阅文集团

CHINA LITERATURE LIMITED
阅文集团
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 772)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2023

The board of directors of China Literature Limited hereby announces the unaudited consolidated results of the Group for the six months ended June 30, 2023. The Audit Committee, together with management and the Auditor, has reviewed the unaudited interim results of the Group for the six months ended June 30, 2023.

FINANCIAL PERFORMANCE HIGHLIGHTS

	Six months ended June 30,		
	2023	2022	Year-over-year
	RMB'000	*RMB'000*	*(%)*
	(Unaudited)	(Unaudited)	
Revenues	**3,283,026**	4,087,214	(19.7)
Gross profit	**1,604,762**	2,146,326	(25.2)
Operating profit	**310,948**	251,209	23.8
Profit before income tax	**425,589**	340,436	25.0
Profit for the period	**375,979**	232,276	61.9
Profit attributable to equity holders of the Company	**376,680**	228,545	64.8
Non-IFRS profit attributable to equity holders of the Company	**603,119**	665,995	(9.4)

BUSINESS REVIEW AND OUTLOOK

Overview

Through the economic ups and downs of the past three years, China Literature has formulated and implemented innovative programs to defend its leadership in the turbulent market. Key observations from this experience include:

1) The paid reading sector remains a rich environment for incubating IP content. Improving the writer ecosystem and growing the online reading platform are key long-term tasks for us.

2) The Matthew Effect is more salient than ever in the IP domain. As "Blockbusters" play an increasingly crucial role in the gaming, animation, film and television industries, the demand for top-tier IP is growing rapidly.

3) The integrated development of IP is becoming increasingly important. By quickly and systematically developing audio, visual, and merchandise derivatives soon after the incubation of text-based IP, we will be able to shorten development cycles, reduce development costs, and increase our odds of creating blockbuster IPs. Moreover, the rapid advances in generative AI will create new opportunities to make this process even faster and more efficient.

Amidst these shifts in the market, we developed what we call an "IP metamorphosis" strategy, which lays out our development system for the entire IP lifecycle across various content formats. We have re-conceived the Company's vision and mission, which is to "create good stories that will live forever." In addition, we took initiatives to optimize costs, improve efficiency, and prioritize quality over quantity, as well as sharpened our focus on creating enduring and high-quality IP. Through all these upgrades, China Literature has continuously reached new milestones over the past three years, with the release of a series of blockbuster titles such as Joy of Life (慶餘年), My Heroic Husband (贅婿) and A Lifelong Journey (人世間).

This year's critical breakthroughs in AI technology are a major turning point in our industry. We believe AI represents a once-in-a-generation opportunity, and opens up entirely new and exciting possibilities for China Literature.

Here are a few of our key takeaways on AI:

1) AI can super-charge content production, create multi-format user experiences and generally help us achieve the kind of integrated IP operations mentioned earlier. AI can facilitate the generation of content such as text, audio, comics, and animation, which can complement and be integrated with China Literature's existing user operation system, helping China Literature reach a broader audience in a wider variety of formats, with enhanced user stickiness.

2) AI can play an integral role in IP incubation. Its ability to quickly convert text into visuals will allow us to front-load IP development work, increasing our success rate at creating blockbuster IP.

3) AI can be a highly efficient means of translating online literature into multiple languages and therefore achieving IP globalization and creating significant additional value.

4) AI opens up a vast new imaginative space, and can be fully integrated into the IP ecosystem as a foundational capability that empowers upstream and downstream partners alike.

In short, AI, especially generative AI, will empower us to build a content platform across multiple genres and media formats, and to build a new integrated upstream and downstream IP ecosystem. This is a key part of China Literature's new medium to long-term business blueprint: using generative AI as a new engine to improve efficiency and quality in the IP ecosystem.

Recently, to better seize the once-in-a-generation opportunity brought by AI technology, strengthen the linkage between content and platforms, and continuously improve our success rate at creating film and television blockbusters, we have upgraded the Company's organizational structure and established four major business units, namely:

- The Content Ecosystem Platform Business Unit, which is mainly responsible for driving deep integration between original content creation and various platforms.

- The Film and TV Drama Business Unit, which is responsible for further integrating New Classics Media and China Literature to develop serialized IP dramas and films across various categories, and to create a steady stream of blockbusters.

- The Intelligence and Platform R&D Business Unit, which is responsible for driving breakthroughs in AI Large Language Model (LLM), and transforming them into cutting-edge generative AI applications.

- The Corporate Development Business Unit, which will oversee decision-making processes related to our core business and coordinate integrated IP development and operations.

We believe this new organizational structure will empower China Literature to leverage generative AI to re-shape our products and business processes. By improving IP mining and production efficiency, shortening IP development cycles, and improving our success rate at creating blockbuster IP, we will ultimately help the entire industry chain benefit from this historic wave of innovation.

In this July, we released our "Smart Pen" AI Large Language Model (LLM), the first LLM designed specifically for the online literature industry. We also launched the new Smart Pen Edition of our Author Assistant Application, which is based on our proprietary LLM and will support writers in various aspects of content creation. This is merely our first step in embracing generative AI. We will continue to upgrade our LLM, leveraging AI technology to empower content creation and the IP ecosystem.

We believe that China Literature's embrace of AI innovation will have far-reaching effects well beyond our more conventional past corporate upgrades. However, it will require a period of investment for these innovations to gradually permeate every aspect of our business operations, before we reach a turning point and transform our business development momentum into quantifiable financial returns. We are creating a brand new China Literature to seize this once-in-a-generation opportunity, and we are confident in our long-term prospects.

First Half 2023 Business Highlights

IP Creation

We continued to strengthen the content ecosystem of our online reading business. In the first half of this year, our online reading platform added approximately 200,000 writers, 350,000 literary works and over 19.5 billion Chinese characters. Our high-quality content grew significantly, as we focused on investing in premium content offerings, effective anti-piracy measures, and improved user community. For example, in the first half of this year, the number of online literary works that newly reached 10,000 average subscribers per chapter increased more than 120% year-over-year, and the number of literary works with more than 10,000 monthly votes from users increased more than 50% year-over-year. We also launched new interactive features for our user community, such as official fan communities for popular IP content to enhance reader participation and stickiness. As a result of these measures, our MPUs in the first half of this year achieved considerable growth, increasing 8.6% year-over-year and 12.8% sequentially to 8.8 million.

IP Visualization

We continued to make advances in the visualization of our IP, presenting our users with a series of quality works during the first half of 2023.

- In the TV and film segment, we launched the TV series The Road to Ordinary (平凡之路) and In Spite of the Strong Wind (縱有疾風起), both of which were highly popular during their broadcast run. The Road to Ordinary (平凡之路) ranked first in the Tencent Video drama hit list for 16 consecutive days, first in the China Audio Video Big Data prime-time TV drama ratings for 15 consecutive days, and first in the popularity lists of various third-party professional TV and movie data platforms, such as Maoyan, Dengta, and DataWin. In Spite of the Strong Wind (縱有疾風起) ranked in the top two for local TV prime-time drama series ratings nationwide during its broadcast run on Beijing TV and Jiangsu TV.

- In the animation segment, we released new seasons in the first half of the year for our classic IP franchises Stellar Transformations (星辰變) and Almighty Mage (全職法師), both of which continued to prove popular with viewers. In July 2023, following the end of the first 52-week season of Battle Through the Heavens (斗破蒼穹), we immediately launched a second 52-week season of the series, maintaining the title as one of the top three most popular animation series on Tencent Video through continuous content updates.

- In the comics segment, while increasing the number of comics adapted from our online literature works, we are focusing on enhancing our high-quality content offerings. Among which, works such as Dafeng Guardian (大奉打更人), Since the Red Moon Appeared (從紅月開始), and Astral Pet Store (超神寵獸店) attained significant popularity.

IP Commercialization and Monetization

- In the IP merchandise segment, in the first half of the year, we analyzed our IPs with respect to their genres, user demographics and synergies among various media formats such as novels, animation, comics and merchandise, in order to improve our decision-making mechanism for IP screening and merchandise category selection. We are also exploring the possibility of front-loading the development of IP merchandise, that is initiating the development of merchandise at an early stage of online novel creation so that the IP content is better received and recognized by users. We launched a number of key products during the first half of 2023, such as our self-developed blind boxes for Lord of the Mysteries (詭秘之主) and Battle Through the Heavens (斗破蒼穹).

- In the game segment, we continue to promote the adaptation of our quality IP into games through two business models: licensing and in-house game operation. In terms of licensing, we have been cooperating with high-quality studios to adapt our IP content into games, of which A Record of a Mortal's Journey to Immortality (凡人修仙傳) and Swallowed Star (吞噬星空) were successfully launched during the first half of this year. In addition, we licensed popular IPs such as Battle Through the Heavens (斗破蒼穹) and Stellar Transformations (星辰變) to game developers for adaptation, and we look forward to the release of these adapted games in the next few years. In terms of in-house game operation, we launched expansion packs for our classic IP game New Soul Land (新斗羅大陸), with new gameplays and upgraded artwork, successfully prolonging the lifecycle of the game.

Overseas Business

As of June 30, 2023, WebNovel, our foreign language online reading platform, offered approximately 3,200 works translated from Chinese and approximately 560,000 original works created locally. We will continue to explore international markets and promote cultural exchange.

MANAGEMENT DISCUSSION AND ANALYSIS

Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Revenues	**3,283,026**	4,087,214
Cost of revenues	**(1,678,264)**	(1,940,888)
Gross profit	**1,604,762**	2,146,326
Interest income	**80,137**	68,855
Other gains/(losses), net	**5,814**	(235,409)
Selling and marketing expenses	**(822,147)**	(1,110,501)
General and administrative expenses	**(534,509)**	(557,530)
Net provision for impairment losses on financial assets	**(23,109)**	(60,532)
Operating profit	**310,948**	251,209
Finance costs, net	**(2,820)**	(31,604)
Share of net profit of associates and joint ventures	**117,461**	120,831
Profit before income tax	**425,589**	340,436
Income tax expense	**(49,610)**	(108,160)
Profit for the period	**375,979**	232,276
Attributable to:		
Equity holders of the Company	**376,680**	228,545
Non-controlling interests	**(701)**	3,731
	375,979	232,276
Non-IFRS profit for the period	**602,418**	669,726
Attributable to:		
Equity holders of the Company	**603,119**	665,995
Non-controlling interests	**(701)**	3,731
	602,418	669,726

Revenues. Revenues decreased by 19.7% year-over-year to RMB3,283.0 million for the six months ended June 30, 2023. The following table sets forth our revenues by segment for the six months ended June 30, 2023 and 2022:

	Six months ended June 30,			
	2023		2022	
	RMB'000	*%*	*RMB'000*	*%*
	(Unaudited)		*(Unaudited)*	
Online business[1]				
On our self-owned platform products	**1,763,999**	**53.7**	1,763,077	43.1
On our channels on Tencent products	**177,008**	**5.4**	347,482	8.5
On third-party platforms	**97,729**	**3.0**	196,457	4.8
Subtotal	**2,038,736**	**62.1**	2,307,016	56.4
Intellectual property operations and others[2]				
Intellectual property operations	**1,190,119**	**36.3**	1,731,258	42.4
Others	**54,171**	**1.6**	48,940	1.2
Subtotal	**1,244,290**	**37.9**	1,780,198	43.6
Total revenues	**3,283,026**	**100.0**	4,087,214	100.0

Notes:

(1) Revenues from online business primarily reflect revenues from online paid reading, online advertising and distribution of third-party online games on our platform.

(2) Revenues from intellectual property operations and others primarily reflect revenues from production and distribution of TV, web and animated series, films, licensing of copyrights, operation of self-operated online games, and sales of physical books.

– Revenues from online business decreased by 11.6% year-over-year to RMB2,038.7 million for the six months ended June 30, 2023, accounting for 62.1% of total revenues.

Revenues from online business on our self-owned platform products increased slightly from RMB1,763.1 million for the six months ended June 30, 2022 to RMB1,764.0 million for the six months ended June 30, 2023. During the first half of 2023, revenues from certain products were negatively impacted by strategically decreasing marketing spending on user acquisition with low ROI to improve operational efficiency and better position ourselves for future high-quality growth. This impact was more than offset by revenue growth from our core products driven by our premium content offerings, effective anti-piracy measures, and enhanced product operations.

Revenues from online business on our channels on Tencent products decreased by 49.1% year-over-year to RMB177.0 million for the six months ended June 30, 2023. The decrease was mainly due to (i) initiatives we put in place to optimize distribution channels, and (ii) a decrease in advertising revenues as more of our content was monetized through pay-to-read products with higher ROI.

Revenues from online business on third-party platforms decreased by 50.3% year-over-year to RMB97.7 million for the six months ended June 30, 2023. The decrease was primarily due to the suspension of our collaboration with certain third-party distribution partners.

The following table summarizes our key operating data for the six months ended June 30, 2023 and 2022:

	Six months ended June 30,	
	2023	2022
Average MAUs on our self-owned platform products and self-operated channels on Tencent products (average of MAUs for each calendar month)	**211.7 million**	264.7 million
Average MPUs on our self-owned platform products and self-operated channels on Tencent products (average of MPUs for each calendar month)	**8.8 million**	8.1 million
Monthly average revenue per paying user (“ARPU”)(1)	**RMB33.3**	RMB38.8

Note :

(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.

- For the six months ended June 30, 2023, average MAUs on our self-owned platform products and self-operated channels were 211.7 million, a decrease of 20.0% year-over-year from 264.7 million. Specifically, MAUs on our self-owned platform products decreased by 12.0% year-over-year from 119.8 million to 105.4 million, mainly due to a decrease in marketing spending on user acquisition with low ROI as we maintain our focus on managing costs and improving operational efficiency. However, MAUs on our self-owned platform products increased 5.2% sequentially compared with the second half of 2022, driven primarily by our effective anti-piracy measures and improved content operations. MAUs on our self-operated channels on Tencent products decreased by 26.6% year-over-year from 144.9 million to 106.3 million, primarily due to the optimization of our content offerings and distribution channels to improve operational efficiency.

- Average MPUs on our self-owned platform products and self-operated channels increased by 8.6% year-over-year from 8.1 million for the six months ended June 30, 2022 to 8.8 million for the six months ended June 30, 2023. The increase was mainly due to our effective anti-piracy measures, improved product operations, and continued investment in high-quality content offerings.

- Monthly ARPU for our pay-to-read business decreased by 14.2% year-over-year from RMB38.8 to RMB33.3 for the six months ended June 30, 2023. The decrease was mainly due to (i) changes in revenue mix from different product offerings and (ii) lower user spend from newly converted paying users at the initial stage of the payment cycle.

– Revenues from intellectual property operations and others decreased by 30.1% year-over-year to RMB1,244.3 million for the six months ended June 30, 2023.

Revenues from intellectual property operations decreased by 31.3% year-over-year to RMB1,190.1 million for the six months ended June 30, 2023, primarily a result of a decrease in revenues generated from TV and web series as well as films due to fewer projects being released during the first half of 2023 when compared with the first half of 2022.

Revenues from others were RMB54.2 million for the six months ended June 30, 2023, compared with RMB48.9 million for the six months ended June 30, 2022. These revenues were generated primarily by sales of physical books.

Cost of revenues. Cost of revenues decreased by 13.5% year-over-year to RMB1,678.3 million for the six months ended June 30, 2023, primarily due to (i) lower production costs of TV, web and animated series and films, which were in line with the decrease in revenues; and (ii) a decrease in platform distribution costs for online businesses.

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

	Six months ended June 30,			
	2023		2022	
	RMB'000 (Unaudited)	***% of revenues***	*RMB'000 (Unaudited)*	*% of revenues*
Content costs	**751,939**	**22.9**	743,142	18.2
Platform distribution costs	**383,224**	**11.7**	475,040	11.6
Production costs of TV, web and animated series and films	**268,714**	**8.2**	451,389	11.0
Amortization of intangible assets	**74,989**	**2.3**	102,106	2.5
Cost of inventories	**38,138**	**1.2**	25,168	0.6
Others	**161,260**	**4.8**	144,043	3.6
Total cost of revenues	**1,678,264**	**51.1**	1,940,888	47.5

Gross profit and gross margin. As a result of the foregoing, gross profit decreased by 25.2% year-over-year to RMB1,604.8 million for the six months ended June 30, 2023. Gross margin was 48.9% for the six months ended June 30, 2023, compared with 52.5% for the six months ended June 30, 2022.

Interest income. Interest income increased by 16.4% year-over-year to RMB80.1 million for the six months ended June 30, 2023, reflecting higher interest income from bank deposits.

Other gains/(losses), net. We recorded net other gains of RMB5.8 million for the six months ended June 30, 2023, compared with net other losses of RMB235.4 million for the six months ended June 30, 2022. The year-over-year difference was mainly due to a net fair value loss related to certain investee companies and acquisitions in the first half of 2022.

Selling and marketing expenses. Selling and marketing expenses decreased by 26.0% year-over-year to RMB822.1 million for the six months ended June 30, 2023, mainly due to (i) a decrease in promotion and advertising expenses associated with our online businesses as a part of our cost control and efficiency improvement initiatives; and (ii) a decrease in marketing expenses associated with our films and drama series as fewer titles were released during the first half of 2023. As a percentage of revenues, selling and marketing expenses decreased to 25.0% for the six months ended June 30, 2023 from 27.2% for the six months ended June 30, 2022.

General and administrative expenses. General and administrative expenses decreased by 4.1% year-over-year to RMB534.5 million for the six months ended June 30, 2023, primarily due to lower employee benefits expenses. As a percentage of revenues, general and administrative expenses were 16.3% for the six months ended June 30, 2023, compared with 13.6% for the six months ended June 30, 2022.

Net provision for impairment losses on financial assets. Impairment losses on financial assets reflect a provision for doubtful receivables. For the six months ended June 30, 2023, the provision for doubtful receivables was RMB23.1 million on a net basis, mainly associated with IP businesses.

Operating profit. As a result of the foregoing, operating profit increased by 23.8% year-over-year to RMB310.9 million for the six months ended June 30, 2023.

Finance costs, net. Net finance costs decreased by 91.1% year-over-year to RMB2.8 million for the six months ended June 30, 2023, primarily due to lower interest expenses during the first half of 2023.

Share of net profit of associates and joint ventures. Share of net profit of associates and joint ventures decreased by 2.8% year-over-year to RMB117.5 million for the six months ended June 30, 2023, primarily due to lower net profits contributed by investee companies.

Income tax expense. Income tax expense was RMB49.6 million for the six months ended June 30, 2023, compared with RMB108.2 million for the six months ended June 30, 2022, primarily due to changes in taxable income.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company increased by 64.8% year-over-year to RMB376.7 million for the six months ended June 30, 2023.

Segment Information:

The following table sets forth a breakdown of our revenues, cost of revenues, gross profit and gross profit margin by segment for the six months ended June 30, 2023 and 2022:

	Six months ended June 30, 2023		
	Online business	**Intellectual property operations and others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
	(Unaudited)	***(Unaudited)***	***(Unaudited)***
Segment revenues	**2,038,736**	**1,244,290**	**3,283,026**
Cost of revenues	**1,018,722**	**659,542**	**1,678,264**
Gross profit	**1,020,014**	**584,748**	**1,604,762**
Gross margin	**50.0%**	**47.0%**	**48.9%**

	Six months ended June 30, 2022		
	Online business	Intellectual property operations and others	Total
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*
Segment revenues	2,307,016	1,780,198	4,087,214
Cost of revenues	1,146,745	794,143	1,940,888
Gross profit	1,160,271	986,055	2,146,326
Gross margin	50.3%	55.4%	52.5%

OTHER FINANCIAL INFORMATION

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
EBITDA[(1)]	**372,213**	600,560
Adjusted EBITDA[(2)]	**471,354**	745,058
Adjusted EBITDA margin[(3)]	**14.4%**	18.2%
Interest expense	**11,553**	34,095
Net cash[(4)]	**7,541,645**	6,555,723
Capital expenditures[(5)]	**99,296**	136,603

Notes :

(1) EBITDA consists of operating profit for the period less interest income and other gains/(losses), 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 period 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 periods presented:

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Operating profit	**310,948**	251,209
Adjustments:		
Interest income	**(80,137)**	(68,855)
Other (gains)/losses, net	**(5,814)**	235,409
Depreciation of property, plant and equipment	**17,007**	9,598
Depreciation of right-of-use assets	**38,437**	49,927
Amortization of intangible assets	**91,772**	123,272
EBITDA	**372,213**	600,560
Adjustments:		
Share-based compensation	**70,892**	116,659
Expenditures related to acquisition	**28,249**	27,839
Adjusted EBITDA	**471,354**	745,058

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 period, 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 interim results announcement for the convenience of readers. These unaudited non-IFRS financial measures should be considered in addition to, and not as a substitute for, measures of our Group's financial performance prepared in accordance with IFRS. These non-IFRS financial measures may be defined differently from similar terms used by other companies. In addition, non-IFRS adjustments include relevant non-IFRS adjustments for the Group's material associates based on available published financials of the relevant material associates, or estimates made by the Company's management based on available information, certain expectations, assumptions and premises.

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

The following tables set forth the reconciliations of our Group's non-IFRS financial measures for the six months ended June 30, 2023 and 2022 to the nearest measures prepared in accordance with IFRS:

	Unaudited six months ended June 30, 2023					
		Adjustments				
	As reported	**Share-based compensation**	**Net losses from investments and acquisitions(1)**	**Amortization of intangible assets(2)**	**Tax effect**	**Non-IFRS**
			(RMB' 000, unless specified)			
Operating profit	**310,948**	**70,892**	**153,923**	**10,085**	**–**	**545,848**
Profit for the period	**375,979**	**70,892**	**147,219**	**10,085**	**(1,757)**	**602,418**
Profit attributable to equity holders of the Company	**376,680**	**70,892**	**147,219**	**10,085**	**(1,757)**	**603,119**
EPS (RMB per share)						
– basic	**0.37**					**0.60**
– diluted	**0.37**					**0.59**
Operating margin	**9.5%**					**16.6%**
Net margin	**11.5%**					**18.3%**

	Unaudited six months ended June 30, 2022					
		Adjustments				
	As reported	Share-based compensation	Net losses from investments and acquisitions(1)	Amortization of intangible assets(2)	Tax effect	Non-IFRS
			(RMB' 000, unless specified)			
Operating profit	251,209	116,659	305,897	20,059	–	693,824
Profit for the period	232,276	116,659	305,897	20,059	(5,165)	669,726
Profit attributable to equity holders of the Company	228,545	116,659	305,897	20,059	(5,165)	665,995
EPS (RMB per share)						
– basic	0.23					0.66
– diluted	0.22					0.65
Operating margin	6.1%					17.0%
Net margin	5.7%					16.4%

Notes :

(1) This item mainly includes the disposal (gain)/loss, impairment provision and the fair value changes arising from our investee companies, the fair value changes of consideration liabilities related to the acquisition of NCM, and the compensation costs for certain employees and former owners of NCM.

(2) Represents amortization of intangible assets and TV series and film rights resulting from acquisitions.

Capital Structure

The Company maintained a healthy and sound financial position during the six months under review. Total assets decreased from RMB22,734.5 million as of December 31, 2022 to RMB22,374.1 million as of June 30, 2023, while our total liabilities decreased from RMB4,779.8 million as of December 31, 2022 to RMB3,810.5 million as of June 30, 2023. The liabilities-to-assets ratio decreased from 21.0% as of December 31, 2022 to 17.0% as of June 30, 2023.

As of June 30, 2023, the current ratio (the ratio of total current assets to total current liabilities) was 361.6%, compared with 313.2% as of December 31, 2022.

As of June 30, 2023 and December 31, 2022, our Group had no pledged notes receivables.

Liquidity and Financial Resources

Our Group funds our cash requirements principally from capital contributions from shareholders, and cash generated from our operations. As of June 30, 2023, our Group had net cash of RMB7,541.6 million, compared with RMB7,091.4 million as of December 31, 2022. The increase in net cash in the first half of 2023 was mainly due to the cash generated from our operating activities and the sale of a portion of our equity interest in portfolio companies, partially offset by capital expenditures and the earn-out cash consideration paid for the acquisition of NCM based on its 2022 financial performance. For the six months ended June 30, 2023, our Group had free cash flow of RMB475.7 million. This was a result of net cash flow generated from operating activities of RMB615.6 million, deducting payments for lease liabilities of RMB40.7 million and payments for capital expenditures of RMB99.3 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 June 30, 2023:

- Our gearing ratio was nil, compared with 2.3% as of December 31, 2022.

- Our total borrowings were nil.

- Our unutilized banking facility was RMB1,770.0 million.

As of June 30, 2023 and December 31, 2022, our Group had no significant contingent liabilities.

As of June 30, 2023 and December 31, 2022, our Group had not used any financial instruments for hedging purposes.

Capital Expenditures and Long-term Investments

Our Group's capital expenditures were primarily expenditures for intangible assets, such as content and software copyrights, and for property, plant and equipment. Our capital expenditures and long-term investments for the six months ended June 30, 2023 totalled RMB133.3 million, compared with RMB157.5 million for the six months ended June 30, 2022, representing a year-over-year decrease of RMB24.2 million which was primarily due to less capital expenditures in the first half of 2023. Our long-term investments were made in accordance with our general strategy of investing in or acquiring businesses that are complementary to our main business. We plan to fund our planned capital expenditures and long-term investments using cash flow generated from our operations.

Foreign Exchange Risk Management

The Group operates internationally and is exposed to foreign exchange risk arising from exposure to various currencies, primarily RMB, HKD, 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 functional currency of our Group's entities. Our Group manages foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and tries to minimize these exposures through natural hedges, wherever possible, or forward foreign exchange contracts, when necessary. We did not hedge against foreign currency movements during the six months ended June 30, 2023 and 2022.

Employees

As of June 30, 2023, we had approximately 1,720 full-time employees, most of whom were based in China, primarily at our headquarters in Shanghai, with the rest based in Beijing, Suzhou and various other cities in China.

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

New Classics Media

On October 31, 2018, the Company acquired 100% of the equity interest in NCM which is primarily engaged in TV series, web series and film production and distribution in China. NCM, on a standalone basis, recorded RMB543.6 million in revenues and RMB172.0 million in profit attributable to equity holders of the company for the six months ended June 30, 2023.

No Material Changes

Since the publication of our audited financial statements for the year ended December 31, 2022 on March 16, 2023, there have been no material changes to our business.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2023

	Note	Six months ended June 30, 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenues	6	**3,283,026**	4,087,214
Cost of revenues	7	**(1,678,264)**	(1,940,888)
Gross profit		**1,604,762**	2,146,326
Interest income		**80,137**	68,855
Other gains/(losses), net	8	**5,814**	(235,409)
Selling and marketing expenses	7	**(822,147)**	(1,110,501)
General and administrative expenses	7	**(534,509)**	(557,530)
Net provision for impairment losses on financial assets		**(23,109)**	(60,532)
Operating profit		**310,948**	251,209
Finance costs, net		**(2,820)**	(31,604)
Share of net profit of associates and joint ventures	13	**117,461**	120,831
Profit before income tax		**425,589**	340,436
Income tax expense	9	**(49,610)**	(108,160)
Profit for the period		**375,979**	232,276
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Share of other comprehensive loss of associates		**(4,865)**	(458)
Currency translation differences		**(48,497)**	46,071
Items that may not be reclassified to profit or loss			
Net loss from change in fair value of financial asset at fair value through other comprehensive income		**(4,122)**	(6,571)
Share of other comprehensive income of an associate		**3,098**	–
Currency translation differences		**125,648**	71,819
		71,262	110,861
Total comprehensive income for the period		**447,241**	343,137

	Note	Six months ended June 30, **2023** ***RMB'000*** ***(Unaudited)***	2022 *RMB'000* *(Unaudited)*
Profit attributable to:			
– Equity holders of the Company		**376,680**	228,545
– Non-controlling interests		**(701)**	3,731
		375,979	232,276
Total comprehensive income attributable to:			
– Equity holders of the Company		**447,912**	339,414
– Non-controlling interests		**(671)**	3,723
		447,241	343,137
Earnings per share (expressed in RMB per share)			
– Basic earnings per share	*10(a)*	**0.37**	0.23
– Diluted earnings per share	*10(b)*	**0.37**	0.22

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2023

	Note	**As of June 30, 2023** *RMB'000* *(Unaudited)*	As of December 31, 2022 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**121,519**	132,858
Right-of-use assets		**225,671**	183,141
Intangible assets	*12*	**7,413,232**	7,421,639
Investments in associates and joint ventures	*13*	**1,112,888**	1,008,754
Financial assets at fair value through profit or loss	*14*	**799,430**	862,241
Financial asset at fair value through other comprehensive income	*15*	**5,165**	8,009
Deferred income tax assets		**342,919**	312,283
Prepayments, deposits and other assets		**284,319**	329,641
Term deposits		**485,000**	–
		10,790,143	10,258,566
Current assets			
Inventories	*16*	**752,377**	760,271
Television series and film rights	*17*	**850,278**	940,412
Financial assets at fair value through profit or loss	*14*	**2,787,292**	119,329
Trade and notes receivables	*18*	**1,820,841**	2,048,930
Prepayments, deposits and other assets		**1,099,301**	1,212,544
Term deposits		**913,947**	1,848,660
Cash and cash equivalents		**3,359,906**	5,545,766
		11,583,942	12,475,912
Total assets		**22,374,085**	22,734,478

	Note	As of June 30, 2023 RMB'000 (Unaudited)	As of December 31, 2022 RMB'000
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**646**	644
Shares held for RSU scheme		**(18,766)**	(18,766)
Share premium		**16,310,617**	16,223,277
Other reserves		**2,097,245**	1,955,121
Retained earnings/(accumulated losses)		**173,742**	(202,938)
		18,563,484	17,957,338
Non-controlling interests		**89**	(2,616)
Total equity		**18,563,573**	17,954,722
LIABILITIES			
Non-current liabilities			
Lease liabilities		**178,868**	134,595
Long-term payables		**2,921**	4,691
Deferred income tax liabilities		**137,266**	139,563
Deferred revenue		**25,385**	26,538
Financial liabilities at fair value through profit or loss		**262,472**	490,613
		606,912	796,000
Current liabilities			
Borrowings	*20*	**–**	417,876
Lease liabilities		**61,714**	65,505
Trade payables	*21*	**1,032,440**	1,203,873
Other payables and accruals		**811,988**	1,019,435
Deferred revenue		**698,438**	619,125
Current income tax liabilities		**228,308**	275,780
Financial liabilities at fair value through profit or loss		**370,712**	382,162
		3,203,600	3,983,756
Total liabilities		**3,810,512**	4,779,756
Total equity and liabilities		**22,374,085**	22,734,478

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2023

	Attributable to equity holders of the Company							
	Share capital *RMB'000*	Share premium *RMB'000*	Shares held for RSU scheme *RMB'000*	Other reserves *RMB'000*	Retained earnings/ (Accumulated losses) *RMB'000*	Sub-total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
(Unaudited)								
As of January 1, 2023	644	16,223,277	(18,766)	1,955,121	(202,938)	17,957,338	(2,616)	17,954,722
Comprehensive income								
Profit for the period	–	–	–	–	376,680	376,680	(701)	375,979
Other comprehensive income								
– Share of other comprehensive loss of an associate *(Note 13)*	–	–	–	(1,767)	–	(1,767)	–	(1,767)
– Currency translation differences	–	–	–	77,121	–	77,121	30	77,151
– Net loss from change in fair value of financial asset at fair value through other comprehensive income *(Note 15)*	–	–	–	(4,122)	–	(4,122)	–	(4,122)
Total comprehensive income for the period	–	–	–	71,232	376,680	447,912	(671)	447,241
Transaction with owners								
Share-based compensation expenses	–	–	–	70,892	–	70,892	–	70,892
Issue of ordinary shares as consideration for a business combination	2	87,340	–	–	–	87,342	–	87,342
Capital injection	–	–	–	–	–	–	3,376	3,376
Transactions with owners in their capacity for the period	2	87,340	–	70,892	–	158,234	3,376	161,610
As of June 30, 2023	646	16,310,617	(18,766)	2,097,245	173,742	18,563,484	89	18,563,573

FOR THE SIX MONTHS ENDED JUNE 30, 2022

	Attributable to equity holders of the Company							
	Share capital *RMB'000*	Share premium *RMB'000*	Shares held for RSU scheme *RMB'000*	Other reserves *RMB'000*	Retained earnings/ (Accumulated losses) *RMB'000*	Sub-total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
(Unaudited)								
As of January 1, 2022	649	16,412,728	(17,450)	1,455,101	(664,573)	17,186,455	516	17,186,971
Comprehensive income								
Profit for the period	–	–	–	–	228,545	228,545	3,731	232,276
Other comprehensive income								
– Share of other comprehensive loss of associates and a joint venture *(Note 13)*	–	–	–	(458)	–	(458)	–	(458)
– Currency translation differences	–	–	–	117,898	–	117,898	(8)	117,890
– Net loss from change in fair value of financial asset at fair value through other comprehensive income *(Note 15)*	–	–	–	(6,571)	–	(6,571)	–	(6,571)
Total comprehensive income for the period	–	–	–	110,869	228,545	339,414	3,723	343,137
Transaction with owners								
Share-based compensation expenses	–	–	–	116,659	–	116,659	–	116,659
Transfer of vested RSUs	–	(41,121)	–	–	–	(41,121)	–	(41,121)
Issue of ordinary shares as consideration for a business combination	–	31,419	–	–	–	31,419	–	31,419
Acquisition of non-controlling interests	–	–	–	(2,483)	–	(2,483)	(2,416)	(4,899)
Disposal of a non-wholly owned subsidiary	–	–	–	–	–	–	(1,357)	(1,357)
Transactions with owners in their capacity for the period	–	(9,702)	–	114,176	–	104,474	(3,773)	100,701
As of June 30, 2022	649	16,403,026	(17,450)	1,680,146	(436,028)	17,630,343	466	17,630,809

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2023

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Net cash generated from operating activities	**615,638**	706,767
Net cash (used in)/generated from investing activities	**(2,382,543)**	106,106
Net cash flows used in financing activities	**(466,370)**	(674,036)
Net (decrease)/increase in cash and cash equivalents	**(2,233,275)**	138,837
Cash and cash equivalents at beginning of the period	**5,545,766**	4,528,412
Exchange gains on cash and cash equivalents	**47,415**	68,468
Cash and cash equivalents at end of the period	**3,359,906**	4,735,717

NOTES TO THE INTERIM FINANCIAL INFORMATION

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 "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 interim financial information comprises the consolidated statement of financial position as of June 30, 2023, the related consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six-month period then ended, and notes, comprising material accounting policy information and other explanatory information (the "Interim Financial Information"). The Interim Financial Information is presented in Renminbi ("RMB"), unless otherwise stated.

The Interim Financial Information has not been audited but has been reviewed by the external auditor of the Company.

2 Basis of preparation

The Interim Financial Information has been prepared in accordance with International Accounting Standard ("IAS") 34 "*Interim Financial Reporting*" issued by the International Accounting Standards Board and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended December 31, 2022, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as set out in the 2022 annual report of the Company dated March 16, 2023 (the "2022 Financial Statements").

3 Accounting policy information

Except as described below, the accounting policies and method of computation used in the preparation of the Interim Financial Information are consistent with those used in the 2022 Financial Statements, which have been prepared in accordance with IFRS under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including contingent consideration payable) at fair value through profit or loss, which are carried at fair value.

Taxes on income for the interim period are accrued using the tax rates that would be applicable to expected total annual assessable profit.

3.1 Amendments to standards and interpretations 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, 2023:

IFRS 17	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules

Except for IAS 12, the adoption of the new amendments to standards does not have significant impact on the consolidated financial statements of the Group. The Group had to change its accounting policies following the adoption of IAS 12, details of which are disclosed in Note 4 Changes in accounting policies.

3.2 New standards and amendments to standards that have been issued but not effective

The following new standards and amendments to standards have not come into effect for the financial year beginning January 1, 2023 and have not been early adopted by the Group in preparing the interim financial information. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

		Effective for annual periods beginning on or after
Amendments to IAS 1	Classification of Liabilities as current or non-current	January 1, 2024
Amendments to IAS 1	Non-current liabilities with covenants	January 1, 2024
Amendments to IFRS 16	Lease liability in sale and leaseback	January 1, 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	January 1, 2024
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an investor and its Associate or Joint Venture	To be determined

4 Changes in accounting policies

The Group has adopted the Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction” on January 1, 2023, which resulted in the recognition of separate deferred income tax assets and separate deferred income tax liabilities for temporary differences arising on leases, both at initial recognition and subsequently. In accordance with the transitional provisions, the Group applied the above mentioned amendments for the first time by recognising deferred tax for all temporary differences related to leases at the beginning of the earliest comparative period presented. As a result, with the beginning of the earliest period presented being January 1, 2022, an adjustment of RMB40,869,000 was recognised to the gross amounts of deferred income tax assets and deferred income tax liabilities simultaneously, and the resultant deferred income tax assets and deferred income tax liabilities met the set-off provisions and would be presented on a net basis on the statement of financial position. Since the Group had considered the lease as a single transaction in which the assets and liabilities were integrally linked and recognised deferred tax on a net basis previously, there were nil impact on opening retained earnings upon the adoption of the above mentioned amendments.

In addition, Amendments to IAS 12 “International Tax Reform – Pillar Two Model Rules” were issued on May 23, 2023 and are effective for annual reporting periods beginning on or after January 1, 2023. The Group has adopted the amendments and applied the temporary exception to recognising and disclosing information about deferred income tax assets and liabilities arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Co-operation and Development. The Group would continually evaluate the impact of the above mentioned amendments on the consolidated financial statements. The relief and the new disclosures will also be reflected in the Group’s consolidated financial statements as at and for the year ending December 31, 2023.

5 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 six months ended June 30, 2023 and 2022:

- 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 June 30, 2023 and 2022, 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 gains/(losses), net, finance cost, net, net provision for impairment losses on financial assets, share of net profit of associates and joint ventures and income tax expenses were also not allocated to individual operating segment.

There were no material inter-segment sales during the six months ended June 30, 2023 and 2022. 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 six months ended June 30, 2023 and 2022 is as follows:

	Six months ended June 30, 2023		
	Online business *RMB'000*	**Intellectual property operations and others** *RMB'000*	**Total** *RMB'000*
(Unaudited)			
Segment revenues	**2,038,736**	**1,244,290**	**3,283,026**
Cost of revenues	**1,018,722**	**659,542**	**1,678,264**
Gross profit	**1,020,014**	**584,748**	**1,604,762**

	Six months ended June 30, 2022		
	Online business *RMB'000*	Intellectual property operations and others *RMB'000*	Total *RMB'000*
(Unaudited)			
Segment revenues	2,307,016	1,780,198	4,087,214
Cost of revenues	1,146,745	794,143	1,940,888
Gross profit	1,160,271	986,055	2,146,326

The reconciliation of gross profit to profit before income tax during the six months ended June 30, 2023 and 2022 is shown in the consolidated statement of comprehensive income.

For the six months ended June 30, 2023, the Group's customer base was diversified and included only Tencent, with whom transactions exceeded 10% of the Group's total revenues (for the six months ended June 30, 2022: only Tencent).

As of June 30, 2023 and 2022, substantially all of the non-current assets other than financial instruments and deferred tax assets of the Group were located in PRC.

6 Revenues

6.1 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**		
(Unaudited) **Six months ended June 30, 2023**	**On self-owned platform products** *RMB'000*	**On the channels on Tencent products** *RMB'000*	**On third-party platforms** *RMB'000*	**Intellectual property operations** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Timing of revenue recognition:						
– At a point in time	**1,615,672**	**175,461**	**97,729**	**952,809**	**53,325**	**2,894,996**
– Over time	**148,327**	**1,547**	**–**	**237,310**	**846**	**388,030**
	1,763,999	**177,008**	**97,729**	**1,190,119**	**54,171**	**3,283,026**

(Unaudited) Six months ended June 30, 2022	Online business On self-owned platform products *RMB'000*	 On the channels on Tencent products *RMB'000*	 On third-party platforms *RMB'000*	Intellectual property operations and others Intellectual property operations *RMB'000*	 Others *RMB'000*	Total *RMB'000*
Timing of revenue recognition:						
– At a point in time	1,611,937	259,053	196,457	1,204,167	46,436	3,318,050
– Over time	151,140	88,429	–	527,091	2,504	769,164
	1,763,077	347,482	196,457	1,731,258	48,940	4,087,214

7 Expenses by nature

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Content costs	**751,939**	743,142
Promotion and advertising expenses	**558,281**	850,579
Employee benefits expenses	**516,844**	556,171
Platform distribution costs	**383,224**	475,040
Production costs of television, web and animated series and films	**268,714**	451,389
Payment handling costs	**126,849**	131,851
Amortisation of intangible assets *(Note 12)*	**91,772**	123,272
Game development outsourcing costs	**56,687**	38,412
Bandwidth and server custody fees	**43,354**	35,936
Depreciation of right-of-use assets	**38,437**	49,927
Impairment loss on prepayments for production of television series and films	**36,000**	–
Cost of physical inventories sold	**29,336**	19,961
Travelling, entertainment and general office expenses	**17,888**	12,064
Depreciation of property, plant and equipment	**17,007**	9,598
Professional service fees	**11,102**	11,904
Provision for physical inventory obsolescence	**8,802**	5,207
Tax surcharge expenses	**8,314**	10,396
Auditors' remuneration		
– Audit services	**5,315**	5,315
– Non-audit services	**488**	151
Impairment loss on prepayments to directors and writers	**2,830**	18,732
Logistic expenses	**2,542**	2,528
Expense relating to short-term and low-value leases	**2,426**	2,278
Others	**56,769**	55,066
	3,034,920	3,608,919

8 Other gains/(losses), net

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Fair value loss of investments in redeemable shares	**(70,999)**	(369,051)
Fair value gain/(loss) of investments in other financial assets at fair value through profit or loss	**31,832**	(21,835)
Fair value (loss)/gain on contingent consideration payable	**(49,952)**	112,172
Government subsidies	**83,434**	52,184
Gain on disposal of investment in an associate	**40,402**	–
Compensation received for copyright infringements	**5,407**	3,633
Loss on disposal of a subsidiary	**–**	(16,934)
Impairment provision for investments in associates	**(55,308)**	–
Dilution gains on deemed disposal	**12,711**	–
Others, net	**8,287**	4,422
	5,814	(235,409)

9 Income tax expense

(a) Cayman Islands corporate income tax ("CIT")

The Company was not subject to any taxation in the Cayman Islands for the six months ended June 30, 2023 and 2022.

(b) Hong Kong profit tax

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

(c) PRC corporate income tax

CIT provision was made on the estimated assessable profit of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% for the periods presented.

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 periods presented 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:

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Current income tax	**82,543**	86,339
Deferred income tax	**(32,933)**	21,821
Income tax expense	**49,610**	108,160

10 Earnings per share

(a) Basic earnings per share is calculated by dividing the profit attributable to the Company's equity holders by the weighted average number of ordinary shares in issue during the periods.

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Net profit attributable to the equity holders of the Company	**376,680**	228,545
Weighted average number of ordinary shares in issue (thousand)	**1,006,602**	1,011,137
Basic earnings per share (expressed in RMB per share)	**0.37**	0.23

(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 six months ended June 30, 2023 and 2022, the Company had dilutive potential ordinary shares of restricted shares units ("RSUs") and share options granted to employees and directors. For the RSUs, a calculation was performed to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the period) based on the monetary value of the subscription rights attached to the outstanding RSUs. The RSUs were assumed to have been fully vested and released from restrictions with no impact on earnings. For the share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that would have been issued at fair value (determined as the average market share price of the Company's shares) were incremental shares issued for no consideration which causes dilution to earnings per share.

The impact of potential ordinary shares to be issued by an associate of the Group into ordinary shares of the associate was included in the computation of earnings per share for the six months ended June 30, 2022 as the impact would be dilutive.

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Net profit attributable to the equity holders of the Company	**376,680**	228,545
Impact of an associate's potential ordinary shares	**–**	(2,075)
Net profit used to determine earnings per share	**376,680**	226,470
Weighted average number of ordinary shares outstanding (thousand)	**1,006,602**	1,011,137
Effect of deemed issuance of ordinary shares in connection with acquisition (thousand)	**1,007**	–
Adjustments for share-based compensation (thousand)	**7,482**	3,252
Weighted average number of ordinary shares for diluted earnings per share (thousand)	**1,015,091**	1,014,389
Diluted earnings per share (expressed in RMB per share)	**0.37**	0.22

11 Dividends

No dividends was paid or declared by the Company during the six months ended June 30, 2023 and 2022.

12 Intangible assets

	Goodwill	Non-compete agreement	Trademarks	Copyrights of contents	Software	Domain names	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)							
Six months ended June 30, 2023							
Opening net book amount as of January 1, 2023	**6,632,807**	**14,841**	**557,242**	**208,622**	**6,038**	**2,089**	**7,421,639**
Additions	**–**	**–**	**–**	**75,717**	**7,638**	**–**	**83,355**
Amortisation	**–**	**(3,298)**	**(10,401)**	**(75,129)**	**(2,924)**	**(20)**	**(91,772)**
Currency translation differences	**–**	**–**	**–**	**10**	**–**	**–**	**10**
Closing net book amount as of June 30, 2023	**6,632,807**	**11,543**	**546,841**	**209,220**	**10,752**	**2,069**	**7,413,232**

	Goodwill	Non-compete agreement	Trademarks	Copyrights of contents	Writers' contracts	Software	Domain names	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)								
Six months ended June 30, 2022								
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	100,637	–	1,797	–	102,436
Amortisation	–	(7,322)	(10,401)	(94,979)	(7,332)	(3,218)	(20)	(123,272)
Currency translation differences	–	–	–	2,315	–	–	–	2,315
Closing net book amount as of June 30, 2022	6,632,807	20,268	567,643	207,291	–	6,861	2,108	7,436,978

Impairment tests for goodwill

As of June 30, 2023 and December 31, 2022, goodwill is allocated to the Group's cash-generating units ("CGU") identified as follows:

	As of June 30, 2023	As of December 31, 2022
	RMB'000	*RMB'000*
	(Unaudited)	
Online business	**3,715,659**	3,715,659
Acquired TV and film business	**2,917,148**	2,917,148
	6,632,807	6,632,807

During the six months ended June 30, 2023 and 2022, impairment review on goodwill arising from acquired TV and film business had been conducted by the management according to IAS 36 "*Impairment of assets*". The Group has engaged an independent external valuer to assist in performing the goodwill impairment assessments.

For the purposes of impairment review, the recoverable amount of goodwill is determined based on the higher amount of the fair value less cost of disposal ("FVLCD") and value-in-use calculations. As of June 30, 2023 and June 30, 2022, the recoverable amount of goodwill had been determined based on the value-in-use calculation. The value-in-use calculations adopt cash flow projections derived from expected business operating covering a five-year period. The accuracy and reliability of the information is 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.

Based on the results of the impairment assessments, no impairment loss on the goodwill relating to the acquired TV and film business had been recognised as of June 30, 2023 and 2022.

13 Investments in associates and joint ventures

	As of June 30, 2023 RMB'000 (Unaudited)	As of December 31, 2022 RMB'000
Investments in associates (a)	**427,239**	476,225
Investments in joint ventures (b)	**685,649**	532,529
	1,112,888	1,008,754

(a) Investments in associates

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
At the beginning of the period	**476,225**	490,500
Additions	**23,027**	1,903
Share of net losses of associates	**(1,579)**	(4,627)
Share of other comprehensive loss of associates	**(1,767)**	(458)
Disposal	**(28,793)**	–
Impairment	**(55,308)**	–
Dilution gains on deemed disposals	**12,711**	–
Currency translation differences	**2,723**	1,107
At the end of the period	**427,239**	488,425

(b) Investments in joint ventures

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
At the beginning of the period	**532,529**	441,778
Additions	**34,080**	–
Share of net profit of the joint ventures	**119,040**	125,458
At the end of the period	**685,649**	567,236

14 Financial assets at fair value through profit or loss

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

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

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

FVPL include the following:

	As of June 30, 2023 *RMB'000* *(Unaudited)*	As of December 31, 2022 *RMB'000*
Included in non-current assets:		
Investments in unlisted entities	**790,488**	853,330
Investment in a listed entity	**8,942**	8,911
	799,430	862,241
Included in current assets:		
Investments in television series and films	**4,500**	4,500
Investments in structured deposits	**2,782,792**	114,829
	2,787,292	119,329
	3,586,722	981,570

Movement of FVPL is analysed as follows:

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
At the beginning of the period	**981,570**	1,310,030
Additions	**2,800,134**	18,991
Changes in fair value recognised as other gains/(losses), net	**(39,167)**	(390,886)
Changes in fair value recognised as revenues	**–**	1,897
Disposals	**(171,919)**	–
Settlement of investment in films	**–**	(9,231)
Currency translation difference	**16,104**	27,240
At the end of the period	**3,586,722**	958,041

15 Financial asset at fair value through other comprehensive income

FVOCI include the following:

	As of June 30, 2023	As of December 31, 2022
	RMB'000	*RMB'000*
	(Unaudited)	
Included in non-current assets:		
Investment in a listed entity	**5,165**	8,009

Movement of FVOCI is analysed as follows:

	Six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
At the beginning of the period	**8,009**	14,073
Changes in fair value	**(4,122)**	(6,571)
Currency translation difference	**1,278**	749
At the end of the period	**5,165**	8,251

16 Inventories

	As of June 30, 2023 *RMB'000* *(Unaudited)*	As of December 31, 2022 *RMB'000*
Adaptation rights and scripts	**708,678**	715,934
Raw materials	**2,919**	3,534
Work in progress	**318**	1,284
Inventories in warehouse	**33,721**	34,754
Inventories held with distributors on consignment	**32,975**	31,472
Others	**14,592**	10,769
	793,203	797,747
Less: provision for inventory obsolescence	**(40,826)**	(37,476)
	752,377	760,271

17 Television series and film rights

	As of June 30, 2023 *RMB'000* *(Unaudited)*	As of December 31, 2022 *RMB'000*
Television series and film rights		
– production in progress	**782,770**	748,969
– completed	**67,508**	191,443
	850,278	940,412

	Production in progress *RMB'000*	Completed *RMB'000*	Total *RMB'000*
(Unaudited)			
As of January 1, 2023	**748,969**	**191,443**	**940,412**
Additions	**178,580**	**–**	**178,580**
Transfer from production in progress to completed	**(144,779)**	**144,779**	**–**
Recognised in cost of revenues	**–**	**(268,714)**	**(268,714)**
As of June 30, 2023	**782,770**	**67,508**	**850,278**

	Production in progress *RMB'000*	Completed *RMB'000*	Total *RMB'000*
(Unaudited)			
As of January 1, 2022	813,633	277,259	1,090,892
Additions	304,942	–	304,942
Transfer from production in progress to completed	(340,484)	340,484	–
Recognised in cost of revenues	–	(451,389)	(451,389)
As of June 30, 2022	778,091	166,354	944,445

18 Trade and notes receivables

	As of June 30, 2023	As of December 31, 2022
	RMB'000	*RMB'000*
	(Unaudited)	
Trade receivables	**2,032,929**	2,245,859
Notes receivables	**8,960**	1,340
	2,041,889	2,247,199
Less: allowance for impairment of trade and notes receivables	**(221,048)**	(198,269)
	1,820,841	2,048,930

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 performed 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 their fair value as of June 30, 2023 and December 31, 2022.

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

	As of June 30, 2023 *RMB'000* *(Unaudited)*	As of December 31, 2022 *RMB'000*
Trade and notes receivables		
– Up to 3 months	**952,191**	1,513,045
– 3 to 6 months	**141,643**	122,045
– 6 months to 1 year	**434,227**	190,646
– 1 to 2 years	**244,498**	162,705
– Over 2 years	**48,282**	60,489
	1,820,841	2,048,930

19 Share-based payments

(a) RSU schemes of the Group

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

(i) 2014 RSU Scheme

The Company has 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 was 40,409,091 shares.

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

	Number of RSUs
(Unaudited)	
As of January 1, 2023	**5,322,457**
Granted	**100,243**
Forfeited	**(413,228)**
Vested	**(564,257)**
Outstanding balance as of June 30, 2023	**4,445,215**
(Unaudited)	
As of January 1, 2022	7,304,840
Granted	1,781,682
Forfeited	(467,517)
Vested	(968,333)
Outstanding balance as of June 30, 2022	7,650,672

(ii) 2020 RSU Scheme

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

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

	Number of RSUs
(Unaudited)	
As of January 1, 2023	**6,690,316**
Granted	**2,187**
Forfeited	**(552,354)**
Vested	**(10,962)**
Outstanding balance as of June 30, 2023	**6,129,187**
(Unaudited)	
As of January 1, 2022	4,351,636
Granted	–
Forfeited	(419,548)
Vested	(10,962)
Outstanding balance as of June 30, 2022	3,921,126

During the six months ended June 30, 2023 and 2022, 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. The expected dividends during the vesting period had been taken into account when assessing the fair value of these RSUs.

(b) Share option scheme of the Group

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

(i) Movements in share options

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

	2023		2022	
	Average exercise price	**Number of options**	**Average exercise price**	**Number of options**
(Unaudited)				
As of January 1	**HKD 47.15**	**9,243,013**	HKD76.06	7,811,453
Forfeited/lapsed	**HKD 34.37**	**(789,039)**	HKD82.85	(59,061)
As of June 30	**HKD 48.34**	**8,453,974**	HKD76.00	7,752,392
Exercisable as of June 30	**HKD 57.82**	**3,204,417**	HKD82.85	1,268,750

During the six months ended June 30, 2023 and 2022, no option was granted or exercised.

(ii) Outstanding share options

Details of the expiry dates, exercise prices and respective numbers of share options which remained outstanding as of June 30, 2023 and December 31, 2022 are as follows:

			Number of share option	
Grant Date	**Expiry Date**	**Exercise price**	**June 30, 2023 (Unaudited)**	December 31, 2022 (Audited)
July 12, 2021	July 12, 2031	HKD82.85	2,091,564	2,147,269
November 5, 2021	November 5, 2031	HKD53.14	1,786,539	1,786,539
August 18, 2022	August 18, 2032	HKD30.69	4,575,871	5,309,205
Total			8,453,974	9,243,013
Weighted average remaining contractual life of options outstanding at end of period			9.09 years	9.21 years

The outstanding share options as of June 30, 2023 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 June 30, 2023, the Expected Retention Rate of the Group was assessed to be no lower than 92% (June 30, 2022: 92%).

20 Borrowings

	As of June 30, 2023 ***RMB'000*** ***(Unaudited)***	As of December 31, 2022 *RMB'000*
Current		
Unsecured		
USD bank borrowings *(Note a)*	**–**	417,876

Note:

(a) As of December 31, 2022, the Group's unsecured long-term bank borrowings consisted of USD60,000,000 fixed rate borrowings bearing interest rate at 1.41% per annum. These borrowings were repaid in February 2023.

The Group had complied with all of the financial covenants of its borrowing facilities for the six months ended June 30, 2023.

21 Trade payables

Aging analysis of the trade payables based on recognition date are as follows:

	As of June 30, 2023 ***RMB'000*** ***(Unaudited)***	As of December 31, 2022 *RMB'000*
– Up to 3 months	**391,629**	472,982
– 3 to 6 months	**72,581**	101,266
– 6 months to 1 year	**152,392**	230,619
– Over 1 year	**415,838**	399,006
	1,032,440	1,203,873

DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend for the six months ended June 30, 2023 (2022: Nil).

OTHER INFORMATION

Purchase, Sale or Redemption of Listed Securities

During the six months ended June 30, 2023, 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 six months ended June 30, 2023, 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 during the six months ended June 30, 2023.

Audit Committee

The Audit Committee, together with the Board and the Auditor has reviewed the unaudited interim results of the Group for the six months ended June 30, 2023. 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.

Publication of the Results Announcement and Interim Report

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://ir.yuewen.com), and the Interim Report 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; our Board of Directors 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, August 10, 2023

As of the date of this announcement, the Board comprises Mr. Hou Xiaonan and Mr. Huang Yan as Executive Directors; Mr. James Gordon Mitchell, Mr. Cao Huayi and Mr. Xie Qinghua as Non-Executive Directors; Ms. Yu Chor Woon Carol, Ms. Leung Sau Ting Miranda and Mr. Liu Junmin as independent Non-Executive Directors.

This announcement contains forward-looking statements relating to the business outlook, estimates of financial performance, forecast business plans and growth strategies of the Group. These forward-looking statements are based on information currently available to the Group and are stated herein on the basis of the outlook at the time of this announcement. They are based on certain expectations, assumptions and premises, some of which are subjective or beyond our control. These forward-looking statements may prove to be incorrect and may not be realized in future. Underlying these forward-looking statements are a large number of risks and uncertainties. In light of the risks and uncertainties, the inclusion of forward-looking statements in this announcement should not be regarded as representations by the Board or the Company that the plans and objectives will be achieved, and investors should not place undue reliance on such statements.

DEFINITION

"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;
"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;
"Director(s)"	:	the director(s) of our Company;
"Group", "our Group", "the Group", "we", "us", or "our"	:	the Company, its subsidiaries and its consolidated affiliated entities from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time;
"HKD"	:	the lawful currency of Hong Kong;
"Hong Kong"	:	the Hong Kong Special Administrative Region of the People's Republic of China;
"IP"	:	intellectual property;

"Listing 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 Island on 18 May 2018. Its subsidiaries are principally engaged in production and distribution of television series and movies;
"Reporting Period"	:	the six months ended June 30, 2023;
"RMB"	:	the lawful currency of the PRC;
"RSU(s)"	:	restricted stock unit(s);
"SGD"	:	the lawful currency of Singapore;

"Share(s)"	:	ordinary share(s) in the share capital of our Company with a par value of USD0.0001 each;
"Shareholders"	:	holder(s) of our Share(s);
"Stock Exchange"	:	The Stock Exchange of Hong Kong Limited;
"subsidiary(ies)"	:	has the meaning ascribed thereto in section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
"Tencent"	:	Tencent Holdings Limited, one of our Controlling Shareholders, 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; and