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CHINA LITERATURE LIMITED

阅文集团

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 772)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED DECEMBER 31, 2024
AND
ISSUE OF CONSIDERATION SHARES
UNDER THE SPECIFIC MANDATE**

The board of directors of China Literature Limited hereby announces the audited consolidated results of the Group for the year ended December 31, 2024. The results have been audited by the Auditor in accordance with International Standards on Auditing. In addition, the results have also been reviewed by the Audit Committee.

FINANCIAL PERFORMANCE HIGHLIGHTS

	2024	2023	Year-over-year
	RMB'000	RMB'000	(%)
Revenues	8,121,081	7,011,785	15.8%
Gross profit	3,921,940	3,371,463	16.3%
Operating (loss)/profit	(336,116)	709,309	-147.4%
(Loss)/profit before income tax	(98,925)	901,397	-111.0%
(Loss)/profit for the year	(209,595)	803,547	-126.1%
(Loss)/profit attributable to equity holders of the Company	(209,216)	804,879	-126.0%
Non-IFRS profit attributable to equity holders of the Company	1,141,657	1,130,379	1.0%

BUSINESS REVIEW AND OUTLOOK

During the 2025 Spring Festival, the digital content industry witnessed two milestone events: the launch of the DeepSeek model, which had a significant impact on the global AI industry; and the release of the animated film “Ne Zha 2 (哪吒2)”, the highest-grossing film in Chinese box office history and the fifth-highest globally, generating RMB15.2 billion in box office revenue. Together, these events have created a new paradigm in which technological innovation and cultural confidence are intertwined, demonstrating how IP and AI are driving the evolution of the content industry. This directly aligns with China Literature’s mission and is truly an exciting development.

The success of the “Ne Zha (哪吒)” series has shown us that high-quality content has unlimited potential, not only attracting a large audience but also creating substantial business opportunities. This achievement further validates the effectiveness of our quality-focused strategy and the opportunities it creates. This is reflected in our financial performance for the year, with IP operations revenues increasing 34% year-over-year to RMB4 billion. We successfully launched a series of blockbuster titles in 2024, such as “YOLO (熱辣滾燙)”, “The Legend of Shen Li (與鳳行)”, “Joy of Life 2 (慶餘年2)”, “The Tale of Rose (玫瑰的故事)” and “Guardians of the Dafeng (大奉打更人)”, further reinforcing our leading position in the industry. To capitalize on the influence of our popular content, we accelerated IP commercialization. Our merchandise business experienced rapid growth in 2024, with the annual GMV surpassing RMB500 million. In addition, during the 2025 Spring Festival, leveraging our online and offline omni-channel distribution strengths, we secured the domestic general distribution rights for FunCrazy’s “Ne Zha 2 (哪吒2)” light merchandise products. This not only showcases our strength in IP merchandising but also provides strong support for the commercial expansion of “Ne Zha 2 (哪吒2)” IP. Going forward, we will continue to execute our quality-focused strategy, develop IP with enduring vitality and expansive commercial opportunities, and enhance the value of our IP.

Meanwhile, we continue to explore the application of cutting-edge technologies to empower our content business. In February 2025, our “Writer Assistant (作家助手)” creation tool became the first in the industry to integrate the DeepSeek-R1 model, providing writers with even more intelligent assistance. Since its integration, daily active users of “Writer Assistant (作家助手)” have increased by over 30%, with the weekly usage rate of AI functions exceeding 50% and the average number of writers using the “Intelligent Q&A” function per day increasing tenfold.

IP Creation

We continued to strengthen the content ecosystem of our online reading business. In 2024, our reading platform added approximately 330,000 writers and 650,000 literary works, collectively contributing over 42 billion Chinese characters. High-quality works increased significantly, with the number of newly signed literary works with over 50,000 average subscribers per chapter up 50% year-over-year. Additionally, the number of new writers with annual income exceeding RMB500,000 grew over 70% year-over-year. Our community has become more robust, with the number of users casting over 1,000 monthly tickets in 2024 increasing more than 60% year-over-year.

As a result of these initiatives, our MPUs grew 4.6% year-over-year to 9.1 million in 2024.

IP Visualization

In 2024, we made significant progress in IP visualization, releasing a series of top-tier content in the field of film, drama series, animation and comics. According to the Creative Industries Technology Research Institute of Renmin University of China, China Literature had 3 out of the top 5 most valuable cultural IPs in 2024. Based on Enlightent data, among the top 30 most popular drama series in 2024, 16 were adapted from China Literature's IPs. Additionally, according to Guduo data, 14 of the top 20 most popular domestic animation works in 2024 were adapted from China Literature's IPs.

In the live action TV and film segment, we launched several phenomenal blockbuster hits throughout the year. We have one box office champion film "YOLO (熱辣滾燙)", which grossed RMB3.5 billion in box office revenue, and four drama series including "The Legend of Shen Li (與鳳行)", "Joy of Life 2 (慶餘年2)", "The Tale of Rose (玫瑰的故事)" and "Guardians of the Dafeng (大奉打更人)", dominating the online viewership rankings of domestic drama series. These achievements demonstrate our consistent ability to create and replicate blockbuster IPs, reflecting our strong capabilities in content creation and IP development.

In the animation segment, we released new series including "World's Best Martial Artist (全球高武)" and "The Richest Man in Game (虧成首富從遊戲開始)", as well as sequels to "Battle Through the Heavens (斗破蒼穹)", "Start a Mountain (開局一座山)" and "The Fox Spirit Matchmaker (狐妖小紅娘)", which topped popularity rankings on video streaming platforms during their release windows. Among them, the annual series "Battle Through the Heavens (斗破蒼穹)" topped Tencent Video's annual best-selling list and won the title of "2024 Tencent Video VIP Member's Favourite Animation".

In the comics segment, we completed the acquisition of Tencent Animation and Comics in 2024. Domestic comic IPs such as "The Outcast (一人之下)" and "The Fox Spirit Matchmaker (狐妖小紅娘)" further enriched our leading IP offerings and continued to perform strongly. On the Tencent Animation and Comics platform, "The Outcast (一人之下)" ranked first in terms of revenue among domestic comics, while "The Fox Spirit Matchmaker (狐妖小紅娘)" also ranked first in terms of annual revenue growth. The synergies being created between China Literature and Tencent Animation and Comics continue to deepen. This deep integration of our respective strengths in content, production capacity, and IP industry value chain will further unlock the potential and enhance the value of our top-tier IPs.

In the short drama segment, we launched over 100 titles in 2024. Leveraging our content creator resources, we collaborated with outstanding writers and screenwriters to produce a number of high-quality short dramas, with the most popular title generating close to RMB40 million in gross revenue. In addition, one of our new releases at the beginning of 2025 has already achieved over RMB50 million in gross revenue within 7 days, underscoring the trend towards higher quality for short dramas. As the short drama market is growing rapidly, we will continue to capitalize on our high-quality production capacity and capabilities to seize the enormous opportunities the market presents.

IP Commercialization and Monetization

Leveraging the strong influence and user traffic generated by our high-quality content, as well as our improved innovative capabilities and deep market insights, we made significant progress in our IP merchandise business.

In 2024, the total GMV for IP merchandise surpassed RMB500 million, of which the collectible cards accounted for over RMB200 million. The main IPs including “The King’s Avatar (全職高手)”, “Joy of Life (慶餘年)”, “Lord of the Mysteries (詭秘之主)”, “The Outcast (一人之下)”, and “The Fox Spirit Matchmaker (狐妖小紅娘)” have all set new historical revenue records, showing widespread market influence. In addition, we have collaborated with over 150 authorized partners to develop merchandise products covering multiple verticals such as toys, 3C digital, and food and beverages etc.

To expand our distribution channels, we set up over 10 self-operated livestream channels, as well as official online stores on Taobao and Tmall. We also opened 8 offline stores, covering leading ACG (Anime, Comics, and Games) shopping districts in key cities such as Beijing, Shanghai, and Hangzhou. In addition, through the distribution model, we now cover over 6,000 offline and over 3,000 online sales outlets, forming a comprehensive omni-channel sales network and laying a solid foundation for future business growth.

The global IP merchandise market is enormous at over US\$300 billion. While we are just beginning to commercialize our IP, we are confident that this will offer us significant growth prospects both online and offline. Our advantage lies in our ability to leverage IP to deliver emotions and unique experiences through our products, and to reshape the cultural consumption preferences of younger generations.

Exploration in New Technologies

We are aware of the enormous opportunities that AI brings to the content industry, and are actively embracing this transformation. We have taken a leading position in the development of the IP industry value chain, and are leveraging AI to enhance this competitive advantage across various business scenarios.

As previously mentioned, our “Writer Assistant (作家助手)” creation tool integrates the DeepSeek-R1 model, allowing writers across the industry to experiment with it to develop best practices. This will help online literary creation enter a more efficient and intelligent era.

AI is also accelerating the globalization of our IP. In 2024, our overseas online reading platform, WebNovel, added more than 3,200 AI-translated works, accounting for 47% of all Chinese-translated works and about 40% of the top 100 best-selling lists. AI has enabled WebNovel to cover a wider range of languages, including Spanish, Portuguese, German, French, Indonesian, Japanese and many others. In 2024, revenue from non-English works translated by AI increased by more than 350%. As of December 31, 2024, WebNovel offered overseas users with approximately 6,800 Chinese-translated works and approximately 700,000 locally created original works.

In addition, we are integrating AI into various formats such as audiobooks, radio dramas, animation, and videos to further accelerate the development of our IP. We are also applying AI to improve content recommendation and user interaction to enhance the user experience.

Outlook

We believe that the synergy of “IP+AI” will drive the content industry forward, creating a new ecosystem that stretches from content creation to user consumption. AI empowers IP, while IP provides scenarios for AI. The deep integration of the two will facilitate the transition towards multi-dimensional innovation and globalization, from which we are uniquely positioned to benefit. Looking ahead, we will embrace the latest technologies, continue the incubation of popular IPs, and build a leading IP industry value chain to engrain ourselves in the memories of the next generation.

MANAGEMENT DISCUSSION AND ANALYSIS

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

	Year Ended December 31,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Revenues	8,121,081	7,011,785
Cost of revenues	<u>(4,199,141)</u>	<u>(3,640,322)</u>
Gross profit	3,921,940	3,371,463
Interest income	178,320	166,316
Other (losses)/gains, net	(973,892)	11,493
Selling and marketing expenses	(2,261,000)	(1,719,519)
General and administrative expenses	(1,143,501)	(1,161,035)
Net (provision for)/reversal of impairment losses on financial assets	<u>(57,983)</u>	<u>40,591</u>
Operating (loss)/profit	(336,116)	709,309
Finance costs, net	(1,836)	(12,891)
Share of net profit of associates and joint ventures	<u>239,027</u>	<u>204,979</u>
(Loss)/profit before income tax	(98,925)	901,397
Income tax expense	<u>(110,670)</u>	<u>(97,850)</u>
(Loss)/profit for the year	<u>(209,595)</u>	<u>803,547</u>
Attributable to:		
Equity holders of the Company	(209,216)	804,879
Non-controlling interests	<u>(379)</u>	<u>(1,332)</u>
	<u>(209,595)</u>	<u>803,547</u>
Non-IFRS profit for the year	<u>1,141,278</u>	<u>1,129,047</u>
Attributable to:		
Equity holders of the Company	1,141,657	1,130,379
Non-controlling interests	<u>(379)</u>	<u>(1,332)</u>
	<u>1,141,278</u>	<u>1,129,047</u>

Revenues. Revenues increased by 15.8% to RMB8,121.1 million for the year ended December 31, 2024 on a year-over-year basis. The following table sets out our revenues by segment for the years ended December 31, 2024 and 2023:

	Year ended December 31,			
	2024		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Online business⁽¹⁾				
On our self-owned platform products	3,531,025	43.5	3,413,896	48.7
On our channels on Tencent products	245,326	3.0	341,652	4.9
On third-party platforms	254,245	3.1	192,591	2.7
Subtotal	4,030,596	49.6	3,948,139	56.3
Intellectual property operations and others⁽²⁾				
Intellectual property operations	3,991,190	49.1	2,973,819	42.4
Others	99,295	1.3	89,827	1.3
Subtotal	4,090,485	50.4	3,063,646	43.7
Total revenues	8,121,081	100.0	7,011,785	100.0

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, distribution of short dramas, sales of IP merchandise products and sales of physical books.
- Revenues from online business increased by 2.1% to RMB4,030.6 million for the year ended December 31, 2024 on a year-over-year basis, accounting for 49.6% of total revenues.

Revenues from online business on our self-owned platform products increased by 3.4% year-over-year to RMB3,531.0 million for the year ended December 31, 2024, mainly due to consistent improvement made to core product operations and production of high-quality content.

Revenues from online business on our channels on Tencent products decreased by 28.2% year-over-year to RMB245.3 million for the year ended December 31, 2024, mainly due to a decrease in advertising revenues associated with the refinement of our content distribution practices and prioritization of distribution through core pay-to-read products.

Revenues from online business on third-party platforms increased by 32.0% year-over-year to RMB254.2 million for the year ended December 31, 2024, primarily due to expanded collaboration with third-party distribution partners.

The following table summarizes our key operating data for the years ended December 31, 2024 and 2023:

	Year ended December 31,	
	2024	2023
Average MAUs on our self-owned platform products and self-operated channels on Tencent products (average of MAUs for each calendar month)	166.6 million	205.6 million
Average MPUs on our self-owned platform products and self-operated channels on Tencent products (average of MPUs for each calendar month)	9.1 million	8.7 million
Monthly average revenue per paying user (“ARPU”) ⁽¹⁾	RMB32.0	RMB32.5

Notes:

- (1) Monthly ARPU is calculated as online reading revenues on our self-owned platform products and self-operated channels on Tencent products divided by average MPUs during the period, then divided by the number of months during the period.
- Average MAUs on our self-owned platform products and self-operated channels decreased by 19.0% year-over-year from 205.6 million to 166.6 million for the year ended December 31, 2024. Specifically, MAUs on our self-owned platform products remained largely stable on a year-over-year basis at 103.8 million, compared with 104.8 million for the year ended December 31, 2023. MAUs on our self-operated channels on Tencent products decreased by 37.7% year-over-year from 100.8 million to 62.8 million, primarily due to continuous optimization of operational efficiency, which involved distributing more content through core pay-to-read products, resulting in a decrease of MAUs on free-to-read channels.

- Average MPUs on our self-owned platform products and self-operated channels increased by 4.6% year-over-year from 8.7 million to 9.1 million for the year ended December 31, 2024, mainly due to growth in membership users following the launch of additional membership content in 2024.
 - Monthly ARPU for our pay-to-read business decreased by 1.5% year-over-year from RMB32.5 to RMB32.0 for the year ended December 31, 2024, mainly due to a mix effect from lower ARPU contributions by newly acquired membership users.
- Revenues from intellectual property operations and others increased by 33.5% year-over-year to RMB4,090.5 million for the year ended December 31, 2024.

Revenues from intellectual property operations increased significantly by 34.2% year-over-year to RMB3,991.2 million for the year ended December 31, 2024. The increase was driven by solid growth across our IP operations businesses primarily from the release of more blockbuster drama series, films, and animated series, along with the expanded licensing of our IP for adaptation to business partners. Additionally, new initiatives such as short dramas and IP merchandise products grew significantly during the period.

Revenues from others increased by 10.5% year-over-year to RMB99.3 million for the year ended December 31, 2024. These revenues were mainly generated by sales of physical books.

Cost of revenues. Cost of revenues increased by 15.4% year-over-year to RMB4,199.1 million for the year ended December 31, 2024, compared with RMB3,640.3 million for the year ended December 31, 2023, in line with the increase in revenues, and primarily due to higher production costs associated with an increase in the number of films and blockbuster drama series released during the year.

The following table sets out our cost of revenues by amount and as a percentage of total revenues for the years indicated:

	Year ended December 31,			
	2024		2023	
	<i>RMB'000</i>	<i>% of revenues</i>	<i>RMB'000</i>	<i>% of revenues</i>
Content costs	1,673,108	20.6	1,646,031	23.5
Production costs of TV, web and animated series and films	1,039,492	12.8	631,418	9.0
Platform distribution costs	726,281	8.9	808,135	11.5
Cost of inventories	133,933	1.6	78,643	1.1
Amortization of intangible assets	120,881	1.5	147,642	2.1
Others	505,446	6.3	328,453	4.7
Total cost of revenues	4,199,141	51.7	3,640,322	51.9

Gross profit and gross margin. As a result of the foregoing, our gross profit increased by 16.3% year-over-year to RMB3,921.9 million for the year ended December 31, 2024. Gross margin was 48.3% for the year ended December 31, 2024, compared with 48.1% for the year ended December 31, 2023.

Interest income. Interest income increased by 7.2% year-over-year to RMB178.3 million for the year ended December 31, 2024, reflecting greater interest income from bank deposits.

Other (losses)/gains, net. We recorded net other losses of RMB973.9 million for the year ended December 31, 2024, compared with net other gains of RMB11.5 million for the year ended December 31, 2023, primarily due to an impairment loss of goodwill attributable to New Classics Media.

Selling and marketing expenses. Selling and marketing expenses increased by 31.5% year-over-year to RMB2,261.0 million for the year ended December 31, 2024, mainly due to an increase in promotional and advertising expenses associated with films and drama series released in 2024. As a percentage of revenues, our selling and marketing expenses increased to 27.8% for the year ended December 31, 2024 from 24.5% for the year ended December 31, 2023.

General and administrative expenses. General and administrative expenses slightly decreased by 1.5% year-over-year to RMB1,143.5 million for the year ended December 31, 2024. As a percentage of revenues, general and administrative expenses decreased to 14.1% for the year ended December 31, 2024 compared with 16.6% for the year ended December 31, 2023.

Net (provision for)/reversal of impairment losses on financial assets. Impairment losses on financial assets reflect the provision for doubtful receivables. For the year ended December 31, 2024, the provision for doubtful receivables was RMB58.0 million on a net basis, mainly associated with IP operations businesses.

Operating (loss)/profit. As a result of the foregoing, operating loss was RMB336.1 million for the year ended December 31, 2024, compared with RMB709.3 million operating profit for the year ended December 31, 2023.

Finance costs. Finance costs decreased by 85.8% year-over-year to RMB1.8 million for the year ended December 31, 2024, primarily due to lower interest expenses for the year ended December 31, 2024.

Share of net profit of associates and joint ventures. Our share of net profit of associates and joint ventures increased by 16.6% year-over-year to RMB239.0 million for the year ended December 31, 2024, reflecting higher net profits contributed by investee companies.

Income tax expense. Income tax expense was RMB110.7 million for the year ended December 31, 2024, compared with RMB97.9 million for the year ended December 31, 2023, primarily due to an increase in taxable income.

(Loss)/profit attributable to equity holders of the Company. Loss attributable to equity holders of the Company was RMB209.2 million for the year ended December 31, 2024, compared with RMB804.9 million profit attributable to equity holders of the Company for the year ended December 31, 2023.

Segment Information:

The following table sets forth a breakdown of our revenues, cost of revenues, gross profit and gross profit margin by segment for the years ended December 31, 2024 and 2023:

	Year ended December 31, 2024		
	Online business <i>RMB'000</i>	Intellectual property operations and others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenues	4,030,596	4,090,485	8,121,081
Cost of revenues	<u>1,975,014</u>	<u>2,224,127</u>	<u>4,199,141</u>
Gross profit	<u><u>2,055,582</u></u>	<u><u>1,866,358</u></u>	<u><u>3,921,940</u></u>
Gross margin	<u><u>51.0%</u></u>	<u><u>45.6%</u></u>	<u><u>48.3%</u></u>
	Year ended December 31, 2023		
	Online business <i>RMB'000</i>	Intellectual property operations and others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenues	3,948,139	3,063,646	7,011,785
Cost of revenues	<u>1,983,546</u>	<u>1,656,776</u>	<u>3,640,322</u>
Gross profit	<u><u>1,964,593</u></u>	<u><u>1,406,870</u></u>	<u><u>3,371,463</u></u>
Gross margin	<u><u>49.8%</u></u>	<u><u>45.9%</u></u>	<u><u>48.1%</u></u>

OTHER FINANCIAL INFORMATION

	Year Ended December 31,	
	2024	2023
	RMB'000	RMB'000
EBITDA ⁽¹⁾	729,297	829,523
Adjusted EBITDA ⁽²⁾	923,127	1,017,926
Adjusted EBITDA margin ⁽³⁾	11.4%	14.5%
Interest expense	8,611	19,658
Net cash ⁽⁴⁾	9,935,738	8,101,432
Capital expenditures ⁽⁵⁾	117,816	177,359

Notes:

- (1) EBITDA consists of operating (loss)/profit for the year less interest income and other (losses)/gains, net and plus depreciation of property, plant and equipment as well as right-of-use assets, and amortization of intangible assets.
- (2) Adjusted EBITDA is calculated as EBITDA for the year plus share-based compensation expense and expenditures related to acquisition.
- (3) Adjusted EBITDA margin is calculated by dividing adjusted EBITDA by revenues.
- (4) Net cash is calculated as cash and cash equivalents, plus term deposits and others, less total borrowings.
- (5) Capital expenditures consist of expenditures for intangible assets and property, plant and equipment.

The following table reconciles our operating (loss)/profit to our EBITDA and adjusted EBITDA for the years presented:

	Year Ended December 31,	
	2024	2023
	RMB'000	RMB'000
Operating (loss)/profit	(336,116)	709,309
Adjustments:		
Interest income	(178,320)	(166,316)
Other losses/(gains), net	973,892	(11,493)
Depreciation of property, plant and equipment	40,335	33,378
Depreciation of right-of-use assets	72,033	81,956
Amortization of intangible assets	157,473	182,689
	<u>729,297</u>	<u>829,523</u>
EBITDA	<u>729,297</u>	<u>829,523</u>
Adjustments:		
Share-based compensation	126,357	131,467
Expenditures related to acquisition	67,473	56,936
	<u>67,473</u>	<u>56,936</u>
Adjusted EBITDA	<u>923,127</u>	<u>1,017,926</u>

Non-IFRS Financial Measures:

To supplement the consolidated financial statements of our Group 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 annual results announcement 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 our Group's financial performance prepared in accordance with IFRS. These unaudited non-IFRS measures may be defined differently from similar terms used by other companies. In addition, non-IFRS adjustments include relevant non-IFRS adjustments for the Group'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 our Group's operating performances. From time to time, there may be other items that our Company may include or exclude in reviewing its financial results.

The following tables set out the reconciliations of our Group's non-IFRS financial measures for the years ended December 31, 2024 and 2023 to the nearest measures prepared in accordance with IFRS:

	Year ended December 31, 2024						
	As reported	Adjustments				Tax effect	Non-IFRS
		Share-based compensation	Net losses from		Amortization of intangible assets ⁽²⁾		
			investments and acquisitions ⁽¹⁾				
<i>(RMB' 000, unless specified)</i>							
Operating (loss)/profit	(336,116)	126,357	1,174,837	20,313	–	985,391	
(Loss)/profit for the year	(209,595)	126,357	1,174,837	20,313	29,366	1,141,278	
(Loss)/profit attributable to equity holders of the Company	(209,216)	126,357	1,174,837	20,313	29,366	1,141,657	
(Loss)/earnings per share <i>(RMB per share)</i>							
– basic	(0.21)					1.13	
– diluted	(0.21)					1.12	
Operating margin	(4.1%)					12.1%	
Net margin	(2.6%)					14.1%	

	Year ended December 31, 2023						
	As reported	Adjustments				Tax effect	Non-IFRS
		Share-based compensation	Net losses from		Amortization of intangible assets ⁽²⁾		
			investments and acquisitions ⁽¹⁾				
<i>(RMB' 000, unless specified)</i>							
Operating profit	709,309	131,467	188,867	20,171	–	1,049,814	
Profit for the year	803,547	131,467	182,167	20,171	(8,305)	1,129,047	
Profit attributable to equity holders of the Company	804,879	131,467	182,167	20,171	(8,305)	1,130,379	
Earnings per share <i>(RMB per share)</i>							
– basic	0.80					1.12	
– diluted	0.79					1.11	
Operating margin	10.1%					15.0%	
Net margin	11.5%					16.1%	

Notes:

- (1) Mainly includes goodwill impairment, impairment provisions and the fair value changes arising from our 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 related to acquisitions.
- (2) Represents amortization of intangible assets and TV series and film rights resulting from acquisitions.

Capital Structure

Our Group continued to maintain a healthy and sound financial position. Our total assets decreased from RMB23,188.5 million as of December 31, 2023 to RMB22,945.4 million as of December 31, 2024, and our total liabilities increased from RMB4,164.0 million as of December 31, 2023 to RMB4,569.3 million as of December 31, 2024. The liabilities-to-assets ratio was 19.9% as of December 31, 2024, compared with 18.0% as of December 31, 2023.

As of December 31, 2024, the current ratio (the ratio of total current assets to total current liabilities) was 265.2%, compared with 311.5% as of December 31, 2023.

As of December 31, 2024 and December 31, 2023, our Group had no pledged receivables.

Liquidity and Financial Resources

Our Group funds our cash requirements principally from capital contributions from shareholders and cash generated from our operations. As of December 31, 2024, our Group had net cash of RMB9,935.7 million, compared with RMB8,101.4 million as of December 31, 2023. The increase in net cash in the year of 2024 was mainly due to the cash generated from our operating activities, partially offset by capital expenditures, cash outflow for investment activities, and the earn-out cash consideration paid for the acquisition of NCM based on its 2023 financial performance. For the year ended December 31, 2024, our Group had free cash flow of RMB2,333.2 million. This was a result of net cash flow generated from operating activities of RMB2,526.8 million, deducting payments for lease liabilities of RMB75.8 million and payments for capital expenditures of RMB117.8 million. Our bank balances and term deposits are primarily in RMB, USD and HKD. Our Group monitors capital on the basis of gearing ratio, which is calculated as debt divided by total equity. As of December 31, 2024:

- Our gearing ratio was nil, compared with 0.1% as of December 31, 2023.
- Our Group had no borrowings, compared with RMB10.0 million as of December 31, 2023.
- Our unutilized banking facility was RMB2,120.0 million.

As of December 31, 2024 and December 31, 2023, our Group had no significant contingent liabilities.

As of December 31, 2024 and December 31, 2023, our Group had not used any financial instruments for hedging purposes.

Capital Expenditures and Long-term Investments

Our Group's capital expenditures primarily included expenditures for intangible assets, such as content and software copyrights, and for property, plant and equipment. Our capital expenditures and long-term investments for the year ended December 31, 2024 totaled RMB366.5 million, compared with RMB274.8 million for the year ended December 31, 2023, representing a year-over-year increase of RMB91.7 million, primarily due to greater expenditures for investments. Our long-term investments were made in accordance with our general strategy of investing in or acquiring businesses that are complementary to our main business. We plan to fund our planned capital expenditures and long-term investments using cash flows generated from our operations.

Foreign Exchange Risk Management

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures, primarily in RMB, HKD and USD. Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective functional currency of our Group's entities. Our Group manages foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposure and tries to minimize exposure through natural hedges, wherever possible, and may enter into forward foreign exchange contracts, when necessary. We did not hedge against any movements in foreign currencies during the years ended December 31, 2024 and December 31, 2023.

Employees

As of December 31, 2024, we had approximately 1,740 full-time employees, most of whom were based in China, primarily at our headquarters in Shanghai, with the rest based in Beijing, Suzhou and various other cities in China.

Our success depends on our ability to attract, retain and motivate qualified personnel. As a part of our retention strategy, we offer employees competitive salaries, performance-based cash bonuses and other incentives. As required under the PRC regulations, we participate in a housing fund and various employee social security plans that are organized by applicable local municipal and provincial governments. We also purchase commercial health and accidental insurance for our employees. Bonuses are generally discretionary and are based in part on the overall performance of our business. We have granted and planned to continue to grant share-based incentive awards to our employees in the future to incentivize their contributions to our growth and development.

ACQUISITION OF NEW CLASSICS MEDIA AND ISSUE OF CONSIDERATION SHARES UNDER THE SPECIFIC MANDATE

On October 31, 2018, the Company completed the acquisition of 100% of the equity interest in NCM, which is primarily engaged in production and distribution of TV series, web series and films in the PRC. NCM, on a standalone basis, recorded RMB1,638.9 million in revenues and RMB340.7 million in profit attributable to equity holders of the company for the year ended December 31, 2024.

Issue of consideration shares under the New Earn Out Mechanism

Reference is made to:

- (i) the announcement of the Company dated August 27, 2020 and the circular of the Company dated November 10, 2020 (the “Circular”) in respect of the entering into of the Supplemental SPA Deed in relation to, among others, the amendment of the 2018 NCM Share Purchase Agreement;
- (ii) the announcements of the Company dated August 13, 2018, October 19, 2018 and October 31, 2018 and the circular of the Company dated September 28, 2018 in respect of, among others, the acquisition of the entire equity interest of NCM, which was completed on October 31, 2018;
- (iii) the announcements of the Company dated March 18, 2019 and March 17, 2020 in respect of, among others, the adjustment results under the Original Earn Out Mechanism for the year ended December 31, 2018 and 2019; and
- (iv) the announcements of the Company dated March 23, 2021, March 22, 2022, March 16, 2023 and March 18, 2024 in respect of, among others, the issue of Consideration Shares under the New Earn Out Mechanism.

Capitalized terms in this sub-section shall have the same meaning as those defined in the Circular unless otherwise specified.

Pursuant to the Supplemental SPA Deed, under the New Earn Out Mechanism, a ‘bottom-up’ methodology is applied such that only if NCM’s actual Net Profit for a certain New Earn Out Year is higher than the Reference Minimum Net Profit for that New Earn Out Year can the Management Vendors start to receive New Earn Out Consideration based on the formula set out in the Circular, and if the actual Net Profit is equal to or higher than the Reference Maximum Net Profit for that New Earn Out Year, the Management Vendors can receive the Maximum Cash Amount and the Maximum New Earn Out Shares, subject to any additional adjustment in accordance with the Supplemental SPA Deed.

The Board hereby announces that the actual Net Profit, as defined in the Circular and primarily excluding the impact of government subsidies for the year ended December 31, 2024, was RMB304.7 million, which is greater than the Reference Minimum Net Profit of RMB300 million. In accordance with the terms of the Supplemental SPA Deed, a maximum number of 1,839,860 Consideration Shares would be issued (“2024 Earn Out Issue”) and maximum cash consideration of RMB124.2 million would be paid to the Management Vendors, and the issue of the Consideration Shares and the payment of the cash consideration would be subject to certain customary conditions as determined by the Board to be fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Set out below for illustrative purposes is the shareholding structure of the Company as of the date of this announcement and immediately upon the completion of the 2024 Earn Out Issue:

	As of the date of this announcement		Immediately upon the completion of the 2024 Earn Out Issue	
	Number of Shares	Approximate % of issued Shares	Number of Shares	Approximate % of issued Shares
Shareholders				
Tencent	577,643,604	57.01%	577,643,604	56.90%
Management Vendors				
– Founder SPV	33,095,078	3.27%	34,212,753	3.37%
– Qu SPV	9,537,966	0.94%	10,040,998	0.99%
– Executive SPV	4,582,787	0.45%	4,801,940	0.47%
Other Shareholders	388,417,226	38.33%	388,417,226	38.27%
Total	<u>1,013,276,661</u>	<u>100.00%</u>	<u>1,015,116,521</u>	<u>100.00%</u>

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS)/INCOME

For the year ended December 31, 2024

		Year ended December 31,	
		2024	2023
	Note	RMB'000	RMB'000
Revenues	4	8,121,081	7,011,785
Cost of revenues	5	<u>(4,199,141)</u>	<u>(3,640,322)</u>
Gross profit		3,921,940	3,371,463
Interest income	8	178,320	166,316
Other (losses)/gains, net	6	(973,892)	11,493
Selling and marketing expenses	5	(2,261,000)	(1,719,519)
General and administrative expenses	5	(1,143,501)	(1,161,035)
Net (provision for)/reversal of impairment losses on financial assets		<u>(57,983)</u>	<u>40,591</u>
Operating (loss)/profit		(336,116)	709,309
Finance costs, net	7	(1,836)	(12,891)
Share of net profit of associates and joint ventures	13	<u>239,027</u>	<u>204,979</u>
(Loss)/profit before income tax		(98,925)	901,397
Income tax expense	9	<u>(110,670)</u>	<u>(97,850)</u>
(Loss)/profit for the year		<u>(209,595)</u>	<u>803,547</u>
Other comprehensive income, net of tax:			
<i>Items that may not be reclassified to profit or loss</i>			
Net income/(loss) from change in fair value of financial asset at fair value through other comprehensive income		2,029	(4,312)
Currency translation differences		<u>79,353</u>	<u>66,421</u>
<i>Items that may be subsequently reclassified to profit or loss</i>			
Share of other comprehensive loss of associates and joint ventures	13	(369)	(647)
Currency translation differences		<u>(18,918)</u>	<u>(21,663)</u>
Total comprehensive (loss)/income for the year		<u>(147,500)</u>	<u>843,346</u>

		Year ended December 31,	
		2024	2023
	<i>Note</i>	RMB'000	RMB'000
(Loss)/profit attributable to:			
– Equity holders of the Company		(209,216)	804,879
– Non-controlling interests		(379)	(1,332)
		<u>(209,595)</u>	<u>803,547</u>
Total comprehensive (loss)/income attributable to:			
– Equity holders of the Company		(147,109)	844,644
– Non-controlling interests		(391)	(1,298)
		<u>(147,500)</u>	<u>843,346</u>
(Loss)/earnings per share (expressed in RMB per share)			
– Basic (loss)/earnings per share	<i>10(a)</i>	<u>(0.21)</u>	<u>0.80</u>
– Diluted (loss)/earnings per share	<i>10(b)</i>	<u>(0.21)</u>	<u>0.79</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2024

		As of December 31,	
		2024	2023
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		97,845	128,327
Right-of-use assets		149,835	207,675
Intangible assets	12	6,158,839	7,330,124
Investments in associates and joint ventures	13	928,179	924,683
Financial assets at fair value through profit or loss	14	1,039,643	856,047
Financial asset at fair value through other comprehensive income		6,312	4,071
Term deposits		2,308,000	1,829,000
Deferred income tax assets		497,189	394,121
Prepayments, deposits and other assets		298,188	291,608
		<u>11,484,030</u>	<u>11,965,656</u>
Current assets			
Inventories	15	693,041	743,660
Television series and film rights	16	529,817	995,078
Financial assets at fair value through profit or loss	14	3,252,900	2,442,719
Trade and notes receivables	17	1,703,425	1,988,200
Prepayments, deposits and other assets		907,391	1,212,607
Restricted bank deposits		4,464	—
Term deposits		1,106,186	1,038,739
Cash and cash equivalents		3,264,188	2,801,796
		<u>11,461,412</u>	<u>11,222,799</u>
Total assets		<u><u>22,945,442</u></u>	<u><u>23,188,455</u></u>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		644	650
Shares held for RSU schemes		(14,635)	(16,647)
Share premium		16,117,867	16,312,648
Other reserves		1,975,834	2,173,341
Retained earnings		294,731	554,953
		<u>18,374,441</u>	<u>19,024,945</u>
Non-controlling interests		<u>1,747</u>	<u>(538)</u>
Total equity		<u><u>18,376,188</u></u>	<u><u>19,024,407</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2024

		As of December 31,	
		2024	2023
	Note	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		85,037	153,182
Long-term payables		10,833	1,151
Deferred income tax liabilities		129,442	134,520
Deferred revenue	4	21,921	24,231
Financial liabilities at fair value through profit or loss		—	247,830
		<u>247,233</u>	<u>560,914</u>
Current liabilities			
Borrowings	18	—	10,000
Lease liabilities		81,176	74,921
Trade payables	19	1,044,602	1,119,714
Other payables and accruals		1,662,037	997,662
Deferred revenue	4	1,148,916	879,250
Current income tax liabilities		217,704	266,444
Financial liabilities at fair value through profit or loss		167,586	255,143
		<u>4,322,021</u>	<u>3,603,134</u>
Total liabilities		<u><u>4,569,254</u></u>	<u><u>4,164,048</u></u>
Total equity and liabilities		<u><u>22,945,442</u></u>	<u><u>23,188,455</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2024

	Attributable to equity holders of the Company							Non-controlling interests RMB'000	Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Shares held for RSU schemes RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000			
As of January 1, 2024	650	16,312,648	(16,647)	2,173,341	554,953	19,024,945	(538)	19,024,407	
Comprehensive income									
Loss for the year	-	-	-	-	(209,216)	(209,216)	(379)	(209,595)	
Other comprehensive income									
– Share of other comprehensive loss of an associate (Note 13)	-	-	-	(369)	-	(369)	-	(369)	
– Currency translation differences	-	-	-	60,447	-	60,447	(12)	60,435	
– Net income from change in fair value of financial asset at fair value through other comprehensive income	-	-	-	2,029	-	2,029	-	2,029	
Total comprehensive income/(loss) for the year	-	-	-	62,107	(209,216)	(147,109)	(391)	(147,500)	
Share of other changes in net assets of an associate	-	-	-	(1,240)	-	(1,240)	-	(1,240)	
Transaction with owners									
Share-based compensation expenses (Note 20)	-	-	-	120,127	-	120,127	-	120,127	
Transfer of vested RSUs	-	(15,427)	2,012	-	-	(13,415)	-	(13,415)	
Repurchase and cancellation of shares	(8)	(251,515)	-	-	-	(251,523)	-	(251,523)	
Issue of ordinary shares as consideration for a business combination	2	72,161	-	-	-	72,163	-	72,163	
Business combination under common control	-	-	-	(427,240)	-	(427,240)	-	(427,240)	
Capital injection	-	-	-	-	-	-	3,993	3,993	
Acquisition of non-controlling interests	-	-	-	(2,267)	-	(2,267)	(1,773)	(4,040)	
Liquidation of equity interests in a non-wholly-owned subsidiary	-	-	-	-	-	-	456	456	
Profit appropriations to statutory reserves	-	-	-	51,006	(51,006)	-	-	-	
Transactions with owners in their capacity for the year	(6)	(194,781)	2,012	(258,374)	(51,006)	(502,155)	2,676	(499,479)	
As of December 31, 2024	644	16,117,867	(14,635)	1,975,834	294,731	18,374,441	1,747	18,376,188	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2024

Attributable to equity holders of the Company

	Share capital RMB'000	Share premium RMB'000	Shares held for RSU schemes RMB'000	Other reserves RMB'000	Retained earnings/ (accumulated losses) RMB'000	Sub-total RMB'000	Non- controlling interests RMB'000	Total RMB'000
As of January 1, 2023	644	16,223,277	(18,766)	1,955,121	(202,938)	17,957,338	(2,616)	17,954,722
Comprehensive income								
Profit/(loss) for the year	–	–	–	–	804,879	804,879	(1,332)	803,547
Other comprehensive income								
– Share of other comprehensive loss of associates (Note 13)	–	–	–	(647)	–	(647)	–	(647)
– Currency translation differences	–	–	–	44,724	–	44,724	34	44,758
– Net loss from change in fair value of financial asset at fair value through other comprehensive income	–	–	–	(4,312)	–	(4,312)	–	(4,312)
Total comprehensive income/(loss) for the year	–	–	–	39,765	804,879	844,644	(1,298)	843,346
Transaction with owners								
Share-based compensation expenses (Note 20)	–	–	–	131,467	–	131,467	–	131,467
Transfer of vested RSUs	–	(27,453)	2,122	–	–	(25,331)	–	(25,331)
Issue of new share pursuant to RSUs scheme	3	–	(3)	–	–	–	–	–
Issue of ordinary shares as consideration for a business combination	3	116,824	–	–	–	116,827	–	116,827
Profit appropriations to statutory reserves	–	–	–	46,988	(46,988)	–	–	–
Capital injection	–	–	–	–	–	–	3,376	3,376
Transactions with owners in their capacity for the year	6	89,371	2,119	178,455	(46,988)	222,963	3,376	226,339
As of December 31, 2023	650	16,312,648	(16,647)	2,173,341	554,953	19,024,945	(538)	19,024,407

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2024

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Net cash flows generated from operating activities	<u>2,526,782</u>	<u>1,131,486</u>
Net cash flows used in investing activities	<u>(1,763,840)</u>	<u>(3,385,038)</u>
Net cash flows used in financing activities	<u>(346,006)</u>	<u>(510,819)</u>
Net increase/(decrease) in cash and cash equivalents	416,936	(2,764,371)
Cash and cash equivalents at the beginning of the year	2,801,796	5,545,766
Exchange gains on cash and cash equivalents	<u>45,456</u>	<u>20,401</u>
Cash and cash equivalents at the end of the year	<u><u>3,264,188</u></u>	<u><u>2,801,796</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

1 GENERAL INFORMATION

China Literature Limited (the “Company”) was incorporated in the Cayman Islands on April 22, 2013, as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The registered office is at Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since November 8, 2017.

The Company is an investment holding company. The Company and its subsidiaries, including structured entities (collectively, the “Group”), are principally engaged in the provision of reading services (either free or paid), copyright commercialisation (either by self-operation or collaboration with others), writer cultivation and brokerage, operation of text work reading and related open platform, and the realisation of these activities through technology methods and digital media including but not limited to personal computers, Internet and mobile network in the People’s Republic of China (the “PRC”). On October 31, 2018, the Group acquired 100% equity interest of New Classics Media Holdings Limited (or referred to as the “New Classics Media” and previously known as “Qiandao Lake Holdings Limited”). New Classics Media and its subsidiaries are principally engaged in production and distribution of television series, web series and films in the PRC, which has further expanded the Group’s intellectual property operation business, in particular for the production and distribution of film and TV programs. On April 30, 2024, the Group acquired from Tencent Holdings Limited (“Tencent”), the ultimate holding company, the animation and comics business. The transaction constitutes a business combination under common control.

The ultimate holding company of the Company is Tencent, which is incorporated in the Cayman Islands with limited liability and the shares of Tencent have been listed on the Main Board of The Stock Exchange of Hong Kong Limited.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

The material accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

2.1.1 Compliance with IFRS Accounting Standards

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”).

2.1.2 Historical cost convention

The financial statements have been prepared on a historical cost basis, as modified by the revaluation of financial assets at fair value through profit or loss (“FVPL”), financial liabilities (including contingent consideration payables) at fair value through profit or loss and financial asset at fair value through other comprehensive income (“FVOCI”), which are carried at fair value.

2.1.3 New and amended standards adopted by the Group

The following standards and amendments have been adopted by the Group for the first time for the financial year beginning on January 1, 2024:

Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IFRS 16	Lease Liability in Sale and leaseback
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The adoption of the new amendments to standards does not have significant impact on the consolidated financial statements of the Group.

2.1.4 New standards and interpretations not yet adopted

The following new standards and amendments to standards have not come into effect for the financial year beginning January 1, 2024 and have not been early adopted by the Group in preparing the consolidated financial statements. The adoption of IFRS 18 will not affect the recognition or measurement of items in the consolidated financial statements. It mainly has impacts on presentation and disclosure of income and expenses and adds new disclosure requirements on management-defined performance measures within the consolidated financial statements. Except for IFRS 18, none of these is expected to have a significant effect on the consolidated financial statements of the Group.

		Effective for annual periods beginning on or after
Amendments to IAS 21	Lack of Exchangeability	January 1, 2025
Amendments to IFRS 9 and IFRS 7	Amendments to the classification and Measurement of Financial Instruments	January 1, 2026
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity	January 1, 2026
Annual Improvements to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards – Volume 11	January 1, 2026
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027

3 SEGMENT INFORMATION

The chief operating decision-makers mainly include executive directors of the Group. They review the Group's internal reporting in order to assess performance, allocate resources, and determine the operating segments based on these reports.

The Group had the following reportable segments for the year ended December 31, 2024 and 2023:

- Online business (including online text, online advertising and game publishing, as well as comics and audio books reading via self-owned platforms); and
- Intellectual property operations and others (including licensing and distribution of film, television, web and animated series, copyrights licensing, sales of adaptation rights and scripts, distribution of short-form dramas, sales of physical books and intellectual property merchandise products, in-house online games operations, distributions of online audio books and online comic content provided via Tencent and third-party platforms, etc.).

As of December 31, 2024 and 2023, the chief operating decision-makers assessed the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. The selling and marketing expenses and general and administrative expenses were common costs incurred for these operating segments as a whole and therefore, they were not included in the measure of the segments' performance which was used by the chief operating decision-makers as a basis for the purpose of resource allocation and assessment of segment performance. Interest income, other (losses)/gains, net, finance costs, net, net (provision for)/reversal of impairment losses on financial assets, share of net profit of associates and joint ventures and income tax expense were also not allocated to individual operating segment.

There were no material inter-segment sales during the years ended December 31, 2024 and 2023. The revenues from external customers reported to the chief operating decision-makers were measured in a manner consistent with that applied in the consolidated statement of comprehensive (loss)/income.

Other information, together with the segment information, provided to the chief operating decision-makers, was measured in a manner consistent with that applied in these consolidated financial statements. There were no segment assets and segment liabilities information provided to the chief operating decision-makers.

The Company is domiciled in the Cayman Islands while the Group mainly operates its business in the PRC and earns substantially all of the revenues from external customers attributed to the PRC. The revenue is mainly generated in the PRC.

The segment information provided to the chief operating decision-makers for the reportable segments for the years ended December 31, 2024 and 2023 is as follows:

	Year ended December 31, 2024		
	Online business	Intellectual property operations and others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenues	4,030,596	4,090,485	8,121,081
Gross profit	<u>2,055,582</u>	<u>1,866,358</u>	<u>3,921,940</u>
Cost of revenues			
Depreciation	831	41	872
Amortisation	<u>78,161</u>	<u>42,720</u>	<u>120,881</u>
	Year ended December 31, 2023		
	Online business	Intellectual property operations and others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenues	3,948,139	3,063,646	7,011,785
Gross profit	<u>1,964,593</u>	<u>1,406,870</u>	<u>3,371,463</u>
Cost of revenues			
Depreciation	775	18	793
Amortisation	<u>103,632</u>	<u>44,010</u>	<u>147,642</u>

The reconciliation of gross profit to (loss)/profit before income tax of individual period during the year ended December 31, 2024 and 2023 is shown in the consolidated statement of comprehensive (loss)/income.

For the year ended December 31, 2024, the Group's customer base was diversified but included only Tencent, whose transactions enacted with the Group had exceeded 10% of the Group's revenues (2023: only Tencent).

As of December 31, 2024 and 2023, substantially all of the non-current assets other than financial instruments and deferred tax assets of the Group were located in the PRC.

4 REVENUES

4.1 Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major lines:

	Online business			Intellectual property operations and others		Total
	On self-owned platform products	On the channels on Tencent products	On third-party platforms	Intellectual property operations	Others	
Year ended December 31, 2024	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Timing of revenue recognition:						
– At a point in time	3,089,652	235,499	254,245	2,937,831	91,811	6,609,038
– Over time	441,373	9,827	–	1,053,359	7,484	1,512,043
	<u>3,531,025</u>	<u>245,326</u>	<u>254,245</u>	<u>3,991,190</u>	<u>99,295</u>	<u>8,121,081</u>
	Online business			Intellectual property operations and others		Total
	On self-owned platform products	On the channels on Tencent products	On third-party platforms	Intellectual property operations	Others	
Year ended December 31, 2023	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Timing of revenue recognition:						
– At a point in time	3,107,089	338,249	192,591	2,439,712	85,611	6,163,252
– Over time	306,807	3,403	–	534,107	4,216	848,533
	<u>3,413,896</u>	<u>341,652</u>	<u>192,591</u>	<u>2,973,819</u>	<u>89,827</u>	<u>7,011,785</u>

4.2 Liabilities related to contracts with customers

The Group has recognised the following liabilities related to contracts with customers:

	As of December 31,	
	2024	2023
	RMB'000	RMB'000
Deferred revenue		
Online business	747,919	625,375
Intellectual property operations and others	422,918	278,106
	<u>1,170,837</u>	<u>903,481</u>

Deferred revenue mainly comprises contract liabilities in relation to 1) service fees prepaid by customers in the form of pre-paid tokens or cards, and subscription, for which the related services had not been rendered as of December 31, 2024 and 2023; 2) the balance of deferred copyrights licensing income to be amortised over remaining sub-licensing period, and the portion to be recognised over one year after the end of each reporting period was classified as non-current liabilities in the consolidated statement of financial position as of December 31, 2024 and 2023 and; 3) the prepayments received from customers, including TV stations, online platforms and advertising customers, for which master tapes had not been delivered as broadcasting license had not been obtained for these television series or films, or advertising services had not been provided, or animations had not been delivered to the online platforms as of December 31, 2024 and 2023.

(a) Revenue recognised in relation to deferred revenue

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward deferred revenue:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Revenue recognised that was included in the deferred revenue balance at the beginning of the year:		
Online business	625,375	440,053
Intellectual property operations and others	256,183	181,379
	<u>881,558</u>	<u>621,432</u>

5 EXPENSES BY NATURE

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Content costs (<i>Note a</i>)	1,673,108	1,646,031
Promotion and advertising expenses	1,604,941	1,185,454
Employee benefits expenses (<i>Note b</i>)	1,163,347	1,076,230
Production costs of television, web and animated series and films (<i>Note c</i>)	968,762	545,051
Platform distribution costs	726,281	808,135
Payment handling costs	294,237	264,770
Amortisation of intangible assets (<i>Note d and Note 12</i>)	157,473	182,689
Impairment loss on prepayments for production of television series and films (<i>Note e</i>)	129,531	41,075
Cost of physical inventories sold	106,016	58,959
Bandwidth and server custody fees	106,013	105,151
Depreciation of right-of-use assets	72,033	81,956
Impairment loss on television series and film rights	70,730	86,367
Game development outsourcing costs	65,211	96,500
Travelling, entertainment and general office expenses	57,837	48,591
Professional service fees	49,863	46,779
Depreciation of property, plant and equipment	40,335	33,378
Provision for physical inventory obsolescence	27,917	19,684
Tax surcharge expenses	20,656	16,629
Auditors' remuneration		
– Audit services	10,946	10,946
– Non-audit services	999	870
Logistic expenses	9,673	5,983
Expense relating to short-term leases and low value leases	5,036	4,976
Impairment loss on prepayments to directors and writers	–	9,522
Others	242,697	145,150
	7,603,642	6,520,876

Notes:

- (a) Content costs mainly include (i) other than the initial acquisition of the copyrights from writers, the Group also pays a certain percentage of the revenues earned on such contents posted through its self-owned platforms, channels on Tencent products and third-party platforms. In addition, some writers share certain percentage of the revenue earned on virtual gift purchases pursuant to their royalty arrangements; (ii) the direct costs associated with the adaptation rights and scripts that sold by the Group; and (iii) the impairment loss on adaptation rights and scripts.
- (b) During the year ended 31 December 2024, employee benefits expenses included the share-based compensation expenses of approximately RMB126,357,000 (2023: RMB131,467,000), and other compensation costs of approximately RMB66,199,000 (2023: RMB56,936,000).
- (c) During the year ended 31 December 2024, production costs of television, web and animated series and films included production costs arising from acquisition of approximately RMB1,274,000 (2023: nil).
- (d) During the year ended 31 December 2024, amortisation of intangible assets included the amortisation of intangible assets arising from acquisitions of approximately RMB19,039,000 (2023: RMB20,171,000).
- (e) The Group performed impairment assessment on prepayments for production of television series and films, and the respective recoverable amounts of these prepayments are determined with reference to discounted cash flows. During the year ended December 31, 2024, an impairment loss of approximately RMB129,531,000 (2023: RMB41,075,000) was recognised in cost of revenues.
- (f) Research and development expenses (being included in the Group's general and administrative expenses) for the year ended December 31, 2024 was approximately RMB520,638,000 (2023: RMB561,576,000), which mainly included employee benefits expenses of research and development function staff.

6 OTHER (LOSSES)/GAINS, NET

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Net fair value gain/(loss) of financial assets and financial liabilities at FVPL (<i>Note a</i>)	133,483	(21,258)
Government subsidies	87,852	113,781
Compensation received for copyright infringements	15,034	6,763
Impairment provision for investments in associates and joint ventures (<i>Note 13</i>)	(59,281)	(107,155)
Impairment provision for other intangible assets (<i>Note 12</i>)	(60,005)	(44,255)
Impairment provision for goodwill (<i>Note 12</i>)	(1,104,592)	–
Gain on disposals of investments in associates (<i>Note b</i>)	–	40,416
Dilution gains on a deemed disposal (<i>Note 13</i>)	–	12,413
Others, net	13,617	10,788
	<u>(973,892)</u>	<u>11,493</u>

Notes:

- (a) During the year ended 31 December 2024, the net fair value gain of financial assets and financial liabilities at FVPL mainly comprised net loss of approximately RMB27,956,000 as a result of changes in valuations of certain investee companies (net loss for the year ended December 31, 2023: RMB62,195,000), fair value gain on contingent consideration payable of approximately RMB83,191,000 (fair value loss for the year ended December 31, 2023: RMB15,410,000) and fair value gain on investments in structured deposits of approximately RMB71,353,000 (fair value gain for the year ended December 31, 2023: RMB60,029,000).
- (b) In May 2023, after considering the Group's investment's objectives and the investee's market value, the Group disposed partially its equity interests in an associate. Upon the disposal, the carrying amount of the disposed equity interests was approximately RMB28,793,000, while the total cash consideration received was approximately RMB69,195,000. Accordingly, a disposal gain of RMB40,402,000 was recognised for the year ended December 31, 2023.

7 FINANCE COSTS, NET

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Interest expenses on borrowings	–	9,990
Interest expenses on lease liabilities	8,611	9,668
Foreign exchange gain, net	(6,775)	(6,767)
	<u>1,836</u>	<u>12,891</u>

8 INTEREST INCOME

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Interest income on bank deposits	178,140	166,124
Others	180	192
	<u>178,320</u>	<u>166,316</u>

9 INCOME TAX EXPENSE

(i) Cayman Islands corporate income tax

The Company was not subject to any taxation in the Cayman Islands for the years ended December 31, 2024 and 2023.

(ii) Hong Kong profits tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5%. The operations in Hong Kong incurred net accumulated operating losses for income tax purposes and no income tax provision was recorded for the years presented.

(iii) PRC corporate income tax (“CIT”)

CIT provision was made on the estimated assessable profit of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% for the year ended December 31, 2024 (2023: 25%).

Certain subsidiaries of the Group in the PRC were approved as High and New Technology Enterprise, and accordingly, they were subject to a reduced preferential CIT rate of 15% for the years ended December 31, 2024 and 2023 according to the applicable CIT Law.

Certain subsidiaries of the Group are entitled to other tax concessions, mainly include the preferential tax rate of 15% applicable to some subsidiaries located in certain area of the Mainland of China upon fulfillment of certain requirements of the respective local government.

The amount of income tax charged to the consolidated statement of comprehensive (loss)/income represents:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Current income tax	141,938	184,731
Deferred income tax	(31,268)	(86,881)
	<u>110,670</u>	<u>97,850</u>

The tax on the Group’s (loss)/profit before income tax differs from the theoretical amount that would arise using the tax rate of 25% for the year ended December 31, 2024 (2023: 25%), being the tax rate of the major subsidiaries of the Group. The difference is analysed as follows:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
(Loss)/profit before income tax	(98,925)	901,397
Share of net profit of associates and joint ventures	(239,027)	(204,979)
Tax calculated at PRC statutory tax rate of 25%	(84,488)	174,105
Effects of respective tax rates applicable to different subsidiaries of the Group	(71,125)	(84,305)
Unrecognised deferred income tax assets	38,780	76,047
Non-deductible expenses less non-taxable income	330,754	1,930
Research and development tax credit	(45,647)	(43,338)
Utilisation of previously unrecognised temporary differences	(57,604)	(26,589)
Income tax expense	110,670	97,850

(iv) OECD Pillar Two model rules

The Organisation for Economic Co-operation and Development (“OECD”) published Pillar Two model rules in December 2021, with the effect that a jurisdiction may enact domestic tax laws (“Pillar Two legislation”) to implement the Pillar Two model rules on a globally agreed common approach. Pillar Two legislation applies to a member of a multinational group within the scope of the Pillar Two model rules, which Tencent fell into. The Company, as a partially owned parent entity (“POPE”) of Tencent, and its subsidiaries would be imposed a top-up tax on profits arising in a jurisdiction whenever the effective tax rate determined by the Pillar Two model rules on a jurisdictional basis is below a minimum rate of 15%.

The Group mainly operates in Mainland China, Hong Kong and Singapore. Pillar Two legislation is not yet enacted or substantively enacted in the Mainland China jurisdiction where the Group mainly operates as of 31 December 2024. For Hong Kong and Singapore jurisdictions, Pillar Two legislation is enacted or substantively enacted, but not yet in effect as of 31 December 2024. Meanwhile, as the ultimate parent entity and the intermediate parent entities of the Company operate in Hong Kong and British Virgin Islands, where Pillar Two legislation is not in effect yet, there would be no material current tax exposure for the Group as of 31 December 2024, and it is estimated that the Group’s income tax would not be materially different should those legislation had been in effect for the year ended 31 December 2024. The Group will continue assessing the Pillar Two tax exposure and the impacts on its consolidated financial statements accordingly.

10 (LOSS)/EARNINGS PER SHARE

- (a) Basic (loss)/earnings per share for the years ended December 31, 2024 and 2023 are calculated by dividing the (loss)/profit attributable to the Company's equity holders by the weighted average number of ordinary shares in issue during the periods.

	Year ended December 31,	
	2024	2023
Net (loss)/profit attributable to the equity holders of the Company (RMB'000)	(209,216)	804,879
Weighted average number of ordinary shares in issue (thousand)	<u>1,012,686</u>	<u>1,009,266</u>
Basic (loss)/earnings per share (expressed in RMB per share)	<u>(0.21)</u>	<u>0.80</u>

- (b) Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the year ended December 31, 2023, the Company had dilutive potential ordinary shares of RSUs and share options granted to employees and directors (Note 20). For the RSUs, a calculation was performed to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the period) based on the monetary value of the subscription rights attached to the outstanding RSUs. The RSUs were assumed to have been fully vested and released from restrictions with no impact on earnings. For the share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that would have been issued at fair value (determined as the average market share price of the Company's shares) were incremental shares issued for no consideration which causes dilution to earnings per share. The impact of potential ordinary shares to be issued in connection with the acquisition of New Classics Media was included in the computation of earnings per share for the year ended December 31, 2023 as the impact would be dilutive. For the year ended December 31, 2024, the potential ordinary shares to be issued in connection with the acquisition of New Classics Media, and the potential ordinary shares of RSUs and share options granted to employees were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive.

	Year ended December 31,	
	2024	2023
Net (loss)/profit used to determine diluted earnings per share (RMB'000)	<u>(209,216)</u>	<u>804,879</u>
Weighted average number of ordinary shares in issue (thousand)	1,012,686	1,009,266
Effect of deemed issuance of ordinary shares in connection with the acquisition of New Classics Media (thousand)	—	2,720
Adjustments for share-based compensation – RSUs (thousand)	—	5,887
Adjustments for share-based compensation – share options (thousand)	<u>—</u>	<u>335</u>
Weighted average number of ordinary shares for diluted (loss)/earnings per share (thousand)	<u>1,012,686</u>	<u>1,018,208</u>
Diluted (loss)/earnings per share (expressed in RMB per share)	<u>(0.21)</u>	<u>0.79</u>

11 DIVIDENDS

No dividends was paid or declared by the Company during the year ended December 31, 2024 (2023: nil).

12 INTANGIBLE ASSETS

	Goodwill RMB'000	Non-compete agreements RMB'000	Trademarks RMB'000	Copyrights of contents RMB'000	Software RMB'000	Domain names RMB'000	Total RMB'000
At December 31, 2024							
Opening net book amount as of							
January 1, 2024	6,632,807	8,245	536,440	138,492	12,090	2,050	7,330,124
Additions	-	-	-	86,535	9,620	-	96,155
Amortisation	-	(6,596)	(19,314)	(121,184)	(10,373)	(6)	(157,473)
Business combination under common control	-	-	-	54,630	-	-	54,630
Impairment	(1,104,592)	-	-	(60,005)	-	-	(1,164,597)
	<u>5,528,215</u>	<u>1,649</u>	<u>517,126</u>	<u>98,468</u>	<u>11,337</u>	<u>2,044</u>	<u>6,158,839</u>
Closing net book amount as of							
December 31, 2024	<u>5,528,215</u>	<u>1,649</u>	<u>517,126</u>	<u>98,468</u>	<u>11,337</u>	<u>2,044</u>	<u>6,158,839</u>
	Goodwill RMB'000	Non-compete agreements RMB'000	Trademarks RMB'000	Copyrights of contents RMB'000	Software RMB'000	Domain names RMB'000	Total RMB'000
At December 31, 2023							
Opening net book amount as of							
January 1, 2023	6,632,807	14,841	557,242	208,622	6,038	2,089	7,421,639
Additions	-	-	1	121,968	13,460	-	135,429
Amortisation	-	(6,596)	(20,803)	(147,843)	(7,408)	(39)	(182,689)
Impairment	-	-	-	(44,255)	-	-	(44,255)
	<u>6,632,807</u>	<u>8,245</u>	<u>536,440</u>	<u>138,492</u>	<u>12,090</u>	<u>2,050</u>	<u>7,330,124</u>

During the year ended December 31, 2024, amortisation expense of approximately RMB120,881,000 (2023: RMB147,642,000), RMB148,000 (2023: RMB184,000) and RMB36,444,000 (2023: RMB34,863,000) were charged to “cost of revenues”, “selling and marketing expenses” and “general and administrative expenses”, respectively.

As of December 31, 2024, the goodwill balance mainly arose from the acquisition of 100% equity interests in Cloudary Corporation (“Cloudary”) in 2014, the acquisition of the entities operating online literature business through the brand of “Chuangshi” (“Chuangshi”) in 2014 and the acquisition of 100% equity interests in New Classics Media in 2018 (or referred to as “acquired TV and film business” hereafter).

(a) Impairment tests for goodwill

As of December 31, 2024 and 2023, goodwill is allocated to the Group's CGUs identified as follows:

	As of December 31,	
	2024	2023
	RMB'000	RMB'000
Online business	3,715,659	3,715,659
Acquired TV and film business	1,812,556	2,917,148
	<u>5,528,215</u>	<u>6,632,807</u>

Online business

Impairment review on the goodwill relating to online business has been conducted by the management as of December 31, 2024 and 2023 according to IAS 36 "Impairment of assets". For the purposes of impairment review, the recoverable amount of goodwill is determined based on the higher amount of the fair value less cost of disposal ("FVLCD") and value-in-use calculations.

As of December 31, 2024 and 2023, the recoverable amount of goodwill was determined based on value-in-use calculations. The value-in-use calculations use cash flow projections based on business plan for the purpose of impairment reviews covering a five-year period. The accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control process established by the Group. The management leveraged their extensive experiences in the industries and provided forecast based on past performance and their expectation of future business plans and market developments.

The Group has engaged an independent external valuer for performing the goodwill impairment assessments. Based on the results of the impairment assessments, no impairment loss on the goodwill relating to online business was recognised as of December 31, 2024 and 2023.

Acquired TV and film business

During the year ended December 31, 2024, indicators of goodwill impairment arose in the Group's acquired TV and film business. This was due to changes in the market for TV and film, along with the continuing rise in audience expectations for high-quality contents. The Group anticipates longer development cycles for new projects and increased overall production costs in the coming years, which is expected to result in lower profit expectations in the near future.

Accordingly, impairment review on the goodwill relating to acquired TV and film business was conducted by the management as of December 31, 2024 according to IAS 36 "Impairment of assets". For the purposes of impairment review, the recoverable amount of goodwill is determined based on the higher amount of the FVLCD and value-in-use calculation.

As of December 31, 2024, the recoverable amount of goodwill was determined based on value-in-use calculation. The value-in-use calculation use cash flow projections based on business projection for the purpose of impairment reviews covering a five-year period. The accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control process established by the Group. The management leveraged their extensive experiences in the industries and provided forecast based on past performance and their expectation of future business projection and market developments.

The Group has engaged an independent external valuer to assist in performing the goodwill impairment assessments. As of December 31, 2024, the Group recognised an impairment provision of approximately RMB1,104,592,000 against the carrying amount of goodwill relating to acquired TV and film business (2023: no impairment loss on the goodwill).

Impact of possible changes in key assumptions

The following table sets out the key assumptions for those CGUs that have significant goodwill allocated to them:

2024	Online business	Acquired TV and film business
Gross margin (%)	From 54.6% to 55.2%	From 45.3% to 53.4%
Annual growth rate for the 5-year period (%)	From 2.2% to 6.6%	From -27.6% to 21.7%
Terminal growth rate (%)	2.0%	2.0%
Pre-tax discount rate (%)	16.9%	15.0%
	<hr/> <hr/>	<hr/> <hr/>
2023	Online business	Acquired TV and film business
Gross margin (%)	From 51.2% to 52.1%	From 51.6% to 59.3%
Annual growth rate for the 5-year period (%)	From 3.3% to 11.1%	From 4.8% to 18.5%
Terminal growth rate (%)	2.2%	2.5%
Pre-tax discount rate (%)	17.9%	16.9%
	<hr/> <hr/>	<hr/> <hr/>

The budgeted gross margins used in the goodwill impairment testing were determined by the management based on past performance and its expectation for future market development. The expected revenue growth rates and gross profit rates were arrived at based on the business projection approved by the Group. Discount rates reflect market assessments of the time value and the specific risks relating to the industry. The variation in assumptions is attributable to the management's evaluation of economic conditions, market situations and the internal development strategies.

(b) Impairment tests for trademarks

Impairment review on the trademarks with indefinite useful life arose from the acquisition of New Classics Media in 2018 has been conducted by the management as of December 31, 2024 and 2023 according to IAS 36 “Impairment of assets”. For the purposes of impairment assessment, the recoverable amount of the trademarks with indefinite life is determined based on the higher amount of the FVLCD and value-in-use calculations. As of December 31, 2024 and 2023, the recoverable amount of trademarks is determined based on the value-in-use calculations. The value-in-use calculations adopted cash flow derived from expected business operating, which were the same as that for the goodwill impairment tests. The discount rate adopted by the Group when calculating discounted cash flows was also the same as that for the goodwill impairment assessments. No impairment provision was recognised by the Group against the carrying amount of the trademark as of December 31, 2024 (2023: nil).

(c) Impairment tests for copyrights

Impairment review on the copyrights of certain contents had been conducted by the management as of December 31, 2024 according to IAS 36 “Impairment of assets”. As of December 31, 2024, the recoverable amount of the copyrights is determined based on the value-in-use calculations. As of December 31, 2024, the Group made an impairment provision of approximately RMB60,005,000 (2023: RMB44,255,000) against the carrying amount of such copyrights.

13 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	As of December 31,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Investments in associates <i>(a)</i>	410,719	409,405
Investments in joint ventures <i>(b)</i>	517,460	515,278
	928,179	924,683

(a) Investments in associates

	As of December 31,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	409,405	476,225
Additions	30,000	23,027
Share of net loss of associates	(18,125)	(1,976)
Share of other comprehensive loss of an associate	(369)	(647)
Impairment provision	(9,853)	(72,502)
Disposal of an associate	—	(28,514)
Dilution gains on deemed disposals	—	12,413
Share of other changes in net assets of an associate	(1,240)	—
Currency translation differences	901	1,379
	<hr/>	<hr/>
At the end of the year	410,719	409,405
	<hr/> <hr/>	<hr/> <hr/>

(b) Investments in joint ventures

	As of December 31,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	515,278	532,529
Additions	23,039	39,080
Share of net profit of joint ventures	257,152	206,955
Disposal of a joint venture	(5,068)	(23,800)
Impairment provision	(49,428)	(34,653)
Dividend from joint ventures	(223,550)	(204,833)
Currency translation differences	37	—
	<hr/>	<hr/>
At the end of the year	517,460	515,278
	<hr/> <hr/>	<hr/> <hr/>

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Classification of financial assets at fair value through profit or loss

The Group classifies the following financial assets at fair value through profit or loss:

- debt instruments that do not qualify for measurement at either amortised cost or FVOCI;
- equity investments that are held for trading; and
- equity investments for which the entity has not elected to recognise fair value gains or losses through other comprehensive income.

FVPL include the following:

	As of December 31,	
	2024	2023
	RMB'000	RMB'000
Included in non-current assets:		
Investments in unlisted entities	1,035,640	849,468
Investments in a listed entity	4,003	6,579
	<u>1,039,643</u>	<u>856,047</u>
Included in current assets:		
Investments in television series and films	–	822
Investments in structured deposits	3,252,900	2,441,897
	<u>3,252,900</u>	<u>2,442,719</u>
	<u>4,292,543</u>	<u>3,298,766</u>

15 INVENTORIES

	As of December 31,	
	2024	2023
	RMB'000	RMB'000
Adaptation rights and scripts	651,131	701,930
Inventories in warehouse	33,333	32,340
Inventories held with distributors on consignment	27,222	31,168
Work in progress	2,792	1,974
Raw materials	1,771	1,708
Others	50,417	20,248
	<u>766,666</u>	<u>789,368</u>
<i>Less: provision for inventory obsolescence</i>	<i>(73,625)</i>	<i>(45,708)</i>
	<u><u>693,041</u></u>	<u><u>743,660</u></u>

16 TELEVISION SERIES AND FILM RIGHTS

	As of December 31,	
	2024	2023
	RMB'000	RMB'000
Television series and film rights		
– production in progress	517,936	951,533
– completed	11,881	43,545
	<u>529,817</u>	<u>995,078</u>

	Production in progress RMB'000	Completed RMB'000	Total RMB'000
As of January 1, 2024	951,533	43,545	995,078
Additions	474,985	–	474,985
Business combination under common control	19,585	–	19,585
Transfer from production in progress to completed	(961,599)	961,599	–
Transfer from adaptation rights and scripts to production in progress	79,661	–	79,661
Recognised in cost of revenue	(46,229)	(993,263)	(1,039,492)
As of December 31, 2024	517,936	11,881	529,817
As of January 1, 2023	748,969	191,443	940,412
Additions	669,132	–	669,132
Transfer from production in progress to completed	(433,664)	433,664	–
Transfer from adaptation rights and scripts to production in progress	16,952	–	16,952
Recognised in cost of revenue	(49,856)	(581,562)	(631,418)
As of December 31, 2023	951,533	43,545	995,078

17 TRADE AND NOTES RECEIVABLES

	As of December 31,	
	2024	2023
	RMB'000	RMB'000
Trade receivables	1,843,670	2,179,210
Notes receivable	32,877	200
	1,876,547	2,179,410
<i>Less: allowance for impairment of trade receivables</i>	(173,122)	(191,210)
	1,703,425	1,988,200

The Group applies the IFRS 9 simplified approach for trade receivables, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. The Group also performs assessment on an individual basis, when it becomes aware of an increase in credit risk for the individual financial instrument. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The directors of the Company considered that the carrying amounts of the trade and notes receivables balances approximated to their fair value as of December 31, 2024 and 2023.

The Group usually allows a credit period of 30 to 120 days to its customers. Aging analysis of trade and notes receivables (net of allowance for doubtful debts) based on recognition date is as follows:

	As of December 31,	
	2024	2023
	RMB'000	<i>RMB'000</i>
Trade and notes receivables		
– Up to 3 months	1,134,014	1,348,862
– 3 to 6 months	134,867	163,772
– 6 months to 1 year	299,882	292,035
– 1 to 2 years	94,860	135,560
– Over 2 years	39,802	47,971
	1,703,425	1,988,200

18 BORROWINGS

	As of December 31,	
	2024	2023
	RMB'000	<i>RMB'000</i>
Secured		
RMB bank borrowings (<i>Note</i>)	–	10,000
Total borrowings	–	10,000

Note:

As of December 31, 2023, the carrying amount of the Group's borrowings approximated to their fair value.

The maturity of borrowings is as follows:

	As of December 31,	
	2024	2023
	RMB'000	<i>RMB'000</i>
Within 1 year	–	10,000

19 TRADE PAYABLES

Aging analysis of trade payables based on recognition date at the end of each reporting period is as follows:

	As of December 31,	
	2024	2023
	RMB'000	RMB'000
– Up to 3 months	519,008	541,461
– 3 to 6 months	100,507	63,593
– 6 months to 1 year	75,653	126,496
– Over 1 year	349,434	388,164
	<u>1,044,602</u>	<u>1,119,714</u>

20 SHARE-BASED PAYMENTS

(a) RSU schemes of the Group

The Group has adopted two share award schemes, namely, the 2014 RSU Scheme and the 2020 RSU Scheme. Each RSU is settled by transfer of one ordinary share of the Company to the grantee upon a date as soon as practicable after the RSUs vest.

(i) 2014 RSU Scheme

The Company adopted a share award scheme on December 23, 2014 to the extent of 25,000,000 new ordinary shares of the Company for the purpose of attracting and retaining the best available personnel, and providing additional incentives to employees, directors and consultants and to promote the success of the Group's business (the "2014 RSU Scheme"). The RSUs granted under the 2014 RSU Scheme would become vested with respect to 20% of the RSUs on each of the first five anniversaries of the grant date.

On March 12, 2016, the Company modified the vesting condition associated with the 2014 RSU Scheme in a non-beneficial way by adding a non-market performance condition relating to completion of a defined initial public offering of the Company.

On January 17, 2017, the shareholders of the Company approved additional 15,409,091 new ordinary shares be further reserved for the purpose of the Company's employee incentive plan. The aggregate number of shares reserved under the 2014 RSU Scheme was 40,409,091 shares.

Movements in the number of RSUs outstanding under the 2014 RSU Scheme are as follows:

	Number of RSUs
As of January 1, 2024	3,561,705
Forfeited	(690,178)
Vested	<u>(1,306,978)</u>
Outstanding balance as of December 31, 2024	<u><u>1,564,549</u></u>
As of January 1, 2023	5,322,457
Granted	940,097
Forfeited	(1,057,067)
Vested	<u>(1,643,782)</u>
Outstanding balance as of December 31, 2023	<u><u>3,561,705</u></u>

(ii) 2020 RSU Scheme

The Company adopted a share award scheme on May 15, 2020 to the extent of 45,710,177 ordinary shares of the Company have been set aside for the scheme for the purposes of attracting and retaining the suitable personnel, and providing additional incentives to employees, directors and consultants (the “2020 RSU Scheme”). The RSUs granted were divided into two to four tranches on an equal basis at their grant dates, and shall become vested on each of the first two to four anniversaries of the grant date.

Movements in the number of RSUs outstanding under the 2020 RSU Scheme are as follows:

	Number of RSUs
As of January 1, 2024	6,826,174
Granted	8,141,745
Forfeited	(894,244)
Vested	<u>(2,277,373)</u>
Outstanding balance as of December 31, 2024	<u><u>11,796,302</u></u>
As of January 1, 2023	6,690,316
Granted	3,059,259
Forfeited	(966,351)
Vested	<u>(1,957,050)</u>
Outstanding balance as of December 31, 2023	<u><u>6,826,174</u></u>

During the year ended December 31, 2024, 1,000,000 RSUs and 285,106 RSUs were granted to two executive directors of the Company, respectively (2023: nil).

The fair value of each RSUs was calculated based on the market price of the Company's shares at the respective grant date. The expected dividends during the vesting period had been taken into account when assessing the fair value of these RSUs.

(b) Share option scheme of the Group

Pursuant to a resolution passed at the annual general meeting held on May 24, 2021, the Company adopted a share option scheme (the "2021 Share Option Scheme"). The purpose of the 2021 Share Option Scheme was to recognise the contribution that the participants have made to the Company, to attract and retain the best available personnel and to promote the success of the Company. The 2021 Share Option Scheme is valid and effective for a period of 10 years commencing on May 24, 2021.

(i) Movements in share options

Movement in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2024		2023	
	Average exercise price	Number of options	Average exercise price	Number of options
As of January 1	HKD45.74	10,063,523	HKD47.15	9,243,013
Granted	HKD25.29	2,747,957	HKD32.06	1,609,549
Forfeited	HKD46.69	(2,946,774)	HKD34.37	(789,039)
Exercised	HKD30.69	(500,000)	—	—
As of December 31	<u>HKD40.24</u>	<u>9,364,706</u>	<u>HKD45.74</u>	<u>10,063,523</u>
Exercisable as of December 31	<u>HKD50.32</u>	<u>4,374,696</u>	<u>HKD50.11</u>	<u>5,504,884</u>

During the year ended December 31, 2024, 2,474,052 share options were granted to an executive director of the Company (2023: 504,090 share options were granted to an executive director of the Company).

During the year ended December 31, 2024, 500,000 share options were exercised (2023: nil).

(ii) Outstanding share options

Details of the expiry dates, exercise prices and respective numbers of share options which remained outstanding as of December 31, 2024 and December 31, 2023 are as follows:

Grant Date	Expiry Date	Exercise price	Number of share option	
			December 31, 2024	December 31, 2023
July 12, 2021	July 11, 2031	HKD 82.85	1,194,235	2,091,564
November 5, 2021	November 4, 2031	HKD 53.14	1,786,539	1,786,539
August 18, 2022	August 17, 2032	HKD 30.69	2,273,684	4,575,871
August 21, 2023	August 20, 2033	HKD 32.06	1,362,291	1,609,549
August 14, 2024	August 13, 2034	HKD 25.29	2,747,957	—
			9,364,706	10,063,523
Total				
Weighted average remaining contractual life of options outstanding at end of year			7.21 years	8.25 years

The outstanding share options as of December 31, 2024 were divided into four or three tranches on an equal basis as at their grant dates. The first tranche can be exercised immediately or after a year from the grant date, and the remaining tranches will become exercisable in each subsequent year.

(iii) Fair value of options

The directors of the Company have used the binomial model to determine the fair value of the options as at the respective grant dates, which is to be expensed over the relevant vesting period.

(c) Expected Retention Rate

The Group has to estimate the Expected Retention Rate at the end of the vesting periods of the RSUs and share options in order to determine the amount of share-based compensation expenses charged to the consolidated statement of comprehensive (loss)/income. As of December 31, 2024, the Expected Retention Rate of the Group had been assessed to be no lower than 92% (December 31, 2023: 92%).

21 SUBSEQUENT EVENTS

There were no material subsequent events during the period from December 31, 2024 to the approval date of these consolidated financial statements by the Board on March 18, 2025.

MATERIAL INVESTMENT, ACQUISITION AND DISPOSAL OF ASSETS

The Company did not have any material investment, acquisitions and disposals of assets during the year ended December 31, 2024.

DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended December 31, 2024 (2023: Nil).

OTHER INFORMATION

Purchase, Sale or Redemption of Listed Securities

During the year ended December 31, 2024, the Company purchased a total of 10,936,200 Shares on the Stock Exchange for an aggregate consideration of HKD274,794,340 before expenses pursuant to the share buy-back mandates approved by the Shareholders at the annual general meetings held on May 22, 2023 and June 3, 2024, respectively. The purchased Shares were subsequently cancelled. As at the date of this announcement, the Company did not hold any treasury Shares (including any treasury Shares held or deposited with CCASS). The purchase was effected by the Board for the enhancement of shareholder value in the long term. Details of the shares purchases are as follows:

Month for purchase in 2024	Number of shares purchased	Purchase consideration per share		Aggregate consideration paid HKD
		Lowest price paid HKD	Highest price paid HKD	
April	200,000	24.20	24.40	4,860,980
June	952,800	24.85	26.05	24,140,140
July	1,771,000	24.30	26.35	44,386,550
August	3,460,000	22.90	25.25	82,943,670
September	3,009,200	24.35	26.50	75,362,660
October	1,543,200	26.05	30.00	43,100,340
Total	10,936,200	—	—	274,794,340

Save as disclosed above, during the year ended December 31, 2024, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (including sale of treasury Shares).

Compliance with the Corporate Governance Code

The Group is committed to maintaining high standards of corporate governance and recognises that good governance is vital for the long-term success and sustainability of the Group's business. The Company has adopted the CG Code as its own code of corporate governance.

For the year ended December 31, 2024, the Company has complied with all applicable code provisions of the CG Code.

Model Code for Dealing in Securities by Directors

The Company has adopted the Model Code as set out in Appendix C3 of the Listing Rules as its own code of conduct regarding directors' securities transactions. Having been made specific enquiries by the Company, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code for the year ended December 31, 2024.

Events after the Reporting Period

There are no material subsequent events undertaken by the Group after December 31, 2024 and up to the date of this announcement.

Annual General Meeting

The Company will arrange the time for convening the forthcoming annual general meeting (the "AGM") as soon as practicable. The notice of the AGM will be published and despatched to the Shareholders who have already provided instructions indicating their preference to receive hard copies in due course. The Company will announce the period of closure of register of members in the notice of AGM to be published or the announcement to be otherwise published.

Audit Committee

The Audit Committee, together with the Board and the Auditor, has reviewed the Group's audited consolidated financial statements for the year ended December 31, 2024. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and has also reviewed the effectiveness of the risk management and internal control systems of the Company, and considered the risk management and internal control systems to be effective and adequate.

Auditor's Procedures Performed on this Announcement

The figures in respect of the announcement of the Group's results for the year ended December 31, 2024 have been agreed by the Auditor to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an audit, review or other assurance engagement, and consequently no assurance has been expressed by the Auditor on this announcement.

Publication of the Annual Results Announcement and Annual Report

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://ir.yuewen.com>), and the annual report of the Company will be published on the respective websites of the Stock Exchange and the Company, and will be despatched to the Shareholders who have already provided instructions indicating their preference to receive hard copies in due course.

APPRECIATION

Finally, I would like to thank our management and employees for their commitment, contributions, and creativity; the Board for its guidance and support; and our Shareholders for their trust.

By Order of the Board
CHINA LITERATURE LIMITED
Mr. Pu Hai Tao

Chairman of the Board and Non-executive Director

Hong Kong, March 18, 2025

As of 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.

This announcement contains forward-looking statements relating to the business outlook, estimates of financial performance, forecast business plans and growth strategies of the Group. These forward-looking statements are based on information currently available to the Group and are stated herein on the basis of the outlook at the time of this announcement. 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 these forward-looking statements are a large number of risks and uncertainties. In light of the risks and uncertainties, the inclusion of forward-looking statements in this announcement should not be regarded as representations by the Board or the Company that the plans and objectives will be achieved, and investors should not place undue reliance on such statements.

DEFINITION

“2014 RSU Scheme”:	the scheme adopted by the Company to grant RSUs to the Directors, senior management and employees and those of our subsidiaries which took effect as of December 23, 2014;
“2020 RSU Scheme”:	a restricted share unit scheme of the Company adopted on May 15, 2020, as amended from time to time;
“2021 Share Option Scheme”:	a share option scheme of the Company adopted on May 24, 2021, as amended from time to time;
“AI”:	artificial intelligence;
“Audit Committee”:	the audit committee of the Company;
“Auditor”:	PricewaterhouseCoopers, the external auditor of the Company;
“Board”:	the board of Directors of the Company;
“CCASS”:	the Central Clearing and Settlement System established and operated by HKSCC;
“CG Code”:	the Corporate Governance Code as set out in Appendix C1 of the Listing Rules;
“China” or the “PRC”:	the People’s Republic of China;
“Cloudary”:	Cloudary Corporation (formerly known as Shanda Literature Corporation), an exempted company with limited liability incorporated under the laws of the Cayman Islands on February 25, 2011, and our directly wholly-owned subsidiary;
“Company”, “our Company”, “the Company” or “China Literature”:	China Literature Limited (阅文集团) (formerly known as China Reading Limited), an exempted company incorporated in the Cayman Islands with limited liability on April 22, 2013 with its Shares listed on the Main Board of the Stock Exchange on the Listing Date under the stock code 772;
“controlling shareholder”:	has the meaning ascribed to it under the Listing Rules;
“Director(s)”:	the director(s) of our Company;

“Group”, “our Group”, “the Group”, “we”, “us”, or “our”:	the Company, its subsidiaries and its consolidated affiliated entities from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time;
“HKD”:	the lawful currency of Hong Kong;
“Hong Kong”:	the Hong Kong Special Administrative Region of the People’s Republic of China;
“IP”:	intellectual property;
“Listing Rules”:	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time;
“Main Board”:	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange;
“MAUs”:	monthly active users who access our platform or through our products or our self-operated channels on Tencent products at least once during the calendar month in question;
“Model Code”:	the Model Code for Securities Transactions by Directors of Listed Issuers;
“MPUs”:	monthly paying users, meaning the number of accounts that purchase our content or virtual items on a special mobile app, WAP or website at least once during the calendar month in question;
“New Classics Media Holdings Limited”, “NCM” or “New Classics Media”:	previously known as “Qiandao Lake Holdings Limited”, a company established in Cayman Islands on 18 May 2018. Its subsidiaries are principally engaged in production and distribution of television series and movies;
“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;
“Reporting Period”:	the year ended December 31, 2024;

“RMB”:	the lawful currency of the PRC;
“RSU(s)”:	restricted stock unit(s);
“Share(s)”:	ordinary share(s) in the share capital of our Company with a par value of USD0.0001 each;
“Shareholder(s)”:	holder(s) of the Share(s);
“Stock Exchange”:	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”:	has the meaning ascribed thereto in section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
“Tencent”:	Tencent Holdings Limited, our controlling shareholder, a limited liability company organized and existing under the laws of the Cayman Islands and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 700);
“Tencent Animation and Comics”:	Shenzhen Tencent Animation and Comics Company limited (深圳市騰訊動漫有限公司) and its relevant associates; and
“USD” or “US\$”:	the lawful currency of the United States.