

China Literature Announces 2021 Annual Results

Hong Kong, March 22, 2022 – 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, 2021.

Results Highlights ⁽¹⁾

- Total revenues increased 1.7% year-over-year to RMB8,668.2 million (USD1,359.6 million).
 - Revenues from online business increased 9.6% to RMB5,308.5 million (USD832.6 million).
 - Excluding revenues of New Classics Media (“NCM”), revenues from intellectual property operations and others rose by 30.0% to RMB2,142.9 million (USD336.1 million), but fell by 8.7% to RMB3,359.8 million (USD527.0 million) after including revenues of NCM.
- Gross profit increased 8.6% year-over-year to RMB4,599.4 million (USD721.4 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 increased 39.1% year-over-year to RMB1,299.8 million (USD203.9 million).
 - Profit attributable to equity holders of the Company increased 34.1% year-over-year to RMB1,229.7 million (USD192.9 million).
 - Basic earnings per share were RMB1.22. Diluted earnings per share were RMB1.21.
- **On an IFRS basis:**
 - Operating profit was RMB2,172.6 million (USD340.8 million), as compared to an operating loss of RMB4,474.7 million in 2020.
 - Profit attributable to equity holders of the Company was RMB1,846.6 million (USD289.6 million), as compared to a loss attributable to equity holders of the Company of RMB4,483.9 million in 2020.
 - Basic earnings per share was RMB1.83. Diluted earnings per share was RMB1.82.
- New Classics Media, on a standalone basis, recorded RMB1,216.9 million (USD190.9 million) in revenues and RMB533.8 million (USD83.7 million) in profit attributable to equity holders of the company, compared with RMB2,033.2 million and RMB429.4 million in 2020, respectively.

Mr. Edward Cheng, Chief Executive Officer of China Literature, commented: “In 2021, China Literature realized total revenues of RMB8.7 billion. Revenues from online business increased 10% year-over-year, and revenues from IP operations business increased over 30% year-over-year excluding the revenue contribution from New Classics Media. Profit attributable to equity holders of the Company under non-IFRS measures increased 34% year-over-year to RMB1.23 billion. More importantly, we announced our IP metamorphosis strategy during the year and made significant progress in executing it. Although these developments have not been fully reflected in the current financials, we believe they will lay a solid foundation for our long-term development.

1. Figures stated in USD are based on USD1 to RMB6.3757.

2. Non-IFRS adjustments exclude share-based compensation, M&A related impact such as net (gains)/losses from investee companies and 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 the “online business” segment to the “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.

5. “Our literature platform”, or “our platform” refers to all of online products, channels and content operated by China Literature, including but not limited to mobile apps, WAPs, websites and various channels.

We are actively building proprietary capacity in content conversion while working openly with external teams, and have achieved significant progress in the comics, animation, film, TV drama and game segments. In the TV and film segment in particular, following the success of *My Heroic Husband* (赘婿), *Soul Land* (斗罗大陆), *The Rebel* (叛逆者), *Hi, Mom* (你好, 李焕英) and *Sword Snow Stride* (雪中悍刀行), we have again released several new products that are highly rated and popular. During 2022 Spring Festival holidays, we released the drama series *A Lifelong Journey* (人世间), which was a Tencent Pictures Prime series jointly produced by China Literature and New Classics Media. The series set an 8-year record in CCTV-1 prime time ratings, topped all charts across the internet, and was widely acclaimed. We also released the film *Too Cool to Kill* (这个杀手不太冷静), which stood out in the midst of a highly competitive period with box office sales of RMB2.6 billion, coming second in box office sales during the 2022 Spring Festival period.

This year, 'reading for all' was included in the government work report for the ninth time. The work report highlighted promotion of press and publishing, broadcasting, film and television, literature and art industries, and expansion of the supply of quality cultural products and services. The policy provides China Literature with promising long-term development prospects for the sector in which it operates. Digital reading is a key pillar and driver for a society built around 'reading for all'. The entire industry chain around China Literature will help to achieve this goal, as an integral part of the process of building higher culture. This will ultimately generate both commercial and social value. It will also support our core value proposition, which is to create timeless stories and IP that can be passed from generation to generation."

Financial Review ⁽³⁾ ⁽⁴⁾

Revenues increased 1.7% year-over-year to RMB8,668.2 million (USD1,359.6 million) in 2021.

Revenues from online business increased 9.6% year-over-year to RMB5,308.5 million (USD832.6 million). A further breakdown of this category is as follows: i) online business revenues from the Company's self-owned platform products decreased 1.4% year-over-year to RMB3,848.4 million (USD603.6 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 28.1% year-over-year to RMB808.9 million (USD126.9 million), mainly due to growth in advertising revenues from free-to-read business as the Company continued to expand the user base for free reading in 2021; iii) online business revenues from third-party platforms increased 110.9% year-over-year to RMB651.1 million (USD102.1 million), primarily due to an increase in revenues from certain existing third-party platform partners and the expansion of distribution channels in 2021.

Revenues from IP operations and others decreased 8.7% year-over-year to RMB3,359.8 million (USD527.0 million), mainly due to the reduction in revenues of NCM from RMB2,033.2 million in 2020 to RMB1,216.9 million (USD190.9 million) in 2021. The annual decrease in NCM's revenues was mainly due to a change in the project mix with different revenues, cost structures and business models. Excluding NCM's revenues, revenues from IP operations and others increased 30.0% to RMB2,142.9 million (USD336.1 million), primarily due to the growth in revenues generated from IP licensing, animated series and self-operated games.

Cost of revenues decreased 5.2% year-over-year to RMB4,068.8 million (USD638.2 million), primarily due to a decline in production costs of TV, web and animated series and films. The decrease in costs was mainly attributable to the reduction in NCM's production costs in 2021, partially offset by an increase in content costs and amortization of intangible assets represented by content copyrights due to the expansion of the Company's online reading businesses.

Gross profit increased 8.6% year-over-year to RMB4,599.4 million (USD721.4 million). Gross margin was 53.1%, as compared to 49.7% in 2020.

Interest income increased 7.8% to RMB125.4 million (USD19.7 million), reflecting a higher average cash deposit balance in 2021.

Other gains, net were RMB1,448.1 million (USD227.1 million), compared with net other losses of RMB5,322.9 million in 2020. The net other gains for 2021 were mainly generated from gains of RMB1,288.3 million (USD202.1 million) related to the sales of our equity interest in investee companies, and other miscellaneous gains.

Selling and marketing expenses increased 8.1% year-over-year to RMB2,700.8 million (USD423.6 million), primarily driven by i) greater marketing expenses to promote our online businesses, ii) greater promotion and advertising expenses for our films and drama series, and iii) an increase in employee benefits expenses and share-based compensation expenses. As a percentage of revenues, our selling and marketing expenses increased to 31.2% in 2021 from 29.3% in 2020.

General and administrative expenses increased 51.5% year-over-year to RMB1,323.8 million (USD207.6 million), primarily attributable to i) the net increase effect of compensation cost of RMB166.5 million (USD26.1 million) mainly driven by service expense reversals of certain employees and former owners of NCM in the prior year, relating to the modification of the earn-out mechanism for NCM in 2020, ii) an annual increase in employee benefits expenses along with an increase in share-based compensation expenses as we launched new stock incentive plans, and iii) an increase in research and development expenses related to our self-operated online game as revenue increased. As a percentage of revenues, general and administrative expenses increased to 15.3% in 2021 from 10.2% in 2020.

Net reversal of impairment losses on financial assets reflected the reversal of doubtful receivables. In 2021, the Company reversed a provision for doubtful receivables of RMB24.4 million (USD3.8 million), as a result of the collection of receivables related to TV and web series which were impaired in prior years.

Operating profit was RMB2,172.6 million (USD340.8 million), compared to an operating loss of RMB4,474.7 million in 2020.

Income tax expense was RMB460.1 million (USD72.2 million), compared to an income tax benefit of RMB38.5 million in 2020.

Profit attributable to equity holders of the Company was RMB1,846.6 million (USD289.6 million), compared to a loss attributable to equity holders of the Company of RMB4,483.9 million in 2020.

Key Operating Information

- Average MAUs on our self-owned platform products and self-operated channels increased 8.6% year-over-year from 228.9 million to 248.6 million in 2021, among which i) MAUs on our self-owned platform products decreased 3.9% year-over-year from 121.5 million to 116.8 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 22.7% year-over-year from 107.4 million to 131.8 million, as our free-to-read business continued to expand and attracted a greater number of users.

- 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 14.7% year-over-year from 10.2 million to 8.7 million in 2021.
- Monthly ARPU for paid reading content increased 14.4% year-over-year from RMB34.7 to RMB39.7 in 2021, primarily driven by the higher willingness of users to pay for premium content.
- In December 2021, our average DAU for free-to-read content was approximately 15 million.

Other Key Information

- EBITDA was RMB1,094.0 million (USD171.6 million), compared to RMB1,033.8 million in 2020. Adjusted EBITDA was RMB1,335.8 million (USD209.5 million), compared to RMB1,029.7 million in 2020.
- Net cash position was RMB6,031.1 million (USD946.0 million) as of December 31, 2021.
- Free cash flow* was RMB791.2 million (USD124.1 million), compared to RMB764.1 million in 2020.
- New Classics Media, on a standalone basis, recorded RMB1,216.9 million (USD190.9 million) in revenues and RMB533.8 million (USD83.7 million) in profit attributable to equity holders of the company in 2021. Based on the modified earn-out mechanism, a total number of 3,021,371 consideration shares would be issued and a total cash consideration of RMB204.0 million (USD32.0 million) would 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 ⁽⁵⁾

Business Highlights

In 2021, we announced our IP metamorphosis strategy, which articulates the three stages we use to elevate the value of our literary IP. These three stages are: i) first, we adapt our literary IP to media-rich products, or, as we call it, the visualization of IP; ii) second, we enhance the commercial value of our IP; iii) third, we create timeless IP that can be passed down from one generation to the next. We are of the view that this strategy will lay the foundation for the evolution of China Literature over the next decade and provide IP with the opportunity to generate dividends over time.

• IP Creation – Literature Business

Our literature platform is the origin of our huge portfolio of IP content.

- On the supply side, the boundless creativity of our writers allows us to accumulate high-quality IP efficiently. In 2021, our platform added 700,000 writers and 1.2 million literary works. The increase in word count for the year was 36 billion Chinese characters. In addition to quantity, quality is constantly improving, thanks to the healthy ecosystem we have developed which helps writers to fulfill their creative potential. Young writers will find it particularly attractive and their performance in 2021 was outstanding. Among all the newly added writers of China Literature in 2021, approximately 80% were born after 1995; out of the top 12 rookies of the year, 5 are under age 27.
- On the user side, the MAU of our online business in 2021 reached a historic high of 248.6 million. We attribute this to our tireless efforts to improve content, ecosystem, content incubation, community features as well as to our recommendation efficiency.

- **Visualization of IP**

Visualization from print to image is crucial for text IP to tap into new audiences and extend its influence. By visualizing stories we also create a mutually reinforcing environment, where high quality stories enjoy a higher chance of success during the visualization, and the visualized IP, once successful, can attract more audiences to the original story. Currently IP visualization is the focus of our work.

- In the TV and film segment, China Literature and NCM have rolled out numerous blockbusters. Following the success of My Heroic Husband (赘婿), Soul Land (斗罗大陆), The Rebel (叛逆者) and Hi, Mom (你好, 李焕英), we have again released several highly rated and popular works. We released drama series A Lifelong Journey (人世间), which was adapted from the Mao Dun Literature Prize-winning fiction by contemporary writer Liang Xiaosheng of the same name. The series set an 8-year record in CCTV-1 prime time ratings, topped all charts across the internet, and was acclaimed widely. We also released the IP adapted drama series Sword Snow Stride (雪中悍刀行), which demonstrates the modern Wuxia spirit and the culture of Jianghu with contemporary characteristics. The drama series had nearly 7 billion video views and had extremely high popularity in the market. In film, we released Too Cool to Kill (这个杀手不太冷静) during the 2022 Spring Festival. The film stood out during this highly competitive period with box office sales of RMB2.6 billion, coming second in box office sales during 2022 Spring Festival period. Our excellent stories also reached international markets. For example, the overseas broadcasting rights of A Lifelong Journey (人世间) have been licensed to Disney; and My Heroic Husband (赘婿) was licensed to Watcha, a Korean streaming media platform, for a live-action adaptation. Looking ahead, we will continue to work on serial development of high-value IP dramas, such as Joy of Life (庆余年), My Heroic Husband (赘婿), Dafeng Guardian (大奉打更人), and others, as well as producing realistic masterpieces that reflect our era.
- In the animation segment, we launched two new seasons of Battle Through the Heavens (斗破苍穹), including Battle Through the Heavens Season 4 (斗破苍穹第四季) and the special episode Three-Year Promise (三年之约), which had over 4 billion video views in aggregate. As of the present, the Battle Through the Heavens (斗破苍穹) series has exceeded 10 billion video views. In addition to Battle Through the Heavens (斗破苍穹), Stellar Transformations (星辰变) emerged as a heavyweight IP in China, with four seasons and total video views of over 3 billion. We also released several quality productions in 2021, including Da Wang Rao Ming (大王饶命) and Cinderella Chef Season 2 (萌妻食神之再结良缘). Among the top 10 newly released animations on Tencent Video platform in 2021, 5 were adapted from China Literature IPs.
- In the comics segment, our production capacity increased rapidly last year. In late 2020, we and Tencent Comics announced a joint project to adapt 300 online literary works into comics in three years. Right now, over 100 adapted comic works have already been launched on Tencent Comics platform. Some titles have become blockbusters, such as Dafeng Guardian (大奉打更人), which hit 100,000 favorite views within 44 hours after launch. Converting literary works into comics before further adaptation into animations and dramas has multiple benefits. It will help China Literature build a character universe at a lower cost, while systematically testing the response of a core audience group, which will improve the hit rate of subsequent adaptations into other media-rich formats.
- In the games segment, we continued to license our IP to quality game studios to explore the potential and value of our IP.

Commercialization of IP: Attempts in Theme Characters and Merchandise

In 2021, we focused on building a foundation for the business, including IP planning, setting up an image data base, and building up design capacity of IP merchandise. We selectively worked with partners in consumer goods, fashion toys and retail sectors to kick off pilot projects. As users increasingly value copyright protection, have greater spending power, and are more willing to spend on IP merchandise, we will capture the trend to develop IP derivatives and work closely with our partners to drive the growth of this business. This will create more headroom for China Literature's IP business, by transforming IP into physical products that are accessible everywhere.

- **Passing on IP from Generation to Generation, Creating Stories That Will Live Forever**

Our ultimate goal is to create IP with staying power. In June 2021, we announced that our mission was to create stories that will live forever. This concept consists of two layers of meaning. The first meaning is “to create”, that is, through the incubation and cultivation of our literary ecosystem, to help the best stories continue to emerge and become the source of quality IP. The second meaning is “live forever”, that is, through comics, animation, film and television, games, merchandise and other forms, to pass on our best stories, so that they become the shared memory of generations of people.

Today, many of our IPs have lasted for more than a decade. Soul Land (斗罗大陆) was first created in 2008, 14 years ago. The King's Avatar (全职高手) is 11 years old. Their success was not an accident, but the result of 5 to 10 years of hard work. What we are doing now is providing support to cultivate the best content, so that literary hits can turn into comics, animation, film and television hits, as well as hits in other media, and eventually become the hits of each generation, with the staying power to last from one generation to the next. Currently, many classic IPs of China Literature are being adapted into new versions. We are also working on IP series development, for example, producing sequels for both the TV series Joy of Life (庆余年) and My Heroic Husband (赘婿), and we will continue to launch new seasons for our animation and comics series. At the same time, more products and IP are being created and developed on our platform. We hope that in each era, there will be new interpretations of these IPs, with each carrying the distinctive characteristics of that particular era. If this dream is realized, such IP will become the cornerstone assets of China Literature's long-term value. This will best reward all the efforts we have made today.

- **Overseas Business**

We continued to expand our international presence. As of December 31, 2021, our foreign language online reading brand, WebNovel, offered approximately 2,100 works translated from Chinese and approximately 370,000 original content works created locally. We hope that we will be able to explore new possibilities for the global cultural ecosystem and cultural exchange through our online reading business and our continuing innovation and creativity.

Outlook

China Literature focuses on seizing the historical opportunities offered by the present. We have created our own unique IP and have established a rich cultural ecosystem that reflects the era. We will withstand changing tides and become a pioneering voice of the times, doing our part to create Chinese stories that will live forever.

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. 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,	
	2021	2020
(RMB in million, unless specified)		
Revenues		
Online business ⁽¹⁾⁽³⁾	5,308.5	4,843.9
Intellectual property operations and others ⁽²⁾⁽³⁾	3,359.8	3,681.8
	8,668.2	8,525.7
Cost of revenues	(4,068.8)	(4,291.6)
Gross profit	4,599.4	4,234.1
	Gross margin 53.1%	49.7%
Interest income	125.4	116.3
Other gains/(losses), net	1,448.1	(5,322.9)
Selling and marketing expenses	(2,700.8)	(2,498.2)
General and administrative expenses	(1,323.8)	(873.8)
Net reversal of/(provision for) impairment losses on financial assets	24.4	(130.2)
Operating profit/(loss)	2,172.6	(4,474.7)
	Operating margin 25.1%	(52.5%)
Finance costs	(68.8)	(68.8)
Share of net profit of associates and joint ventures	199.2	4.7
Profit/(loss) before income tax	2,303.1	(4,538.7)
Income tax (expense)/benefit	(460.1)	38.5
Profit/(loss) for the year	1,842.9	(4,500.2)
	Net margin 21.3%	(52.8%)
Profit/(loss) attributable to:		
Equity holders of the Company	1,846.6	(4,483.9)
Non-controlling interests	(3.7)	(16.3)
	1,842.9	(4,500.2)
Earnings/(loss) per share (in RMB per share)		
- Basic earnings/(loss) per share	1.83	(4.48)
- Diluted earnings/(loss) per share	1.82	(4.49)

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 the "online business" segment to the "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

	Year ended December 31,	
	2021	2020
	(RMB in million)	
Profit/(loss) for the year	1,842.9	(4,500.2)
Other comprehensive income/(loss):		
<i>Item that may be subsequently reclassified to profit or loss</i>		
Share of other comprehensive (loss)/income of associates and joint ventures	(28.9)	1.0
Currency translation differences	(13.3)	41.4
<i>Item that may not be reclassified to profit or loss</i>		
Net loss from change in fair value of financial asset at fair value through other comprehensive income	(21.9)	-
Currency translation differences	(14.1)	(74.7)
	(78.2)	(32.3)
Total comprehensive income/(loss) for the year	1,764.7	(4,532.5)
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	1,769.2	(4,516.2)
Non-controlling interests	(4.5)	(16.3)
	1,764.7	(4,532.5)

**CHINA LITERATURE
SEGMENT INFORMATION**

	Year ended December 31,	
	2021	2020
	(RMB in million, except percentages)	
Revenues		
Online business	5,308.5	4,843.9
Intellectual property operations and others	3,359.8	3,681.8
Total revenues	8,668.2	8,525.7
Cost of revenues		
Online business	(2,690.3)	(2,325.7)
Intellectual property operations and others	(1,378.5)	(1,965.9)
Total cost of revenues	(4,068.8)	(4,291.6)
Gross profit		
Online business	2,618.1	2,518.2
Intellectual property operations and others	1,981.3	1,715.9
Total gross profit	4,599.4	4,234.1
Gross margin		
Online business	49.3%	52.0%
Intellectual property operations and others	59.0%	46.6%
Total gross margin	53.1%	49.7%

CHINA LITERATURE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of	
	December 31, 2021	December 31, 2020
	(RMB in million)	
ASSETS		
Non-current assets		
Property, plant and equipment	45.1	39.6
Right-of-use assets	281.5	83.3
Intangible assets	7,455.5	7,676.1
Investments in associates and joint ventures	932.3	598.6
Financial assets at fair value through profit or loss	1,310.0	915.3
Deferred income tax assets	271.8	188.5
Prepayments, deposits and other assets	256.7	314.1
Financial asset at fair value through other comprehensive income	14.1	-
	10,567.0	9,815.4
Current assets		
Inventories	653.8	571.8
Television series and film rights	1,090.9	640.5
Trade and notes receivables	2,747.2	3,296.3
Prepayments, deposits and other assets	1,032.0	734.8
Term deposits	2,678.0	3,408.7
Cash and cash equivalents	4,528.4	2,848.2
	12,730.3	11,500.3
Total assets	23,297.3	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 schemes	(17.5)	(0.0)
Share premium	16,412.7	16,259.7
Other reserves	1,455.1	1,268.2
Accumulated losses	(664.6)	(2,435.0)
	17,186.5	15,093.5
Non-controlling interests	0.5	5.0
Total equity	17,187.0	15,098.5

	As of	
	December 31, 2021	December 31, 2020
	(RMB in million)	
LIABILITIES		
Non-current liabilities		
Borrowings	382.5	691.5
Lease liabilities	201.9	34.8
Long-term payables	9.1	16.9
Deferred income tax liabilities	149.3	187.6
Deferred revenue	28.8	31.3
Financial liabilities at fair value through profit or loss	827.2	1,037.9
	1,598.8	2,000.1
Current liabilities		
Borrowings	792.8	554.4
Lease liabilities	72.6	50.4
Trade payables	1,127.4	1,039.7
Other payables and accruals	1,185.8	1,149.7
Deferred revenue	669.8	880.3
Current income tax liabilities	338.6	184.5
Financial liabilities at fair value through profit or loss	324.7	358.2
	4,511.5	4,217.2
Total liabilities	6,110.3	6,217.3
Total equity and liabilities	23,297.3	21,315.8

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

	Year ended December 31,	
	2021	2020
	(RMB in million)	
Reconciliation of operating profit/(loss) to EBITDA and adjusted EBITDA:		
Operating profit/(loss)	2,172.6	(4,474.7)
Adjustments:		
Interest income	(125.4)	(116.3)
Other (gains)/losses, net	(1,448.1)	5,322.9
Depreciation of property, plant and equipment	19.1	23.7
Depreciation of right-of-use assets	80.3	62.3
Amortization of intangible assets	395.5	215.9
EBITDA	1,094.0	1,033.8
Adjustments:		
Share-based compensation	188.1	120.2
Expenditure related to acquisition	53.7	(124.4)
Adjusted EBITDA	1,335.8	1,029.7

CHINA LITERATURE
RECONCILIATIONS OF IFRS TO NON-IFRS RESULTS

Year ended December 31, 2021

	As reported	Share-based compensation	Adjustments			Non-IFRS
			Net (gains) from investments and acquisitions ⁽¹⁾	Amortization of intangible assets ⁽²⁾	Tax effect	
(RMB in million, unless specified)						
Operating profit	2,172.6	188.1	(1,098.6)	37.7	-	1,299.8
Profit for the year	1,842.9	188.1	(1,098.6)	37.7	255.9	1,226.0
Profit attributable to equity holders of the Company	1,846.6	188.1	(1,098.6)	37.7	255.9	1,229.7
EPS (RMB per share)						
- basic	1.83					1.22
- diluted	1.82					1.21
Operating margin	25.1%					15.0%
Net margin	21.3%					14.1%

Year ended December 31, 2020

	As reported	Share-based compensation	Adjustments			Non-IFRS
			Net losses from investments and acquisitions ⁽¹⁾	Amortization of intangible assets ⁽²⁾	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
EPS (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%

Notes:

⁽¹⁾ For the year ended December 31, 2021, this item includes disposal gains and fair value changes arising from investee companies, fair value changes of consideration liabilities related to the acquisition of NCM, expenses related to acquisition and impairment provision of long-term investments. For the year ended December 31, 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 changes 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.