

## China Literature Announces 2020 Annual Results

Hong Kong, March 23, 2021 – China Literature Limited (“China Literature” or “the Company”, stock code: 0772), a leading online literature and intellectual property (“IP”) incubation platform in China, today announced the audited consolidated results for the year ended December 31, 2020.

### Results Highlights <sup>(1)</sup>

- Total revenues increased 2.1% year-over-year to RMB8,525.7 million (USD1,306.6 million).
- Gross profit increased 14.7% year-over-year to RMB4,234.1 million (USD648.9 million).
- **On a non-IFRS <sup>(2)</sup> basis**, which is intended to reflect core earnings by excluding certain one-time and/or non-cash items:
  - Operating profit was RMB934.6 million (USD143.2 million), as compared to RMB1,415.8 million in 2019.
  - Profit attributable to equity holders of the Company was RMB917.1 million (USD140.6 million), as compared to RMB1,194.6 million in 2019.
  - Basic earnings per share were RMB0.92. Diluted earnings per share were RMB0.91.
- **On an IFRS basis:**
  - Operating loss was RMB4,474.7 million (USD685.8 million), as compared to an operating profit of RMB1,193.9 million in 2019.
  - Loss attributable to equity holders of the Company was RMB4,483.9 million (USD687.2 million), as compared to a profit attributable to equity holders of the Company of RMB1,096.0 million in 2019.
  - Basic loss per share was RMB4.48. Diluted loss per share was RMB4.49.

Mr. Edward Cheng, Chief Executive Officer of China Literature stated, “2020 was a challenging year for a variety of reasons. There were external factors such as the COVID-19 pandemic and market competition. There were also significant internal factors, including systematic issues and weak integration across our business segments. In response to these challenges, we took robust measures centering on content, platform and ecosystem upgrades, which led to a turnaround during the second half of the year. The Company maintained its leading position in the online reading market and strengthened its capacity in IP operations.

For the full year 2020, China Literature had total revenues of RMB8.53 billion. Out of the total, the second half saw revenues of RMB5.27 billion, up 61.5% from the first half of the year. Non-IFRS profit attributable to equity holders of the Company for the full year was RMB917 million, of which RMB895 million was generated during the second half, representing a 40-fold increase over the first half.

Following the success of Joy of Life (庆余年) in 2019, we continued to produce blockbuster adaptations of our IPs including recently launched drama series My Heroic Husband (赘婿) and Soul Land (斗罗大陆). Their success reflected both our outstanding reserves of IP and our creative abilities in adapting content across mediums and genres. China Literature is constantly evolving and is already much more than just an online reading company. We see IP incubation as our next growth accelerator, leveraging our on-line reading business to create an innovative IP-

<sup>1</sup>. Figures stated in USD are based on USD1 to RMB6.5249.

<sup>2</sup>. Non-IFRS adjustments excludes share-based compensation, net (gains)/losses from investments and acquisitions, amortization of intangible assets, as well as related income tax effects.

<sup>3</sup>. 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.

centric production cycle. We believe that taking an IP-centric path will lead the Company to a much wider market, with more exciting prospects ahead.”

### Financial Review <sup>(3)</sup>

**Revenues** increased 2.1% year-over-year to RMB8,525.7 million (USD1,306.6 million) in 2020.

Revenues from online business increased 32.9% year-over-year to RMB4,932.2 million (USD755.9 million). A further breakdown of this category is as follows: i) online business revenues from our self-owned platform products increased 61.0% year-over-year to RMB3,903.4 million (USD598.2 million), primarily driven by the expansion of distribution channels and users' growing willingness to pay for our reading content during 2020; ii) online business revenues from our self-operated channels on Tencent products decreased 18.4% year-over-year to RMB681.8 million (USD104.5 million), mainly due to a further decline in paid reading revenues from our self-operated channels on certain Tencent products as the Company continued to expand free-to-read services; iii) online business revenues from third-party platforms decreased 22.8% year-over-year to RMB346.9 million (USD53.2 million), primarily due to a decrease in revenues from certain third-party platform partners in 2020.

Revenues from IP operations and others decreased 22.5% year-over-year to RMB3,593.5 million (USD550.7 million), mainly due to a decline in revenues from IP operations from RMB4,423.1 million in 2019 to RMB3,451.1 million (USD528.9 million) in 2020. The year-over-year decrease was primarily caused by the delayed production and release dates for films, TV series and web series due to the COVID-19 pandemic in 2020. However, revenues from IP operations rebounded to RMB2,732.0 million (USD418.7 million) in the second half of 2020, as compared to RMB719.2 million in the first half of 2020.

**Cost of revenues** decreased 7.8% year-over-year to RMB4,291.6 million (USD657.7 million), mainly due to the declined production costs of TV, web and animated series and films. These decreased costs were attributable to the delayed release of certain projects due to the adverse impact of the COVID-19 pandemic, which also led to a decrease in revenues. The decrease in cost of revenues was partially offset by an increase in platform distribution costs due to the expansion of our online reading channels and the improved operation of our online game in 2020, as accompanied with revenue increases.

**Gross profit** increased 14.7% year-over-year to RMB4,234.1 million (USD648.9 million). Gross margin was 49.7%, as compared to 44.2% in 2019.

**Interest income** decreased 26.2% to RMB116.3 million (USD17.8 million), reflecting a lower average cash deposit balance in 2020.

**Other losses, net** were RMB5,322.9 million (USD815.8 million), as compared to net other gains of RMB453.2 million in 2019. The other losses in 2020 consisted mainly of i) an impairment provision covering goodwill and trademark rights related to the acquisition of New Classics Media (“NCM”) of RMB4,015.9 million (USD615.5 million) and RMB389.8 million (USD59.7 million), respectively, ii) a net fair value loss of RMB604.6 million (USD92.7 million) due to the modification of NCM's earn-out mechanism in 2020, and iii) an impairment provision covering the Company's long-term investments related to certain investee companies of RMB252.0 million (USD38.6 million).

**Selling and marketing expenses** increased 20.5% year-over-year to RMB2,498.2 million (USD382.9 million), primarily driven by greater marketing expenses for our online reading content in 2020. As a percentage of revenues, our selling and marketing expenses increased to 29.3% in 2020 from 24.8% in 2019.

**General and administrative expenses** decreased 13.5% year-over-year to RMB873.8 million (USD133.9 million), primarily attributable to a net reversal of compensation costs of RMB109.6 million (USD16.8 million) related to the service expense of certain employees and former owners of NCM as the Company modified the earn-out mechanism for NCM in 2020. As a percentage of revenues, general and administrative expenses decreased to 10.2% in 2020 from 12.1% in 2019.

**Net provision for impairment losses on financial assets** reflected the provision for doubtful receivables. In 2020, the net provision for doubtful receivables was RMB130.2 million (USD20.0 million), mainly related to TV and film projects.

**Operating loss** was RMB4,474.7 million (USD685.8 million), as compared to an operating profit of RMB1,193.9 million in 2019.

**Income tax benefit** was RMB38.5 million (USD5.9 million), as compared to an income tax expense of RMB67.7 million in 2019. The recognition of deferred income tax assets and the reversal of deferred income tax liabilities from the accrual of asset impairment losses exceeded the income tax expenses that incurred in 2020, resulting in a net gain from income taxes.

**Loss attributable to equity holders of the Company** was RMB4,483.9 million (USD687.2 million), as compared to a profit attributable to equity holders of the Company of RMB1,096.0 million in 2019.

### Key Operating Information

- Average MAUs on our self-owned platform products and self-operated channels increased by 4.2% year-over-year from 219.7 million to 228.9 million in 2020. A further breakdown of MAUs is as follows: i) MAUs on our self-owned platform products increased 1.7% year-over-year from 119.5 million to 121.5 million, primarily due to the expansion of distribution channels for our reading content; and ii) MAUs on our self-operated channels on Tencent products increased 7.2% year-over-year from 100.2 million to 107.4 million, as the expansion of free-to-read content distribution further drew more users to the channels.
- Average MPUs on our self-owned platform products and self-operated channels increased by 4.1% year-over-year from 9.8 million to 10.2 million in 2020. The increase was driven by the growing number of paying users on our self-owned platform products, partially offset by a decrease in paying users from our self-operated channels on certain Tencent products as more users were attracted to the free-to-read content on these Tencent products during the year.
- Monthly ARPU increased by 37.2% year-over-year from RMB25.3 to RMB34.7 in 2020, as a result of improvements in our content operations and recommendation system, and the expansion of content distribution channels during the year.
- In December 2020, our average DAUs for free-to-read content reached approximately 10 million.

### Other Key Information

- EBITDA was RMB1,033.8 million (USD158.4 million), compared to RMB841.7 million in 2019. Adjusted EBITDA was RMB1,029.7 million (USD157.8 million), compared to RMB1,247.3 million in 2019.
- Net cash position was RMB5,011.0 million (USD768.0 million) as of December 31, 2020.
- Free cash flow\* was RMB764.1 million (USD117.1 million), compared to RMB500.1 million in 2019.
- New Classics Media, on a standalone basis, recorded RMB2,033.2 million (USD311.6 million) in revenues and RMB429.4 million (USD65.8 million) in profit attributable to equity holders of the company in 2020. Based on the modified earn-out mechanism, a total number of 3,023,963 consideration shares will be issued and a total cash consideration of RMB204.2 million (USD31.3 million) will be paid by the Company.

\* Free cash flow: operating cash flow deducts payments for lease liabilities and payments for capital expenditure.

## Business Review and Outlook

### **Business highlights**

**Upgrades in content.** There was an increase in both the number and quality of our writers and literary works. As of the end of 2020, China Literature had more than 9 million writers on the platform, with a total of 13.9 million literary works. Approximately 46 billion Chinese characters were added to our platform during 2020. According to Baidu's search rankings for novels in February 2021, 26 of the top 30 online literary works originated on the China Literature platform. At the same time, we improved our writer ecosystem and IP incubation resources. More writers had positive impressions of our ecosystem and IP practices, including some of the platinum writers who left China Literature and have come back to us as a result of the changes we have made. This has strengthened our partnership with writers, and our reputation as the best partner to writers.

**Upgrades in platform.** We have expanded our relationship with Tencent channels such as QQ Browser and Mobile QQ by distributing free-to-read content to a wider range of readers. In addition, we established a free reading content decision committee to provide dedicated coordination and management of free content and to incubate high-quality free literary works and writers. In December 2020, average DAUs for our free reading channels reached approximately 10 million users. We will continue to explore the field of free reading so as to make more progress in this area in 2021.

**Upgrades in ecosystem.** We are enhancing the quality and visibility of our IPs across media formats, including comics, animation, film, TV and web series. This approach has already landed us a number of blockbusters. For example, the drama series My Heroic Husband (赘婿), which was jointly produced by New Classics Media, Tencent Pictures and China Literature Pictures, was another successful adaptation from our IP in addition to Joy of Life (庆余年). The drama series ranked No.1 on Enlightent's web series playlist during its launch period, enjoying wide market popularity and winning praise from various media including People's Daily. Its success reflects the power of the three-way "New Classics Media-Tencent Pictures-China Literature Pictures" partnership, and we look forward to seeing more quality works from this cooperation model in the future.

Another example is the drama series Soul Land (斗罗大陆), which was also adapted from China Literature's top IP and produced by New Classics Media. It was ranked No.1 on Tencent Video's hot search list and drama series list with over 4 billion video views, and brought more attention to the existing Soul Land animation series and online

game. In addition to the serialized adaptation of our top IPs, New Classics Media has continued to launch high-quality series with modern themes. It is a specialist in this genre. Following the success of *The First Half of My Life* (我的前半生), New Classics Media released *My Best Friend's Story* (流金岁月), which was ranked No. 1 on the playlist of Enlightent's TV series during its launch period. New Classics Media also participated in the production of the recent hit movie *Hi, Mom* (你好，李焕英), with box office sales of over RMB5 billion, the second-highest ranking box office sales in the history of China's film industry. These successes have validated our decision to extend New Classics Media's earn-out mechanism in 2020. We believe that New Classics Media will have much more room to grow as part of the ecosystem of China Literature.

### ***Improvement of organizational structure and decision-making mechanism***

Our core management team is now stronger and more diverse, as a result of introducing new leaders in the areas of IP operations, online business, investment, legal and finance. These new members of our management team have extensive industry experience and outstanding entrepreneurial spirit in their respective fields, and are injecting new dynamism into the company. At the same time, we have upgraded our hiring criteria, in order to build a team that is passionate about content and dedicated to improve the organizational efficiency of the company overall.

Our organizational structure has become more flexible and inclusive. We have established a Joint Committee between China Literature's Comics & Animation Department and Tencent Comics and a Joint Committee between China Literature Pictures, New Classics Media and Tencent Pictures, which have developed synergies with Tencent Pictures, Tencent Comics and New Classics Media, which share common beliefs in the value of deepening the relationship.

High-level decision-making has become more focused on long-term strategy-oriented than short-term business. We have never valued the overall lifecycle value of an IP as much as we do today. Historically, each IP licensing agreement was simply an endorsement of a sales figure. Today, each IP licensing agreement is the beginning of a long-term IP life cycle. China Literature will do everything it can to realize the lifetime value of its IPs together with our partners, build its ecosystem, and create long-term value. The key to the strengthening of our management team and the re-design of our organizational structure is to ensure this core concept is put into practice.

To support this approach to decision-making, we have established an IP-focused intermediate business platform, with functional segments including writer services, IP screening and planning, and ecosystem partnerships. The establishment of this IP intermediate platform has standardized our IP licensing procedure, and paved the way for an industrial-scale IP development system. Based on the capacities built into this intermediate IP platform, we can strengthen ecosystem partnerships, expand production capacity, achieve improvements in quality and quantity, and finally increase the value of IPs.

### ***Significant business developments in 2020***

In addition to the highlights described above, we had significant achievements in the following areas during the year:

- We improved our writer's ecosystem, and provided writers with better services and experiences. For example, a new grading system for contracts enables writers to choose how they prefer to collaborate with us. We changed the editing and support system so that our writers could choose their own editors. We also introduced a new

- mechanism to improve welfare and provide better IP protections for writers.
- We established Qidian Academy in order to provide an all-round, multi-level tiered system to nurture writers. Video views for its online courses exceeded 2 million within one month.
  - Generation Z writers have become an important part of the supply of new writers. Writers born after the 1990s made up half on our top 12 writers list during the year of 2020.
  - We improved our reading community through functions such as instant comments and replies, user-generated audio readings for texts, and user generated chapters, which enhanced user loyalty and participation. By the end of 2020, more than 100 literary works each had over 1 million user comments. We improved our recommendation system, allowing users to find their preferred books more quickly. In addition, big data analysis tools became an important means to assist our editors to screen and nurture content.
  - The National Library of China collected 100 literary works from the China Literature platform. The list includes stories rooted in traditional culture such as Joy of Life (庆余年) and Nirvana in Fire (琅琊榜), stories focusing on China's industrial development such as Great Power Heavy Industry (大国重工) and Material Empire (材料帝国), stories about the lives and careers of ordinary people such as China Railway Man (中国铁路人), Doctor Lingran (大医凌然) and A Story of Police Man (朝阳警事), as well as stories that show concern about vulnerable groups in society such as Memoirs of Jade Hall (玉堂留故).
  - In 2020, we licensed approximately 200 IP rights for adaptation. Many of our IPs licensed to third-party partners were adapted into popular online content, such as the drama series Love and Redemption (琉璃) and Legendary Cook (人间烟火小厨). We also released a number of new seasons for existing animated titles including Stellar Transformations (星辰变), Martial Universe (武动乾坤), The King's Avatar (全职高手), Fighter of the Destiny (择天记) and Fulltime Master (全职法师).
  - We continued to expand into international markets. As of the end of 2020, WebNovel, our foreign language website and mobile platform, offered approximately 1,000 works translated from Chinese and over 200,000 original content works created locally. WebNovel generated 54 million user visits in 2020.

## **Outlook**

Looking ahead, we will build around our content, platform and ecosystem, creating a sustainable growth trajectory and laying a solid foundation to explore new businesses. We hope that more users will enjoy China Literature's IPs across a wide range of entertainment formats, including text, comics, animation, film, TV series and games, as we produce consistent IP winners as time goes by. We will also promote partnerships with various industry participants to expand our boundaries. We believe there is enormous growth potential for our IP business across various segments.

## **About China Literature Limited**

China Literature is dedicated to building a deep and immersive intellectual property ("IP") universe for the Mandarin-speaking world. It incubates original IPs from its online literature platform, which are subsequently adapted on a range of digital entertainment mediums, including comics, animation, film, TV series, web series and games. The virtual world created by these digital offerings become an inseparable part of a user's daily life. China Literature creates and promotes IPs mainly through QQ Reading and Qidian, its leading online literature platforms, as well as New Classics Media, a renowned film and TV drama series production house in China. China Literature collaborates with Tencent, its shareholder and strategic partner, as well as other third-party partners to distribute and develop IP content and to enhance value of its IP. As of December 31, 2020, the Company had 9 million writers and 13.9 million

literary works on its online reading platform. Many of the Company's online literature works have been successfully adapted into animation, TV series, web series, film and games, including Joy of Life, Candle in the Tomb, Soul Land, The King's Avatar and My Heroic Husband. China Literature's rich and extensive content library as well as its unparalleled capability and resources to adapt IP into various entertainment formats is a significant competitive advantage that lies at the core of its business model. For more information, please visit <http://ir.yuewen.com/>.

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## **Non-IFRS Financial Measures**

To supplement the consolidated financial statements of the Company prepared in accordance with IFRS, certain non-IFRS financial measures, namely non-IFRS operating profit, non-IFRS operating margin, non-IFRS profit for the year, non-IFRS net margin, non-IFRS profit attributable to equity holders of the Company, non-IFRS basic EPS and non-IFRS diluted EPS as additional financial measures, have been presented in this press release for the convenience of readers. These unaudited non-IFRS financial measures should be considered in addition to, and not as a substitute for, measures of the Company's financial performance prepared in accordance with IFRS. These non-IFRS financial measures may be defined differently from similar terms used by other companies. In addition, non-IFRS adjustments include relevant non-IFRS adjustments for the Company's material associates based on available published financials of the relevant material associates, or estimates made by the Company's management based on available information, certain expectations, assumptions and premises.

Our management believes that the presentation of these non-IFRS financial measures, when shown in conjunction with the corresponding IFRS measures, provides useful information to investors and management regarding the financial and business trends relating to the Company's financial condition and results of operations. Our management also believes that the non-IFRS financial measures are useful in evaluating the Company's operating performances. From time to time, there may be other items that our Company may include or 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,	
	2020	2019
(RMB in million, unless specified)		
<b>Revenues</b>		
Online business <sup>(1)</sup>	4,932.2	3,710.4
Intellectual property operations and others <sup>(2)</sup>	3,593.5	4,637.3
	<b>8,525.7</b>	<b>8,347.8</b>
Cost of revenues	(4,291.6)	(4,655.7)
<b>Gross profit</b>	<b>4,234.1</b>	<b>3,692.0</b>
	<b>Gross margin 49.7%</b>	<b>44.2%</b>
Interest income	116.3	157.5
Other (losses)/gains, net	(5,322.9)	453.2
Selling and marketing expenses	(2,498.2)	(2,073.9)
General and administrative expenses	(873.8)	(1,010.3)
Net provision for impairment losses on financial assets	(130.2)	(24.6)
<b>Operating (loss)/profit</b>	<b>(4,474.7)</b>	<b>1,193.9</b>
	<b>Operating margin (52.5%)</b>	<b>14.3%</b>
Finance costs	(68.8)	(172.6)
Share of net profit of associates and joint ventures	4.7	158.5
<b>(Loss)/profit before income tax</b>	<b>(4,538.7)</b>	<b>1,179.8</b>
Income tax benefit/(expense)	38.5	(67.7)
<b>(Loss)/profit for the year</b>	<b>(4,500.2)</b>	<b>1,112.1</b>
	<b>Net margin (52.8%)</b>	<b>13.3%</b>
<b>(Loss)/profit attributable to:</b>		
Equity holders of the Company	(4,483.9)	1,096.0
Non-controlling interests	(16.3)	16.2
	<b>(4,500.2)</b>	<b>1,112.1</b>
<b>(Loss)/earnings per share</b>		
<b>(in RMB per share)</b>		
- Basic (loss)/earnings per share	(4.48)	1.10
- Diluted (loss)/earnings per share	(4.49)	1.09

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,	
	2020	2019
	(RMB in million)	
<b>(Loss)/profit for the year</b>	<b>(4,500.2)</b>	<b>1,112.1</b>
<b>Other comprehensive (loss)/income:</b>		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Share of other comprehensive income/(loss) of associates and joint ventures	1.0	(10.5)
Currency translation differences	41.4	65.7
<i>Items that may not be reclassified to profit or loss</i>		
Currency translation differences	(74.7)	-
<b>Total comprehensive (loss)/income for the year</b>	<b>(4,532.5)</b>	<b>1,167.4</b>
<b>Total comprehensive (loss)/income attributable to:</b>		
Equity holders of the Company	(4,516.2)	1,151.2
Non-controlling interests	(16.3)	16.2
	<b>(4,532.5)</b>	<b>1,167.4</b>

CHINA LITERATURE  
SEGMENT INFORMATION

	Year ended December 31,	
	2020	2019
	(RMB in million, except percentages)	
<b>Revenues</b>		
Online business	4,932.2	3,710.4
Intellectual property operations and others	3,593.5	4,637.3
<b>Total revenues</b>	<b>8,525.7</b>	<b>8,347.8</b>
<b>Cost of revenues</b>		
Online business	(2,354.6)	(1,600.6)
Intellectual property operations and others	(1,937.0)	(3,055.1)
<b>Total cost of revenues</b>	<b>(4,291.6)</b>	<b>(4,655.7)</b>
<b>Gross profit</b>		
Online business	2,577.6	2,109.8
Intellectual property operations and others	1,656.5	1,582.2
<b>Total gross profit</b>	<b>4,234.1</b>	<b>3,692.0</b>
<b>Gross margin</b>		
Online business	52.3%	56.9%
Intellectual property operations and others	46.1%	34.1%
<b>Total gross margin</b>	<b>49.7%</b>	<b>44.2%</b>

**CHINA LITERATURE**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	As of	
	December 31, 2020	December 31, 2019
	(RMB in million)	
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	39.6	41.5
Right-of-use assets	83.3	92.6
Intangible assets	7,676.1	12,168.8
Investments in associates and joint ventures	598.6	963.6
Financial assets at fair value through profit or loss	915.3	457.2
Deferred income tax assets	188.5	190.8
Prepayments, deposits and other assets	314.1	145.0
	<b>9,815.4</b>	<b>14,059.5</b>
<b>Current assets</b>		
Inventories	571.8	606.0
Television series and film rights	640.5	1,107.7
Trade and notes receivables	3,296.3	3,366.1
Prepayments, deposits and other assets	734.8	668.4
Restricted bank deposits	-	94.8
Term deposits	3,408.7	415.8
Cash and cash equivalents	2,848.2	5,931.8
	<b>11,500.3</b>	<b>12,190.5</b>
<b>Total assets</b>	<b>21,315.8</b>	<b>26,250.0</b>
<b>EQUITY</b>		
<b>Capital and reserves attributable to the equity holders of the Company</b>		
Share capital	0.6	0.6
Shares held for RSU scheme	(0.0)	(0.0)
Share premium	16,259.7	16,161.8
Other reserves	1,268.2	1,135.4
(Accumulated losses)/retained earnings	(2,435.0)	2,098.7
	<b>15,093.5</b>	<b>19,396.6</b>
<b>Non-controlling interests</b>	<b>5.0</b>	<b>14.2</b>
<b>Total equity</b>	<b>15,098.5</b>	<b>19,410.8</b>

	As of	
	December 31, 2020	December 31, 2019
	(RMB in million)	
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	691.5	-
Lease liabilities	34.8	34.4
Long-term payables	16.9	-
Deferred income tax liabilities	187.6	322.6
Deferred revenue	31.3	33.5
Financial liabilities at fair value through profit or loss	1,037.9	535.1
	<b>2,000.1</b>	<b>925.5</b>
<b>Current liabilities</b>		
Borrowings	554.4	1,303.1
Lease liabilities	50.4	55.6
Trade payables	1,039.7	1,020.7
Other payables and accruals	1,149.7	1,489.7
Deferred revenue	880.3	717.7
Current income tax liabilities	184.5	205.4
Financial liabilities at fair value through profit or loss	358.2	1,121.5
	<b>4,217.2</b>	<b>5,913.6</b>
<b>Total liabilities</b>	<b>6,217.3</b>	<b>6,839.2</b>
<b>Total equity and liabilities</b>	<b>21,315.8</b>	<b>26,250.0</b>

CHINA LITERATURE  
RECONCILIATION OF OPERATING (LOSS)/PROFIT TO EBITDA AND ADJUSTED EBITDA

	Year ended December 31,	
	2020	2019
	(RMB in million)	
<b>Reconciliation of operating (loss)/profit to EBITDA and adjusted EBITDA:</b>		
Operating (loss)/profit	(4,474.7)	1,193.9
<b>Adjustments:</b>		
Interest income	(116.3)	(157.5)
Other losses/(gains), net	5,322.9	(453.2)
Depreciation of property, plant and equipment	23.7	22.3
Depreciation of right-of-use assets	62.3	61.5
Amortization of intangible assets	215.9	174.7
<b>EBITDA</b>	<b>1,033.8</b>	<b>841.7</b>
<b>Adjustments:</b>		
Share-based compensation	120.2	141.6
Expenditure related to acquisition	(124.4)	264.1
<b>Adjusted EBITDA</b>	<b>1,029.7</b>	<b>1,247.3</b>

**CHINA LITERATURE**  
**RECONCILIATIONS OF IFRS TO NON-IFRS RESULTS**

**Year ended December 31, 2020**

	As reported	Share-based compensation	Adjustments			Non-IFRS
			Net loss from investments and acquisitions <sup>(1)</sup>	Amortization of intangible assets <sup>(2)</sup>	Tax effect	
(RMB in million, unless specified)						
Operating (loss)/profit	(4,474.7)	120.2	5,259.6	29.4	-	934.6
(Loss)/profit for the year	(4,500.2)	120.2	5,422.6	29.4	(171.2)	900.8
(Loss)/profit attributable to equity holders of the Company	(4,483.9)	120.2	5,422.6	29.4	(171.2)	917.1
(Loss)/earnings per share (RMB per share)						
- basic	(4.48)					0.92
- diluted	(4.49)					0.91
Operating margin	(52.5%)					11.0%
Net margin	(52.8%)					10.6%

**Year ended December 31, 2019**

	As reported	Share-based compensation	Adjustments			Non-IFRS
			Net (gain) from investments and acquisitions <sup>(1)</sup>	Amortization of intangible assets <sup>(2)</sup>	Tax effect	
(RMB in million, unless specified)						
Operating profit	1,193.9	141.6	(133.7)	214.0	-	1,415.8
Profit for the year	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%

Notes:

- (1) Including impairment provision of goodwill, trademark rights and long-term investments related to certain investee companies, fair value changes arising from investee companies, fair value changes on consideration liabilities related to the acquisition of NCM and a net reversal of compensation costs related to the service expense of certain employees and former owners of NCM.
- (2) Represents amortization of intangible assets and TV series and film rights resulting from acquisitions.