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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, 2025**

The board of directors of China Literature Limited hereby announces the audited consolidated results of the Group for the year ended December 31, 2025. 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

	2025	2024	Year-over-year
	RMB'000	RMB'000	(%)
Revenues	7,366,176	8,121,081	-9.3%
Gross profit	3,396,814	3,921,940	-13.4%
Operating loss	(804,451)	(336,116)	139.3%
Loss before income tax	(616,274)	(98,925)	523.0%
Loss for the year	(776,364)	(209,595)	270.4%
Loss attributable to equity holders of the Company	(776,054)	(209,216)	270.9%
Non-IFRS profit attributable to equity holders of the Company	858,486	1,141,657	-24.8%

BUSINESS REVIEW AND OUTLOOK

In 2025, our premium content ecosystem continued to thrive. For the first time, two blockbuster titles surpassed 300,000 average subscriptions per chapter, validating the massive, sustained demand for our premium content. We upgraded our IP operations by embracing new production models and technologies across our extensive library. This strategy drove robust results in traditional formats such as drama and animation, while sparking major breakthroughs in the fast-growing short drama and AI-animated drama formats. Our premium short drama strategy delivered frequent breakout hits, while the AI-animated drama business had a strong debut. Since the second half of 2025, we have released nearly 1,000 AI-animated dramas, with over 100 surpassing 10 million views and 12 exceeding 100 million views. Revenue from AI-animated drama in the second half of 2025 exceeded RMB100 million. Meanwhile, our IP merchandise business sustained rapid growth, with full-year GMV exceeding RMB1.1 billion, more than double the 2024 figure and a new record.

IP Creation

Our premium online reading content ecosystem continued to generate strong momentum. In 2025, our platform attracted 400,000 new writers, generated over 800,000 new novels, and added more than 42 billion characters, providing a steady pipeline of high-quality content. On our flagship Qidian Reading App, the number of new titles with over 100,000 average subscriptions per chapter grew 40% year-over-year, and for the first time, two blockbuster titles surpassed 300,000 average subscriptions per chapter, reflecting a material leap in top-tier creative output. Young writers showed strong commercial potential: writers born after 1995 accounted for 70% of new signers, and the number of post-2000 writers earning over RMB1 million annually surged by 150%, injecting strong momentum into our pipeline. Our community has also become more robust: works exceeding 100,000 collections increased by 80%, and titles receiving over 10,000 monthly tickets increased by 20%.

IP Visualization

In 2025, we delivered positive results across our traditional areas of strength, such as film, drama series, and animation, with China Literature's IPs dominating various major industry rankings. More importantly, we embraced new production models and technologies, leveraging our rich IP library to expand into emerging businesses like short drama and AI-animated drama, achieving significant progress and laying the foundation for an "IP + AI" creation ecosystem.

In the premium drama series and film segment, several top-tier series adapted from our IPs premiered in 2025, such as "A Record of a Mortal's Journey to Immortality (凡人修仙傳)", "Flourished Peony (國色芳華)", and "I am Nobody (異人之下)", all of which ranked No.1 on platform popularity charts during their respective broadcast periods. According to Enlightent, five out of the top 10 long-form dramas by cumulative views across all platforms of 2025 were adapted from our IPs. Meanwhile, our self-produced premium series "The Narcotic Operation (掃毒風暴)" debuted on Tencent Video, reaching a popularity index above 28,000 and earning praise from multiple mainstream media outlets. In early 2026, we also released the drama series "The Richest Poor Guy (年少有為)" and "The Devil Between Us (除惡)", both of which received critical acclaim and strong audience traction.

In the animation segment, sequel series such as “Battle Through the Heavens (鬥破蒼穹)”, “Stellar Transformations (星辰變)”, and “Candle in the Tomb (鬼吹燈)” consistently ranked among the top titles on platform popularity charts. According to Enlightent, nine out of the top 10 animation series by cumulative views across all platforms of 2025 were adapted from our IPs, reinforcing our clear leadership in animation.

Our IPs have also demonstrated their appeal through award-winning adaptations. At Tencent Video’s 2025 Golden Goose Honors, drama and animation adaptations of China Literature’s IPs — such as “Guardians of the Dafeng (大奉打更人)” and “Lord of the Mysteries (詭秘之主)” — won multiple awards.

In the short drama segment, we launched more than 120 short dramas in 2025, delivering strong results from our premium-content strategy with frequent breakout hits. One representative title set a record with gross revenue exceeding RMB80 million and ranked No.4 on Enlightent’s viewership charts in 2025 with more than 3.5 billion views. We have expanded beyond our strength in modern romance into male-oriented genres, period and costume dramas, and more — building a diversified, high-quality premium content matrix with long lifecycles. The success of short drama is rooted in China Literature’s rich IP reserve, robust creator network, and end-to-end IP development capabilities. We are also extending our short drama footprint through strategic investments, further strengthening our advantage in premium content.

In the AI-animated drama segment, we launched four major initiatives to build a dedicated ecosystem.

- IP resources: We opened our IP library, including annual top-ten hits and diverse genre content, for creators and production teams.
- Creative support: We established a RMB100 million creation fund to support writers’ cross-media experimentation and facilitate the growth of high-quality teams.
- Technology support: We launched AIGC tools such as the “AI-Animated Drama Assistant (漫劇助手)”, providing end-to-end support from content analysis to asset production and significantly accelerating adaptation workflows.
- Industry collaboration: We implemented full-stack support across production, distribution, and IP partnerships to build an open, efficient, and mutually beneficial AI animated drama ecosystem.

These initiatives fueled rapid growth of our AI-animated drama business. Since its official launch in the second half of 2025, revenue from AI-animated drama series has surpassed RMB100 million, showing strong momentum and promising market potential.

IP Commercialization and Monetization

We achieved historic breakthroughs and accelerated our systematic build-out in 2025. GMV of the IP merchandise products business exceeded RMB1.1 billion, more than double the figure of 2024. This was driven by four core engines: product, channel, operation, and ecosystem.

- **Product:** Our design capabilities and supply chain efficiency improved further, achieving industry-leading speed and quality. We expanded into new categories such as precious metals, vinyl plush toys, bags and accessories, and introduced new sales mechanics such as Ichiban Kuji draws.
- **Channel:** We refined our self-operated e-commerce matrix comprising “self-operated live streaming rooms + flagship online stores + mini-programs,” and continued to expand offline self-operated stores across 10 core cities nationwide. We also teamed with over 10,000 channel partners to reach users across everyday consumption scenarios.
- **Operation:** We ran a series of online and offline campaigns around multiple top IPs to strengthen IP influence and fan engagement.
- **Ecosystem:** We advanced our “IP + Consumer” strategy by entering into licensing partnerships with over 200 leading consumer brands, embedding our IP across diverse everyday scenarios.

In the game segment, we continued to license high-quality IPs to partners. Our flagship title “Douluo Continent: Soul Hunting World (鬥羅大陸獵魂世界)” recorded RMB300 million in gross billings in its first month after launching in the summer break of 2025. Several new games also secured publication licenses, including “Battle Through the Heavens (鬥破蒼穹)”, “Douluo Continent (鬥羅大陸)”, “The Hidden Ones (異人之下)”, “Lord of the Mysteries (詭秘之主)”, “Dao of the Bizarre Immortal (道詭異仙)”, and “A Record of a Mortal’s Journey to Immortality (凡人修仙傳)”.

New Technology Explorations and Practices

In 2025, we embedded AI across our entire content-production chain and built a suite of AI solutions spanning the full IP lifecycle.

- **Online literature:** Our “Writer Assistant (作家助手)” creation platform received a major upgrade with the integration of the “Smart Pen Tongjian (妙筆通鑒)” AI engine, which can perform real-time, in-depth analysis of tens of millions of words to support writers. The tool is now officially available industry-wide.
- **IP adaptation:** We launched the “Copyright Assistant (版權助手)”, which deep mines China Literature’s library of millions of works and accurately matches titles to meet downstream adaptation needs, significantly accelerating the sourcing, screening, and development of high-quality IP assets.

- AI-animated drama: Our “AI-animated Drama Assistant (漫劇助手)” integrates with multiple leading multimodal large models, supporting a full production workflow from text to visuals, significantly improving adaptation efficiency and greatly lowering the barrier to animated drama production.
- Global expansion: AI translation has substantially expanded the international reach of Chinese-language works. As at the end of 2025, more than 17,000 AI-translated works were available on WebNovel, with revenue increasing by 39% year-over-year and contributing more than one-third of the platform’s total revenues, making AI translation a key driver of overseas growth.

Outlook

Looking ahead, we stand at the dawn of a new wave of transformation in the content industry, with emerging business models and accelerating technology. Yet one timeless truth remains unchanged: high-quality content is and will always be the core. This is the foundation of China Literature. We believe the synergy between IP and AI will continue to power the industry forward. IP is the soul, AI is the engine. The role of technology is to maximize the impact of exceptional stories. We will embed AI across every key stage of creative assistance, premium production, IP development, and global expansion. From leading deployment in new formats such as AI-animated drama to systematic improvements in IP development efficiency and value creation, our “IP + AI” ecosystem will serve as a scalable engine that amplifies content value and drives China Literature’s sustainable, long-term growth.

MANAGEMENT DISCUSSION AND ANALYSIS

Year Ended December 31, 2025 Compared to Year Ended December 31, 2024

	Year Ended December 31,	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Revenues	7,366,176	8,121,081
Cost of revenues	<u>(3,969,362)</u>	<u>(4,199,141)</u>
Gross profit	3,396,814	3,921,940
Selling and marketing expenses	(2,010,985)	(2,261,000)
General and administrative expenses	(1,007,346)	(1,143,501)
Other losses, net	(1,245,840)	(973,892)
Interest income	166,960	178,320
Net provision for impairment losses on financial assets	<u>(104,054)</u>	<u>(57,983)</u>
Operating loss	(804,451)	(336,116)
Finance costs, net	(12,663)	(1,836)
Share of net profit of associates and joint ventures	<u>200,840</u>	<u>239,027</u>
Loss before income tax	(616,274)	(98,925)
Income tax expense	<u>(160,090)</u>	<u>(110,670)</u>
Loss for the year	<u><u>(776,364)</u></u>	<u><u>(209,595)</u></u>
Attributable to:		
Equity holders of the Company	(776,054)	(209,216)
Non-controlling interests	<u>(310)</u>	<u>(379)</u>
	<u>(776,364)</u>	<u>(209,595)</u>
Non-IFRS profit for the year	<u><u>858,176</u></u>	<u><u>1,141,278</u></u>
Attributable to:		
Equity holders of the Company	858,486	1,141,657
Non-controlling interests	<u>(310)</u>	<u>(379)</u>
	<u><u>858,176</u></u>	<u><u>1,141,278</u></u>

Revenues. Revenues decreased by 9.3% year-over-year to RMB7,366.2 million for the year ended December 31, 2025. The following table sets forth our revenues by segment for the years ended December 31, 2025 and 2024:

	Year ended December 31,			
	2025		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Online business⁽¹⁾				
On our self-owned platform products	3,562,269	48.4	3,531,025	43.5
On our channels on Tencent products	190,597	2.6	245,326	3.0
On third-party platforms	294,176	3.9	254,245	3.1
Subtotal	4,047,042	54.9	4,030,596	49.6
Intellectual property operations and others⁽²⁾				
Intellectual property operations	3,191,640	43.3	3,991,190	49.1
Others	127,494	1.8	99,295	1.3
Subtotal	3,319,134	45.1	4,090,485	50.4
Total revenues	7,366,176	100.0	8,121,081	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; short dramas; AI-animated dramas; licensing of copyrights; operation of self-operated online games; and sales of IP merchandise products and physical books.
- Revenues from online business increased by 0.4% year-over-year to RMB4,047.0 million for the year ended December 31, 2025, accounting for 54.9% of total revenues.

Revenues from online business on our self-owned platform products increased by 0.9% year-over-year to RMB3,562.3 million for the year ended December 31, 2025, mainly due to our focus on improving core product operations and continuous production of high-quality content.

Revenues from online business on our channels on Tencent products decreased by 22.3% year-over-year to RMB190.6 million for the year ended December 31, 2025. The decline was mainly due to a decrease in advertising revenues associated with the continuous refinement of content distribution practices of Tencent channels and prioritization of distribution through our core pay-to-read products.

Revenues from online business on third-party platforms increased by 15.7% year-over-year to RMB294.2 million for the year ended December 31, 2025, primarily due to expanded collaboration with third-party distribution partners.

The following table summarizes our key operating data for the years ended December 31, 2025 and 2024:

	Year ended December 31,	
	2025	2024
Average MAUs on our self-owned platform products and self-operated channels on Tencent products (average of MAUs for each calendar month)	137.8 million	166.6 million
Average MPUs on our self-owned platform products and self-operated channels on Tencent products (average of MPUs for each calendar month)	9.0 million	9.1 million
Monthly average revenue per paying user (“ARPU”) ⁽¹⁾	RMB32.9	RMB32.0

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 year, then divided by the number of months during the year.
- For the year ended December 31, 2025, average MAUs on our self-owned platform products and self-operated channels were 137.8 million, a decrease of 17.3% year-over-year from 166.6 million. Specifically, MAUs on our self-owned platform products remained stable on a year-over-year basis at 104.1 million, compared with 103.8 million during the year ended December 31, 2024. MAUs on our self-operated channels on Tencent products decreased by 46.3% year-over-year from 62.8 million to 33.7 million, primarily due to our ongoing optimization of operational efficiency by concentrating more content distribution through our core pay-to-read products, which resulted in a decline in user acquisition through free-to-read channels.

- Average MPUs on our self-owned platform products and self-operated channels decreased by 1.1% year-over-year to 9.0 million for the year ended December 31, 2025, mainly due to an increase in promotional activities during the year, which led to some low-spending users being classified as free users over the period.
 - Monthly ARPU for our pay-to-read business increased by 2.8% year-over-year from RMB32.0 to RMB32.9 for the year ended December 31, 2025, mainly due to the decline in the proportion of low-spending users.
- Revenues from intellectual property operations and others decreased by 18.9% year-over-year to RMB3,319.1 million for the year ended December 31, 2025.

Revenues from intellectual property operations decreased by 20.0% year-over-year to RMB3,191.6 million for the year ended December 31, 2025. The decrease was primarily due to scheduling delays that led to fewer releases of drama series and film projects in 2025. Meanwhile, new businesses such as IP merchandise products, short dramas, and AI-animated dramas have been developing rapidly. In particular, the IP merchandise products business generated over RMB1.1 billion in GMV in 2025, over twice of the RMB500 million in 2024; and the Company's AI-animated dramas business generated over RMB100 million revenue in the second half of 2025.

Revenues from others increased by 28.4% year-over-year to RMB127.5 million for the year ended December 31, 2025. These revenues were generated primarily by sales of physical books.

Cost of revenues. Cost of revenues decreased by 5.5% year-over-year to RMB3,969.4 million for the year ended December 31, 2025, primarily due to lower production costs of drama series and films, in line with the decrease in revenues from fewer releases during the year.

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

	Year ended December 31,			
	2025		2024	
	<i>RMB'000</i>	<i>% of revenues</i>	<i>RMB'000</i>	<i>% of revenues</i>
Content costs	1,710,931	23.2%	1,673,108	20.6%
Production costs of TV, web, animated series, films, short dramas and AI-animated dramas	935,002	12.7%	1,039,492	12.8%
Platform distribution costs	735,879	10.0%	726,281	8.9%
Cost of inventories	175,285	2.4%	133,933	1.6%
Amortization of intangible assets	72,857	1.0%	120,881	1.5%
Others	339,408	4.6%	505,446	6.3%
Total	3,969,362	53.9%	4,199,141	51.7%

Gross profit and gross margin. As a result of the foregoing, gross profit decreased by 13.4% year-over-year to RMB3,396.8 million for the year ended December 31, 2025. Gross margin was 46.1% for the year ended December 31, 2025, compared with 48.3% for the year ended December 31, 2024.

Selling and marketing expenses. Selling and marketing expenses decreased by 11.1% year-over-year to RMB2,011.0 million for the year ended December 31, 2025, mainly due to a decrease in marketing and promotional expenses associated with the lighter release schedule of drama series and film projects. As a percentage of revenues, selling and marketing expenses were 27.3% for the year ended December 31, 2025, compared with 27.8% for the year ended December 31, 2024.

General and administrative expenses. General and administrative expenses decreased by 11.9% year-over-year to RMB1,007.3 million for the year ended December 31, 2025, primarily due to lower employee-related expenses. As a percentage of revenues, general and administrative expenses were 13.7% for the year ended December 31, 2025, compared with 14.1% for the year ended December 31, 2024.

Other losses, net. We recorded net other losses of RMB1,245.8 million for the year ended December 31, 2025, compared with net other losses of RMB973.9 million for the year ended December 31, 2024. The net other losses for the year ended December 31, 2025 were primarily due to a RMB1.8 billion impairment loss of goodwill attributable to New Classics Media, and partially offset by gains from certain investee companies.

Interest income. Interest income decreased by 6.4% year-over-year to RMB167.0 million for the year ended December 31, 2025.

Net provision for impairment losses on financial assets. Impairment losses on financial assets reflect the provision for doubtful receivables. For the year ended December 31, 2025, the provision for doubtful receivables was RMB104.1 million on a net basis, which is principally attributable to the IP operations.

Operating losses. As a result of the foregoing, operating losses were RMB804.5 million for the year ended December 31, 2025, compared with operating losses of RMB336.1 million as of December 31, 2024.

Finance costs, net. Finance costs were RMB12.7 million for the year ended December 31, 2025, compared with RMB1.8 million as of December 31, 2024, primarily due to foreign exchange fluctuations.

Share of net profit of associates and joint ventures. Share of net profit of associates and joint ventures decreased by 16.0% year-over-year to RMB200.8 million for the year ended December 31, 2025, primarily reflect changes in the net profit of investee companies.

Income tax expense. Income tax expense increased by 44.7% year-over-year to RMB160.1 million for the year ended December 31, 2025, primarily due to an increase in taxable income.

Loss attributable to equity holders of the Company. Loss attributable to equity holders of the Company was RMB776.1 million for the year ended December 31, 2025, compared with a loss of RMB209.2 million for the year ended December 31, 2024. On a non-IFRS basis, profit attributable to equity holders of the Company was RMB858.5 million for the year ended December 31, 2025, compared with a profit of RMB1,141.7 million for the year ended December 31, 2024.

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 year ended December 31, 2025 and 2024:

	Year ended December 31, 2025		
	Online business <i>RMB'000</i>	Intellectual property operations and others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenues	4,047,042	3,319,134	7,366,176
Cost of revenues	<u>1,971,596</u>	<u>1,997,766</u>	<u>3,969,362</u>
Gross profit	<u>2,075,446</u>	<u>1,321,368</u>	<u>3,396,814</u>
Gross margin	<u>51.3%</u>	<u>39.8%</u>	<u>46.1%</u>
	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>2,055,582</u>	<u>1,866,358</u>	<u>3,921,940</u>
Gross margin	<u>51.0%</u>	<u>45.6%</u>	<u>48.3%</u>

OTHER FINANCIAL INFORMATION

	Year Ended December 31,	
	2025	2024
	RMB'000	RMB'000
EBITDA ⁽¹⁾	477,369	729,297
Adjusted EBITDA ⁽²⁾	614,032	923,127
Adjusted EBITDA margin ⁽³⁾	8.3%	11.4%
Interest expense	7,168	8,611
Net cash ⁽⁴⁾	9,436,000	9,935,738
Capital expenditures ⁽⁵⁾	88,649	117,816

Notes:

- (1) EBITDA consists of operating loss 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 acquisitions.
- (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 to our EBITDA and adjusted EBITDA for the years presented:

	Year Ended December 31,	
	2025	2024
	RMB'000	RMB'000
Operating loss	(804,451)	(336,116)
Adjustments:		
Interest income	(166,960)	(178,320)
Other losses, net	1,245,840	973,892
Depreciation of property, plant and equipment	38,117	40,335
Depreciation of right-of-use assets	63,605	72,033
Amortization of intangible assets	101,218	157,473
	<u>477,369</u>	<u>729,297</u>
EBITDA	<u>477,369</u>	<u>729,297</u>
Adjustments:		
Share-based compensation	131,246	126,357
Expenditure related to acquisition	5,417	67,473
	<u>614,032</u>	<u>923,127</u>
Adjusted EBITDA	<u>614,032</u>	<u>923,127</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 non-IFRS financial measures may be defined differently from similar terms used by other companies. In addition, non-IFRS adjustments include relevant non-IFRS adjustments for the 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 forth the reconciliations of our Group's non-IFRS financial measures for the year ended December 31, 2025 and 2024 to the nearest measures prepared in accordance with IFRS:

	Year ended December 31, 2025					
	Adjustments					
	As reported	Share-based compensation	Net losses from		Tax effect	Non-IFRS
			investments and acquisitions ⁽¹⁾	Amortization of intangible assets ⁽²⁾		
<i>(RMB' 000, unless specified)</i>						
Operating (loss)/profit	(804,451)	131,246	1,389,444	19,000	-	735,239
(Loss)/profit for the year	(776,364)	131,246	1,389,444	19,000	94,850	858,176
(Loss)/profit attributable to equity holders of the Company	(776,054)	131,246	1,389,444	19,000	94,850	858,486
(Loss)/earnings per share <i>(RMB per share)</i>						
– basic	(0.76)					0.84
– diluted	(0.76)					0.84
Operating margin	(10.9%)					10.0%
Net margin	(10.5%)					11.7%
	Year ended December 31, 2024					
	Adjustments					
	As reported	Share-based compensation	Net losses from		Tax effect	Non-IFRS
			investments and acquisitions ⁽¹⁾	Amortization of intangible assets ⁽²⁾		
<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%

Notes:

- (1) Mainly includes goodwill impairment; the impairment provision, gains on disposal and deemed disposal, and 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

The Company maintained a healthy and sound financial position during the year. Total assets decreased from RMB22,945.4 million as of December 31, 2024 to RMB21,583.1 million as of December 31, 2025, while our total liabilities decreased from RMB4,569.3 million as of December 31, 2024 to RMB4,055.7 million as of December 31, 2025. The liabilities-to-assets ratio decreased from 19.9% as of December 31, 2024 to 18.8% as of December 31, 2025.

As of December 31, 2025, the current ratio (the ratio of total current assets to total current liabilities) was 321.3%, compared with 265.2% as of December 31, 2024.

As of December 31, 2025, our Group had no pledged trade 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, 2025, our Group had net cash of RMB9,436.0 million, compared with RMB9,935.7 million as of December 31, 2024. The decrease in net cash in the year of 2025 was mainly due to working capital variation, repurchase of shares by the Company and capital expenditures. For the year ended December 31, 2025, our Group had free cash outflow of RMB437.3 million. This was a result of net cash flow used in operating activities of RMB276.5 million, deducting payments for lease liabilities of RMB72.2 million and payments for capital expenditures of RMB88.6 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, 2025:

- Our gearing ratio was nil.
- Our total borrowings were nil.
- Our unutilized banking facility was RMB1,720 million.

As of December 31, 2025 and December 31, 2024, our Group had no significant contingent liabilities.

As of December 31, 2025 and December 31, 2024, our Group had not used any financial instruments for hedging purposes.

Capital Expenditures and Long-term Investments

Our Group's capital expenditures were primarily 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, 2025 totaled RMB453.2 million, compared with RMB366.5 million for the year ended December 31, 2024, representing a year-over-year increase of RMB86.7 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 flow generated from our operations.

Foreign Exchange Risk Management

The Group operates internationally and is exposed to foreign exchange risk arising from exposure to various currencies, primarily 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 functional currency of our Group's entities. Our Group manages foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and tries to minimize these exposures through natural hedges, wherever possible, or forward foreign exchange contracts, when necessary. We did not hedge against foreign currency movements during the year ended December 31, 2025 and 2024.

Employees

As of December 31, 2025, we had approximately 1,700 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 accident insurance for our employees. Bonuses are generally discretionary and are based in part on the overall performance of our business. We have granted and plan to continue granting share-based incentive awards to our employees in the future to incentivize their contributions to our growth and development.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

For the year ended December 31, 2025

		Year ended December 31,	
		2025	2024
	Note	RMB'000	RMB'000
Revenues	4	7,366,176	8,121,081
Cost of revenues	5	<u>(3,969,362)</u>	<u>(4,199,141)</u>
Gross profit		3,396,814	3,921,940
Selling and marketing expenses	5	(2,010,985)	(2,261,000)
General and administrative expenses	5	(1,007,346)	(1,143,501)
Other losses, net	6	(1,245,840)	(973,892)
Interest income	7	166,960	178,320
Net provision for impairment losses on financial assets		<u>(104,054)</u>	<u>(57,983)</u>
Operating loss		(804,451)	(336,116)
Finance costs, net	8	(12,663)	(1,836)
Share of net profit of associates and joint ventures	13	<u>200,840</u>	<u>239,027</u>
Loss before income tax		(616,274)	(98,925)
Income tax expense	9	<u>(160,090)</u>	<u>(110,670)</u>
Loss for the year		<u><u>(776,364)</u></u>	<u><u>(209,595)</u></u>
Other comprehensive income, net of tax:			
<i>Items that may not be reclassified to profit or loss</i>			
Net (loss)/gain from change in fair value of financial asset at fair value through other comprehensive income		(8,457)	2,029
Currency translation differences		<u>(64,332)</u>	<u>79,353</u>
<i>Items that may be subsequently reclassified to profit or loss</i>			
Transfer of share of other comprehensive income to profit or loss upon deemed disposal of an associate		(1,280)	–
Share of other comprehensive income/(loss) of associates and joint ventures	13	205	(369)
Currency translation differences		<u>21,105</u>	<u>(18,918)</u>
Total comprehensive loss for the year		<u><u>(829,123)</u></u>	<u><u>(147,500)</u></u>

		Year ended December 31,	
		2025	2024
	<i>Note</i>	RMB'000	RMB'000
Loss attributable to:			
– Equity holders of the Company		(776,054)	(209,216)
– Non-controlling interests		(310)	(379)
		<u>(776,364)</u>	<u>(209,595)</u>
Total comprehensive loss attributable to:			
– Equity holders of the Company		(828,813)	(147,109)
– Non-controlling interests		(310)	(391)
		<u>(829,123)</u>	<u>(147,500)</u>
Loss per share (expressed in RMB per share)			
– Basic loss per share	<i>10(a)</i>	<u>(0.76)</u>	<u>(0.21)</u>
– Diluted loss per share	<i>10(a)</i>	<u>(0.76)</u>	<u>(0.21)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2025

		As of December 31,	
		2025	2024
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		67,862	97,845
Right-of-use assets		173,503	149,835
Intangible assets	12	4,295,669	6,158,839
Investments in associates and joint ventures	13	577,429	928,179
Financial assets at fair value through profit or loss	14	1,324,054	1,039,643
Financial assets at fair value through other comprehensive income		648,079	6,312
Prepayments, deposits and other assets		188,367	298,188
Deferred income tax assets		458,061	497,189
Term deposits		1,709,000	2,308,000
		<u>9,442,024</u>	<u>11,484,030</u>
Current assets			
Inventories	15	576,625	693,041
Television series and film rights	16	649,443	529,817
Trade and notes receivables	17	1,905,045	1,703,425
Financial assets at fair value through profit or loss	14	2,735,344	3,252,900
Prepayments, deposits and other assets		1,282,964	907,391
Restricted bank deposits		4,464	4,464
Term deposits		3,303,485	1,106,186
Cash and cash equivalents		1,683,707	3,264,188
		<u>12,141,077</u>	<u>11,461,412</u>
Total assets		<u><u>21,583,101</u></u>	<u><u>22,945,442</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2025

		As of December 31,	
		2025	2024
	Note	RMB'000	RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		648	644
Shares held for RSU schemes		(14,640)	(14,635)
Share premium		15,969,228	16,117,867
Other reserves		2,117,741	1,975,834
(Accumulated losses)/retained earnings		(547,021)	294,731
		<u>17,525,956</u>	<u>18,374,441</u>
Non-controlling interests		<u>1,437</u>	<u>1,747</u>
Total equity		<u><u>17,527,393</u></u>	<u><u>18,376,188</u></u>
LIABILITIES			
Non-current liabilities			
Deferred revenue	4	19,615	21,921
Lease liabilities		116,831	85,037
Deferred income tax liabilities		124,686	129,442
Long-term payables		16,250	10,833
		<u>277,382</u>	<u>247,233</u>
Current liabilities			
Trade payables	18	1,210,442	1,044,602
Other payables and accruals		1,102,001	1,662,037
Financial liabilities at fair value through profit or loss	20	179,048	167,586
Deferred revenue	4	989,724	1,148,916
Lease liabilities		64,519	81,176
Current income tax liabilities		232,592	217,704
		<u>3,778,326</u>	<u>4,322,021</u>
Total liabilities		<u><u>4,055,708</u></u>	<u><u>4,569,254</u></u>
Total equity and liabilities		<u><u>21,583,101</u></u>	<u><u>22,945,442</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2025

	Attributable to equity holders of the Company							Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Shares held for RSU schemes RMB'000	Other reserves RMB'000	(Accumulated losses)/ retained earnings RMB'000	Sub-total RMB'000	Non- controlling interests RMB'000	
As of January 1, 2025	644	16,117,867	(14,635)	1,975,834	294,731	18,374,441	1,747	18,376,188
Comprehensive income								
Loss for the year	-	-	-	-	(776,054)	(776,054)	(310)	(776,364)
Other comprehensive income, net of tax:								
– Share of other comprehensive income of an associate (Note 13)	-	-	-	205	-	205	-	205
– Currency translation differences	-	-	-	(43,227)	-	(43,227)	-	(43,227)
– Net loss from change in fair value of financial asset at fair value through other comprehensive income	-	-	-	(8,457)	-	(8,457)	-	(8,457)
– Transfer of share of other comprehensive income to profit or loss upon deemed disposal of an associate	-	-	-	(1,280)	-	(1,280)	-	(1,280)
Total comprehensive loss for the year	-	-	-	(52,759)	(776,054)	(828,813)	(310)	(829,123)
Transfer of gains on disposal and deemed disposal of financial instruments to retained earnings, net of tax	-	-	-	2,270	(2,270)	-	-	-
Transfer of share of other changes in net assets of an associate to profit or loss upon deemed disposal of an associate	-	-	-	429	-	429	-	429
Transaction with owners								
Share-based compensation expenses (Note 19)	-	-	-	128,539	-	128,539	-	128,539
Transfer of vested RSUs	-	(1,936)	3	-	-	(1,933)	-	(1,933)
Issue of new share pursuant to RSU scheme	8	-	(8)	-	-	-	-	-
Repurchase and cancellation of shares	(4)	(146,703)	-	-	-	(146,707)	-	(146,707)
Profit appropriations to statutory reserves	-	-	-	88,428	(88,428)	-	-	-
Transfers between reserves	-	-	-	(25,000)	25,000	-	-	-
Transactions with owners in their capacity for the year	4	(148,639)	(5)	191,967	(63,428)	(20,101)	-	(20,101)
As of December 31, 2025	648	15,969,228	(14,640)	2,117,741	(547,021)	17,525,956	1,437	17,527,393

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, net of tax								
– 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 (Note 13)	–	–	–	(1,240)	–	(1,240)	–	(1,240)
Transaction with owners								
Share-based compensation expenses (Note 19)	–	–	–	120,127	–	120,127	–	120,127
Repurchase and cancellation of shares	(8)	(251,515)	–	–	–	(251,523)	–	(251,523)
Transfer of vested RSUs	–	(15,427)	2,012	–	–	(13,415)	–	(13,415)
Issue of ordinary shares as consideration for a business combination (Note 20)	2	72,161	–	–	–	72,163	–	72,163
Business combination under common control	–	–	–	(427,240)	–	(427,240)	–	(427,240)
Disposal of equity interests in a non-wholly-owned subsidiary	–	–	–	–	–	–	456	456
Capital injection	–	–	–	–	–	–	3,993	3,993
Acquisition of non-controlling interests	–	–	–	(2,267)	–	(2,267)	(1,773)	(4,040)
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 at December 31, 2024	<u>644</u>	<u>16,117,867</u>	<u>(14,635)</u>	<u>1,975,834</u>	<u>294,731</u>	<u>18,374,441</u>	<u>1,747</u>	<u>18,376,188</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2025

	Year ended December 31,	
	2025	2024
	RMB'000	RMB'000
Net cash flows (used in)/generated from operating activities	<u>(276,514)</u>	<u>2,526,782</u>
Net cash flows used in investing activities	<u>(1,058,415)</u>	<u>(1,763,840)</u>
Net cash flows used in financing activities	<u>(225,944)</u>	<u>(346,006)</u>
Net (decrease)/increase in cash and cash equivalents	(1,560,873)	416,936
Cash and cash equivalents at the beginning of the year	3,264,188	2,801,796
Exchange (losses)/gains on cash and cash equivalents	<u>(19,608)</u>	<u>45,456</u>
Cash and cash equivalents at the end of the year	<u><u>1,683,707</u></u>	<u><u>3,264,188</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2025

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, mobile devices, and 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 films 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 constituted 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, 2025:

Amendments to IAS 21

Lack of Exchangeability

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, 2025 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 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, 2025 and 2024:

- 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 and AI-animated 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, 2025 and 2024, 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, net, finance costs, net, net provision for 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, 2025 and 2024. 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.

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, 2025 and 2024 is as follows:

	Year ended December 31, 2025		
	Online business	Intellectual property operations and others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenues	<u>4,047,042</u>	<u>3,319,134</u>	<u>7,366,176</u>
Gross profit	<u>2,075,446</u>	<u>1,321,368</u>	<u>3,396,814</u>
Cost of revenues			
Depreciation	625	101	726
Amortisation	<u>40,121</u>	<u>32,736</u>	<u>72,857</u>
	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	<u>4,030,596</u>	<u>4,090,485</u>	<u>8,121,081</u>
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>

The reconciliation of gross profit to loss before income tax of individual period during the year ended December 31, 2025 and 2024 is shown in the consolidated statement of comprehensive loss.

For the year ended December 31, 2025, 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 (2024: only Tencent).

As of December 31, 2025 and 2024, 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, 2025	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Timing of revenue recognition:						
– At a point in time	3,019,403	181,832	294,176	2,858,430	123,962	6,477,803
– Over time	542,866	8,765	–	333,210	3,532	888,373
	<u>3,562,269</u>	<u>190,597</u>	<u>294,176</u>	<u>3,191,640</u>	<u>127,494</u>	<u>7,366,176</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, 2024	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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>

4.2 Liabilities related to contracts with customers

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

	As of December 31,	
	2025	2024
	RMB'000	RMB'000
Deferred revenue		
Online business	758,055	747,919
Intellectual property operations and others	251,284	422,918
	<u>1,009,339</u>	<u>1,170,837</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, 2025 and 2024; 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, 2025 and 2024; 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, 2025 and 2024.

(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,	
	2025	2024
	RMB'000	RMB'000
Revenue recognised that was included in the deferred revenue balance at the beginning of the year:		
Online business	747,919	625,375
Intellectual property operations and others	403,305	256,183
	<u>1,151,224</u>	<u>881,558</u>

5 EXPENSES BY NATURE

	Year ended December 31,	
	2025	2024
	RMB'000	RMB'000
Content costs (<i>Note a</i>)	1,710,931	1,673,108
Promotion and advertising expenses	1,333,539	1,604,941
Employee benefits expenses (<i>Note b</i>)	1,115,318	1,163,347
Production costs of TV, web, animated series, films, short dramas and AI-animated dramas (<i>Note c</i>)	793,718	968,762
Platform distribution costs	735,879	726,281
Payment handling costs	272,255	294,237
Cost of physical inventories sold	167,074	106,016
Impairment loss on television series and film rights	141,284	70,730
Bandwidth and server custody fees	102,395	106,013
Amortisation of intangible assets (<i>Note d and Note 12</i>)	101,218	157,473
Depreciation of right-of-use assets	63,605	72,033
Travelling, entertainment and general office expenses	58,113	57,837
Professional service fees	56,337	49,863
Depreciation of property, plant and equipment	38,117	40,335
Game development outsourcing costs	32,138	65,211
Tax surcharge expenses	24,580	20,656
Logistic expenses	14,417	9,673
Auditors' remuneration		
– Audit services	10,946	10,946
– Non-audit services	1,692	999
Provision for physical inventory obsolescence	8,211	27,917
Expense relating to short-term leases and low value leases	2,855	5,036
Impairment loss on prepayments for production of television series and films (<i>Note e</i>)	8,968	129,531
Others	194,103	242,697
	6,987,693	7,603,642

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 December 31, 2025, employee benefits expenses included the share-based compensation expenses of approximately RMB131,246,000 (2024: RMB126,357,000), and other compensation costs of approximately RMB5,417,000 (2024: RMB66,199,000).
- (c) During the year ended December 31, 2025, there were no production costs for TV, web, animated series, films, short dramas and AI-animated dramas that were attributable to acquisitions (2024: 1,274,000).
- (d) During the year ended December 31, 2025, amortisation of intangible assets included the amortisation of intangible assets arising from acquisitions of approximately RMB19,000,000 (2024: RMB19,039,000).
- (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, 2025, an impairment loss of approximately RMB8,968,000 (2024: RMB129,531,000) 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, 2025 was approximately RMB450,954,000 (2024: RMB520,638,000), which mainly included employee benefits expenses of research and development function staff.

6 OTHER LOSSES, NET

	Year ended December 31,	
	2025	2024
	RMB'000	RMB'000
Gain on deemed disposal of an associate	597,572	—
Government subsidies	69,152	87,852
Compensation received for copyright infringements	19,887	15,034
Dividend from an equity instrument classified as FVPL	1,329	—
Net loss of disposals of investee companies	(5,808)	—
Net fair value (loss)/gain of financial assets and financial liabilities at FVPL (Note)	(23,945)	133,483
Impairment provision for other intangible assets (Note 12)	(30,400)	(60,005)
Impairment provision for investments in associates and joint ventures (Note 13)	(70,318)	(59,281)
Impairment provision for goodwill (Note 12)	(1,812,556)	(1,104,592)
Others, net	9,247	13,617
	<u>(1,245,840)</u>	<u>(973,892)</u>

Note:

During the year ended December 31, 2025, the net fair value loss of financial assets and financial liabilities at FVPL mainly comprised net loss of approximately RMB81,455,000 as a result of changes in valuations of certain investee companies (net loss for the year ended December 31, 2024: RMB27,956,000), fair value loss on contingent consideration payable of approximately RMB11,462,000 (fair value gain for the year ended December 31, 2024: RMB83,191,000) and fair value gain on investments in structured deposits of approximately RMB53,972,000 (fair value gain for the year ended December 31, 2024: RMB71,353,000).

7 INTEREST INCOME

	Year ended December 31,	
	2025	2024
	RMB'000	RMB'000
Interest income on bank deposits	166,960	178,140
Others	—	180
	<u>166,960</u>	<u>178,320</u>

8 FINANCE COSTS, NET

	Year ended December 31,	
	2025	2024
	RMB'000	RMB'000
Interest expenses on borrowings	134	—
Interest expenses on lease liabilities	7,034	8,611
Foreign exchange losses/(gains), net	5,495	(6,775)
	<u>12,663</u>	<u>1,836</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, 2025 and 2024.

(ii) Hong Kong profits tax

Entities carrying on business in Hong Kong are subject to Hong Kong profits tax at a standard rate of 16.5% in respect of assessable profits arising in or derived from their Hong Kong business operations. For income tax purposes, the operations in Hong Kong had no assessable profits after offsetting against accumulated tax losses, and thus 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, 2025 (2024: 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, 2025 and 2024 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 represents:

	Year ended December 31,	
	2025	2024
	RMB'000	RMB'000
Current income tax	123,655	141,938
Deferred income tax	36,435	(31,268)
	<u>160,090</u>	<u>110,670</u>

The tax on the Group's profit/loss before income tax differs from the theoretical amount that would arise using the tax rate of 25% for the year ended December 31, 2025 (2024: 25%), being the tax rate of the major subsidiaries of the Group. The difference is analysed as follows:

	Year ended December 31,	
	2025	2024
	RMB'000	RMB'000
Loss before income tax	(616,274)	(98,925)
Share of net profit of associates and joint ventures	(200,840)	(239,027)
Tax calculated at PRC statutory tax rate of 25%	(204,279)	(84,488)
Effects of respective tax rates applicable to different subsidiaries of the Group	(97,130)	(71,125)
Unrecognised deferred income tax assets	67,209	38,780
Non-deductible expenses less non-taxable income	462,596	330,754
Research and development tax credit	(37,952)	(45,647)
Utilisation of previously unrecognised temporary differences	(30,354)	(57,604)
Income tax expense	160,090	110,670

10 LOSS PER SHARE

- (a) Basic loss per share for the years ended December 31, 2025 and 2024 are calculated by dividing the loss attributable to the Company's equity holders by the weighted average number of ordinary shares in issue during the periods.

	Year ended December 31,	
	2025	2024
Net loss attributable to the equity holders of the Company (RMB'000)	(776,054)	(209,216)
Weighted average number of ordinary shares in issue (thousand)	1,018,778	1,012,686
Basic loss per share (expressed in RMB per share)	(0.76)	(0.21)

- (b) The computation of diluted loss per share for the years ended December 31, 2025 and December 31, 2024 does not assume the exercise of the Company's outstanding RSUs, share options as well as the potential ordinary shares to be issued in connection with the acquisition of New Classics Media, as this would be anti-dilutive. Accordingly, diluted loss per share for the years ended December 31, 2025 and 2024 are the same as basic loss per share for the respective year.

11 DIVIDENDS

No dividends was paid or declared by the Company during the year ended December 31, 2025 (2024: nil).

12 INTANGIBLE ASSETS

	Goodwill RMB'000	Non-compet agreements RMB'000	Trademarks RMB'000	Copyrights of contents RMB'000	Software RMB'000	Domain names RMB'000	Total RMB'000
At December 31, 2025							
Opening net book amount as of							
January 1, 2025	5,528,215	1,649	517,126	98,468	11,337	2,044	6,158,839
Additions	-	-	-	76,132	4,874	-	81,006
Amortisation	-	(1,649)	(19,097)	(73,707)	(6,765)	-	(101,218)
Impairment	(1,812,556)	-	-	(30,400)	-	-	(1,842,956)
Currency translation differences	-	-	-	(2)	-	-	(2)
Closing net book amount as of	3,715,659	-	498,029	70,491	9,446	2,044	4,295,669
	Goodwill RMB'000	Non-compet 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)
Closing net book amount as of	5,528,215	1,649	517,126	98,468	11,337	2,044	6,158,839

During the year ended December 31, 2025, amortisation expense of approximately RMB72,857,000 (2024: RMB120,881,000), RMB165,000 (2024: RMB148,000) and RMB28,196,000 (2024: RMB36,444,000) were charged to “cost of revenues”, “selling and marketing expenses” and “general and administrative expenses”, respectively.

As of December 31, 2025, 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, 2025 and 2024, goodwill is allocated to the Group's CGUs identified as follows:

	As of December 31,	
	2025	2024
	RMB'000	RMB'000
Online business	3,715,659	3,715,659
Acquired TV and film business	<u>—</u>	<u>1,812,556</u>
	<u>3,715,659</u>	<u>5,528,215</u>

Online business

Impairment review on the goodwill relating to online business has been conducted by the management as of December 31, 2025 and 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 fair value less cost of disposal ("FVLCD") and value-in-use calculations.

As of December 31, 2025 and 2024, 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, 2025 and 2024.

Acquired TV and film business

During the year ended December 31, 2025, indicators of goodwill impairment arose in the Group's acquired TV and film business. Recently, audience expectations for high-quality long-form dramas and films have steadily increased. Short-form dramas, benefiting from fragmented viewing habits and shorter production cycles, continued to experience rapid growth in 2025 and significantly impacted the content creation ecosystem for long-form dramas and films. In response, the Group has adopted a more cautious production strategy, moderating its creative pace to allow for more thorough refinement and higher content quality. This may extend script development, pre-production, filming and post-production, which could materially impact the acquired TV and film business.

Accordingly, impairment review on the goodwill relating to acquired TV and film business had been conducted by the management as of December 31, 2025 according to IAS 36 "Impairment of assets". For the purposes of impairment review, the recoverable amount of goodwill was determined based on the higher amount of the FVLCD and value-in-use calculation.

As of December 31, 2025, 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, 2025, the Group recognised a full impairment provision against the then carrying amount of goodwill relating to acquired TV and film business at approximately RMB1,812,556,000 (2024: RMB1,104,592,000).

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:

2025	Online business	Acquired TV and film business
Gross margin (%)	From 56.4% to 57.4%	From 38.3% to 40.6%
Annual growth rate for the 5-year period (%)	From 5.0% to 7.3%	From 0.6% to 15.1%
Terminal growth rate (%)	2.0%	2.0%
Pre-tax discount rate (%)	19.3%	14.9%
	<hr/> <hr/>	<hr/> <hr/>
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/>

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, 2025 and 2024 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, 2025 and 2024, 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 for trademarks was derived from the rate used for the goodwill impairment assessments, with an additional 0.5% risk premium. No impairment provision was recognised by the Group against the carrying amount of the trademark as of December 31, 2025 (2024: nil).

(c) Impairment tests for copyrights

Impairment review on the copyrights of certain contents had been conducted by the management as of December 31, 2025 according to IAS 36 “Impairment of assets”. As of December 31, 2025, the recoverable amount of the copyrights is determined based on the value-in-use calculations. As of December 31, 2025, the Group made an impairment provision of approximately RMB30,400,000 (2024: RMB60,005,000) against the carrying amount of such copyrights.

13 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	As of December 31,	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Investments in associates <i>(a)</i>	101,455	410,719
Investments in joint ventures <i>(b)</i>	475,974	517,460
	577,429	928,179

(a) Investments in associates

	As of December 31,	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	410,719	409,405
Additions	1,050	30,000
Share of net profit/(loss) of associates	3,210	(18,125)
Share of other comprehensive income/(loss) of an associate	205	(369)
Transfer	(242,745)	–
Impairment provision	(70,318)	(9,853)
Share of other changes in net assets of an associate	–	(1,240)
Currency translation differences	(666)	901
	<hr/>	<hr/>
At the end of the year	101,455	410,719
	<hr/> <hr/>	<hr/> <hr/>

(b) Investments in joint ventures

	As of December 31,	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	517,460	515,278
Additions	300	23,039
Share of net profit of joint ventures	197,630	257,152
Disposal	–	(5,068)
Impairment provision	–	(49,428)
Dividend from joint ventures	(239,416)	(223,550)
Currency translation differences	–	37
	<hr/>	<hr/>
At the end of the year	475,974	517,460
	<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,	
	2025	2024
	RMB'000	RMB'000
Included in non-current assets:		
Investments in unlisted entities	1,322,128	1,035,640
Investments in a listed entity	1,926	4,003
	<u>1,324,054</u>	<u>1,039,643</u>
Included in current assets:		
Investments in structured deposits	<u>2,735,344</u>	<u>3,252,900</u>
	<u>2,735,344</u>	<u>3,252,900</u>
	<u>4,059,398</u>	<u>4,292,543</u>

15 INVENTORIES

	As of December 31,	
	2025	2024
	RMB'000	RMB'000
Adaptation rights and scripts	<u>514,513</u>	<u>651,131</u>
Physical inventories:		
Raw materials	2,406	1,771
Work in progress	1,086	4,328
Inventories in warehouse	97,682	81,830
Inventories held with distributors on consignment	<u>42,774</u>	<u>27,606</u>
	658,461	766,666
<i>Less: provision for inventory obsolescence</i>	<u>(81,836)</u>	<u>(73,625)</u>
	<u>576,625</u>	<u>693,041</u>

16 TELEVISION SERIES AND FILM RIGHTS

	As of December 31,	
	2025	2024
	RMB'000	RMB'000
Television series and film rights		
– production in progress	644,263	517,936
– completed	<u>5,180</u>	<u>11,881</u>
	<u>649,443</u>	<u>529,817</u>

	Production in progress RMB'000	Completed RMB'000	Total RMB'000
As of January 1, 2025	517,936	11,881	529,817
Additions	1,017,565	–	1,017,565
Transfer from production in progress to completed	(889,074)	889,074	–
Transfer from adaptation rights and scripts to production in progress	37,063	–	37,063
Recognised in cost of revenue	(39,227)	(895,775)	(935,002)
	<u>644,263</u>	<u>5,180</u>	<u>649,443</u>
As of December 31, 2025	644,263	5,180	649,443
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)
	<u>517,936</u>	<u>11,881</u>	<u>529,817</u>
As of December 31, 2024	<u>517,936</u>	<u>11,881</u>	<u>529,817</u>

17 TRADE AND NOTES RECEIVABLES

	As of December 31,	
	2025	2024
	RMB'000	RMB'000
Trade receivables	2,103,678	1,843,670
Notes receivable	22,798	32,877
	<u>2,126,476</u>	1,876,547
<i>Less: allowance for impairment of trade receivables</i>	(221,431)	(173,122)
	<u>1,905,045</u>	<u>1,703,425</u>

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, 2025 and 2024.

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,	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Trade and notes receivables		
– Up to 3 months	1,436,174	1,134,014
– 3 to 6 months	141,993	134,867
– 6 months to 1 year	95,191	299,882
– 1 to 2 years	163,424	94,860
– Over 2 years	68,263	39,802
	<u>1,905,045</u>	<u>1,703,425</u>

18 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,	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
– Up to 3 months	651,164	519,008
– 3 to 6 months	80,079	100,507
– 6 months to 1 year	72,357	75,653
– Over 1 year	406,842	349,434
	<u>1,210,442</u>	<u>1,044,602</u>

19 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, 2025	1,564,549
Forfeited	(388,911)
Vested	(474,350)
	<hr/>
Outstanding balance as of December 31, 2025	701,288
	<hr/> <hr/>
As of January 1, 2024	3,561,705
Granted	–
Forfeited	(690,178)
Vested	(1,306,978)
	<hr/>
Outstanding balance as of December 31, 2024	1,564,549
	<hr/> <hr/>

(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, 2025	11,796,302
Granted	5,084,158
Forfeited	(958,951)
Vested	(3,495,160)
	<hr/>
Outstanding balance as of December 31, 2025	12,426,349
	<hr/> <hr/>
As of January 1, 2024	6,826,174
Granted	8,141,745
Forfeited	(894,244)
Vested	(2,277,373)
	<hr/>
Outstanding balance as of December 31, 2024	11,796,302
	<hr/> <hr/>

During the year ended December 31, 2025, 172,702 RSUs and 175,951 RSUs were granted to an executive director and a non-executive director of the Company, respectively (2024: 1,000,000 RSUs and 285,106 RSUs were granted to two executive directors).

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:

	2025		2024	
	Average exercise price	Number of options	Average exercise price	Number of options
As of January 1	HKD40.24	9,364,706	HKD45.74	10,063,523
Granted	–	–	HKD25.29	2,747,957
Forfeited	HKD49.82	(238,949)	HKD46.69	(2,946,774)
Exercised	HKD30.55	(383,620)	HKD30.69	(500,000)
As of December 31	<u>HKD40.40</u>	<u>8,742,137</u>	<u>HKD40.24</u>	<u>9,364,706</u>
Exercisable as of December 31	<u>HKD40.21</u>	<u>5,780,844</u>	<u>HKD50.32</u>	<u>4,374,696</u>

During the year ended December 31, 2025, no share options were granted to directors of the Company (2024: 2,474,052 share options were granted to an executive director of the Company).

During the year ended December 31, 2025, 383,620 share options were exercised (2024: 500,000 share).

(ii) *Outstanding share options*

Details of the expiry dates, exercise prices and respective numbers of share options which remained outstanding as of December 31, 2025 and December 31, 2024 are as follows:

Grant Date	Expiry Date	Exercise price	Number of share option	
			December 31, 2025	December 31, 2024
July 12, 2021	July 11, 2031	HKD 82.85	1,103,176	1,194,235
November 5, 2021	November 4, 2031	HKD 53.14	1,786,539	1,786,539
August 18, 2022	August 17, 2032	HKD 30.69	1,907,564	2,273,684
August 21, 2023	August 20, 2033	HKD 32.06	1,264,667	1,362,291
August 14, 2024	August 13, 2034	HKD 25.29	2,680,191	2,747,957
			<u>8,742,137</u>	<u>9,364,706</u>
Total				
Weighted average remaining contractual life of options outstanding at end of year			<u>6.18 years</u>	<u>7.21 years</u>

The outstanding share options as of December 31, 2025 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. As of December 31, 2025, the Expected Retention Rate of the Group had been assessed to be no lower than 92% (December 31, 2024: 92%).

20 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As of December 31,	
	2025	2024
	RMB'000	RMB'000
Current:		
Contingent consideration payable relating to the acquisition of 100% equity interest of New Classics Media	179,048	167,586

Note:

On October 31, 2018, the Group entered into a share purchase agreement (“2018 New Classic Media Share Purchase Agreement”) with the selling shareholders (including a subsidiary of Tencent) to acquire 100% equity interest of New Classics Media, which is principally engaged in production and distribution of television series, web series and films. Pursuant to the share purchase agreement, the aggregate consideration for the acquisition of New Classics Media is approximately RMB15,500,000,000 and will be subject to an earn-out mechanism that is set out in the share purchase agreement. The consideration will be settled by a combination of cash and new shares issued by the Company based on the terms and subject to the conditions set forth in the share purchase agreement.

On August 27, 2020, the Group entered into a supplemental deed in relation to the amendment of the 2018 New Classics Media Share Purchase Agreement (“the supplemental SPA deed”), which was approved by the shareholders of the Group on December 9, 2020 and took effective from December 11, 2020 (the “Effective Date”). Pursuant to the supplemental SPA deed, the original earn out mechanism was revised. The original earn-out consideration payable by the Group for the year ended December 31, 2020 under the mechanism (being 15,119,815 consideration shares and approximately RMB1,021,000,000 in cash) has been apportioned into five tranches and allocated to cover five financial years ended December 31, 2024, and is subject to additional conditions and adjustments set forth in the supplemental SPA deed. As of December 31, 2025, the consideration payable in respect of the final tranche earn out had not been settled. The settlement would be subject to certain customary conditions as determined by the board of directors to be fair and reasonable and in the interest of the Company and the Shareholders as a whole.

21 SUBSEQUENT EVENTS

There were no material subsequent events during the period from December 31, 2025 to the approval date of these consolidated financial statements by the Board on March 17, 2026.

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, 2025.

DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended December 31, 2025 (2024: Nil).

OTHER INFORMATION

Purchase, Sale or Redemption of Listed Securities

During the year ended December 31, 2025, the Company purchased a total of 6,338,800 Shares on the Stock Exchange for an aggregate consideration of HKD158,023,200 before expenses pursuant to the share buy-back mandates approved by the Shareholders at the annual general meeting held on June 3, 2024 and May 30, 2025, 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 2025	Number of shares purchased	Purchase consideration per share		Aggregate consideration paid
		Lowest price paid	Highest price paid	
		HKD	HKD	HKD
January	2,400,000	23.65	25.10	58,929,370
April	2,738,800	22.55	26.95	68,997,960
May	1,000,000	24.15	26.50	24,917,320
June	200,000	25.20	26.65	5,178,550
Total	<u>6,338,800</u>	<u>—</u>	<u>—</u>	<u>158,023,200</u>

Save as disclosed above, during the year ended December 31, 2025, 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, 2025, 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, 2025.

Events after the Reporting Period

There are no material subsequent events undertaken by the Group after December 31, 2025 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, 2025. 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, 2025 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 17, 2026

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, 2025;

“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); and
“USD” or “US\$”:	the lawful currency of the United States.