

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CHINA LITERATURE LIMITED

阅文集团

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 772)

PROFIT WARNING

This announcement is made by China Literature Limited (the “**Company**”, together with its subsidiaries and consolidated affiliated entities from time to time, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors of the Company (the “**Board**”) hereby informs the shareholders of the Company (the “**Shareholders**”) and potential investors that, based on the preliminary assessment of the unaudited consolidated management accounts of the Group for the year ended December 31, 2024 (the “**2024 Financial Year**”) and the information currently available to the Board, the Group is expected to record an IFRS (International Financial Reporting Standards) net loss of approximately RMB150 million to RMB250 million for the 2024 Financial Year, compared to an IFRS net profit of RMB804 million recorded for the year ended December 31, 2023, mainly attributable to a non-cash impairment of goodwill arising from the acquisition in 2018 of New Classics Media Holdings Limited (“**New Classics Media**”).

The Group carried out a preliminary assessment of goodwill as of December 31, 2024 based on the indicators of impairment of assets identified. The Board considers that the recoverable amount of goodwill attributable to New Classics Media is lower than its carrying amount, and the Group will therefore record an impairment of goodwill of an estimated amount of approximately RMB1,050 million to RMB1,150 million.

Currently, due to market developments, audience expectations for high-quality content continue to rise. In the drama series sector, online video platforms and TV stations are becoming increasingly focused on acquiring premium content. In the film sector, only works of exceptional quality can consistently win market favor and achieve financial success. In response to this trend, New Classics Media plans to further concentrate on developing primarily top-tier film and drama series content in the future, striving for excellence in all aspects, including script development, pre-production planning, filming, and post-production, with a commitment to providing audiences with works that reflect the highest industry standards. This concentration may lead to extended development cycles for new projects and an increase in overall production costs in the coming years, thereby resulting in lower profit expectations for New Classics Media in the near future. However, from a strategic perspective, the Company believes that this change will strengthen New Classics Media's leading position in the high-end film and drama series production industry and ultimately create greater long-term value for the Company's IP business.

The impairment charge on goodwill is non-cash in nature, and therefore is not expected to affect the Group's cash flow, nor is it included in its measurement of non-IFRS financials. The Board expects that the non-IFRS net profit for the 2024 Financial Year will be approximately RMB1,100 million to RMB1,150 million, largely consistent with RMB1,129 million for the year ended December 31, 2023. The Company defines non-IFRS net profit as profit for the period adjusted by adding back share-based compensation, impairment provision of goodwill, net (gains)/losses from investments and acquisitions of certain investee companies, amortization of intangible assets resulting from acquisitions and the related tax effect.

The Board wishes to emphasize that the non-IFRS net profit for the 2024 Financial Year is not required by, or presented in accordance with IFRS. The management of the Company believes that the presentation of the 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 Group's financial condition and results of operations. The management of the Company also believes that the non-IFRS financial measures are useful in evaluating our Group's operating performance. However, the use of the non-IFRS measures has limitations as an analytical tool. Shareholders and potential investors of the Company should not consider these measures in isolation or as a substitute for analysing the results of operations or financial condition of the Company as reported under IFRS. In addition, the non-IFRS measures may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

As of the date of this announcement, the Company is in the process of finalizing its consolidated financial information for the 2024 Financial Year. The information contained in this announcement is only based on the preliminary assessment by the management of the Company with reference to the information currently available including the unaudited consolidated management accounts of the Group for the 2024 Financial Year. Such consolidated management accounts have not yet been audited by the Company's auditor and shall be subject to finalization and necessary adjustments (if any). Shareholders and potential investors of the Company are advised to carefully read the announcement on the Group's annual results for the 2024 Financial Year, which is expected to be published on March 18, 2025.

Shareholders and potential investors should exercise caution when dealing with the securities of the Company.

By order of the Board
CHINA LITERATURE LIMITED

Mr. Pu Hai Tao

Chairman of the Board and Non-executive Director

Hong Kong, February 25, 2025

As at the date of this announcement, the Board comprises Mr. Hou Xiaonan and Mr. Huang Yan as Executive Directors; Mr. Pu Hai Tao, Mr. Cao Huayi and Mr. Xie Qinghua as Non-executive Directors; Ms. Yu Chor Woon Carol, Ms. Leung Sau Ting Miranda and Mr. Liu Junmin as Independent Non-executive Directors.