6	680.9
Financial assets at fair value through profit or loss	457.2	444.1
Deferred income tax assets	190.8	95.6
Prepayments, deposits and other assets	145.0	147.5
	14,059.5	13,557.0
Current assets		
Inventories	606.0	129.7
Television series and film rights	1,107.7	2,857.1
Trade and notes receivables	3,366.1	1,830.4
Prepayments, deposits and other assets	668.4	609.9
Financial assets at fair value through profit or loss	-	26.8
Restricted bank deposits	94.8	-
Term deposits	415.8	481.6
Cash and cash equivalents	5,931.8	8,342.2
	12,190.5	14,277.6
Total assets	26,250.0	27,834.6
EQUITY		
Capital and reserves attributable to the equity holders of the Company		
Share capital	0.6	0.6
Shares held for RSU scheme	(0.0)	(0.0)
Share premium	16,161.8	16,456.6
Other reserves	1,135.4	898.2
Retained earnings	2,098.7	1,048.1
	19,396.6	18,403.5
Non-controlling interests	14.2	11.6
Total equity	19,410.8	18,415.0

	As of	
	December 31, 2019	December 31, 2018
	(RMB in million)	
LIABILITIES		
Non-current liabilities		
Borrowings	-	380.0
Lease liabilities	34.4	-
Deferred income tax liabilities	322.6	449.8
Deferred revenue	33.5	39.3
Financial liabilities at fair value through profit or loss	535.1	1,954.2
	925.5	2,823.3
Current liabilities		
Borrowings	1,303.1	1,385.4
Lease liabilities	55.6	-
Trade payables	1,020.7	1,131.1
Other payables and accruals	1,489.7	1,818.2
Deferred revenue	717.7	1,005.3
Current income tax liabilities	205.4	65.4
Financial liabilities at fair value through profit or loss	1,121.5	1,191.0
	5,913.6	6,596.3
Total liabilities	6,839.2	9,419.6
Total equity and liabilities	26,250.0	27,834.6

CHINA LITERATURE

RECONCILIATION OF OPERATING PROFIT TO EBITDA AND ADJUSTED EBITDA

	Year ended December 31,	
	2019	2018
	(RMB in million)	
Reconciliation of operating profit to EBITDA and adjusted EBITDA:		
Operating profit	1,193.9	1,115.0
Adjustments:		
Interest income	(157.5)	(200.8)
Other gains, net	(453.2)	(338.9)
Depreciation of property, plant and equipment	22.3	17.9
Amortization of intangible assets	174.7	146.2
EBITDA	780.2	739.3
Adjustments:		
Share-based compensation	141.6	152.2
Expenditure related to acquisition	264.1	53.0
Adjusted EBITDA	1,185.9	944.5

CHINA LITERATURE
RECONCILIATIONS OF IFRS TO NON-GAAP RESULTS

Year ended December 31, 2019

	Adjustments					Non-GAAP
	As reported	Share-based compensation	Net (gain) from investment and acquisition ⁽¹⁾	Amortization of intangible assets ⁽²⁾	Tax effects	
	(RMB in million, unless specified)					
Operating profit	1,193.9	141.6	(133.7)	214.0	-	1,415.8
Profit for the period	1,112.1	141.6	(120.2)	214.0	(136.7)	1,210.8
Profit attributable to equity holders of the Company	1,096.0	141.6	(120.2)	214.0	(136.7)	1,194.6
EPS (RMB per share)						
- basic	1.10					1.20
- diluted	1.09					1.19
Operating margin	14.3%					17.0%
Net margin	13.3%					14.5%

Year ended December 31, 2018

	Adjustments					Non-GAAP
	As reported	Share-based compensation	Net (gain) from investment and acquisition ⁽¹⁾	Amortization of intangible assets ⁽²⁾	Tax effects	
	(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	(280.9)	89.2	29.6	902.5
Profit attributable to equity holders of the Company	910.6	152.2	(280.9)	88.8	29.7	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%

Notes:

- (1) During the year ended December 31, 2019, this item includes fair value gains on financial assets at fair value through profit or loss, and net gain related to acquisition of NCM of RMB173.0 million (USD24.8 million). During the year ended December 31, 2018, this item includes fair value gains on financial assets at fair value through profit or loss, gains on deemed disposal of a subsidiary and net gain related to acquisition of NCM of RMB54.5 million.
- (2) Represents amortization of intangible assets and TV series and film rights resulting from acquisitions.