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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, 2024**

The board of directors of China Literature Limited hereby announces the unaudited consolidated results of the Group for the six months ended June 30, 2024. 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, 2024.

FINANCIAL PERFORMANCE HIGHLIGHTS

	Six months ended June 30,		Year- over-year (%)
	2024 <i>RMB'000</i> <i>(Unaudited)</i>	2023 <i>RMB'000</i> <i>(Unaudited)</i>	
Revenues	4,190,933	3,283,026	27.7%
Gross profit	2,083,230	1,604,762	29.8%
Operating profit	454,449	310,948	46.1%
Profit before income tax	602,996	425,589	41.7%
Profit for the period	503,932	375,979	34.0%
Profit attributable to equity holders of the Company	504,303	376,680	33.9%
Non-IFRS profit attributable to equity holders of the Company	702,061	603,119	16.4%

BUSINESS REVIEW AND OUTLOOK

During the first half of 2024, we continued to execute our high-quality content strategy and made remarkable progress in maximizing the potential of our premium IPs across the industry value chain. We delivered an exceptional performance, especially in our live action TV and film business. Our film YOLO (熱辣滾燙) continues to lead nationwide box office sales in 2024 so far, while the drama series The Legend of Shen Li (與鳳行), Joy of Life 2 (慶餘年第二季) and The Tale of Rose (玫瑰的故事) were all released to critical acclaim. These success stories set a strong foundation for what we anticipate will be a “blockbuster year” for China Literature’s content business. The significant progress in the IP business, combined with a stable performance from the online reading business, resulted in a substantial improvement in the Company’s overall revenues and profitability. In the first half of 2024, our total revenues increased 27.7% year-over-year with revenues from IP operations in particular surging 75.7% year-over-year. Operating margin expanded to 10.8% from 9.5% in the same period last year, and the non-IFRS profit attributable to equity holders of the Company increased 16.4% year-over-year.

Success of Top IP Sequels and Establishment of an Integrated Content Operation Mechanism

On May 16, 2024, Joy of Life 2 (慶餘年第二季), the eagerly anticipated second season of the drama series adapted from our renowned IP, made its highly successful debut. The drama series quickly became a national sensation – shattering domestic records with a meteoric rise in viewership and popularity during its 18-day prime-time run. On Tencent Video, its popularity index surpassed 34,000 points, setting an all-time record high. It also maintained the top position in nationwide live viewership rankings on CCTV-8 for 18 consecutive days and topped the charts across major industry review platforms including Kuyun, Douban, Maoyan, Beacon and Enlightent.

Joy of Life 2 not only achieved phenomenal success domestically, it also captivated international audiences with its simultaneous release on Disney+ where it quickly became the platform’s highest-viewed mainland Chinese TV series. It is currently being translated into 14 languages for release into other markets around the world.

Joy of Life 2's success extended far beyond that of a standalone project. It exemplifies our strategy to leverage resources across various departments and effectively collaborate with both upstream and downstream partners. We assembled our largest-ever dedicated team during the project's early development stages to drive this. Simultaneously, we rolled out Joy of Life-themed products across various media formats, including online literature, drama series, online games, merchandise and collectible cards. This approach aims at maximizing the IP's impact on audiences and fully unleashing its monetization potential. For example:

- We launched a virtual fan zone on Qidian Reading APP alongside the release of Joy of Life 2, which gave readers free access to the author's trilogy for a limited time as well as offered a series of engaging activities. These initiatives resulted in a 38-fold increase in reading volume sequentially, generated over 100 million visits to the virtual fan zone, and set a new annual record for daily active users of Qidian Reading APP.
- We also released 11 categories of Joy of Life-themed merchandise including blind boxes, accessories and a premium collectible card series featuring 308 card designs. Sales of the blind boxes exceeded 200,000 units, while the collectible cards generated over RMB20 million in GMV before the drama's release, making them the all-time best-selling collectible cards in the drama-themed category.
- We launched a series of offline events that attracted a large number of fans. These events engaged participants to share their experiences online, sparking a viral wave of social media activity and user-generated content.

This fully-integrated approach sets a new standard for managing our flagship IP holistically and will be applied to other premium IPs in our portfolio.

The remarkable success of the Joy of Life franchise validates two crucial aspects of our strategy. First, it demonstrates our consistent ability to create and replicate blockbuster IP. Second, it showcases the power of our business model, which collaborates with partners across the entire IP value chain to maximize the potential of our premium IP. We have long been committed to fostering a robust ecosystem for IP development. Our success in operating our flagship IP through effective mobilization and coordination of resources across multiple stakeholders within our ecosystem marks a significant milestone.

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 170,000 writers and 320,000 literary works, collectively contributing over 21 billion Chinese characters. A steady stream of high-quality new works continued to be released, with the number of newly signed literary works with over 50,000 average subscribers per chapter increasing 75% year-over-year. Additionally, the number of newly signed literary works generating over RMB2 million in reading revenue grew 33% year-over-year. Notably, we've seen a surge in young talent, with writers born in the 1990s accounting for over 70% of newly-added Platinum and Phenomenal Writers in the first half of 2024.

While nurturing high-quality writers and promoting outstanding literary works remains a core focus, we remain committed to building a robust user community, strengthening operations for flagship IP, and amplifying fan engagement. With our enhanced content and operational framework, monthly paying users grew steadily on a sequential basis to over 8.8 million during the first half of the year.

We continued to expand into overseas markets. As of June 30, 2024, WebNovel, our foreign language online reading platform, offered approximately 5,000 works translated from Chinese and approximately 650,000 original works created locally.

IP Visualization

We launched several top-tier titles during the first half of 2024, garnering enthusiastic audience reception and widespread acclaim.

In the live action TV and film segment, we had one box office champion film and three blockbuster drama series, including:

- **YOLO (熱辣滾燙)**: this film led nationwide box office receipts in 2024 so far, with sales of RMB3.5 billion.
- **The Legend of Shen Li (與鳳行)**: this drama series achieved a popularity index of over 31,000 on Tencent Video during its broadcasting run, held the top position on Mango TV Drama Popularity List for 22 days, and ranked first in viewership ratings among provincial satellite TV networks during the same time slot according to China Audio Video Big Data.
- **Joy of Life 2 (慶餘年第二季)**: as mentioned earlier, the highly-anticipated second season of the drama series achieved extraordinary results, laying a solid foundation for the long-term development of the Joy of Life IP.
- **The Tale of Rose (玫瑰的故事)**: this drama series achieved a popularity index of over 31,000 on Tencent Video during its broadcasting run, setting a record high for the urban drama genre on Tencent Video. It also ranked first in national prime-time drama series ratings, according to China Audio Video Big Data.

These productions have not only captivated domestic audiences but have also made significant inroads in overseas markets. In addition to the abovementioned Joy of Life 2, The Legend of Shen Li was aired in over 180 countries and regions globally in 16 languages. YOLO was distributed by Sony Pictures globally and is currently the highest-grossing Chinese-language film overseas this year.

In the animation segment, we launched a number of new series including The Richest Man in Game (虧成首富從遊戲開始) and The Charm of Soul Pets (幻寵師), as well as sequels to classic titles such as The King's Avatar (全職高手) and Start with a Mountain (開局一座山). We released new episodes for our long-running annual animated series Battle Through the Heavens (斗破蒼穹), helping it to maintain its top ranking on Tencent Video's annual bestseller list. According to Guduo Data, 15 of the top 20 most watched online animated series in the first half of 2024 were adapted from China Literature's IPs.

In the first half of the year, we completed the acquisition of the assets of Tencent Animation and Comics, adding a number of top Chinese comic IPs such as The Outcast (一人之下) and The Fox Spirit Matchmaker (狐妖小紅娘) to our portfolio. Going forward, we will leverage Tencent Animation and Comics' high-quality production capabilities to further accelerate our IP visualization process.

IP Commercialization and Monetization

In the merchandise segment, we unveiled a diverse array of trendy collectibles and merchandise based on popular IPs such as Joy of Life (慶餘年), The King's Avatar (全職高手), Lord of the Mysteries (詭秘之主) and Battle Through the Heavens (斗破蒼穹). These offerings, including blind boxes, toy collectibles and accessories, were launched alongside the releases of the online content. In addition, we continued to expand the scope and scale of our IP licensing for merchandise.

We made significant progress in our collectible cards business in the first half of 2024. Our goal is to build China Literature's own IP universe of collectible cards, meeting Chinese collectors' growing demand for high-quality, IP-based products while further expanding IP monetization. Our collectible cards series based on the drama series The Legend of Shen Li (與鳳行) and Joy of Life (慶餘年) have delivered strong results. We plan to launch more series, such as collectible cards based on the drama series Guardians of the Dafeng (大奉打更人). Additionally, we have a rich portfolio of comic and animation IPs that can be adapted into collectible cards for global distribution. In the second half of 2024, we will launch comic/animation-themed cards both domestically and globally, including The King's Avatar (全職高手), Battle Through the Heavens (斗破蒼穹), Lord of the Mysteries (詭秘之主), The Outcast (一人之下) and The Fox Spirit Matchmaker (狐妖小紅娘). In the first half of this year, the total GMV for our IP-based collectible cards reached approximately RMB100 million.

In the games segment, two titles based on our IPs, Soul Land (斗羅大陸) and Battle Through the Heavens (斗破蒼穹), were launched in the first half of this year, generating solid sales. We have a rich portfolio of IP-based games set to be released in the near future, including Lord of the Mysteries (詭秘之主).

Exploration into New Technologies and Emerging Business Opportunities

We are strategically deploying AI capabilities across our diverse businesses to enhance our ecosystem. We continue to refine our “Smart Pen” Large Language Model (LLM), empowering writers to boost their productivity. Our AI translation technology is driving rapid growth in the number of translated works on our overseas platform. In the first half of 2024, WebNovel, our overseas reading platform, added over 1,200 AI-translated works in multiple languages including English, Spanish, Portuguese, German, French, and Indonesian. Notably, approximately 40% of the top 100 bestselling works on WebNovel are AI-translated. We are actively exploring the integration of AI technology with various IP content formats, including audiobooks, animation, videos, and merchandise.

Responding to the rapidly growing short-form drama market, we leveraged our content strengths and extensive creator network to produce high-quality short-form drama adaptations of our IP. We’ve achieved several successes, with the best performing title generating RMB30 million in grossing receipts. For the whole year, we plan to release over 100 short-form dramas and explore new innovative formats such as interactive short-form dramas.

Outlook

We delivered an exceptional performance in the first half of 2024. We released four blockbuster titles, firmly underscoring our commitment to our premium IP strategy. The launch of Joy of Life 2 (慶餘年第二季) exemplified successful collaboration with our ecosystem partners, achieving success that benefits everyone in the value chain. We also achieved notable progress in the international markets, IP commercialization, and new business initiatives. Looking forward, we will continue to strengthen our IP incubation, enhance IP visualization and commercialization, optimize our operational framework for flagship IP, and explore new technologies and emerging business opportunities. We believe these endeavors will deliver long-term and sustainable returns for the shareholders who have consistently believed in and supported us on this journey.

MANAGEMENT DISCUSSION AND ANALYSIS

Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenues	4,190,933	3,283,026
Cost of revenues	<u>(2,107,703)</u>	<u>(1,678,264)</u>
Gross profit	2,083,230	1,604,762
Interest income	90,582	80,137
Other (losses)/gains, net	(3,724)	5,814
Selling and marketing expenses	(1,158,882)	(822,147)
General and administrative expenses	(544,789)	(534,509)
Net provision for impairment losses on financial assets	<u>(11,968)</u>	<u>(23,109)</u>
Operating profit	454,449	310,948
Finance costs, net	(2,099)	(2,820)
Share of net profit of associates and joint ventures	<u>150,646</u>	<u>117,461</u>
Profit before income tax	602,996	425,589
Income tax expense	<u>(99,064)</u>	<u>(49,610)</u>
Profit for the period	<u>503,932</u>	<u>375,979</u>
Attributable to:		
Equity holders of the Company	504,303	376,680
Non-controlling interests	<u>(371)</u>	<u>(701)</u>
	<u>503,932</u>	<u>375,979</u>
Non-IFRS profit for the period	<u>701,690</u>	<u>602,418</u>
Attributable to:		
Equity holders of the Company	702,061	603,119
Non-controlling interests	<u>(371)</u>	<u>(701)</u>
	<u>701,690</u>	<u>602,418</u>

Revenues. Revenues increased by 27.7% year-over-year to RMB4,190.9 million for the six months ended June 30, 2024. The following table sets forth our revenues by segment for the six months ended June 30, 2024 and 2023:

	Six months ended June 30,			
	2024		2023	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Online business⁽¹⁾				
On our self-owned platform products	1,694,169	40.4	1,709,667	52.0
On our channels on Tencent products	130,659	3.1	177,008	5.4
On third-party platforms	115,549	2.8	97,729	3.0
Subtotal	1,940,377	46.3	1,984,404	60.4
Intellectual property operations and others⁽²⁾				
Intellectual property operations	2,202,827	52.6	1,253,953	38.2
Others	47,729	1.1	44,669	1.4
Subtotal	2,250,556	53.7	1,298,622	39.6
Total revenues	4,190,933	100.0	3,283,026	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 2.2% year-over-year to RMB1,940.4 million for the six months ended June 30, 2024, accounting for 46.3% of total revenues.

Revenues from online business on our self-owned platform products decreased by 0.9% year-over-year to RMB1,694.2 million for the six months ended June 30, 2024, following the continued optimization of ROI on our distribution channels and focus on driving growth in our core products.

Revenues from online business on our channels on Tencent products decreased by 26.2% year-over-year to RMB130.7 million for the six months ended June 30, 2024. The decline was mainly due to a continuous decrease in advertising revenues from free-to-read channels as we focus on developing a high-quality pay-to-read business model with more content distributed through pay-to-read channels with higher ROI.

Revenues from online business on third-party platforms increased by 18.2% year-over-year to RMB115.5 million for the six months ended June 30, 2024, primarily due to increased collaboration with our third-party distribution partners.

The following table summarizes our key operating data for the six months ended June 30, 2024 and 2023:

	Six months ended June 30,	
	2024	2023
Average MAUs on our self-owned platform products and self-operated channels on Tencent products (average of MAUs for each calendar month)	176.0 million	211.7 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	8.8 million
Monthly average revenue per paying user (“ARPU”) ⁽¹⁾	RMB31.7	RMB32.3

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, 2024, average MAUs on our self-owned platform products and self-operated channels were 176.0 million, a decrease of 16.9% year-over-year from 211.7 million. Specifically, MAUs on our self-owned platform products remained stable on a year-over-year basis at 105.3 million, compared with 105.4 million during the six months ended June 30, 2023. MAUs on our self-operated channels on Tencent products decreased by 33.5% year-over-year from 106.3 million to 70.7 million, primarily as a result of the optimization of our operational efficiency with more content distributed through our core pay-to-read products, leading to a decline in users acquired through free-to-read channels.
 - Average MPUs on our self-owned platform products and self-operated channels increased slightly by 0.4% year-over-year to 8.8 million for the six months ended June 30, 2024.

- Monthly ARPU for our pay-to-read business decreased by 1.9% year-over-year from RMB32.3 to RMB31.7 for the six months ended June 30, 2024, mainly due to changes in revenue mix from different product offerings.
- Revenues from intellectual property operations and others increased by 73.3% year-over-year to RMB2,250.6 million for the six months ended June 30, 2024.

Revenues from intellectual property operations increased significantly by 75.7% year-over-year to RMB2,202.8 million for the six months ended June 30, 2024, due to solid growth from our IP operations businesses across the board, driven primarily by an increase in the release of blockbuster drama series, film, and animated series, as well as expanded licensing of our IP for adaptation to business partners. In addition, new initiatives such as short-form dramas, merchandise and collectible card business grew significantly during the period.

Revenues from others increased by 6.9% year-over-year to RMB47.7 million for the six months ended June 30, 2024. These revenues were generated primarily by sales of physical books.

Cost of revenues. Cost of revenues increased by 25.6% year-over-year to RMB2,107.7 million for the six months ended June 30, 2024, in line with the increase in revenues and primarily due to (i) higher production costs associated with an increase in the release of TV, web and animated series and film; and (ii) an increase in content costs as we boosted investment in high-quality content.

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

Cost of Revenue

	Six months ended June 30,			
	2024		2023	
	<i>RMB'000</i>	<i>% of</i>	<i>RMB'000</i>	<i>% of</i>
	<i>(Unaudited)</i>	<i>revenues</i>	<i>(Unaudited)</i>	<i>revenues</i>
Content costs	856,281	20.4%	751,939	22.9%
Platform distribution costs	366,778	8.8%	383,224	11.7%
Production costs of TV, web and animated series and films	627,382	15.0%	268,714	8.2%
Amortization of intangible assets	62,916	1.5%	74,989	2.3%
Cost of inventories	49,508	1.2%	38,138	1.2%
Others	144,838	3.4%	161,260	4.8%
Total	2,107,703	50.3%	1,678,264	51.1%

Gross profit and gross margin. As a result of the foregoing, gross profit increased by 29.8% year-over-year to RMB2,083.2 million for the six months ended June 30, 2024. Gross margin was 49.7% for the six months ended June 30, 2024, compared with 48.9% for the six months ended June 30, 2023.

Interest income. Interest income increased by 13.0% year-over-year to RMB90.6 million for the six months ended June 30, 2024, as a result of higher interest income from bank deposits.

Other (losses)/gains, net. We recorded net other losses of RMB3.7 million for the six months ended June 30, 2024, compared with net other gains of RMB5.8 million for the six months ended June 30, 2023. The year-over-year change was mainly due to disposal gains and net fair value changes related to certain investee companies.

Selling and marketing expenses. Selling and marketing expenses increased by 41.0% year-over-year to RMB1,158.9 million for the six months ended June 30, 2024, mainly due to an increase in promotion and advertising expenses associated with our film and drama series as more titles were released during the first half of 2024. As a percentage of revenues, selling and marketing expenses were 27.7% for the six months ended June 30, 2024, compared with 25.0% for the six months ended June 30, 2023.

General and administrative expenses. General and administrative expenses increased by 1.9% year-over-year to RMB544.8 million for the six months ended June 30, 2024, primarily due to higher employee benefits expenses. As a percentage of revenues, general and administrative expenses decreased to 13.0% for the six months ended June 30, 2024 from 16.3% for the six months ended June 30, 2023.

Net provision for impairment losses on financial assets. Impairment losses on financial assets reflect the provision for doubtful receivables. For the six months ended June 30, 2024, the provision for doubtful receivables was RMB12.0 million on a net basis, mainly associated with IP businesses.

Operating profit. As a result of the foregoing, operating profit increased by 46.1% year-over-year to RMB454.4 million for the six months ended June 30, 2024.

Finance costs, net. Finance costs decreased by 25.6% year-over-year to RMB2.1 million for the six months ended June 30, 2024, primarily due to lower interest expenses in the first half of 2024.

Share of net profit of associates and joint ventures. Share of net profit of associates and joint ventures increased by 28.3% year-over-year to RMB150.6 million for the six months ended June 30, 2024, reflecting higher net profits contributed by investee companies.

Income tax expense. Income tax expense was RMB99.1 million for the six months ended June 30, 2024, compared with RMB49.6 million for the six months ended June 30, 2023, primarily due to an increase in taxable income.

Profit attributable to equity holders of the Company. Profit attributable to equity holders of the Company increased by 33.9% year-over-year to RMB504.3 million for the six months ended June 30, 2024. On a non-IFRS basis, profit attributable to equity holders of the Company increased by 16.4% year-over-year to RMB702.1 million for the six months ended June 30, 2024.

Segment Information:

The following table sets forth a breakdown of our revenues, cost of revenues, gross profit and gross profit margin by segment for the six months ended June 30, 2024 and 2023:

	Six months ended June 30, 2024		
	Online business <i>RMB'000</i> <i>(Unaudited)</i>	Intellectual property operations and others <i>RMB'000</i> <i>(Unaudited)</i>	Total <i>RMB'000</i> <i>(Unaudited)</i>
Segment revenues	1,940,377	2,250,556	4,190,933
Cost of revenues	965,951	1,141,752	2,107,703
Gross profit	974,426	1,108,804	2,083,230
Gross margin	50.2%	49.3%	49.7%
	Six months ended June 30, 2023		
	Online business <i>RMB'000</i> <i>(Unaudited)</i>	Intellectual property operations and others <i>RMB'000</i> <i>(Unaudited)</i>	Total <i>RMB'000</i> <i>(Unaudited)</i>
Segment revenues	1,984,404	1,298,622	3,283,026
Cost of revenues	997,778	680,486	1,678,264
Gross profit	986,626	618,136	1,604,762
Gross margin	49.7%	47.6%	48.9%

OTHER FINANCIAL INFORMATION

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
EBITDA ⁽¹⁾	501,518	372,213
Adjusted EBITDA ⁽²⁾	587,619	471,354
Adjusted EBITDA margin ⁽³⁾	14.0%	14.4%
Interest expense	4,624	11,553
Net cash ⁽⁴⁾	9,208,076	7,541,645
Capital expenditures ⁽⁵⁾	49,824	99,296

Notes:

- (1) EBITDA consists of operating profit for the period 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 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,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Operating profit	454,449	310,948
Adjustments:		
Interest income	(90,582)	(80,137)
Other losses/(gains), net	3,724	(5,814)
Depreciation of property, plant and equipment	17,817	17,007
Depreciation of right-of-use assets	36,166	38,437
Amortization of intangible assets	79,944	91,772
	501,518	372,213
EBITDA		
Adjustments:		
Share-based compensation	55,440	70,892
Expenditure related to acquisition	30,661	28,249
	587,619	471,354
Adjusted EBITDA		

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, 2024 and 2023 to the nearest measures prepared in accordance with IFRS:

Non-IFRS Financial Measures

Unaudited six months ended June 30, 2024						
As reported	Adjustments			Tax effect	Non-IFRS	
	Share-based compensation	Net losses from investments and acquisitions ⁽¹⁾ <i>(RMB' 000, unless specified)</i>	Amortization of intangible assets ⁽²⁾			
Operating profit	454,449	55,440	104,746	9,539	–	624,174
Profit for the period	503,932	55,440	104,746	9,539	28,033	701,690
Profit attributable to equity holders of the Company	504,303	55,440	104,746	9,539	28,033	702,061
EPS (RMB per share)						
– basic	0.50					0.69
– diluted	0.49					0.69
Operating margin	10.8%					14.9%
Net margin	12.0%					16.7%
Unaudited six months ended June 30, 2023						
As reported	Adjustments			Tax effect	Non-IFRS	
	Share-based compensation	Net losses from investments and acquisitions ⁽¹⁾ <i>(RMB' 000, unless specified)</i>	Amortization of intangible assets ⁽²⁾			
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%

Notes:

- (1) This item mainly includes the disposal gain, impairment provision and fair value changes arising from our investee companies, the fair value changes of consideration liabilities related to the acquisition of NCM, and the compensation costs for certain employees and former owners 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 period. Total assets increased from RMB23,188.5 million as of December 31, 2023 to RMB24,431.3 million as of June 30, 2024, while our total liabilities increased from RMB4,164.0 million as of December 31, 2023 to RMB5,199.5 million as of June 30, 2024. The liabilities-to-assets ratio increased from 18.0% as of December 31, 2023 to 21.3% as of June 30, 2024.

As of June 30, 2024, the current ratio (the ratio of total current assets to total current liabilities) was 242.2%, compared with 311.5% as of December 31, 2023.

As of June 30, 2024, our Group had pledged trade receivables of RMB10.0 million.

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, 2024, our Group had net cash of RMB9,208.1 million, compared with RMB8,101.4 million as of December 31, 2023. The increase in net cash in the first half of 2024 was mainly due to the cash generated from our operating activities, partially offset by payments for our investments and acquisitions, the earn-out cash consideration paid for the acquisition of NCM based on its 2023 financial performance, repurchase of shares by the Company and capital expenditures. For the six months ended June 30, 2024, our Group had free cash flow of RMB1,531.8 million. This was a result of net cash flow generated from operating activities of RMB1,613.8 million, deducting payments for lease liabilities of RMB32.2 million and payments for capital expenditures of RMB49.8 million. Our bank balances and term deposits are primarily in RMB, USD and HKD. Our Group monitors capital on the basis of gearing ratio, which is calculated as debt divided by total equity. As of June 30, 2024:

- Our gearing ratio was 0.1%, compared with 0.1% as of December 31, 2023.
- Our total borrowings were RMB10.0 million, which were denominated in RMB.
- Our unutilized banking facility was RMB2,020.0 million.

As of June 30, 2024 and December 31, 2023, our Group had no significant contingent liabilities.

As of June 30, 2024 and December 31, 2023, our Group had not used any financial instruments for hedging purposes.

Capital Expenditures and Long-term Investments

Our Group's capital expenditures 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, 2024 totalled RMB115.9 million, compared with RMB133.3 million for the six months ended June 30, 2023, representing a year-over-year decrease of RMB17.4 million primarily due to lower capital expenditures in the first half of 2024. Our long-term investments were made in accordance with our general strategy of investing in or acquiring businesses that are complementary to our main business. We plan to fund our planned capital expenditures and long-term investments using cash flow generated from our operations.

Foreign Exchange Risk Management

The Group operates internationally and is exposed to foreign exchange risk arising from exposure to various currencies, primarily RMB, HKD and USD. Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the functional currency of our Group's entities. Our Group manages foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and tries to minimize these exposures through natural hedges, wherever possible, or forward foreign exchange contracts, when necessary. We did not hedge against foreign currency movements during the six months ended June 30, 2024 and 2023.

Employees

As of June 30, 2024, we had approximately 1,760 full-time employees, most of whom were based in China, primarily at our headquarters in Shanghai, with the rest based in Beijing, Suzhou and various other cities in China.

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

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 RMB1,050.3 million in revenues and RMB300.3 million in profit attributable to equity holders of the company for the six months ended June 30, 2024.

No Material Changes

Since the publication of our audited financial statements for the year ended December 31, 2023 on March 18, 2024, there have been no material changes to our business.

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2024

		Six months ended June 30,	
		2024	2023
	Note	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i> <i>(Unaudited)</i>
Revenues	5	4,190,933	3,283,026
Cost of revenues	6	<u>(2,107,703)</u>	<u>(1,678,264)</u>
Gross profit		2,083,230	1,604,762
Interest income		90,582	80,137
Other (losses)/gains, net	7	(3,724)	5,814
Selling and marketing expenses	6	(1,158,882)	(822,147)
General and administrative expenses	6	(544,789)	(534,509)
Net provision for impairment losses on financial assets		<u>(11,968)</u>	<u>(23,109)</u>
Operating profit		454,449	310,948
Finance costs, net		(2,099)	(2,820)
Share of net profit of associates and joint ventures	12	<u>150,646</u>	<u>117,461</u>
Profit before income tax		602,996	425,589
Income tax expense	8	<u>(99,064)</u>	<u>(49,610)</u>
Profit for the period		<u>503,932</u>	<u>375,979</u>
Other comprehensive income, net of tax:			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Share of other comprehensive loss of associates		(185)	(4,865)
Currency translation differences		(18,972)	(48,497)
<i>Items that will not be reclassified to profit or loss</i>			
Net gain/(loss) from change in fair value of financial asset at fair value through other comprehensive income		1,400	(4,122)
Share of other comprehensive income of an associate		–	3,098
Currency translation differences		<u>47,943</u>	<u>125,648</u>
		<u>30,186</u>	<u>71,262</u>
Total comprehensive income for the period		<u>534,118</u>	<u>447,241</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2024**

		Six months ended June 30,	
		2024	2023
	<i>Note</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Profit attributable to:			
– Equity holders of the Company		504,303	376,680
– Non-controlling interests		(371)	(701)
		<u>503,932</u>	<u>375,979</u>
Total comprehensive income attributable to:			
– Equity holders of the Company		534,497	447,912
– Non-controlling interests		(379)	(671)
		<u>534,118</u>	<u>447,241</u>
Earnings per share (expressed in RMB per share)			
– Basic earnings per share	<i>9(a)</i>	<u>0.50</u>	<u>0.37</u>
– Diluted earnings per share	<i>9(b)</i>	<u>0.49</u>	<u>0.37</u>

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2024**

	<i>Note</i>	As of June 30, 2024 <i>RMB'000</i> <i>(Unaudited)</i>	As of December 31, 2023 <i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		115,342	128,327
Right-of-use assets		177,403	207,675
Intangible assets	11	7,327,415	7,330,124
Investments in associates and joint ventures	12	1,064,204	924,683
Financial assets at fair value through profit or loss	13	853,234	856,047
Financial asset at fair value through other comprehensive income		5,559	4,071
Deferred income tax assets		488,753	394,121
Prepayments, deposits and other assets		292,513	291,608
Term deposits		2,199,000	1,829,000
		<u>12,523,423</u>	<u>11,965,656</u>
Current assets			
Inventories	14	716,593	743,660
Television series and film rights	15	857,686	995,078
Financial assets at fair value through profit or loss	13	2,817,577	2,442,719
Trade and notes receivables	16	2,127,935	1,988,200
Prepayments, deposits and other assets		1,186,541	1,212,607
Term deposits		1,303,193	1,038,739
Cash and cash equivalents		2,898,306	2,801,796
		<u>11,907,831</u>	<u>11,222,799</u>
Total assets		<u><u>24,431,254</u></u>	<u><u>23,188,455</u></u>
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		651	650
Treasury shares		(16,512)	–
Shares held for RSU schemes		(16,647)	(16,647)
Share premium		16,374,739	16,312,648
Other reserves		1,831,178	2,173,341
Retained earnings		1,059,256	554,953
		<u>19,232,665</u>	<u>19,024,945</u>
Non-controlling interests		<u>(917)</u>	<u>(538)</u>
Total equity		<u><u>19,231,748</u></u>	<u><u>19,024,407</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2024**

	<i>Note</i>	As of June 30, 2024 <i>RMB'000</i> <i>(Unaudited)</i>	As of December 31, 2023 <i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Lease liabilities		119,873	153,182
Long-term payables		8,125	1,151
Deferred income tax liabilities		132,135	134,520
Deferred revenue		23,079	24,231
Financial liabilities at fair value through profit or loss		—	247,830
		<u>283,212</u>	<u>560,914</u>
Current liabilities			
Borrowings	18	10,000	10,000
Lease liabilities		81,740	74,921
Trade payables	19	1,222,103	1,119,714
Other payables and accruals		1,935,279	997,662
Deferred revenue		1,144,543	879,250
Current income tax liabilities		237,427	266,444
Financial liabilities at fair value through profit or loss		285,202	255,143
		<u>4,916,294</u>	<u>3,603,134</u>
Total liabilities		<u><u>5,199,506</u></u>	<u><u>4,164,048</u></u>
Total equity and liabilities		<u><u>24,431,254</u></u>	<u><u>23,188,455</u></u>

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

On behalf of the board of directors

Director

Director

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2024**

	Attributable to equity holders of the Company								
	Share capital	Treasury shares	Share premium	Shares held		Retained earnings	Sub-total	Non-controlling interests	Total
				for RSU schemes	Other reserves				
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
(Unaudited)									
As of January 1, 2024	<u>650</u>	<u>-</u>	<u>16,312,648</u>	<u>(16,647)</u>	<u>2,173,341</u>	<u>554,953</u>	<u>19,024,945</u>	<u>(538)</u>	<u>19,024,407</u>
Comprehensive income									
Profit for the period	-	-	-	-	-	504,303	504,303	(371)	503,932
Other comprehensive income									
– Share of other comprehensive loss of an associate (<i>Note 12</i>)	-	-	-	-	(185)	-	(185)	-	(185)
– Currency translation differences	-	-	-	-	28,979	-	28,979	(8)	28,971
– Net profit from change in fair value of financial asset at fair value through other comprehensive income	-	-	-	-	1,400	-	1,400	-	1,400
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,194</u>	<u>504,303</u>	<u>534,497</u>	<u>(379)</u>	<u>534,118</u>
Share of other changes in net assets of an associate	-	-	-	-	(557)	-	(557)	-	(557)
Transaction with owners									
Share-based compensation expenses	-	-	-	-	55,440	-	55,440	-	55,440
Transfer of vested RSUs	-	-	(144)	-	-	-	(144)	-	(144)
Issue of ordinary shares as consideration for a business combination	2	-	72,161	-	-	-	72,163	-	72,163
Business combination under common control	-	-	-	-	(427,240)	-	(427,240)	-	(427,240)
Repurchase of shares (to be cancelled)	-	(16,512)	-	-	-	-	(16,512)	-	(16,512)
Repurchase and cancellation of shares	(1)	-	(9,926)	-	-	-	(9,927)	-	(9,927)
Transactions with owners in their capacity for the period	<u>1</u>	<u>(16,512)</u>	<u>62,091</u>	<u>-</u>	<u>(371,800)</u>	<u>-</u>	<u>(326,220)</u>	<u>-</u>	<u>(326,220)</u>
As of June 30, 2024	<u><u>651</u></u>	<u><u>(16,512)</u></u>	<u><u>16,374,739</u></u>	<u><u>(16,647)</u></u>	<u><u>1,831,178</u></u>	<u><u>1,059,256</u></u>	<u><u>19,232,665</u></u>	<u><u>(917)</u></u>	<u><u>19,231,748</u></u>

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

	Attributable to equity holders of the Company							
	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Shares held for RSU schemes <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Retained earnings/ (Accumulated losses) <i>RMB'000</i>	Sub-total <i>RMB'000</i>	Non-controlling interests <i>RMB'000</i>	Total <i>RMB'000</i>
(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 (<i>Note 12</i>)	-	-	-	(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	-	-	-	(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	<u>646</u>	<u>16,310,617</u>	<u>(18,766)</u>	<u>2,097,245</u>	<u>173,742</u>	<u>18,563,484</u>	<u>89</u>	<u>18,563,573</u>

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2024**

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net cash generated from operating activities	<u>1,613,843</u>	<u>615,638</u>
Net cash used in investing activities	<u>(1,477,826)</u>	<u>(2,382,543)</u>
Net cash flows used in financing activities	<u>(63,231)</u>	<u>(466,370)</u>
Net increase/(decrease) in cash and cash equivalents	72,786	(2,233,275)
Cash and cash equivalents at beginning of the period	2,801,796	5,545,766
Exchange gains on cash and cash equivalents	<u>23,724</u>	<u>47,415</u>
Cash and cash equivalents at end of the period	<u><u>2,898,306</u></u>	<u><u>3,359,906</u></u>

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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 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 interim financial information comprises the condensed consolidated statement of financial position as of June 30, 2024, the related condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed 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, 2023, which have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (“IFRS Accounting Standards”), as set out in the 2023 annual report of the Company dated March 18, 2024 (the “2023 Financial Statements”).

The Group completed the business combination under common control with Tencent and several of its subsidiaries (together referred to as “the Sellers”) during the six months ended June 30, 2024. Regarding the business combination under common control, the Group applied predecessor accounting method that the assets and liabilities of the acquired business are stated at predecessor carrying values, and no new goodwill arises. The acquired business’ results and statement of financial position are incorporated prospectively from the date on which the business combination under common control occurred.

3 Material 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 2023 Financial Statements, which have been prepared in accordance with IFRS Accounting Standards 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, 2024:

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

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

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 on 1 January 2024 and have not been early adopted by the Group in preparing the condensed consolidated financial statements. As at the date of approval of this Interim Financial Information, the Group is still in the process of assessing the effects of adopting IFRS 18, IFRS 19 and these amendments and improvements to IFRS accounting standards. As at the date of approval of this Interim Financial Information, the Group has not identified any significant effect on its financial statements. The Group will continue to assess the effects of these new and amended standards.

		Effective for annual periods beginning on or after
Amendments to IAS 21	Lack of Exchangeability	January 1, 2025
Amendments to IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments	January 1, 2026
Amendments to IFRS accounting standards	Annual Improvements – Volume 11 IFRS accounting standards	January 1, 2026
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	January 1, 2027

4 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.

To help investors better understand the Group’s revenue structure and margin trends, short-form dramas have been reclassified from “Online business” to “Intellectual property operations and others”. The comparative figures in the condensed consolidated financial statements of the Group and the note have been restated to conform with the new presentation. The Group had the following reportable segments for the six months ended June 30, 2024 and 2023:

- Online business (including online paid reading, online advertising and game publishing); and
- Intellectual property operations and others (including licensing and distribution of film, television, web and animated series, copyrights licensing, sales of adaptation rights and scripts, 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, 2024 and 2023, the chief operating decision-makers assessed the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. The selling and marketing expenses and general and administrative expenses were common costs incurred for these operating segments as a whole and therefore, they were not included in the measure of the segments’ performance which was used by the chief operating decision-makers as a basis for the purpose of resource allocation and assessment of segment performance. Interest income, other gains, net, finance costs, 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, 2024 and 2023. The revenues from external customers reported to the chief operating decision-makers were measured in a manner consistent with that applied in the condensed 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 condensed 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, 2024 and 2023 is as follows:

	Six months ended June 30, 2024		
		Intellectual property operations and others	
	Online business		Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Unaudited)			
Segment revenues	1,940,377	2,250,556	4,190,933
Cost of revenues	965,951	1,141,752	2,107,703
Gross profit	<u>974,426</u>	<u>1,108,804</u>	<u>2,083,230</u>
	Six months ended June 30, 2023		
		Intellectual property operations and others	
	Online business		Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Unaudited)			
Segment revenues	1,984,404	1,298,622	3,283,026
Cost of revenues	997,778	680,486	1,678,264
Gross profit	<u>986,626</u>	<u>618,136</u>	<u>1,604,762</u>

The reconciliation of gross profit to profit before income tax during the six months ended June 30, 2024 and 2023 is shown in the condensed consolidated statement of comprehensive income.

For the six months ended June 30, 2024, the Group's customer base was diversified and included only Tencent, whose transactions enacted with the Group had exceeded 10% of the Group's total revenues (for the six months ended June 30, 2023: only Tencent).

As of June 30, 2024 and 2023, substantially all of the non-current assets other than financial instruments and deferred tax assets of the Group were located in PRC.

5 Revenues

5.1 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	
(Unaudited) Six months ended June 30, 2024	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Timing of revenue recognition:						
– At a point in time	1,500,919	122,162	115,549	1,193,304	44,848	2,976,782
– Over time	193,250	8,497	–	1,009,523	2,881	1,214,151
	<u>1,694,169</u>	<u>130,659</u>	<u>115,549</u>	<u>2,202,827</u>	<u>47,729</u>	<u>4,190,933</u>
	Online business			Intellectual property operations and others		
	On self-owned platform products	On the channels on Tencent products	On third-party platforms	Intellectual property operations	Others	Total
(Unaudited) Six months ended June 30, 2023	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Timing of revenue recognition:						
– At a point in time	1,562,824	175,461	97,729	1,015,159	43,823	2,894,996
– Over time	146,843	1,547	–	238,794	846	388,030
	<u>1,709,667</u>	<u>177,008</u>	<u>97,729</u>	<u>1,253,953</u>	<u>44,669</u>	<u>3,283,026</u>

6 Expenses by nature

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Promotion and advertising expenses	866,253	558,281
Content costs	856,281	751,939
Employee benefits expenses	532,208	516,844
Production costs of television, web and animated series and films	442,026	268,714
Platform distribution costs	366,778	383,224
Impairment loss on television series and film rights	185,356	–
Payment handling costs	145,802	126,849
Amortisation of intangible assets (Note 11)	79,944	91,772
Bandwidth and server custody fees	56,980	43,354
Cost of physical inventories sold	46,266	29,336
Game development outsourcing costs	42,736	56,687
Depreciation of right-of-use assets	36,166	38,437
Travelling, entertainment and general office expenses	23,635	17,888
Depreciation of property, plant and equipment	17,817	17,007
Professional service fees	12,395	11,102
Tax surcharge expenses	10,617	8,314
Auditors' remuneration		
–Audit services	5,315	5,315
–Non-audit services	442	488
Logistic expenses	4,034	2,542
Provision for physical inventory obsolescence	3,242	8,802
Expense relating to short-term and low value leases	2,507	2,426
Impairment loss on prepayments for production of television series and films	–	36,000
Impairment loss on prepayments to directors and writers	–	2,830
Others	74,574	56,769
	3,811,374	3,034,920

7 Other (losses)/gains, net

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government subsidies	48,634	83,434
Net fair value gains of investments in financial assets at fair value through profit or loss (excluding redeemable shares)	26,845	31,832
Compensation received for copyright infringements	5,516	5,407
Fair value gain/(loss) on contingent consideration payable	501	(49,952)
Impairment loss of intangible assets (<i>Note 11</i>)	(22,591)	–
Impairment provision for investments in associates and joint ventures (<i>Note 12</i>)	(26,157)	(55,308)
Net fair value losses of investments in redeemable shares	(41,264)	(70,999)
Gain on disposal of investment in an associate	–	40,402
Dilution gains on deemed disposal (<i>Note 12</i>)	–	12,711
Others, net	4,792	8,287
	(3,724)	5,814

8 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, 2024 and 2023.

(b) Hong Kong profits tax

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

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

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax	119,203	82,543
Deferred income tax	(20,139)	(32,933)
Income tax expense	99,064	49,610

9 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,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net profit attributable to the equity holders of the Company	504,303	376,680
Weighted average number of ordinary shares in issue (thousand)	1,014,153	1,006,602
Basic earnings per share (expressed in RMB per share)	0.50	0.37

- (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, 2024 and 2023, 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.

	Six months ended June 30,	
	2024	2023
	<i>RMB’000</i>	<i>RMB’000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net profit attributable to the equity holders of the Company	<u>504,303</u>	<u>376,680</u>
Net profit used to determine earnings per share	<u>504,303</u>	<u>376,680</u>
Weighted average number of ordinary shares outstanding (thousand)	1,014,153	1,006,602
Effect of deemed issuance of ordinary shares in connection with the acquisition of New Classics Media (thousand)	–	1,007
Adjustments for share-based compensation (thousand)	<u>6,511</u>	<u>7,482</u>
Weighted average number of ordinary shares for diluted earnings per share (thousand)	<u>1,020,664</u>	<u>1,015,091</u>
Diluted earnings per share (expressed in RMB per share)	<u><u>0.49</u></u>	<u><u>0.37</u></u>

10 Dividends

No dividends was paid or declared by the Company during the six months ended June 30, 2024 and 2023.

11 Intangible assets

	Goodwill <i>RMB'000</i>	Non- compete agreement <i>RMB'000</i>	Trademarks <i>RMB'000</i>	Copyrights of contents <i>RMB'000</i>	Software <i>RMB'000</i>	Domain names <i>RMB'000</i>	Total <i>RMB'000</i>
(Unaudited)							
Six months ended June 30, 2024							
Opening net book amount as of							
January 1, 2024	6,632,807	8,245	536,440	138,492	12,090	2,050	7,330,124
Additions	-	-	-	37,452	7,744	-	45,196
Amortisation	-	(3,298)	(9,766)	(62,811)	(4,063)	(6)	(79,944)
Business combination under common control	-	-	-	54,630	-	-	54,630
Impairment <i>(Note 7)</i>	-	-	-	(22,591)	-	-	(22,591)
	<u>6,632,807</u>	<u>4,947</u>	<u>526,674</u>	<u>145,172</u>	<u>15,771</u>	<u>2,044</u>	<u>7,327,415</u>
Closing net book amount as of June 30, 2024	<u>6,632,807</u>	<u>4,947</u>	<u>526,674</u>	<u>145,172</u>	<u>15,771</u>	<u>2,044</u>	<u>7,327,415</u>

	Goodwill <i>RMB'000</i>	Non- compete agreement <i>RMB'000</i>	Trademarks <i>RMB'000</i>	Copyrights of contents <i>RMB'000</i>	Software <i>RMB'000</i>	Domain names <i>RMB'000</i>	Total <i>RMB'000</i>
(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
	<u>6,632,807</u>	<u>11,543</u>	<u>546,841</u>	<u>209,220</u>	<u>10,752</u>	<u>2,069</u>	<u>7,413,232</u>
Closing net book amount as of June 30, 2023	<u>6,632,807</u>	<u>11,543</u>	<u>546,841</u>	<u>209,220</u>	<u>10,752</u>	<u>2,069</u>	<u>7,413,232</u>

Impairment tests for goodwill

As of June 30, 2024 and December 31, 2023, goodwill is allocated to the Group’s cash-generating units (“CGU”) identified as follows:

	As of June 30, 2024 RMB’000 (Unaudited)	As of December 31, 2023 RMB’000
Online business	3,715,659	3,715,659
Acquired TV and film business	2,917,148	2,917,148
	<u>6,632,807</u>	<u>6,632,807</u>

During the six months ended June 30, 2024 and 2023, 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 assessment.

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, 2024 and June 30, 2023, the recoverable amounts of goodwill are determined based on the value-in-use calculations. The value-in-use calculations adopt cash flow projections derived from expected business performance 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 on 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, 2024 and 2023.

Impairment tests for copyrights

Impairment review on the copyrights of certain contents had been conducted by the management as of June 30, 2024 according to IAS 36 “Impairment of assets”. As of June 30, 2024, the recoverable amount of the copyrights is determined based on the value-in-use calculations. During the six months ended June 30, 2024, an impairment provision of approximately RMB22,591,000 (for the six months ended June 30, 2023: nil) was made against the carrying amount of such copyrights. Sensitivity analysis had also been performed by the management as of June 30, 2024 and the estimated changes in the recoverable amount was considered to be immaterial.

12 Investments in associates and joint ventures

	As of June 30, 2024 <i>RMB'000</i> <i>(Unaudited)</i>	As of December 31, 2023 <i>RMB'000</i>
Investments in associates (a)	400,226	409,405
Investments in joint ventures (b)	663,978	515,278
	<u>1,064,204</u>	<u>924,683</u>

(a) Investments in associates

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
At the beginning of the period	409,405	476,225
Additions	–	23,027
Share of net loss of associates	(8,823)	(1,579)
Share of other comprehensive loss of associates	(185)	(1,767)
Disposal	–	(28,793)
Impairment provision	–	(55,308)
Dilution gains on deemed disposals	–	12,711
Share of other changes in net assets of an associate	(557)	–
Currency translation differences	386	2,723
	<u>400,226</u>	<u>427,239</u>

(b) Investments in joint ventures

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
At the beginning of the period	515,278	532,529
Additions	20,437	34,080
Share of net profit of joint ventures	159,469	119,040
Disposal	(5,068)	–
Impairment provision	(26,157)	–
Currency translation differences	19	–
	<u>663,978</u>	<u>685,649</u>

13 Financial assets at fair value through profit or loss

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, 2024 RMB'000 (Unaudited)	As of December 31, 2023 RMB'000
Included in non-current assets:		
Investments in unlisted entities	848,631	849,468
Investment in a listed entity	<u>4,603</u>	<u>6,579</u>
	<u>853,234</u>	<u>856,047</u>
Included in current assets:		
Investments in television series and films	–	822
Investments in structured deposits	<u>2,817,577</u>	<u>2,441,897</u>
	<u>2,817,577</u>	<u>2,442,719</u>
	<u><u>3,670,811</u></u>	<u><u>3,298,766</u></u>

14 Inventories

	As of June 30, 2024 <i>RMB'000</i> <i>(Unaudited)</i>	As of December 31, 2023 <i>RMB'000</i>
Adaptation rights and scripts	664,095	701,930
Raw materials	2,030	1,708
Work in progress	1,230	1,974
Inventories in warehouse	34,630	32,340
Inventories held with distributors on consignment	32,305	31,168
Others	31,111	20,248
	<u>765,401</u>	<u>789,368</u>
Less: provision for inventory obsolescence	(48,808)	(45,708)
	<u><u>716,593</u></u>	<u><u>743,660</u></u>

15 Television series and film rights

	As of June 30, 2024 <i>RMB'000</i> <i>(Unaudited)</i>	As of December 31, 2023 <i>RMB'000</i>
Television series and film rights		
– production in progress	834,880	951,533
– completed	22,806	43,545
	<u>857,686</u>	<u>995,078</u>

	Production in progress RMB'000	Completed RMB'000	Total RMB'000
(Unaudited)			
As of January 1, 2024	951,533	43,545	995,078
Additions	407,658	–	407,658
Business combination under common control	19,585	–	19,585
Transfer from adaptation rights and scripts to under production	62,747	–	62,747
Transfer from production in progress to completed	(604,383)	604,383	–
Recognised in cost of revenues	(2,260)	(625,122)	(627,382)
	<u>834,880</u>	<u>22,806</u>	<u>857,686</u>
As of June 30, 2024	834,880	22,806	857,686
	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)
	<u>782,770</u>	<u>67,508</u>	<u>850,278</u>
As of June 30, 2023	782,770	67,508	850,278

16 Trade and notes receivables

	As of June 30, 2024 RMB'000 (Unaudited)	As of December 31, 2023 RMB'000
Trade receivables	2,340,895	2,179,210
Notes receivables	9,737	200
	2,350,632	2,179,410
Less: allowance for impairment of trade and notes receivables	(222,697)	(191,210)
	2,127,935	1,988,200

The Group applies the IFRS 9 simplified approach for trade receivables, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. The Group also 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, 2024 and December 31, 2023.

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

	As of June 30, 2024 RMB'000 (Unaudited)	As of December 31, 2023 RMB'000
Trade and notes receivables		
– Up to 3 months	1,791,628	1,348,862
– 3 to 6 months	89,175	163,772
– 6 months to 1 year	164,274	292,035
– 1 to 2 years	29,487	135,560
– Over 2 years	53,371	47,971
	2,127,935	1,988,200

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

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

	Number of RSUs
(Unaudited)	
As of January 1, 2024	3,561,705
Granted	–
Forfeited (<i>Note a</i>)	(503,865)
Vested	<u>(411,626)</u>
Outstanding balance as of June 30, 2024	<u><u>2,646,214</u></u>
(Unaudited)	
As of January 1, 2023	5,322,457
Granted	100,243
Forfeited	(413,228)
Vested	<u>(564,257)</u>
Outstanding balance as of June 30, 2023	<u><u>4,445,215</u></u>

Note:

- (a) If the grantee’s employment with or service with the Group terminates (e.g. upon cessation of employment), any rights to the RSUs or options subjected to the unvested portion of the grantee shall be forfeited.
- (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, 2024	6,826,174
Granted	–
Forfeited	(420,807)
Vested	(1,093)
	<hr/>
Outstanding balance as of June 30, 2024	6,404,274
	<hr/> <hr/>
(Unaudited)	
As of January 1, 2023	6,690,316
Granted	2,187
Forfeited	(552,354)
Vested	(10,962)
	<hr/>
Outstanding balance as of June 30, 2023	6,129,187
	<hr/> <hr/>

During the six months ended June 30, 2024 and 2023, there was no RSU granted to executive directors 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. The share options granted were divided into three to four tranches on an equal basis 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.

(i) Movements in share options

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

	2024		2023	
	Average exercise price	Number of options	Average exercise price	Number of options
(Unaudited)				
As of January 1	HKD45.74	10,063,523	HKD47.15	9,243,013
Forfeited/Lapsed	HKD46.15	(2,462,374)	HKD34.37	(789,039)
As of June 30	HKD45.61	7,601,149	HKD48.34	8,453,974
Exercisable as of June 30	HKD51.78	3,313,218	HKD57.82	3,204,417

During the six months ended June 30, 2024 and 2023, 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, 2024 and December 31, 2023 are as follows:

Grant Date	Expiry Date	Exercise price	Number of share option	
			June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
July 12, 2021	July 11, 2031	HKD82.85	1,366,564	2,091,564
November 5, 2021	November 4, 2031	HKD53.14	1,786,539	1,786,539
August 18, 2022	August 17, 2032	HKD30.69	3,024,605	4,575,871
August 21, 2023	August 20, 2033	HKD32.06	1,423,441	1,609,549
Total			7,601,149	10,063,523
Weighted average remaining contractual life of options outstanding at end of period			7.93 years	8.25 years

(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 condensed consolidated statement of comprehensive income. As of June 30, 2024, the Expected Retention Rate of the Group was assessed to be no lower than 92% (June 30, 2023: 92%).

18 Borrowings

	As of June 30, 2024 RMB'000 (Unaudited)	As of December 31, 2023 RMB'000
Current		
Secured		
RMB bank borrowings (<i>Note a</i>)	<u>10,000</u>	<u>10,000</u>
Total borrowings	<u><u>10,000</u></u>	<u><u>10,000</u></u>

Note:

- (a) As of June 30, 2024 and December 31, 2023, the carrying amount of the Group's borrowings approximated to their fair value.

The Group complied with all of the financial covenants of its borrowing facilities as of June 30, 2024 and December 31, 2023.

19 Trade payables

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

	As of June 30, 2024 <i>RMB'000</i> <i>(Unaudited)</i>	As of December 31, 2023 <i>RMB'000</i>
– Up to 3 months	597,425	541,461
– 3 to 6 months	57,976	63,593
– 6 months to 1 year	156,297	126,496
– Over 1 year	410,405	388,164
	<u>1,222,103</u>	<u>1,119,714</u>

20 Subsequent events

In July 2024, the Group made an investment in convertible bonds of an investee company that engaged in animation and game production at a total consideration of approximately RMB150,000,000.

DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend for the six months ended June 30, 2024 (2023: Nil).

OTHER INFORMATION

Purchase, Sale or Redemption of Listed Securities

During the six months ended June 30, 2024, the Company purchased a total of 1,152,800 shares on the Stock Exchange for an aggregate consideration of approximately HKD29,001,120 before expenses pursuant to the share buy-back mandates approved by the Shareholders at the annual general meetings held on May 22, 2023 and June 3, 2024, respectively. The purchased Shares were subsequently cancelled. As at the date of this announcement, the Company did not hold any treasury shares (including any treasury shares held or deposited with CCASS). The purchase was effected by the Board for the enhancement of shareholder value in the long term. Details of the shares purchases are as follows:

Month for purchase in the six months ended 30 June 2024	No. of shares purchased	Purchase consideration per share		Aggregate consideration paid HKD
		Lowest price paid HKD	Highest price paid HKD	
April	200,000	24.20	24.40	4,860,980
June	<u>952,800</u>	24.85	26.05	<u>24,140,140</u>
Total	<u><u>1,152,800</u></u>			<u><u>29,001,120</u></u>

Save as disclosed above, during the six months ended June 30, 2024, 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, 2024, the Company has complied with all applicable code provisions of the CG Code.

Model Code for Dealing in Securities by Directors

The Company has adopted the Model Code as set out in Appendix C3 of the Listing Rules as its own code of conduct regarding directors' securities transactions. Having been made specific enquiries by the Company, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the six months ended June 30, 2024.

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, 2024. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and has also reviewed the effectiveness of the risk management and Internal Control Systems of the Company, and considered the risk management and Internal Control Systems to be effective and adequate.

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 despatched to the Shareholders who have already provided instructions indicating their preference to receive hard copies in due course.

APPRECIATION

Finally, I would like to thank our management and employees for their commitment, contributions, and creativity; 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 12, 2024

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.

DEFINITIONS

- “2014 RSU Scheme” : the scheme adopted by the Company to grant RSUs to the Directors, senior management and employees and those of our subsidiaries which took effect as of December 23, 2014;
- “2020 RSU Scheme” : a restricted share unit scheme of the Company adopted on May 15, 2020, and amended by the Shareholders’ resolution passed on May 22, 2023, as amended from time to time;
- “2021 Share Option Scheme” : a share option scheme of the Company adopted on May 24, 2021, and amended by the Shareholders’ resolution passed on May 22, 2023, as amended from time to time;
- “Audit Committee” : the audit committee of the Company;
- “Auditor” : PricewaterhouseCoopers, the external auditor of the Company;
- “Board” : the board of Directors of the Company;
- “CCASS” : the Central Clearing and Settlement System established and operated by HKSCC;
- “CG Code” : the Corporate Governance Code as set out in Appendix C1 of the Listing Rules;
- “China” or the “PRC” : the People’s Republic of China;
- “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 GEM of the Stock Exchange;
“MAUs”	:	monthly active users who access our platform or through our products or our self-operated channels on Tencent products at least once during the calendar month in question;
“Model Code”	:	the Model Code for Securities Transactions by Directors of Listed Issuers;
“MPUs”	:	monthly paying users, meaning the number of accounts that purchase our content or virtual items on a special mobile app, WAP or website at least once during the calendar month in question;
“New Classics Media Holdings Limited”, “New Classics Media” or “NCM”	:	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, 2024;
“RMB”	:	the lawful currency of the PRC;
“RSU(s)”	:	restricted stock unit(s);

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