

China Literature Announces 2021 Interim Results

Hong Kong, August 16, 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 unaudited consolidated results for the six months ended June 30, 2021.

Results Highlights ⁽¹⁾

- Total revenues increased 33.2% year-over-year to RMB4,342.1 million (USD672.1 million).
- Gross profit increased 32.2% year-over-year to RMB2,288.1 million (USD354.2 million).
- **On a non-IFRS ⁽²⁾ basis**, which is intended to reflect core earnings by excluding certain one-time and/or non-cash items:
 - Operating profit was RMB641.5 million (USD99.3 million), as compared to an operating loss of RMB56.7 million in the prior corresponding period.
 - Profit attributable to equity holders of the Company was RMB665.0 million (USD102.9 million), as compared to RMB21.7 million in the prior corresponding period.
 - Basic earnings per share were RMB0.66. Diluted earnings per share were RMB0.66.
- **On an IFRS basis:**
 - Operating profit was RMB1,284.0 million (USD198.8 million), as compared to an operating loss of RMB3,555.6 million in the prior corresponding period.
 - Profit attributable to equity holders of the Company was RMB1,082.7 million (USD167.6 million), as compared to a loss attributable to equity holders of the Company of RMB3,295.9 million in the prior corresponding period.
 - Basic earnings per share were RMB1.08. Diluted earnings per share were RMB1.07.

Mr. Edward Cheng, Chief Executive Officer of China Literature, commented: “In the first half of 2021, we made further upgrades in content, platform and ecosystem. More young writers joined our platform, creating innovative content and revitalizing the platform. Meanwhile, we continued our strategic plans of incubating top-quality content, enhancing our community operations, increasing the efficiency of our recommendation system, and developing our free-to-read business. As a result of our efforts, total MAUs of our online business grew 3.7% to 232.7 million from the second half of 2020. As for our IP operation business, while building our own capacity in content conversion, we have been working actively with external teams. Our progress has been significant in comics, animation, film, TV drama and game segments. In our film and TV drama businesses, we released a number of blockbuster dramas – My Heroic Husband (赘婿), Soul Land (斗罗大陆) and The Rebel (叛逆者) – which were received enthusiastically by viewers. The film Hi, Mom (你好, 李焕英), which was jointly produced by New Classics Media (‘NCM’), was a massive hit during the 2021 Spring Festival period, with box office sales of RMB5.4 billion, the second-highest ranking box office sales in the history of China’s film industry.

We are pleased to see that we are starting to experience payoff from our unique strategic framework that we adopted.

1. Figures stated in USD are based on USD1 to RMB6.4601.

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

3. 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.

4. Starting from January 1, 2021, revenues from online audio books and online comic content provided via Tencent and third-party platforms have been reclassified from “online business” segment to “intellectual property operations and others” segment to better reflect the Company’s current businesses. We restated our prior-period figures to conform to the current-period’s presentation.

In the first half of 2021, our total revenues increased by 33.2% to RMB4.3 billion year-over-year. Revenues from our IP operations and others segment grew by 124.5% to RMB1.8 billion, accounting for 41.5% of total revenues. Our non-IFRS earnings attributable to equity holders of the Company were RMB665.0 million, a 30-fold increase from RMB21.7 million in the corresponding period last year.

Looking ahead, we view IP development as a long-term project. Our goal is to create stories that will live from one generation to the next. With online literature as our cornerstone and IP development as the growth accelerator, we will establish an open and inclusive ecosystem with our business partners. China Literature will assemble an army of creative talent capable of transforming our IP into a wide range of cultural and entertainment products that will reach a wide range of user groups. We hope to build an unparalleled assembly of immortal IP franchises and characters that will share the daily lives of users and sustain their interest indefinitely."

Financial Review ^{(3) (4)}

Revenues increased 33.2% year-over-year to RMB4,342.1 million (USD672.1 million).

Revenues from online business increased by 3.4% year-over-year to RMB2,540.0 million (USD393.2 million). A further breakdown of this category is as follows: i) online business revenues from our self-owned platform products decreased by 5.5% year-over-year to RMB1,880.7 million (USD291.1 million), primarily due to a higher revenue base driven by a rise in online traffic during the COVID-19 pandemic period in the first half of 2020; ii) online business revenues from our self-operated channels on Tencent products increased by 14.7% year-over-year to RMB353.5 million (USD54.7 million), primarily due to an increase in advertising revenues as we continued to expand free-to-read business; iii) online business revenues from third-party platforms increased by 91.9% year-over-year to RMB305.8 million (USD47.3 million), primarily due to an increase in revenues from certain existing third-party platform partners and the expansion of distribution channels during the first half of 2021.

Revenues from IP operations and others increased by 124.5% year-over-year to RMB1,802.2 million (USD279.0 million), among which i) revenues from IP operations increased by 129.8% year-over-year to RMB1,740.1 million (USD269.4 million), primarily due to the growth in revenues generated from our TV and web series, films, IP licensing, and self-operated online game businesses during the first half of 2021; and ii) revenues from others increased by 36.0% year-over-year to RMB62.1 million (USD9.6 million), primarily due to resumed sales of physical books in the first half of 2021.

Cost of revenues increased by 34.4% year-over-year to RMB2,054.1 million (USD318.0 million), mainly due to increases in i) content costs as we expanded our IP licensing and free-to-read businesses, ii) production costs of TV series, web series and films along with revenue increase, and iii) amortization of intangible assets of the copyrights of content.

Gross profit increased by 32.2% year-over-year to RMB2,288.1 million (USD354.2 million). Gross margin was 52.7%, as compared with 53.1% in the prior corresponding period.

Interest income decreased by 2.3% year-over-year to RMB60.6 million (USD9.4 million), reflecting lower interest income from bank deposits.

Other gains, net were RMB901.1 million (USD139.5 million), compared with net other losses of RMB3,529.7 million in the prior corresponding period. The other gains in the first half of 2021 mainly consisted of i) a gain of RMB1,076.8 million (USD166.7 million) related to the sale of our equity interest in Lazy Audio, ii) gains of RMB134.0 million (USD20.7 million) on disposal of certain intangible assets, and iii) fair value gains of RMB55.0 million (USD8.5 million) resulting from increased valuations of investee companies. These gains were partially offset by a fair value loss of RMB383.2 million (USD59.3 million) due to a change in fair value of consideration liabilities related to the acquisition of NCM.

Selling and marketing expenses increased by 6.1% year-over-year to RMB1,348.2 million (USD208.7 million), mainly driven by greater promotion and advertising expenses for our films and drama series during the first half of 2021. As a percentage of revenues, our selling and marketing expenses decreased to 31.0% in the first half of 2021 from 39.0% in the first half of 2020.

General and administrative expenses increased by 81.1% year-over-year to RMB635.1 million (USD98.3 million), primarily due to i) a reversal of compensation costs of RMB116.7 million (USD18.1 million) related to the service expense of certain employees and former owners of NCM in the first half of 2020, ii) an annual increase in employee benefit expenses, iii) an increase in research and development expenses related to our self-operated online game as revenue increased, and iv) an increase in office, travelling and entertainment expenses compared to the corresponding period last year. As a percentage of revenues, general and administrative expenses increased to 14.6% in the first half of 2021 from 10.8% in the first half of 2020.

Net reversal of impairment losses on financial assets reflected the reversal of doubtful receivables. In the first half of 2021, we reversed a provision for doubtful receivables of RMB17.5 million (USD2.7 million) on a net basis, mainly related to TV and web series.

Operating profit was RMB1,284.0 million (USD198.8 million), as compared with an operating loss of RMB3,555.6 million in the prior corresponding period.

Income tax expense was RMB284.4 million (USD44.0 million), as compared with an income tax benefit of RMB201.3 million for the same period of last year.

Profit attributable to equity holders of the Company was RMB1,082.7 million (USD167.6 million), as compared with a loss attributable to equity holders of the Company of RMB3,295.9 million in the prior corresponding period.

Key Operating Information

- Average MAUs on our self-owned platform products and self-operated channels slightly decreased by 0.3% year-over-year from 233.4 million to 232.7 million in the first half of 2021. A further breakdown of MAUs is as follows: i) MAUs on our self-owned platform products decreased 14.6% year-over-year from 134.2 million to 114.6 million, as we experienced a higher user traffic during the COVID-19 pandemic period in the first half of 2020; and ii) MAUs on our self-operated channels on Tencent products increased 19.1% year-over-year from 99.2 million to 118.1 million, as we continued to expand our free-to-read business and thus attracted more users during the first half of 2021.

- As we continued to expand our free-to-read business and attracted more users to read our free content, average MPUs on our self-owned platform products and self-operated channels decreased by 12.3% year-over-year from 10.6 million to 9.3 million in the first half of 2021.
- For our pay-to-read business, monthly ARPU increased by 6.7% year-over-year from RMB34.1 to RMB36.4 in the first half of 2021, reflecting users' greater willingness to pay for high-quality content as we further improved our content operations, enhanced community features and optimized recommendation algorithms for paid content during the first half of 2021.
- Average DAUs for our free-to-read business reached approximately 13 million in June 2021, compared with 10 million in December 2020.

Other Key Information

- EBITDA was RMB626.9 million (USD97.0 million), compared to RMB59.6 million in the first half of 2020. Adjusted EBITDA was RMB708.9 million (USD109.7 million), compared to RMB17.1 million in the first half of 2020.
- As of June 30, 2021, the Company's net cash position was RMB5,691.9 million (USD881.1 million).
- Free cash flow* was RMB278.9 million (USD43.2 million), compared to RMB385.5 million in the first half of 2020.
- New Classics Media, on a standalone basis, recorded RMB667.3 million (USD103.3 million) in revenues and RMB291.4 million (USD45.1 million) in profit attributable to equity holders of the company in the first half of 2021.

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

Business Review and Outlook

Business highlights

During the first half of 2021, we continued to make upgrades in content, platform and ecosystem to serve the goal of delivering long-lasting IP. We believe that literary content and platforms are equally important and that both are critical to our success. Metrics in these two areas gauge our ability to produce high-quality reading content and generate user reach and engagement. During the six months, we reinforced our leading positions in content as well as platform. Both the number and quality of our writers and literary works increased. As of June 30, 2021, China Literature had 9.4 million writers on the platform, with a total of 14.5 million literary works. Over 18 billion Chinese characters were added to our platform during the first half of the year. According to Baidu's search rankings in June 2021, 17 of the top 20 online literary works originated on our platform.

In the first half of 2021, the number of MAUs for our online business was 232.7 million, an increase of 3.7% from the previous six months and approximately the same year-on-year. A surge in online activity during the COVID-19 pandemic in the first six months of 2020 represents the baseline for the first half of 2020. Online user traffic dropped in the second half of the year once the pandemic was brought largely under control, while our MAUs in the first half of this year regained momentum and approached the peak level of 2020. It has benefited from emerging top-notch content, enhanced community operations, increased efficiency of our recommendation system, and the growing popularity of our free-to-read business.

In addition to our successful pay-to-read business, we made substantial progress in the free-to-read business. In June 2021, average DAUs for our free-to-read business was 13 million, an increase of 30% compared to December

2020. During the first half of this year, China Literature and Tencent set up a joint project team to promote the free-to-read business and to facilitate channel cooperation within the Tencent ecosystem in a more efficient manner. Our free content creation platform also continued to produce high-quality free novels and attract more and more writers.

Leadership in both content and users ensures that we can generate quality literary IP continuously under our mechanism. The essence of our IP ecosystem is to redefine, reshape and disseminate IP to maximize its value from brand new perspectives. Using an analogy, we are using the concept of metamorphosis to describe the extension and reshaping of original literary IP through the entire content value chain.

- Stage one of the metamorphosis comes through the conversion of literary IP into media-rich products utilizing sound and visual effects, and potentially digital interactions. Based on a common story line, each media segment can add its own touch to create unique audience connections and increase the impact of the original IP. From 2020 onwards, China Literature has been actively working with external teams, while building its own capability in content conversion, and has made significant progress in comics, animation, film, TV drama and game segments. Just to give some examples:
 - In the comics segment, in 2020 China Literature's Comics & Animation Department and Tencent Comics jointly announced a three-year project to adapt 300 works of online fiction into comics. Currently, more than 70 of our literary works have been adapted into comics and released on the Tencent Comics platform. In addition, we will collaborate with Kuaikan Comics, another leading online comics platform, to adapt 30 online literary works into comics.
 - In the animation segment, we produced and launched a number of animated series adapted from our IP in the first half of this year. Among them, a semi-annual animation work adapted from the popular title, Battle Through the Heavens (斗破苍穹), generated over 1.9 billion video views and gained 7.8 points on Douban. We currently have more than 50 animation projects in the pipeline, including animated series adapted from popular IPs, such as Dafeng Guardian (大奉打更人), Forty Millenniums of Cultivation (星域四万年), The First Order (第一序列), and World's Best Martial Artist (全球高武).
 - In the film and TV drama segment, the drama series My Heroic Husband (赘婿), jointly produced by Tencent Pictures, New Classics Media, and China Literature Pictures, was one of the year's blockbusters. It ranked No. 1 on a number of TV series ranking charts and won praise from respected critics. Another drama series, Soul Land (斗罗大陆), topped Tencent Video's hot search list and TV series list during its broadcast period, enjoying wide market popularity. The Rebel (叛逆者) ranked No. 1 on the playlist of Enlightent's TV series, No.1 on Gudu's hot list for TV series, and was the most-watched program during its specific broadcast time slots on TV stations nationwide for 20 consecutive days. The drama series was also widely acclaimed by viewers and gained 8.3 points on Douban. As for films, New Classics Media participated in the production of the hit film Hi, Mom (你好, 李焕英) released during 2021 Chinese New Year Holiday, with box office sales of RMB5.4 billion, the second-highest ranking box office sales in the history of China's film industry. Tencent Pictures, New Classics Media, and China Literature Pictures also participated in the production of 1921 (1921), a film to celebrate the 100th anniversary of the founding of the Communist Party of China. The film recreated the beginnings of the great and glorious journey of the Communist Party of China and was released in theaters on the date of the actual anniversary on July 1, 2021. Looking ahead, China Literature Pictures, New Classics Media and Tencent Pictures will be working closely together. The partnership will focus on serial development of premium IP franchises, including Joy of Life (庆余年), My

Heroic Husband (赘婿), and Dafeng Guardian (大奉打更人) as well as the launch of high-quality TV series with contemporary themes like A Lifelong Journey (人世间). We will also explore opportunities in new areas such as web films and short dramas.

- In the games segment, Lord of the Mysteries (诡秘之主), A Record of a Mortal's Journey to Immortality (凡人修仙传), My Heroic Husband (赘婿) and other high-quality IPs have been licensed to the industry's leading game developers, and the games adapted from these IPs will be launched sequentially sometime in the future.
- The second stage of IP metamorphosis is to enable our premium IPs to walk out of connected screens and digital devices into every consumer's everyday life in the form of various types of products and services. In this stage, monetization is enhanced after the IP has broad influence. Currently, the influence of Chinese IP is still at an early stage. The top ranking Chinese IP licensor in the global market is number 39. The global IP licensing and merchandizing industry is dominated by entertainment giants from the US and Japan, which occupy the top 20 positions. We believe in the long-term vitality and great commercial prospects of Chinese IP. At the beginning of the year, China Literature established an IP Power Center to promote the visual characters created based on our premium IP content, starting with those that have already established a wide user base. We will build a symbiotic relationship with our upstream and downstream partners to explore new opportunities such as IP licensing in consumer products, fashion toys, and offline businesses. We hope China Literature will become one of the top IP licensors globally in the future.
- The third stage of IP metamorphosis is where an IP and the characters from the IP not only connect to, but become an integral part of the life experience of consumers. At this stage, an IP is immortal and can be passed down from one generation to the next. This is our target. We hope to create an IP that can grow together with audience, bearing a unique timestamp from its date of creation but evolving over time. We hope that the relationship between China Literature's IPs and consumers is interactive, intimate, enduring, and eventually inseparable hence invaluable. The two stages of metamorphosis, the conversion of IP into media-rich formats, and the increase in monetization value of the IP, support stage three metamorphosis, that is, IP immortality.

Based on our understanding of content, users and the transformative potential of our IP, in the first half of the year we proposed as our mission creating good stories that will live forever. The ultimate goal of the China Literature IP ecosystem is to create compelling and inspirational stories. Our success relies on China Literature's online platform to discover and distribute premium literary IP. It also relies on our open and inclusive ecosystem within which creative talent and business partners collaborate seamlessly to promote IP metamorphosis and unleash the full power and commercial value of the best IP.

Other significant business developments

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

- Greater numbers of young writers joined our platform with excellent results. For example, during the first half of 2021, writers born after 1995 accounted for 80% of our new writers; post-90s writers created 57% of our Top 100 bestselling new titles and they accounted for 54% of our newly added Platinum and Phenomenal Writers. These young writers revitalized the platform with their avant-garde and innovative genres.

- We continued to improve our reading community and enhance user engagement. As of June 30, 2021, there were 220 million paragraph comments, 1.1 million user-generated audio recordings for texts, 43 thousand extra chapters in audio and video formats published by writers, and more than 120 works each with over 1 million comments across the platform on a cumulative basis.
- We continued to encourage the creation of literary works with contemporary themes. During the first half of this year, we hosted a writing contest aiming at publishing high quality stories with contemporary themes that convey positive social values and will drive healthy development of the online literature industry. We will adapt contemporary-themed literary works into various media formats including comics, animation, film and drama series to reach a wider audience. In addition, we will translate and publish high-quality contemporary-themed works on our foreign language platform WebNovel to promote stories set in contemporary China to global audiences.
- China Literature was awarded Outstanding Publisher and the work Great Power Heavy Industry (大国重工) incubated on our platform was awarded Outstanding Online Publication by the 5th China Publication Government Awards. The China Publication Government Awards acknowledge and reward outstanding publications, publishers and individuals in the press and publication industry of China.
- We continued to expand our international presence. As of June 30, 2021, WebNovel, our foreign language website and mobile platform, offered approximately 1,700 works translated from Chinese and approximately 280,000 original content works created locally.

Outlook

China Literature's vision is to become a world-leading platform for cultural creativity. Down the road, we will build an unparalleled collection of IP franchises and characters that will unite with users across their daily lives. We will assemble a strong army of creative talent that delivers not only various formats of entertainment products and services, but also brings the IP and its characters to life. We will continue to maintain our support for creative talent to help realize their maximum potential. Their ideas combined with our business network will be delivered to consumers in the form of creative products hitherto unseen.

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 June 30, 2021, the Company had 9.4 million writers and 14.5 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/(loss), non-IFRS operating margin, non-IFRS profit for the period, 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 the 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**

	Six months ended June 30,	
	2021	2020
(RMB in million, unless specified)		
Revenues		
Online business ^{(1) (3)}	2,540.0	2,457.3
Intellectual property operations and others ^{(2) (3)}	1,802.2	802.9
	4,342.1	3,260.2
Cost of revenues	(2,054.1)	(1,528.9)
Gross profit	2,288.1	1,731.3
	Gross margin 52.7%	53.1%
Interest income	60.6	62.0
Other gains/(losses), net	901.1	(3,529.7)
Selling and marketing expenses	(1,348.2)	(1,270.3)
General and administrative expenses	(635.1)	(350.7)
Net reversal of/(provision for) impairment losses on financial assets	17.5	(198.3)
Operating profit/(loss)	1,284.0	(3,555.6)
	Operating margin 29.6%	(109.1%)
Finance costs	(34.6)	(38.1)
Share of net profit of associates and joint ventures	115.9	81.8
Profit/(loss) before income tax	1,365.4	(3,511.8)
Income tax (expense)/benefit	(284.4)	201.3
Profit/(loss) for the period	1,081.0	(3,310.5)
	Net margin 24.9%	(101.5%)
Profit/(loss) attributable to:		
Equity holders of the Company	1,082.7	(3,295.9)
Non-controlling interests	(1.8)	(14.7)
	1,081.0	(3,310.5)
Earnings/(loss) per share (in RMB per share)		
- Basic earnings/(loss) per share	1.08	(3.30)
- Diluted earnings/(loss) per share	1.07	(3.31)

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 copyrights, operation of self-operated online games and sales of physical books.
- (3) Starting from January 1, 2021, revenues from online audio books and online comic content provided via Tencent and third-party platforms have been reclassified from "online business" segment to "intellectual property operations and others" segment to better reflect the Company's current businesses. We restated our prior-period figures to conform to the current-period's presentation.

CHINA LITERATURE
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended June 30,	
	2021	2020
	(RMB in million)	
Profit/(Loss) for the period	1,081.0	(3,310.5)
Other comprehensive (loss)/income:		
<i>Item that may be subsequently reclassified to profit or loss</i>		
Share of other comprehensive loss of associates and joint ventures	(2.4)	(0.1)
Currency translation differences	(40.6)	77.6
<i>Item that may not be reclassified to profit or loss</i>		
Net gain from change in fair value of financial asset at fair value through other comprehensive income	5.9	-
Currency translation differences	(2.2)	-
	(39.2)	77.5
Total comprehensive income/(loss) for the period	1,041.8	(3,233.0)
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	1,044.1	(3,218.4)
Non-controlling interests	(2.3)	(14.7)
	1,041.8	(3,233.0)

**CHINA LITERATURE
SEGMENT INFORMATION**

	Six months ended June 30,	
	2021	2020
	(RMB in million, except percentages)	
Revenues		
Online business	2,540.0	2,457.3
Intellectual property operations and others	1,802.2	802.9
Total revenues	4,342.1	3,260.2
Cost of revenues		
Online business	(1,336.0)	(1,132.8)
Intellectual property operations and others	(718.1)	(396.1)
Total cost of revenues	(2,054.1)	(1,528.9)
Gross profit		
Online business	1,203.9	1,324.5
Intellectual property operations and others	1,084.1	406.9
Total gross profit	2,288.1	1,731.3
Gross margin		
Online business	47.4%	53.9%
Intellectual property operations and others	60.2%	50.7%
Total gross margin	52.7%	53.1%

CHINA LITERATURE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of	
	June 30, 2021	December 31, 2020
	(RMB in million)	
ASSETS		
Non-current assets		
Property, plant and equipment	41.0	39.6
Right-of-use assets	96.0	83.3
Intangible assets	7,483.9	7,676.1
Investments in associates and joint ventures	696.1	598.6
Financial assets at fair value through profit or loss	1,270.2	915.3
Financial asset at fair value through other comprehensive income	38.6	-
Deferred income tax assets	239.3	188.5
Prepayments, deposits and other assets	269.2	314.1
	10,134.2	9,815.4
Current assets		
Inventories	581.4	571.8
Television series and film rights	951.0	640.5
Trade and notes receivables	3,358.0	3,296.3
Prepayments, deposits and other assets	672.5	734.8
Term deposits	2,328.8	3,408.7
Cash and cash equivalents	4,583.6	2,848.2
	12,475.2	11,500.3
Total assets	22,609.4	21,315.8
EQUITY		
Capital and reserves attributable to the equity holders of the Company		
Share capital	0.6	0.6
Shares held for RSU scheme	(12.2)	(0.0)
Share premium	16,459.7	16,259.7
Other reserves	1,283.2	1,268.2
Accumulated losses	(1,352.3)	(2,435.0)
	16,379.1	15,093.5
Non-controlling interests	2.7	5.0
Total equity	16,381.8	15,098.5

	As of	
	June 30, 2021	December 31, 2020
	(RMB in million)	
LIABILITIES		
Non-current liabilities		
Borrowings	487.6	691.5
Lease liabilities	35.9	34.8
Long-term payables	12.3	16.9
Deferred income tax liabilities	156.1	187.6
Deferred revenue	30.0	31.3
Financial liabilities at fair value through profit or loss	986.8	1,037.9
	1,708.7	2,000.1
Current liabilities		
Borrowings	732.9	554.4
Lease liabilities	57.4	50.4
Trade payables	1,078.4	1,039.7
Other payables and accruals	1,251.7	1,149.7
Deferred revenue	811.1	880.3
Current income tax liabilities	199.3	184.5
Financial liabilities at fair value through profit or loss	388.2	358.2
	4,519.0	4,217.2
Total liabilities	6,227.7	6,217.3
Total equity and liabilities	22,609.4	21,315.8

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

	Six months ended June 30,	
	2021	2020
(RMB in million)		
Reconciliation of operating profit/(loss) to EBITDA		
and adjusted EBITDA:		
Operating profit/(loss)	1,284.0	(3,555.6)
Adjustments:		
Interest income	(60.6)	(62.0)
Other (gains)/losses, net	(901.1)	3,529.7
Depreciation of property, plant and equipment	9.5	11.5
Depreciation of right-of-use assets	32.4	32.6
Amortization of intangible assets	262.7	103.4
EBITDA	626.9	59.6
Adjustments:		
Share-based compensation	53.7	52.2
Expenditures related to acquisition	28.3	(94.6)
Adjusted EBITDA	708.9	17.1

CHINA LITERATURE
RECONCILIATIONS OF IFRS TO NON-IFRS RESULTS

Six months ended June 30, 2021

	As reported	Share-based compensation	Adjustments			Non-IFRS
			Net (gain) from investments and acquisition ⁽¹⁾	Amortization of intangible assets ⁽²⁾	Tax effects	
(RMB in million, unless specified)						
Operating profit	1,284.0	53.7	(716.7)	20.5	-	641.5
Profit for the period	1,081.0	53.7	(716.7)	20.5	224.8	663.2
Profit attributable to equity holders of the Company	1,082.7	53.7	(716.7)	20.5	224.8	665.0
EPS (RMB per share)						
- basic	1.08					0.66
- diluted	1.07					0.66
Operating margin	29.6%					14.8%
Net margin	24.9%					15.3%

Six months ended June 30, 2020

	As reported	Share-based compensation	Adjustments			Non-IFRS
			Net loss from investments and acquisition ⁽¹⁾	Amortization of intangible assets ⁽²⁾	Tax effects	
(RMB in million, unless specified)						
Operating (loss)	(3,555.6)	52.2	3,401.0	45.8	-	(56.7)
(Loss)/profit for the period	(3,310.5)	52.2	3,394.3	45.8	(174.7)	7.0
(Loss)/profit attributable to equity holders of the Company	(3,295.9)	52.2	3,394.3	45.8	(174.7)	21.7
EPS (RMB per share)						
- basic	(3.30)					0.02
- diluted	(3.31)					0.02
Operating margin	(109.1%)					(1.7%)
Net margin	(101.5%)					0.2%

Notes:

⁽¹⁾ For the six months ended June 30, 2021, this item includes disposal gains and fair value changes arising from investee companies, the fair value changes of consideration liabilities related to the acquisition of NCM and the compensation costs for certain employees and former owners of NCM. For the six months ended June 30, 2020, this item includes impairment provision of goodwill, trademark rights and long-term investments related to certain investee companies, fair value changes arising from investee companies, fair value gains on consideration liabilities related to the acquisition of NCM and the reversal of compensation costs for certain employees and former owners of NCM.

⁽²⁾ Represents amortization of intangible assets and TV series and film rights resulting from acquisitions.