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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, 2022  
AND  
ISSUE OF CONSIDERATION SHARES  
UNDER THE SPECIFIC MANDATE**

The board of directors of China Literature Limited hereby announces the audited consolidated results of the Group for the year ended December 31, 2022. 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**

	<b>2022</b>	<b>2021</b>	<b>Year-</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>over-year</b>
			<b>(%)</b>
Revenues	<b>7,625,622</b>	8,668,244	(12.0)
Gross profit	<b>4,030,103</b>	4,599,443	(12.4)
Operating profit	<b>628,834</b>	2,172,640	(71.1)
Profit before income tax	<b>773,820</b>	2,303,068	(66.4)
Profit for the year	<b>607,628</b>	1,842,927	(67.0)
Profit attributable to equity holders of the Company	<b>608,186</b>	1,846,609	(67.1)
Non-IFRS profit attributable to equity holders of the Company	<b>1,348,216</b>	1,229,721	9.6

## **BUSINESS REVIEW AND OUTLOOK**

### **Overview**

During 2022, we experienced major macro changes and witnessed efforts across the digital entertainment industry to improve content quality and ROI. The user community, media, and capital markets have formed a consensus view that growth at the cost of quality and efficiency is not sustainable, and that product quality will remain the true value creation engine over time. This is consistent with China Literature's strategy and mission. Our unique insights as the industry leader have positioned us for future changes. In 2022, we further improved our online reading ecosystem and focused on delivering premium offerings. We also continued building our capabilities along the IP development value chain, especially on mission-critical tasks, to widen our competitive moat. Our operational efficiency improved significantly as a result. Non-IFRS profit attributable to equity holders of the Company increased 9.6% year-over-year to RMB1,348.2 million, while its margin increased from 14.2% a year ago to 17.7% in 2022.

### **Business Highlights**

#### ***IP Creation***

In our online reading business, we continued to expand our investment in premium content in 2022, while proactively cutting certain channels which generated low or negative returns. These adjustments have significantly improved our operational efficiency. More importantly, they have further enhanced our core competitiveness as they should generate more positive feedback to high-quality content creators.

We also achieved unprecedented breakthroughs in anti-piracy initiatives during the year. Copyright infringement for reading products has grown with the advent of the Internet and is a deep-rooted chronic problem that remains a significant threat to the health of the entire ecosystem, especially when it comes to protecting creative talents and encouraging innovation in the public interest. With the support of the relevant authorities, China Literature joined forces with industry players and writers in the second half of 2021 to develop a more proactive and efficient anti-piracy system. These efforts achieved remarkable results in 2022. For example, after the official launch of the anti-piracy system on Qidian Reading App, approximately 40% of Qidian Reading's newly added users within 30 days were attracted from pirate sites. The effective anti-piracy measures have driven significant growth in revenues for paid reading works and reinforced writers' trust in us, which is an integral part of our ongoing efforts to enhance the health of the content ecosystem. Aside from commercial benefits, these anti-piracy initiatives also generated positive externalities, as they built a successful case for safeguarding innovation as encouraged by the national authorities, and promoted the healthy development of the cultural industry. As a major industry player, we deem this to be an important social responsibility and will make it a part of our long-term strategies.

The focus on premium content, together with effective anti-piracy measures, boosted the performance of Qidian Reading App, one of our core products for paid reading, with its MAU in December 2022 increasing 80% year-over-year and its revenue in 2022 increasing over 30% year-over-year. The success of Qidian Reading tells us that premium content has distinctive appeal, and that effective copyright protection helps platforms and writers create a binding relationship with valuable users and enables premium content to achieve its full potential, which is a win-win. We will continue to champion the efforts to produce more premium products and build a more vital content ecosystem. This is China Literature's core strategic focus and commitment.

In 2022, our online reading platform added approximately 540,000 writers, 950,000 literary works, and over 39 billion Chinese characters. Benefiting from our investment in quality content and anti-piracy measures, the number of high-quality literary works and their revenues increased significantly. For example, the number of online literary works that newly reached 3,000 average subscribers per chapter in 2022 increased by more than 50% year-over-year. We also encouraged a diverse range of content genres to promote the healthy development of our online reading ecosystem.

### ***IP Visualization***

We are increasingly focused on developing high-quality visualized content and adapting literary stories into various visual formats such as TV and web series, film, animation and comics, in order to expand our IP influence and unlock IP value.

- In the TV and film segment, we continued to release first-rate works. 2022 was another fruitful year highlighted by the launch of popular titles including the film *Too Cool to Kill* (這個殺手不太冷靜) and drama series *A Lifelong Journey* (人世間), *New Life Begins* (卿卿日常), *Life is A Long Quiet River* (心居), *The Heart of Genius* (天才基本法), *The Wind Blows from Longxi* (風起隴西), *Master of My Own* (請叫我總監), and *Rose War* (玫瑰之戰). Among which:
  - *A Lifelong Journey* (人世間) was the No.1 show nationwide in the first half of 2022. The drama series set an 8-year record for CCTV-1 prime time ratings, topped all charts across the internet, and garnered significant acclaim.
  - *New Life Begins* (卿卿日常), which was released in the second half of the year, achieved an iQiyi popularity index of ten thousand within 144 hours, breaking the record set by *My Heroic Husband* (贅婿) in 2021. According to various professional data sources such as Enlightent, Kuyun, Maoyan and Dengta, *New Life Begins* (卿卿日常) ranked first in terms of popularity index and video views throughout the year. In addition, the drama series has been released on mainstream media platforms in Vietnam, Malaysia, Europe and the United States, achieving popularity in those markets as well.

These blockbusters are all enabled by the unique strengths of China Literature’s proprietary IPs, its ability to mobilize resources across the entire value chain, as well as the production capabilities of New Classics Media and China Literature Pictures. Going forward, our TV and film business will make breakthroughs in two directions. One direction is the serial development of IP drama series, such as Joy of Life (慶餘年), Battle Through the Heavens (斗破蒼穹), My Heroic Husband (贅婿), and Dafeng Guardian (大奉打更人). Another direction is seeking out opportunities in other visual formats based on the same IP. We are never satisfied with the success in a single content segment. Rather, we endeavor to achieve success by leveraging our strong IP reserves and our full coverage along the value chain to create synergies. Therefore, we expect to launch more hit dramas with support from our successful comics, animation and other businesses. This approach encapsulates China Literature’s unique strengths and business model.

- In the animation segment, we continued our track record of strong releases. Two of our most well-known IP titles, Battle Through the Heavens (斗破蒼穹) and Stellar Transformations (星辰變), each released two new seasons in 2022. We also launched new seasons for Martial Universe (武動乾坤), Cinderella Chef (萌妻食神) and Forty Millenniums of Cultivation (星域四萬年), making these titles soar in popularity as well. Our animation works have achieved great success on video platforms, leading in terms of quantity, quality and hit rate. According to Guduo, a third-party data source, among the top 10 most popular domestic animation works that were newly released on Tencent Video in 2022, seven were based on China Literature’s IP. These successes again demonstrate our unique strengths in proprietary IP and our professional capabilities along the entire value chain. It’s fair to say that, in addition to serving as the cornerstone of our IP visualization strategy, our IP has also empowered the growth of the entire animation industry in China, helping it stand out as one of the most popular and steadily-growing categories on China’s top video platforms.
- In the comics segment, we improved our production capacity and accelerated the IP visualization process. Back in the second half of 2020, we announced a joint project with Tencent Comics to adapt 300 online literary works into comics over the next three years. Our progress on this project is ahead of schedule. By the end of 2022, we had launched over 230 comics, some of which have become hit titles, such as Dafeng Guardian (大奉打更人), Since the Red Moon Appeared (從紅月開始) and World’s Best Martial Artist (全球高武). Adapted comics based on successful online literature are generally of higher average quality than original comics, featuring more vivid characters, more compelling storylines and more complete worldviews. Our successful text-to-comic adaptation efforts lay the foundation for the subsequent development of animations, films and dramas, which open up further possibilities to unleash the monetization potential of IP derivatives and games.

## ***IP Commercialization and Monetization***

- In 2022, we made key progress in establishing a framework for our IP derivatives system and building a dedicated team, and we achieved breakthroughs in consumer goods and fashion toys. For example, several editions of the toy sculptures from Battle Through the Heavens (斗破蒼穹) achieved total GMVs of more than RMB20 million in 2022. Our self-developed blind boxes for Lord of the Mysteries (詭秘之主) will also be launched soon. In the future, we will develop derivatives adapted from other IP content, such as The King’s Avatar (全職高手), Joy of Life (慶餘年) and Dafeng Guardian (大奉打更人). We will also conduct joint promotions for the launch of drama series, film, animation, comics, games, and other content.
- In the game segment, we continue to “walk on two legs”. On one hand, we cooperated with high-quality studios to adapt our IP content into games. On the other hand, we are enhancing our in-house game development and operation capabilities, and looking forward to seeing meaningful progress in the next few years.

## ***Overseas Business***

In 2022, 16 of our literary works, such as Great Power Heavy Industry (大國重工) and My Heroic Husband (贅婿), were added to the Chinese collection of the British Library, one of the world's largest academic libraries. This marked the first time that Chinese online literary works have been collected by the British Library, reflecting the growing appreciation and recognition of China Literature's content among global readers.

As of December 31, 2022, WebNovel, our foreign language online reading platform, offered approximately 2,900 works translated from Chinese and approximately 500,000 original works created locally. We will continue to explore international markets and promote cultural exchange.

## **Outlook**

We endeavor to maximize the business success and influence of each IP. At the same time, we are mindful of the fact that each IP could be interpreted very differently if viewed from different positions, in different eras, by different user communities. This “parallax” effect makes each IP and its cultural value unique. Each successful IP is closely related to a specific era, society, or user community. By promoting the growth of high-quality IP, we are contributing to the values of our era and society. Growth takes time, especially the growth of high-quality content and IP, which requires long-term close collaboration among creators, users, and upstream and downstream partners. We will continue to take a long-term view and to create IP that spans the whole value chain, in the service of good stories that will live forever.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

	Year Ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenues</b>	<b>7,625,622</b>	8,668,244
Cost of revenues	<u>(3,595,519)</u>	<u>(4,068,801)</u>
<b>Gross profit</b>	<b>4,030,103</b>	4,599,443
Interest income	160,893	125,353
Other (losses)/gains, net	(207,077)	1,448,083
Selling and marketing expenses	(2,002,614)	(2,700,814)
General and administrative expenses	(1,238,177)	(1,323,845)
Net (provision for)/reversal of impairment losses on financial assets	<u>(114,294)</u>	<u>24,420</u>
<b>Operating profit</b>	<b>628,834</b>	2,172,640
Finance costs	(53,985)	(68,763)
Share of net profit of associates and joint ventures	<u>198,971</u>	<u>199,191</u>
<b>Profit before income tax</b>	<b>773,820</b>	2,303,068
Income tax expense	<u>(166,192)</u>	<u>(460,141)</u>
<b>Profit for the year</b>	<b><u>607,628</u></b>	<b><u>1,842,927</u></b>
Attributable to:		
Equity holders of the Company	608,186	1,846,609
Non-controlling interests	<u>(558)</u>	<u>(3,682)</u>
	<u>607,628</u>	<u>1,842,927</u>
<b>Non-IFRS profit for the year</b>	<b><u>1,347,658</u></b>	<b><u>1,226,039</u></b>
Attributable to:		
Equity holders of the Company	1,348,216	1,229,721
Non-controlling interests	<u>(558)</u>	<u>(3,682)</u>
	<u>1,347,658</u>	<u>1,226,039</u>

*Revenues.* Revenues decreased by 12.0% to RMB7,625.6 million for the year ended December 31, 2022 on a year-over-year basis. The following table sets out our revenues by segment for the years ended December 31, 2022 and 2021:

	Year ended December 31,			
	2022		2021	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
<b>Online business<sup>(1)</sup></b>				
On our self-owned platform products	3,482,873	45.7	3,848,441	44.4
On our channels on Tencent products	590,971	7.7	808,908	9.3
On third-party platforms	290,153	3.8	651,122	7.5
<b>Subtotal</b>	<b>4,363,997</b>	<b>57.2</b>	<b>5,308,471</b>	<b>61.2</b>
<b>Intellectual property operations and others<sup>(2)</sup></b>				
Intellectual property operations	3,160,237	41.4	3,231,353	37.3
Others	101,388	1.4	128,420	1.5
<b>Subtotal</b>	<b>3,261,625</b>	<b>42.8</b>	<b>3,359,773</b>	<b>38.8</b>
<b>Total revenues</b>	<b>7,625,622</b>	<b>100.0</b>	<b>8,668,244</b>	<b>100.0</b>

*Notes:*

- (1) Revenues from online business primarily reflect revenues from online paid reading, online advertising and distribution of third-party online games on our platform.
  - (2) Revenues from intellectual property operations and others primarily reflect revenues from production and distribution of TV, web and animated series, films, licensing of copyrights, operation of self-operated online games and sales of physical books.
- Revenues from online business decreased by 17.8% to RMB4,364.0 million for the year ended December 31, 2022 on a year-over-year basis, accounting for 57.2% of total revenues.

Revenues from online business on our self-owned platform products decreased by 9.5% to RMB3,482.9 million for the year ended December 31, 2022, mainly due to reduced marketing spending on user acquisition as we implemented cost control and operational efficiency improvement measures for our business. Despite these cost-cutting efforts, revenues from Qidian Reading, one of our core products, increased over 30% year-over-year, as we focused on supporting the growth of our premium products by investing in high-quality content offerings, effective anti-piracy measures, and improved product operations.

Revenues from online business on our channels on Tencent products decreased by 26.9% to RMB591.0 million for the year ended December 31, 2022, mainly attributable in part to a reduction in advertising revenues caused by broader market factors and in part to the channel optimization carried out as a part of our initiatives to improve operational efficiency.

Revenues from online business on third-party platforms decreased by 55.4% to RMB290.2 million for the year ended December 31, 2022, primarily due to the suspension of collaboration with certain third-party distribution partners.

The following table summarizes our key operating data for the years ended December 31, 2022 and 2021:

	<b>Year ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Average MAUs on our self-owned platform products and self-operated channels on Tencent products (average of MAUs for each calendar month)	<b>243.9 million</b>	248.6 million
Average MPUs on our self-owned platform products and self-operated channels on Tencent products (average of MPUs for each calendar month)	<b>7.9 million</b>	8.7 million
Monthly average revenue per paying user (“ARPU”) <sup>(1)</sup>	<b>RMB37.8</b>	RMB39.7

*Notes:*

- (1) Monthly ARPU is calculated as online reading revenues on our self-owned platform products and self-operated channels on Tencent products divided by average MPUs during the period, then divided by the number of months during the period.
- Average MAUs on our self-owned platform products and self-operated channels decreased by 1.9% year-over-year from 248.6 million to 243.9 million for the year ended December 31, 2022, among which (i) MAUs on our self-owned platform products decreased by 5.8% year-over-year from 116.8 million to 110.0 million, mainly as we reduced marketing spending on user acquisition as a part of our efforts to control costs and improve operational efficiency; and (ii) MAUs on our self-operated channels on Tencent products remained relatively stable at 133.9 million, representing an increase of 1.6% year-over-year.
  - Average MPUs on our self-owned platform products and self-operated channels decreased by 9.2% year-over-year from 8.7 million to 7.9 million for the year ended December 31, 2022, mainly due to our channel optimization efforts and a reduction in marketing spending on low-ROI users. In conjunction with our efforts to control cost, we focused on improving content offerings, taking a creative approach to combatting piracy, and enhancing the user experience for our core products. As a result, average MPUs on our self-owned platform products increased 16% year-over-year and 14% sequentially in the second half of 2022.



- Monthly ARPU for paid reading content decreased by 4.8% year-over-year from RMB39.7 to RMB37.8 for the year ended December 31, 2022, primarily due to changes in revenue mix from different product offerings.
- Revenues from intellectual property operations and others decreased by 2.9% year-over-year to RMB3,261.6 million for the year ended December 31, 2022.

Revenues from intellectual property operations decreased by 2.2% year-over-year to RMB3,160.2 million for the year ended December 31, 2022, mainly due to a decrease in revenues from our self-operated online game in 2022. However, we achieved solid growth in revenues from our TV and web series, films, animation series, and licensing of copyrights during the year.

Revenues from others, mainly generated by sales of physical books, decreased by 21.0% year-over-year to RMB101.4 million for the year ended December 31, 2022 as we continued to adjust our physical book business in tandem with our business development strategy.

*Cost of revenues.* Cost of revenues decreased by 11.6% year-over-year to RMB3,595.5 million for the year ended December 31, 2022, mainly as a result of i) a reduction in platform distribution costs for our online businesses, ii) lower content costs, and iii) lower amortization of intangible assets of content copyrights due to the high base effect in the prior year. The decrease in the cost of revenues was partially offset by an increase in production costs of TV, web and animated series and films along with the increase in revenues.

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

	Year ended December 31,			
	2022		2021	
	<i>RMB'000</i>	<i>% of revenues</i>	<i>RMB'000</i>	<i>% of revenues</i>
Content costs	1,512,746	19.8	1,774,189	20.5
Platform distribution costs	850,211	11.1	1,151,009	13.3
Production costs of TV, web and animated series and films	660,152	8.7	430,698	5.0
Amortization of intangible assets	221,125	2.9	354,829	4.1
Cost of inventories	57,153	0.7	72,245	0.8
Others	294,132	4.0	285,831	3.2
<b>Total cost of revenues</b>	<b>3,595,519</b>	<b>47.2</b>	<b>4,068,801</b>	<b>46.9</b>

*Gross profit and gross margin.* As a result of the foregoing, our gross profit decreased by 12.4% year-over-year to RMB4,030.1 million for the year ended December 31, 2022. Gross margin was 52.8% for the year ended December 31, 2022, compared with 53.1% for the year ended December 31, 2021.

*Interest income.* Interest income increased by 28.4% to RMB160.9 million for the year ended December 31, 2022, reflecting higher interest income from bank deposits.

*Other (losses)/gains, net.* We recorded net other losses of RMB207.1 million for the year ended December 31, 2022, compared with net other gains of RMB1,448.1 million for the year ended December 31, 2021. The other gains for the year ended December 31, 2021 mainly consisted of a gain of RMB1,076.8 million related to the sale of our equity interest in Shenzhen Lanren. The other losses for the year ended December 31, 2022 mainly consisted of a net fair value loss related to certain investee companies and acquisitions.

*Selling and marketing expenses.* Selling and marketing expenses decreased by 25.9% year-over-year to RMB2,002.6 million for the year ended December 31, 2022, as a result of reduced promotion and advertising expenses for our online business as a part of our cost control and efficiency improvement initiatives during the year. As a percentage of revenues, our selling and marketing expenses decreased to 26.3% for the year ended December 31, 2022 from 31.2% for the year ended December 31, 2021.

*General and administrative expenses.* General and administrative expenses decreased by 6.5% year-over-year to RMB1,238.2 million for the year ended December 31, 2022, primarily attributable to a decrease in research and development expenses and a reduction in professional service fees. As a percentage of revenues, general and administrative expenses were 16.2% for the year ended December 31, 2022, compared with 15.3% for the year ended December 31, 2021.

*Net provision for impairment losses on financial assets.* The impairment losses on financial assets reflected a provision for doubtful receivables. For the year ended December 31, 2022, the provision for doubtful receivables was RMB114.3 million on a net basis, mainly related to TV series and film projects.

*Operating profit.* As a result of the foregoing, we had an operating profit of RMB628.8 million for the year ended December 31, 2022, compared with RMB2,172.6 million for the year ended December 31, 2021. The year-over-year difference was mainly attributable to non-IFRS adjustment items, including a gain of RMB1,076.8 million from the sale of our equity interest in Shenzhen Lanren in 2021 and fair value losses due to the decreased valuations of certain investee companies in 2022. Non-IFRS operating profit increased 4.9% year-over-year from RMB1,299.8 million in 2021 to RMB1,363.9 million in 2022. Non-IFRS operating margin increased to 17.9% for the year ended December 31, 2022 from 15.0% for the year ended December 31, 2021, reflecting our successful efforts to control operational costs.

*Finance costs.* Finance costs decreased 21.5% year-over-year to RMB54.0 million for the year ended December 31, 2022, mainly due to lower interest expenses given the borrowings decreased in 2022.

*Share of net profit of associates and joint ventures.* Our share of net profit of associates and joint ventures was broadly stable at RMB199.0 million for the year ended December 31, 2022, compared with RMB199.2 million for the year ended December 31, 2021.

*Income tax expense.* Income tax expense was RMB166.2 million for the year ended December 31, 2022, compared with RMB460.1 million for the year ended December 31, 2021, mainly due to a lower profit before income tax in 2022.

*Profit attributable to equity holders of the Company.* We had a profit attributable to equity holders of the Company of RMB608.2 million for the year ended December 31, 2022, compared with RMB1,846.6 million for the year ended December 31, 2021. Non-IFRS profit attributable to equity holders of the Company increased by 9.6% from RMB1,229.7 million for the year ended December 31, 2021 to RMB1,348.2 million for the year ended December 31, 2022, while margin increased from 14.2% to 17.7%.

## Segment Information:

The following table sets forth a breakdown of our revenues, cost of revenues, gross profit and gross profit margin by segment for the years ended December 31, 2022 and 2021:

	Year ended December 31, 2022		
	Online business <i>RMB'000</i>	Intellectual property operations and others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenues	4,363,997	3,261,625	7,625,622
Cost of revenues	<u>2,217,233</u>	<u>1,378,286</u>	<u>3,595,519</u>
Gross profit	<u>2,146,764</u>	<u>1,883,339</u>	<u>4,030,103</u>
Gross margin	<u>49.2%</u>	<u>57.7%</u>	<u>52.8%</u>
	Year ended December 31, 2021		
	Online business <i>RMB'000</i>	Intellectual property operations and others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenues	5,308,471	3,359,773	8,668,244
Cost of revenues	<u>2,690,334</u>	<u>1,378,467</u>	<u>4,068,801</u>
Gross profit	<u>2,618,137</u>	<u>1,981,306</u>	<u>4,599,443</u>
Gross margin	<u>49.3%</u>	<u>59.0%</u>	<u>53.1%</u>

## OTHER FINANCIAL INFORMATION

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
EBITDA <sup>(1)</sup>	<b>1,052,762</b>	1,094,005
Adjusted EBITDA <sup>(2)</sup>	<b>1,350,632</b>	1,335,815
Adjusted EBITDA margin <sup>(3)</sup>	<b>17.7%</b>	15.4%
Interest expense	<b>48,063</b>	63,320
Net cash <sup>(4)</sup>	<b>7,091,379</b>	6,031,125
Capital expenditures <sup>(5)</sup>	<b>323,650</b>	239,122

### Notes:

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

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

	<b>Year ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Operating profit	<b>628,834</b>	2,172,640
Adjustments:		
Interest income	<b>(160,893)</b>	(125,353)
Other losses/(gains), net	<b>207,077</b>	(1,448,083)
Depreciation of property, plant and equipment	<b>21,414</b>	19,085
Depreciation of right-of-use assets	<b>95,124</b>	80,254
Amortization of intangible assets	<b>261,206</b>	395,462
	<u><b>1,052,762</b></u>	<u>1,094,005</u>
<b>EBITDA</b>	<u><b>1,052,762</b></u>	<u>1,094,005</u>
Adjustments:		
Share-based compensation	<b>241,344</b>	188,138
Expenditures related to acquisition	<b>56,526</b>	53,672
	<u><b>1,350,632</b></u>	<u>1,335,815</u>
<b>Adjusted EBITDA</b>	<u><b>1,350,632</b></u>	<u>1,335,815</u>

#### **Non-IFRS Financial Measures:**

To supplement the consolidated financial statements of our Group prepared in accordance with IFRS, certain non-IFRS financial measures, namely non-IFRS operating profit, non-IFRS operating margin, non-IFRS profit for the year, non-IFRS net margin, non-IFRS profit attributable to equity holders of the Company, non-IFRS basic EPS and non-IFRS diluted EPS as additional financial measures, have been presented in this annual results announcement for the convenience of readers. These unaudited non-IFRS financial measures should be considered in addition to, and not as a substitute for, measures of our Group's financial performance prepared in accordance with IFRS. These unaudited non-IFRS measures may be defined differently from similar terms used by other companies. In addition, non-IFRS adjustments include relevant non-IFRS adjustments for the Group's material associates based on available published financials of the relevant material associates, or estimates made by the Company's management based on available information, certain expectations, assumptions and premises.

Our management believes that the presentation of these non-IFRS financial measures, when shown in conjunction with the corresponding IFRS measures, provides useful information to investors and management regarding the financial and business trends relating to the Company's financial condition and results of operations. Our management also believes that the non-IFRS financial measures are useful in evaluating our Group's operating performances. From time to time, there may be other items that our Company may include or exclude in reviewing its financial results.

The following tables set out the reconciliations of our Group's non-IFRS financial measures for the years ended December 31, 2022 and 2021 to the nearest measures prepared in accordance with IFRS:

Year ended December 31, 2022						
	Adjustments					Non-IFRS
	As reported	Share-based compensation	Net losses from investments and acquisitions <sup>(1)</sup> <i>(RMB' 000, unless specified)</i>	Amortization of intangible assets <sup>(2)</sup>	Tax effect	
Operating profit	628,834	241,344	461,580	32,178	–	1,363,936
Profit for the year	607,628	241,344	469,380	32,178	(2,872)	1,347,658
Profit attributable to equity holders of the Company	608,186	241,344	469,380	32,178	(2,872)	1,348,216
EPS <i>(RMB per share)</i>						
– basic	0.60					1.33
– diluted	0.59					1.32
Operating margin	8.2%					17.9%
Net margin	8.0%					17.7%

Year ended December 31, 2021						
	Adjustments					Non-IFRS
	As reported	Share-based compensation	Net (gains) from investments and acquisitions <sup>(1)</sup> <i>(RMB' 000, unless specified)</i>	Amortization of intangible assets <sup>(2)</sup>	Tax effect	
Operating profit	2,172,640	188,138	(1,098,607)	37,674	–	1,299,845
Profit for the year	1,842,927	188,138	(1,098,607)	37,674	255,907	1,226,039
Profit attributable to equity holders of the Company	1,846,609	188,138	(1,098,607)	37,674	255,907	1,229,721
EPS <i>(RMB per share)</i>						
– basic	1.83					1.22
– diluted	1.82					1.21
Operating margin	25.1%					15.0%
Net margin	21.3%					14.1%

*Notes:*

- (1) Including net disposal gain and fair value changes arising from investee companies, the fair value changes of consideration liabilities related to the acquisition of NCM, the compensation costs for certain employees and former owners of NCM, and impairment provision for long-term investments.
- (2) Amortization of intangible assets and TV series and film rights resulting from acquisitions.

## **Capital Structure**

The Company continued to maintain a healthy and sound financial position. Our total assets decreased from RMB23,297.3 million as of December 31, 2021 to RMB22,734.5 million as of December 31, 2022, while our total liabilities decreased from RMB6,110.3 million as of December 31, 2021 to RMB4,779.8 million as of December 31, 2022. The liabilities-to-assets ratio decreased from 26.2% as of December 31, 2021 to 21.0% as of December 31, 2022.

As of December 31, 2022, the current ratio (the ratio of total current assets to total current liabilities) was 313.2%, compared with 282.2% as of December 31, 2021.

As of December 31, 2022 and December 31, 2021, our Group had no pledged receivables.

## **Liquidity and Financial Resources**

Our Group funds our cash requirements principally from capital contributions from shareholders, cash generated from our operations, and borrowings from banks. As of December 31, 2022, our Group had net cash of RMB7,091.4 million, compared with RMB6,031.1 million as of December 31, 2021. The increase in net cash in the year of 2022 was mainly due to the cash generated from our operating activities, partially offset by capital expenditures, cash outflow for investment activities, repurchase of shares by the Company and the earn-out cash consideration paid for the acquisition of NCM based on its 2021 financial performance. For the year ended December 31, 2022, our Group had free cash flow of RMB1,182.7 million. This was a result of net cash flow generated from operating activities of RMB1,576.8 million, deducting payments for lease liabilities of RMB70.4 million and payments for capital expenditure of RMB323.7 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, 2022:

- Our gearing ratio was 2.3%, compared with 6.8% as of December 31, 2021.
- Our total borrowings were RMB417.9 million, which were denominated in USD.
- Our unutilized banking facility was RMB2,748.6 million.



As of December 31, 2022 and December 31, 2021, our Group had no significant contingent liabilities.

As of December 31, 2022 and December 31, 2021, our Group had not used any financial instruments for hedging purposes.

### **Capital Expenditures and Long-term Investments**

Our Group's capital expenditures primarily included expenditures for intangible assets, such as content and software copyrights, and for property, plant and equipment. Our capital expenditures and long-term investments for the year ended December 31, 2022 totaled RMB575.5 million, compared with RMB1,400.2 million for the year ended December 31, 2021, representing a year-over-year decrease of RMB824.7 million, primarily due to less expenditure for investments in 2022. Our long-term investments were made in accordance with our general strategy of investing in or acquiring businesses that are complementary to our main business. We plan to fund our planned capital expenditures and long-term investments using cash flows generated from our operations.

### **Foreign Exchange Risk Management**

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures, primarily in RMB, HKD, USD, JPY and SGD. Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective functional currency of our Group's entities. Our Group manages foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposure and tries to minimize exposure through natural hedges, wherever possible, and may enter into forward foreign exchange contracts, when necessary. We did not hedge against any movement in foreign currency during the years ended December 31, 2022 and December 31, 2021.

### **Employees**

As of December 31, 2022, we had approximately 1,800 full-time employees, most of whom were based in China, primarily at our headquarters in Shanghai, with the rest based in Beijing, Suzhou and various other cities in China.

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

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

On October 31, 2018, the Company completed the acquisition of 100% of the equity interest in NCM, which is primarily engaged in production and distribution of TV series, web series and films in the PRC. NCM, on a standalone basis, recorded RMB1,623.3 million in revenues and RMB537.7 million in profit attributable to equity holders of the company for the year ended December 31, 2022.

### **Issue of consideration shares under the New Earn Out Mechanism**

Reference is made to:

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

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

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

The Board hereby announces that the actual Net Profit, as defined in the Circular and primarily excluding the impact of government subsidies for the year ended December 31, 2022, was RMB512.0 million, which is higher than the Reference Maximum Net Profit of RMB500 million. In accordance with the terms of the Supplemental SPA Deed, a total number of 3,021,371 Consideration Shares would be issued (“2022 Earn Out Issue”) and a total cash consideration of RMB204.0 million would be paid to the Management Vendors, and the issue of the Consideration Shares and the payment of the cash consideration would be subject to certain customary conditions as determined by the Board to be fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Set out below for illustrative purposes is the shareholding structure of the Company as of the date of this announcement and immediately upon the completion of the 2022 Earn Out Issue:

	As of the date		Immediately upon	
	of this announcement		the completion of the 2022	
	Number of	Approximate %	Number of	Approximate %
Shareholders	shares	of issued Shares	shares	of issued Shares
Tencent	577,646,091	56.90%	577,646,091	56.73%
Management Vendors				
– Founder SPV	28,996,386	2.86%	30,831,375	3.03%
– Qu SPV	7,764,155	0.76%	8,589,601	0.84%
– Executive SPV	5,042,659	0.50%	5,403,595	0.53%
Other Shareholders	395,789,126	38.98%	395,789,126	38.87%
<b>Total</b>	<b>1,015,238,417</b>	<b>100.00%</b>	<b>1,018,259,788</b>	<b>100.00%</b>

## FINANCIAL INFORMATION

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2022

		Year ended December 31,	
		2022	2021
	Note	RMB'000	RMB'000
<b>Revenues</b>	4	7,625,622	8,668,244
Cost of revenues	5	<u>(3,595,519)</u>	<u>(4,068,801)</u>
<b>Gross profit</b>		4,030,103	4,599,443
Interest income	8	160,893	125,353
Other (losses)/gains, net	6	(207,077)	1,448,083
Selling and marketing expenses	5	(2,002,614)	(2,700,814)
General and administrative expenses	5	(1,238,177)	(1,323,845)
Net (provision for)/reversal of impairment losses on financial assets		<u>(114,294)</u>	<u>24,420</u>
<b>Operating profit</b>		628,834	2,172,640
Finance costs	7	(53,985)	(68,763)
Share of net profit of associates and joint ventures	13	<u>198,971</u>	<u>199,191</u>
<b>Profit before income tax</b>		773,820	2,303,068
Income tax expense	9	<u>(166,192)</u>	<u>(460,141)</u>
<b>Profit for the year</b>		<u><u>607,628</u></u>	<u><u>1,842,927</u></u>
<b>Other comprehensive income/(loss):</b>			
<i>Items that may not be reclassified to profit or loss</i>			
Net loss from change in fair value of financial asset at fair value through other comprehensive income		(7,483)	(21,897)
Currency translation differences		<u>54,773</u>	<u>(14,066)</u>
<i>Items that may be subsequently reclassified to profit or loss</i>			
Share of other comprehensive income/(loss) of associates and joint ventures	13	4,656	(28,913)
Currency translation differences		<u>62,861</u>	<u>(13,328)</u>
<b>Total comprehensive income for the year</b>		<u><u>722,435</u></u>	<u><u>1,764,723</u></u>

		<b>Year ended December 31,</b>	
		<b>2022</b>	<b>2021</b>
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Profit attributable to:</b>			
– Equity holders of the Company		<b>608,186</b>	1,846,609
– Non-controlling interests		<b>(558)</b>	(3,682)
		<u><b>607,628</b></u>	<u>1,842,927</u>
<b>Total comprehensive income attributable to:</b>			
– Equity holders of the Company		<b>722,794</b>	1,769,207
– Non-controlling interests		<b>(359)</b>	(4,484)
		<u><b>722,435</b></u>	<u>1,764,723</u>
<b>Earnings per share (expressed in RMB per share)</b>			
– Basic earnings per share	<i>10(a)</i>	<u><b>0.60</b></u>	<u>1.83</u>
– Diluted earnings per share	<i>10(b)</i>	<u><b>0.59</b></u>	<u>1.82</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2022

		As of December 31,	
		2022	2021
	Note	RMB'000	RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		132,858	45,123
Right-of-use assets		183,141	281,465
Intangible assets	12	7,421,639	7,455,499
Investments in associates and joint ventures	13	1,008,754	932,278
Financial assets at fair value through profit or loss	14	862,241	1,310,030
Financial asset at fair value through other comprehensive income		8,009	14,073
Deferred income tax assets		312,283	271,815
Prepayments, deposits and other assets		329,641	256,721
		<u>10,258,566</u>	<u>10,567,004</u>
<b>Current assets</b>			
Inventories	15	760,271	653,764
Television series and film rights	16	940,412	1,090,892
Financial assets at fair value through profit or loss	14	119,329	—
Trade and notes receivables	17	2,048,930	2,747,240
Prepayments, deposits and other assets		1,212,544	1,031,971
Term deposits		1,848,660	2,678,031
Cash and cash equivalents		5,545,766	4,528,412
		<u>12,475,912</u>	<u>12,730,310</u>
<b>Total assets</b>		<u><u>22,734,478</u></u>	<u><u>23,297,314</u></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital		644	649
Shares held for RSU schemes		(18,766)	(17,450)
Share premium		16,223,277	16,412,728
Other reserves		1,955,121	1,455,101
Accumulated losses		(202,938)	(664,573)
		<u>17,957,338</u>	<u>17,186,455</u>
<b>Non-controlling interests</b>		<u>(2,616)</u>	<u>516</u>
<b>Total equity</b>		<u><u>17,954,722</u></u>	<u><u>17,186,971</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2022

		As of December 31,	
		2022	2021
	Note	RMB'000	RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	18	—	382,542
Lease liabilities		134,595	201,850
Long-term payables		4,691	9,119
Deferred income tax liabilities		139,563	149,286
Deferred revenue	4	26,538	28,846
Financial liabilities at fair value through profit or loss		490,613	827,190
		<u>796,000</u>	<u>1,598,833</u>
<b>Current liabilities</b>			
Borrowings	18	417,876	792,776
Lease liabilities		65,505	72,573
Trade payables	19	1,203,873	1,127,368
Other payables and accruals		1,019,435	1,185,762
Deferred revenue	4	619,125	669,764
Current income tax liabilities		275,780	338,603
Financial liabilities at fair value through profit or loss		382,162	324,664
		<u>3,983,756</u>	<u>4,511,510</u>
<b>Total liabilities</b>		<u>4,779,756</u>	<u>6,110,343</u>
<b>Total equity and liabilities</b>		<u>22,734,478</u>	<u>23,297,314</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2022

	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	Accumulated losses RMB'000	Sub-total RMB'000		
As of January 1, 2022	649	16,412,728	(17,450)	1,455,101	(664,573)	17,186,455	516	17,186,971
<b>Comprehensive income</b>								
Profit/(loss) for the year	-	-	-	-	608,186	608,186	(558)	607,628
Other comprehensive income								
- Share of other comprehensive income of associates (Note 13)	-	-	-	(393)	-	(393)	-	(393)
- Transfer from share of other comprehensive loss to profit or loss upon disposal of an associate (Note 13)	-	-	-	5,049	-	5,049	-	5,049
- Currency translation differences	-	-	-	117,435	-	117,435	199	117,634
- Net loss from change in fair value of financial asset at fair value through other comprehensive income	-	-	-	(7,483)	-	(7,483)	-	(7,483)
<b>Total comprehensive income/(loss) for the year</b>	-	-	-	114,608	608,186	722,794	(359)	722,435
<b>Transaction with owners</b>								
Share-based compensation expenses (Note 20)	-	-	-	241,344	-	241,344	-	241,344
Transfer of vested RSUs	-	(27,605)	874	-	-	(26,731)	-	(26,731)
Repurchase and cancellation of shares	(7)	(211,825)	-	-	-	(211,832)	-	(211,832)
Repurchase of shares for RSU scheme	-	-	(2,189)	-	-	(2,189)	-	(2,189)
Issue of new share pursuant to RSU scheme	1	-	(1)	-	-	-	-	-
Issue of ordinary shares as consideration for a business combination	1	49,979	-	-	-	49,980	-	49,980
Profit appropriations to statutory reserves	-	-	-	146,551	(146,551)	-	-	-
Disposal of a non-wholly owned subsidiary	-	-	-	-	-	-	(1,357)	(1,357)
Capital injection	-	-	-	-	-	-	1,000	1,000
Acquisition of non-controlling interests	-	-	-	(2,483)	-	(2,483)	(2,416)	(4,899)
<b>Transactions with owners in their capacity for the year</b>	(5)	(189,451)	(1,316)	385,412	(146,551)	48,089	(2,773)	45,316
<b>As of December 31, 2022</b>	<b>644</b>	<b>16,223,277</b>	<b>(18,766)</b>	<b>1,955,121</b>	<b>(202,938)</b>	<b>17,957,338</b>	<b>(2,616)</b>	<b>17,954,722</b>



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2021

	Attributable to equity holders of the Company						Non-controlling interests	Total
	Share capital	Share premium	Shares held for RSU schemes	Other reserves	Accumulated losses	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>As of January 1, 2021</b>	645	16,259,688	(9)	1,268,188	(2,435,005)	15,093,507	5,000	15,098,507
<b>Comprehensive income</b>								
Profit/(loss) for the year	–	–	–	–	1,846,609	1,846,609	(3,682)	1,842,927
Other comprehensive loss								
– Share of other comprehensive loss of associates and a joint venture (Note 13)	–	–	–	(28,913)	–	(28,913)	–	(28,913)
– Currency translation differences	–	–	–	(26,592)	–	(26,592)	(802)	(27,394)
– Net loss from change in fair value of financial asset at fair value through other comprehensive income	–	–	–	(21,897)	–	(21,897)	–	(21,897)
<b>Total comprehensive income/(loss) for the year</b>	–	–	–	(77,402)	1,846,609	1,769,207	(4,484)	1,764,723
<b>Transaction with owners</b>								
Share-based compensation expenses (Note 20)	–	–	–	188,138	–	188,138	–	188,138
Transfer of vested RSUs	–	(48,987)	5,814	–	–	(43,173)	–	(43,173)
Repurchase of shares for RSU scheme	–	–	(23,253)	–	–	(23,253)	–	(23,253)
Issue of new share pursuant to RSU scheme	2	–	(2)	–	–	–	–	–
Issue of ordinary shares as consideration for a business combination	2	202,027	–	–	–	202,029	–	202,029
Profit appropriations to statutory reserves	–	–	–	76,177	(76,177)	–	–	–
<b>Transactions with owners in their capacity for the year</b>	4	153,040	(17,441)	264,315	(76,177)	323,741	–	323,741
<b>As of December 31, 2021</b>	<u>649</u>	<u>16,412,728</u>	<u>(17,450)</u>	<u>1,455,101</u>	<u>(664,573)</u>	<u>17,186,455</u>	<u>516</u>	<u>17,186,971</u>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2022

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
<b>Net cash flows generated from operating activities</b>	<u>1,576,787</u>	<u>1,118,468</u>
<b>Net cash flows generated from investing activities</b>	<u>528,102</u>	<u>936,225</u>
<b>Net cash flows used in financing activities</b>	<u>(1,145,364)</u>	<u>(349,987)</u>
<b>Net increase in cash and cash equivalents</b>	<b>959,525</b>	<b>1,704,706</b>
Cash and cash equivalents at the beginning of the year	<b>4,528,412</b>	<b>2,848,231</b>
Exchange gains/(losses) on cash and cash equivalents	<u>57,829</u>	<u>(24,525)</u>
<b>Cash and cash equivalents at the end of the year</b>	<u><b>5,545,766</b></u>	<u><b>4,528,412</b></u>

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*For the year ended December 31, 2022*

### **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, which are all based on text work, and the realisation of these activities through technology methods and digital media including but not limited to personal computers, Internet and mobile network in the People’s Republic of China (the “PRC”). On October 31, 2018, the Group acquired 100% equity interest of New Classics Media Holdings Limited (or referred to as the “New Classics Media” and previously known as “Qiandao Lake Holdings Limited”). New Classics Media and its subsidiaries are principally engaged in production and distribution of television series, web series and films in the PRC, which has further expanded the Group’s intellectual property operation business, in particular for the production and distribution of film and TV programs.

The ultimate holding company of the Company is Tencent Holdings Limited (“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.

The Financial Information is presented in Renminbi (“RMB”), unless otherwise stated.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal 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

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

#### 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, financial liabilities (including contingent consideration payables) at fair value through profit or loss and financial asset at fair value through other comprehensive income, 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, 2022:

Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018–2020 Cycle

The adoption of these 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, 2022 and have not been early adopted by the Group in preparing the consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

		<b>Effective for annual periods beginning on or after</b>
Amendments to IAS 28 and IFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
IFRS 17	Insurance contract	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	January 1, 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	January 1, 2024

### 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, 2022 and 2021:

- Online business (including online paid reading, online advertising and game publishing); and
- Intellectual property operations and others (including licensing and distribution of film and television properties, copyrights licensing, sales of adaptation rights and scripts, sales of physical books, 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, 2022 and 2021, the chief operating decision-makers assessed the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. The selling and marketing expenses and general and administrative expenses were common costs incurred for these operating segments as a whole and therefore, they were not included in the measure of the segments' performance which was used by the chief operating decision-makers as a basis for the purpose of resource allocation and assessment of segment performance. Interest income, other (losses)/gains, net, finance costs, net (provision for)/reversal of impairment losses on financial assets, share of net profit of associates and joint ventures and income tax expense were also not allocated to individual operating segment.

There were no material inter-segment sales during the years ended December 31, 2022 and 2021. 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 income.

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

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

The segment information provided to the chief operating decision-makers for the reportable segments for the years ended December 31, 2022 and 2021 is as follows:

	Year ended December 31, 2022		
	Online business <i>RMB'000</i>	Intellectual property operations and others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenues	4,363,997	3,261,625	7,625,622
Cost of revenues	2,217,233	1,378,286	3,595,519
Gross profit	<u>2,146,764</u>	<u>1,883,339</u>	<u>4,030,103</u>
	Year ended December 31, 2021		
	Online business <i>RMB'000</i>	Intellectual property operations and others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenues	5,308,471	3,359,773	8,668,244
Cost of revenues	2,690,334	1,378,467	4,068,801
Gross profit	<u>2,618,137</u>	<u>1,981,306</u>	<u>4,599,443</u>

The reconciliation of gross profit to profit before income tax of individual period during the year ended December 31, 2022 and 2021 is shown in the consolidated statement of comprehensive income.

For the year ended December 31, 2022, the Group's customer base was diversified and included only Tencent with whom transactions exceeded 10% of the Group's revenues (2021: only Tencent).

As of December 31, 2022 and 2021, 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, 2022	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Timing of revenue recognition:						
– At a point in time	3,202,998	482,783	290,153	2,465,538	98,339	6,539,811
– Over time	279,875	108,188	–	694,699	3,049	1,085,811
	<u>3,482,873</u>	<u>590,971</u>	<u>290,153</u>	<u>3,160,237</u>	<u>101,388</u>	<u>7,625,622</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, 2021	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Timing of revenue recognition:						
– At a point in time	3,534,041	600,628	651,122	1,948,424	125,628	6,859,843
– Over time	314,400	208,280	–	1,282,929	2,792	1,808,401
	<u>3,848,441</u>	<u>808,908</u>	<u>651,122</u>	<u>3,231,353</u>	<u>128,420</u>	<u>8,668,244</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,	
	2022	2021
	RMB'000	RMB'000
<b>Deferred revenue</b>		
Online business	440,053	422,174
Intellectual property operations and others	205,610	276,436
	<u>645,663</u>	<u>698,610</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, 2022 and 2021; 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, 2022 and 2021 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, 2022 and 2021.

### (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,	
	2022	2021
	RMB'000	RMB'000
Revenue recognised that was included in the deferred revenue balance at the beginning of the year:		
Online business	422,174	595,189
Intellectual property operations and others	249,898	282,805
	<u>672,072</u>	<u>877,994</u>



## 5 EXPENSES BY NATURE

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Content costs	1,512,746	1,774,189
Promotion and advertising expenses	1,472,813	2,176,027
Employee benefits expenses	1,212,564	1,124,666
Platform distribution costs	850,211	1,151,009
Production costs of television, web and animated series and films	644,981	426,014
Amortisation of intangible assets ( <i>Note 12</i> )	261,206	395,462
Payment handling costs	253,883	315,833
Depreciation of right-of-use assets	95,124	80,254
Game development outsourcing costs	82,599	191,931
Bandwidth and server custody fees	78,719	72,687
Professional service fees	48,371	69,517
Cost of physical inventories sold	43,420	46,872
Travelling, entertainment and general office expenses	42,587	46,862
Impairment loss on prepayments to directors and writers	23,556	28,028
Depreciation of property, plant and equipment	21,414	19,085
Tax surcharge expenses	20,570	16,208
Impairment loss on television series and film rights	15,171	4,684
Provision for physical inventory obsolescence	13,733	25,373
Auditors' remuneration		
– Audit services	10,669	11,030
– Non-audit services	1,412	1,490
Logistic expenses	5,779	5,482
Expense relating to short-term leases and low value leases	4,261	3,301
Others	120,521	107,456
	<b>6,836,310</b>	<b>8,093,460</b>

## 6 OTHER (LOSSES)/GAINS, NET

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Fair value (loss)/gain of investments in redeemable shares <i>(Note 14)</i>	(494,389)	48,827
Fair value (loss)/gain of investments in other financial assets at fair value through profit or loss <i>(Note 14)</i>	(35,599)	1,512
Government subsidies	201,090	110,652
Fair value gain/(loss) on contingent consideration payable	96,730	(158,332)
Gain on disposal of investments in associates	53,767	211,445
Impairment provision for investments in associates and a joint venture <i>(Note 13)</i>	(37,389)	(12,064)
Loss on disposal of a subsidiary	(16,934)	—
Compensation received for copyright infringements	14,419	51,108
Gain on sale of a held for sale asset	—	1,076,817
Gain on disposals of intangible assets	—	133,962
Gain on disposal of film rights	—	26,942
Gain on disposal of financial assets at fair value through profit or loss	—	39
Loss on liquidation of subsidiaries	—	(3,590)
Expenses related to the investment in an investee company	—	(9,072)
Impairment loss of intangible assets <i>(Note 12)</i>	—	(25,776)
Others, net	11,228	(4,387)
	<u>(207,077)</u>	<u>1,448,083</u>

## 7 FINANCE COSTS

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Interest expenses on borrowings	37,351	55,407
Interest expenses on lease liabilities	10,712	7,913
Foreign exchange loss, net	5,922	5,443
	<u>53,985</u>	<u>68,763</u>

## 8 INTEREST INCOME

	Year ended December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income on bank deposits	<u>160,893</u>	<u>125,353</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, 2022 and 2021.

### (ii) Hong Kong profits tax

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

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

CIT provision was made on the estimated assessable profits 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, 2022 (2021: 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, 2022 and 2021 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.

Certain subsidiaries of the Group are eligible for small low-profit enterprise, and were subject to a stated preferential income tax rate. Under the relevant regulations of the CIT Law, for eligible enterprise which meet the criteria of small low-profit enterprise, the annual taxable income that is not more than RMB1,000,000 shall be recognised at 25% of income and be subject to a CIT rate of 20%; the annual taxable income that is more than RMB1,000,000 but less than RMB3,000,000 shall be recognised at 50% of income and be subject to a CIT rate of 20%.

The amount of income tax charged to the consolidated statement of comprehensive income represents:

	<b>Year ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	<b>216,383</b>	581,754
Deferred income tax	<b>(50,191)</b>	(121,613)
Income tax expense	<b><u>166,192</u></b>	<b><u>460,141</u></b>

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of 25% for the year ended December 31, 2022 (2021: 25%), being the tax rate of the major subsidiaries of the Group. The difference is analysed as follows:

	<b>Year ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before income tax	<b>773,820</b>	2,303,068
Share of net profit of associates and joint ventures	<b>(198,971)</b>	(199,191)
Tax calculated at PRC statutory tax rate of 25%	<b><u>143,712</u></b>	<u>525,969</u>
Effects of respective tax rates applicable to different subsidiaries of the Group	<b>(17,690)</b>	(57,479)
Unrecognised deferred income tax assets	<b>3,666</b>	20,513
Non-deductible expenses less non-taxable income	<b>113,392</b>	29,884
Research and development tax credit	<b>(64,439)</b>	(30,562)
Utilisation of previously unrecognised temporary differences	<b>(12,449)</b>	(28,184)
Income tax expense	<b><u>166,192</u></b>	<b><u>460,141</u></b>

## 10 EARNINGS PER SHARE

- (a) Basic earnings per share for the years ended December 31, 2022 and 2021 are calculated by dividing the profit attributable to the Company's equity holder by the weighted average number of ordinary shares in issue during the periods.

	<b>Year ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Net profit attributable to the equity holders of the Company ( <i>RMB'000</i> )	<b>608,186</b>	1,846,609
Weighted average number of ordinary shares in issue ( <i>thousand</i> )	<b><u>1,010,774</u></b>	<u>1,007,158</u>
Basic earnings per share ( <i>expressed in RMB per share</i> )	<b><u>0.60</u></b>	<b><u>1.83</u></b>

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

For the year ended December 31, 2022, the Company had dilutive potential ordinary shares of RSUs and share options granted to employees and directors (Note 20). For the RSUs, a calculation was done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the period) based on the monetary value of the subscription rights attached to the outstanding RSUs. The RSUs were assumed to have been fully vested and released from restrictions with no impact on earnings. For the share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that would have been issued at fair value (determined as the average market share price of the Company's shares) were incremental shares issued for no consideration which causes dilution to earnings per share.

The impact of potential ordinary shares to be issued by an associate of the Group into ordinary shares of the associate was included in the computation of earnings per share for the year ended December 31, 2022 as the impact would be dilutive.

	<b>Year ended December 31,</b>	
	<b>2022</b>	2021
Net profit attributable to the equity holders of the Company <i>(RMB'000)</i>	<b>608,186</b>	1,846,609
Impact of an associate's potential ordinary shares <i>(RMB'000)</i>	<b>(4,926)</b>	(360)
	<hr/>	<hr/>
Net profit used to determine diluted earnings per share <i>(RMB'000)</i>	<b>603,260</b>	1,846,249
	<hr/>	<hr/>
Weighted average number of ordinary shares in issue <i>(thousand)</i>	<b>1,010,774</b>	1,007,158
Effect of deemed issuance of ordinary shares in connection with the acquisition of New Classics Media <i>(thousand)</i>	<b>4,031</b>	3,021
Adjustments for share-based compensation – RSUs <i>(thousand)</i>	<b>4,817</b>	6,784
Adjustments for share-based compensation – share options <i>(thousand)</i>	<b>27</b>	–
	<hr/>	<hr/>
Weighted average number of ordinary shares for diluted earnings per share <i>(thousand)</i>	<b>1,019,649</b>	1,016,963
	<hr/>	<hr/>
Diluted earnings per share <i>(expressed in RMB per share)</i>	<b>0.59</b>	1.82
	<hr/> <hr/>	<hr/> <hr/>

## **11 DIVIDENDS**

No dividends was paid or declared by the Company during the year ended December 31, 2022 (2021: nil)

## 12 INTANGIBLE ASSETS

	Goodwill RMB'000	Non- compete agreements RMB'000	Trademarks RMB'000	Copyrights of contents RMB'000	Writers' contracts RMB'000	Software RMB'000	Domain names RMB'000	Total RMB'000
<b>At December 31, 2022</b>								
Opening net book amount as of								
January 1, 2022	6,632,807	27,590	578,042	199,318	7,332	8,282	2,128	7,455,499
Additions	-	-	2	217,925	-	3,860	-	221,787
Amortisation	-	(12,749)	(20,802)	(214,177)	(7,332)	(6,107)	(39)	(261,206)
Currency translation differences	-	-	-	5,556	-	3	-	5,559
<b>Closing net book amount as of</b>	<b>6,632,807</b>	<b>14,841</b>	<b>557,242</b>	<b>208,622</b>	<b>-</b>	<b>6,038</b>	<b>2,089</b>	<b>7,421,639</b>

	Goodwill RMB'000	Non- compete agreements RMB'000	Trademarks RMB'000	Copyrights of contents RMB'000	Writers' contracts RMB'000	Software RMB'000	Domain names RMB'000	Total RMB'000
<b>At December 31, 2021</b>								
Opening net book amount as of								
January 1, 2021	6,637,471	43,023	597,816	367,885	21,999	5,660	2,209	7,676,063
Additions	-	-	971	198,451	-	7,276	-	206,698
Amortisation	-	(15,433)	(20,745)	(339,882)	(14,667)	(4,654)	(81)	(395,462)
Impairment provision	-	-	-	(25,776)	-	-	-	(25,776)
Liquidation of a subsidiary	(4,664)	-	-	-	-	-	-	(4,664)
Currency translation differences	-	-	-	(1,360)	-	-	-	(1,360)
<b>Closing net book amount as of</b>	<b>6,632,807</b>	<b>27,590</b>	<b>578,042</b>	<b>199,318</b>	<b>7,332</b>	<b>8,282</b>	<b>2,128</b>	<b>7,455,499</b>

During the year ended December 31, 2022, amortisation expense of approximately RMB221,125,000 (2021: RMB354,829,000), RMB417,000 (2021: RMB84,000) and RMB39,664,000 (2021: RMB40,549,000) were charged to “cost of revenues”, “selling and marketing expenses” and “general and administrative expenses”, respectively.

As of December 31, 2022, 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, 2022 and 2021, goodwill is allocated to the Group's CGUs identified as follows:

	<b>As of December 31, 2022 RMB'000</b>	As of December 31, 2021 RMB'000
Online business	<b>3,715,659</b>	3,715,659
Acquired TV and film business	<b>2,917,148</b>	2,917,148
	<b><u>6,632,807</u></b>	<b><u>6,632,807</u></b>

Impairment review on goodwill arising from online business and acquired TV and film business had been conducted by the management according to IAS 36 "Impairment of assets". For the purposes of impairment review, the recoverable amount of a CGU (or groups of CGUs) is determined based on the higher amount of the fair value less cost of disposal ("FVLCD") and value-in-use calculations.

The respective recoverable amount of the CGU relating to online business and acquired TV and film business had been determined based on its respective value-in-use calculations. The value-in-use calculations adopted cash flow projections derived from expected business operating covering a five-year period. The accuracy and reliability of the information was reasonably assured by the appropriate budgeting, forecast and control processes established by the Group. The management leveraged their extensive experiences in the industries and developed forecasts based on past performance and their expectation of future business plans and market developments.

The Group had engaged an independent external valuer for performing the goodwill impairment assessments. Based on the results of the impairment assessments, no impairment loss on goodwill arising from online business and acquired TV and film business had been recognised as of December 31, 2022 and 2021.

(a) **Impairment tests for goodwill**

*Impact of possible changes in key assumptions*

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

	<b>Online business</b>	<b>Acquired TV and film business</b>
<b>2022</b>		
Gross margin (%)	From 54.0% to 55.9%	From 44.0% to 50.4%
Annual growth rate (%)	From 7.4% to 19.3%	From 8.3% to 17.3%
Pre-tax discount rate (%)	19.5%	17.1%
	<hr/> <hr/>	<hr/> <hr/>
<b>2021</b>	<b>Online business</b>	<b>Acquired TV and film business</b>
Gross margin (%)	From 51.8% to 64.2%	From 42.5% to 54.6%
Annual growth rate (%)	From 5.4% to 15.8%	From 8.1% to 48.3%
Pre-tax discount rate (%)	21.4%	17.1%
	<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 market development. The expected revenue growth rate and gross profit rates were following the business projection approved by the Company. Discount rates reflect market assessments of the time value and the specific risks relating to the industry.

For the impairment assessment on goodwill arising from online business, the Group downward adjusted the pre-tax discount rate for the forecast period between 2023 to 2027, compared with the forecast made at the end of 2021. Due to the fact that the uncertainty of online business was mitigated throughout the year, specific risk premium was therefore decreased, and the pre-tax discount rate was adjusted to 19.5%. There was no significant change in annual growth rate and gross margin.

For the impairment assessment on goodwill arising from acquired TV and film business, the Group downward adjusted the budgeted annual growth rate for the forecast period between 2023 to 2027, compared with the forecast made as of December 31, 2021. The annual growth rate of 48.3% in 2021's forecast was due to the forecasted revenue growth in 2022. Due to the higher revenue generated during the year ended December 31, 2022, the corresponding forecast revenue growth rate was adjusted to 8.3% to 17.3%. There was no significant change in gross margin and pre-tax discount rate.



**(b) Impairment tests for trademarks**

Impairment review on the trademarks with indefinite useful life arose from the acquisition of New Classics Media had been conducted by the management as of December 31, 2022 and 2021 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, 2022 and 2021, the recoverable amount of trademarks had been determined based on the value-in-use calculations. The value-in-use calculations adopted cash flow derived from expected business operating, which were the same as that for the goodwill impairment tests. The discount rate adopted by the Group when calculating discounted cash flows was also the same as that for the goodwill impairment tests. As of December 31, 2022, no impairment provision had been recognised by the Group (2021: nil) against the carrying amount of trademark relating to acquisition of New Classics Media.

**(c) Impairment tests for copyrights**

During the year ended December 31, 2022, no indicator of impairment for copyrights was identified and no impairment was recognised. During the year ended December 31, 2021, indicators of impairment prevailed for copyrights of contents, following the changes in the overseas market environment of the underlying business. Impairment review on the copyrights of contents owned by a subsidiary of the Group, which was mainly engaged in the operations of an oversea online reading platform, had been conducted by the management as of December 31, 2021 according to IAS 36 “Impairment of assets”. As a result, the recoverable amount of the copyrights determined based on the value-in-use calculations was assessed to be lower than the respective carrying amount. Accordingly, the Group made an impairment provision of approximately RMB25,776,000 against the carrying amount of such copyrights.

**13 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES**

	<b>As of December 31,</b>	
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Investments in associates (a)	<b>476,225</b>	490,500
Investments in joint ventures (b)	<b>532,529</b>	441,778
	<b><u>1,008,754</u></b>	<u>932,278</u>

**(a) Investments in associates**

	As of December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	490,500	248,206
Additions	74,403	405,873
Impairment provision	(37,389)	(9,135)
Share of net (loss)/profit of associates	(29,752)	7,264
Share of other comprehensive loss of associates	(393)	(5,241)
Disposal of associates	(20,550)	(129,342)
Transfer	(1,451)	—
Currency translation differences	857	(27,125)
	<u>476,225</u>	<u>490,500</u>

**(b) Investments in joint ventures**

	As of December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	441,778	350,370
Additions	19,920	35,000
Dividend from a joint venture	(157,892)	(132,353)
Impairment provision	—	(2,929)
Share of net profit of joint ventures	228,723	191,927
Share of other comprehensive income of joint ventures	—	22
Currency translation differences	—	(259)
	<u>532,529</u>	<u>441,778</u>

**(c) Joint operations**

The Group participates in a number of television series and film production and distribution projects with other parties. The principal place of business of the joint operations is in the PRC.

## 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 at 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,	
	2022	2021
	RMB'000	RMB'000
<b>Included in non-current assets</b>		
Investments in unlisted entities	853,330	1,266,149
Investments in listed entities	8,911	14,047
Investments in television series and films	—	29,834
	<u>862,241</u>	<u>1,310,030</u>
<b>Included in current assets</b>		
Investments in television series and films	4,500	—
Investments in structured deposits	114,829	—
	<u>119,329</u>	<u>—</u>
	<u>981,570</u>	<u>1,310,030</u>

Movement of FVPL is analysed as follows:

	<b>As of December 31,</b>	
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
At the beginning of the year	<b>1,310,030</b>	915,318
Additions	<b>162,845</b>	377,616
Changes in fair value recognised as other (losses)/gains, net ( <i>Note 6</i> )	<b>(529,988)</b>	50,339
Changes in fair value recognised as revenues	<b>3,428</b>	(12,238)
Disposal	–	(4,758)
Settlement of investment in films	<b>(10,762)</b>	–
Currency translation differences	<b>46,017</b>	(16,247)
	<hr/>	<hr/>
At the end of the year	<b>981,570</b>	1,310,030
	<hr/> <hr/>	<hr/> <hr/>

## 15 INVENTORIES

	<b>As of December 31,</b>	
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Adaptation rights and scripts	<b>715,934</b>	593,374
Raw materials	<b>3,534</b>	11,830
Work in progress	<b>1,284</b>	4,260
Inventories in warehouse	<b>34,754</b>	70,539
Inventories held with distributors on consignment	<b>31,472</b>	71,106
Others	<b>10,769</b>	1,859
	<hr/>	<hr/>
	<b>797,747</b>	752,968
<i>Less: provision for inventory obsolescence</i>	<b>(37,476)</b>	(99,204)
	<hr/>	<hr/>
	<b>760,271</b>	653,764
	<hr/> <hr/>	<hr/> <hr/>

**16 TELEVISION SERIES AND FILM RIGHTS**

	<b>As of December 31,</b>		
	<b>2022</b>	<b>2021</b>	
	<i>RMB'000</i>	<i>RMB'000</i>	
Television series and film rights			
– production in progress	<b>748,969</b>	813,633	
– completed	<b>191,443</b>	277,259	
	<u><b>940,412</b></u>	<u>1,090,892</u>	
	<b>Production in progress RMB'000</b>	<b>Completed RMB'000</b>	<b>Total RMB'000</b>
<b>As of January 1, 2022</b>	<b>813,633</b>	<b>277,259</b>	<b>1,090,892</b>
Additions	<b>507,938</b>	–	<b>507,938</b>
Transfer from production in progress to completed	<b>(572,883)</b>	<b>572,883</b>	–
Transfer from adaptation rights and scripts to production in progress	<b>1,734</b>	–	<b>1,734</b>
Recognised in cost of revenue	<b>(1,453)</b>	<b>(658,699)</b>	<b>(660,152)</b>
	<u><b>748,969</b></u>	<u><b>191,443</b></u>	<u><b>940,412</b></u>
<b>As of December 31, 2022</b>			
As of January 1, 2021	586,173	54,323	640,496
Additions	904,254	–	904,254
Transfer from production in progress to completed	(701,220)	701,220	–
Transfer from adaptation rights and scripts to production in progress	24,426	–	24,426
Recognised in cost of revenue	–	(430,698)	(430,698)
Recognised in other (losses)/gains, net	–	(47,586)	(47,586)
	<u>813,633</u>	<u>277,259</u>	<u>1,090,892</u>
<b>As of December 31, 2021</b>			

## 17 TRADE AND NOTES RECEIVABLES

	<b>As of December 31,</b>	
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Trade receivables	<b>2,245,859</b>	2,895,236
Notes receivable	<b>1,340</b>	1,315
	<b>2,247,199</b>	2,896,551
Less: allowance for impairment of trade receivables	<b>(198,269)</b>	(149,311)
	<b>2,048,930</b>	2,747,240

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, 2022 and 2021.

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

	<b>As of December 31,</b>	
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Trade and notes receivables		
– Up to 3 months	<b>1,513,045</b>	1,398,814
– 3 to 6 months	<b>122,045</b>	332,890
– 6 months to 1 year	<b>190,646</b>	468,578
– 1 to 2 years	<b>162,705</b>	526,653
– Over 2 years	<b>60,489</b>	20,305
	<b>2,048,930</b>	2,747,240

## 18 BORROWINGS

	As of December 31,	
	2022	2021
	RMB'000	RMB'000
<b>Non-current</b>		
<b>Unsecured</b>		
USD bank borrowings (Note a)	—	382,542
<b>Current</b>		
<b>Unsecured</b>		
RMB bank borrowings (Note b)	—	792,776
USD bank borrowings (Note a)	417,876	—
<b>Total borrowings</b>	<b>417,876</b>	<b>1,175,318</b>

### Notes:

- (a) As of December 31, 2022 and 2021, the Group's unsecured bank borrowings consisted of USD60,000,000 fixed rate borrowings bearing interest rate at 1.41% per annum, which were repayable on February 28, 2023. The borrowings were reclassified to current liabilities as they would be repayable within 12 months after December 31, 2022. The full amount of these borrowings was repaid on February 28, 2023.
- (b) As of December 31, 2021, other than the USD bank borrowings as disclosed above, the Group also had long-term borrowings of RMB300,000,000 bearing fixed interest rate at 5.70% per annum and short-term borrowings of RMB492,776,000 bearing fixed interest rates ranging from 4.85% to 5.10%. These borrowings were guaranteed by Mr. Cao Huayi (chief executive officer of the New Classics Media) (or referred to as "Mr. Cao") and/or other subsidiaries of the Group. As of December 31, 2021, the long-term bank borrowing balance of RMB300,000,000 was reclassified to current liabilities as the borrowings would be repayable within 12 months after December 31, 2021. The full amount of these borrowings had been repaid during the year ended December 31, 2022.

As of December 31, 2022 and 2021, the carrying amount of the Group's borrowings approximated to their fair value.

The maturity of borrowings is as follows:

	<b>As of December 31,</b>	
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within 1 year	<b>417,876</b>	792,776
Between 1 and 2 years	—	382,542
	<u><b>417,876</b></u>	<u>1,175,318</u>

Under the terms of the bank facility agreements entered into with the Bank of America and East West Bank, the Group is required to comply with certain financial covenants. The Group had complied with all these covenants throughout the reporting period.

## 19 TRADE PAYABLES

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

	<b>As of December 31,</b>	
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
– Up to 3 months	<b>472,982</b>	560,438
– 3 to 6 months	<b>101,266</b>	144,581
– 6 months to 1 year	<b>230,619</b>	134,000
– Over 1 year	<b>399,006</b>	288,349
	<u><b>1,203,873</b></u>	<u>1,127,368</u>



## 20 SHARE-BASED PAYMENTS

### (a) RSU schemes of the Group

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

#### (i) 2014 RSU Scheme

The Company adopted a share award scheme on December 23, 2014 to the extent of 25,000,000 new ordinary shares of the Company for the purpose of attracting and retaining the best available personnel, and providing additional incentives to employees, directors and consultants and to promote the success of the Group's business (the "2014 RSU Scheme"). The RSUs granted under the 2014 RSU Scheme would become vested with respect to 20% of the RSUs on each of the first five anniversaries of the grant date. On March 12, 2016, the Company modified the vesting condition associated with the 2014 RSU Scheme in a non-beneficial way by adding a non-market performance condition relating to completion of a defined initial public offering of the Company.

On January 17, 2017, the shareholders of the Company approved additional 15,409,901 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 became 40,409,091 shares.

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

	<b>Number of RSUs</b>
<b>As of January 1, 2022</b>	<b>7,304,840</b>
Granted	<b>2,035,302</b>
Forfeited	<b>(842,617)</b>
Vested	<b>(3,175,068)</b>
	<hr/>
<b>Outstanding balance as of December 31, 2022</b>	<b>5,322,457</b>
	<hr/> <hr/>
As of January 1, 2021	10,709,518
Granted	1,886,489
Forfeited	(1,868,744)
Vested	(3,422,423)
	<hr/>
Outstanding balance as of December 31, 2021	7,304,840
	<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:

	<b>Number of RSUs</b>
<b>As of January 1, 2022</b>	<b>4,351,636</b>
Granted	4,205,077
Forfeited	(709,754)
Vested	<u>(1,156,643)</u>
<b>Outstanding balance as of December 31, 2022</b>	<b><u><u>6,690,316</u></u></b>
As of January 1, 2021	3,903,928
Granted	1,960,258
Forfeited	(658,220)
Vested	<u>(854,330)</u>
Outstanding balance as of December 31, 2021	<b><u><u>4,351,636</u></u></b>

During the year ended December 31, 2022, 80,700 RSUs were granted to an executive director of the Company (the year ended December 31, 2021: no RSU was granted to any director of the Company).

The fair value of each RSUs was calculated based on the market price of the Company’s shares at the respective grant date.

**(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.

On July 10, 2022, 3,806,250 share options granted to certain directors of the Group under the 2021 Share Option Scheme were cancelled. The Group accounted for the cancellation as an acceleration of vesting. Upon the cancellation date, except for approximately RMB26,248,000 relating to those shares which had been recognised during the year, the Group immediately recognised expenses of approximately RMB29,209,000 as general and administrative expenses that otherwise would have been recognised over the remaining service period.

**(i) Movements in share options**

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

	<b>2022</b>		<b>2021</b>	
	<b>Average exercise price</b>	<b>Number of options</b>	<b>Average exercise price</b>	<b>Number of options</b>
As of January 1	HKD 76.06	7,811,453	—	—
Granted	HKD 30.69	5,309,205	HKD 76.06	7,811,453
Forfeited	HKD 82.85	(71,395)	—	—
Cancelled	HKD 82.85	(3,806,250)	—	—
	<hr/>	<hr/>	<hr/>	<hr/>
As of December 31	HKD 47.15	9,243,013	HKD 76.06	7,811,453
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Exercisable as of December 31</b>	<b>HKD 57.95</b>	<b>3,221,431</b>	<b>HKD 82.85</b>	<b>1,268,750</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

During the year ended December 31, 2022, 2,200,000 share options and 1,650,000 share options were granted to two executive directors of the Company, respectively (2021: 2,900,000 share options and 2,175,000 share options were granted to two executive directors of the Company, respectively).

During the year ended December 31, 2022 and 2021, no option was exercised.

**(ii) Outstanding share options**

Details of the expiry dates, exercise prices and respective numbers of share options which remained outstanding as of December 31, 2022 and December 31, 2021 are as follows:

Grant Date	Expiry Date	Exercise price	Number of share option	
			December 31, 2022	December 31, 2021
July 12, 2021	July 12, 2031	HKD 82.85	2,147,269	6,024,914
November 5, 2021	November 5, 2031	HKD 53.14	1,786,539	1,786,539
August 18, 2022	August 18, 2032	HKD 30.69	5,309,205	—
			<u>9,243,013</u>	<u>7,811,453</u>
Total				
Weighted average remaining contractual life of options outstanding at end of period			<u>9.21 years</u>	<u>9.58 years</u>

The outstanding share options as of December 31, 2022 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 income. As of December 31, 2022, the Expected Retention Rate of the Group had been assessed to be no lower than 92% (December 31, 2021: 92%).

## 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, 2022.

## DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended December 31, 2022 (2021: Nil).

## OTHER INFORMATION

### Purchase, Sale or Redemption of Listed Securities

For the year ended December 31, 2022, the Company purchased 10,681,200 Shares on the Stock Exchange for an aggregate consideration of HKD232,985,758 before expenses pursuant to the share buy-back mandate approved by our shareholders at the annual general meeting held on May 23, 2022. The bought-back Shares were subsequently cancelled. 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:

Date for purchase	Purchase consideration per share		No. of shares Purchased	Aggregate consideration paid HKD
	Highest price paid HKD	Lowest price paid HKD		
September 28, 2022	24.45	23.60	50,000	1,203,650.00
September 29, 2022	23.40	22.55	200,000	4,566,300.00
September 30, 2022	22.95	20.20	600,000	13,297,090.00
October 3, 2022	22.55	21.10	600,000	13,230,640.00
October 5, 2022	23.05	22.50	260,000	5,935,500.00
October 6, 2022	22.35	21.80	300,000	6,659,170.00
October 7, 2022	21.65	21.15	380,000	8,195,740.00
October 10, 2022	20.70	20.30	275,000	5,659,830.00
October 11, 2022	20.80	20.25	500,000	10,305,890.00
October 12, 2022	20.15	19.74	647,000	12,963,440.00
October 13, 2022	20.25	19.90	358,000	7,221,336.00
October 14, 2022	21.10	20.30	200,000	4,185,860.00
October 17, 2022	21.10	19.92	250,000	5,258,796.00
October 18, 2022	21.95	20.70	200,000	4,300,870.00
October 19, 2022	21.65	21.15	245,000	5,263,200.00
October 20, 2022	21.35	20.40	201,000	4,190,920.00
October 21, 2022	21.95	21.35	250,000	5,439,850.00

**Purchase consideration  
per share**

<b>Date for purchase</b>	<b>Highest price paid <i>HKD</i></b>	<b>Lowest price paid <i>HKD</i></b>	<b>No. of shares Purchased</b>	<b>Aggregate consideration paid <i>HKD</i></b>
October 24, 2022	20.65	19.38	595,000	11,915,564.00
October 25, 2022	20.20	19.38	488,000	9,745,412.00
October 26, 2022	21.15	20.75	339,200	7,150,220.00
October 27, 2022	22.40	21.70	298,000	6,604,350.00
October 28, 2022	21.45	20.55	545,000	11,429,890.00
October 31, 2022	21.70	21.15	400,000	8,523,200.00
November 1, 2022	22.50	21.80	300,000	6,683,090.00
November 3, 2022	22.45	21.65	200,000	4,426,070.00
November 8, 2022	23.50	23.15	300,000	7,004,880.00
November 9, 2022	23.20	22.50	400,000	9,131,500.00
November 10, 2022	22.20	21.85	300,000	6,601,980.00
November 18, 2022	27.30	27.00	200,000	5,433,510.00
November 21, 2022	26.65	25.90	200,000	5,268,010.00
November 22, 2022	25.65	25.20	200,000	5,077,870.00
November 25, 2022	25.75	25.35	200,000	5,112,090.00
November 28, 2022	25.30	24.30	200,000	5,000,040.00
<b>Total:</b>			<b>10,681,200</b>	<b>232,985,758</b>

Save as disclosed above, during the year ended December 31, 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

**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, 2022, 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 10 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, 2022.

## **Annual General Meeting**

The annual general meeting (the "AGM") will be held on Monday, May 22, 2023. The notice of the AGM will be published and despatched to the Shareholders in due course.

## **Closure of the Register of Members**

For determining the entitlement of the Shareholders to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, May 17, 2023 to Monday, May 22, 2023, both days inclusive, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, May 16, 2023.

## **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, 2022. 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, 2022 have been audited and 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](http://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 dispatched to the Shareholders 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. James Gordon Mitchell**

*Chairman of the Board and Non-Executive Director*

Hong Kong, March 16, 2023

*As of the date of this announcement, the Board comprises Mr. Cheng Wu and Mr. Hou Xiaonan as Executive Directors; Mr. James Gordon Mitchell, Mr. Cao Huayi, Mr. Cheng Yun Ming Matthew and Mr. Zou Zhengyu 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”:	a restricted stock unit scheme adopted by the Company on December 23, 2014;
“2020 RSU Scheme”:	a restricted share unit scheme of the Company adopted on May 15, 2020
“AGM”:	the forthcoming annual general meeting of the Company to be held on May 22, 2023;
“Audit Committee”:	the audit committee of the Company;
“Auditor”:	PricewaterhouseCoopers, the external auditor of the Company;
“Board”:	the board of Directors of the Company;
“CG Code”:	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 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(s)”:	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;
“GMV”:	gross merchandise value, the total value of all orders for products placed on;
“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;
“JPY”:	Japanese Yen, the law currency of Japan;
“Listing Date”:	November 8, 2017, the date on which the Shares are listed and on which dealings in the Shares are first permitted to take place on the Stock Exchange;
“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 Growth Enterprise Market 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 literature platform”, or “our platform”:	refers to all of online products, channels and content operated by China Literature, including but not limited to mobile apps, WAPs, websites and various channels;
“Reporting Period”:	the year ended December 31, 2022;
“RMB”:	the lawful currency of the PRC;
“RSU(s)”:	restricted stock unit(s);
“SGD”:	the lawful currency of Singapore;
“Shanghai Yuewen”:	Shanghai Yuewen Information Technology Co., Ltd. (上海閱文信息技術有限公司), a company established in the PRC on April 2, 2014;
“Share(s)”:	ordinary share(s) in the share capital of our Company with a par value of USD0.0001 each;
“Shareholders”:	holder(s) of the Share(s);
“Shenzhen Lanren”:	Shenzhen Lanren (Lazy) Online Technology Co., Ltd. (深圳市懶人在線科技有限公司), a company established in the PRC on March 27, 2012
“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);
“USD”:	the lawful currency of the United States.