

## China Literature Announces 2022 Annual Results

Hong Kong, March 16, 2023 – China Literature Limited (“China Literature” or “the Company”, stock code: 0772), a leading online literature and intellectual property (“IP”) incubation platform in China, today announced the audited consolidated results for the year ended December 31, 2022.

### Results Highlights <sup>(1)</sup> <sup>(3)</sup>

- Total revenues were RMB7,625.6 million (USD1,094.9 million), compared with RMB8,668.2 million in 2021.
- **On a non-IFRS <sup>(2)</sup> basis**, which is intended to reflect core earnings by excluding certain one-time and/or non-cash items:
  - Operating profit increased 4.9% year-over-year to RMB1,363.9 million (USD195.8 million). Operating margin increased from 15.0% to 17.9%.
  - Profit attributable to equity holders of the Company increased 9.6% year-over-year to RMB1,348.2 million (USD193.6 million). Its margin increased from 14.2% to 17.7%.
  - Basic earnings per share were RMB1.33. Diluted earnings per share were RMB1.32.
- **On an IFRS basis:**
  - Operating profit was RMB628.8 million (USD90.3 million), compared with RMB2,172.6 million in 2021. The difference was mainly attributable to non-IFRS adjustment items, including a gain of RMB1,076.8 million related to the sale of our stake in a joint venture in 2021 and fair value losses of certain investee companies in 2022.
  - Profit attributable to equity holders of the Company was RMB608.2 million (USD87.3 million), compared with RMB1,846.6 million in 2021.
  - Basic earnings per share were RMB0.60. Diluted earnings per share were RMB0.59.

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

We are increasingly focused on developing high-quality visualized content, adapting literary stories into

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<sup>1</sup> Figures stated in USD are based on USD1 to RMB6.9646 and USD1 to HKD7.7967.

<sup>2</sup> Non-IFRS adjustments exclude share-based compensation, M&A related impact such as net losses/(gains) from investee companies and amortization of intangible assets, as well as related income tax effects.

<sup>3</sup> Certain figures included in this press release have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures shown in the breakdown items.

<sup>4</sup> “Our literature platform”, or “our platform” refers to all of online products, channels and content operated by China Literature, including but not limited to mobile apps, WAPs, websites and various channels.

various visual formats such as TV and web series, film, animation and comics, in order to expand our IP influence and unlock IP value. In the TV and film segment in particular, China Literature's leadership as China's preeminent blockbuster producer has been repeatedly validated with the continuous release of first-rate works. Following the 2021 launch of hit titles *My Heroic Husband* (赘婿), *Sword Snow Stride* (雪中悍刀行), *The Rebel* (叛逆者), *Soul Land* (斗罗大陆) and *Hi Mom* (你好，李焕英), 2022 was another fruitful year with the release of blockbuster drama series *A Lifelong Journey* (人世间), *New Life Begins* (卿卿日常), *Life is A Long Quiet River* (心居) and *The Heart of Genius* (天才基本法), and the film *Too Cool to Kill* (这个杀手不太冷静). In addition, we expanded our production capacity for comics and animated series while releasing more top-tier titles. The long string of blockbusters based on China Literature's IPs demonstrates our unique advantages in IP reserves, IP production, and mobilizing resources along the entire value chain. We will continue to take a long-term view and support our creators, users and industry partners to transform quality IP into all possible formats along the value chain to help good stories live forever.”

### Financial Review <sup>(3)</sup>

**Revenues** were RMB7,625.6 million (USD1,094.9 million), compared with RMB8,668.2 million in 2021.

Revenues from online business were RMB4,364.0 million (USD626.6 million), compared with RMB5,308.5 million in 2021. A further breakdown of this category is as follows: i) online business revenues from our self-owned platform products were RMB3,482.9 million (USD500.1 million), compared with RMB3,848.4 million in 2021, mainly due to reduced marketing spending on user acquisition as we implemented cost control and operational efficiency improvement measures for our business in 2022. Despite these cost-cutting efforts, revenues from Qidian Reading, one of our core products, increased over 30% year-over-year, as we focused on supporting the growth of our premium products by investing in high-quality content offerings, effective anti-piracy measures, and improved product operations; ii) online business revenues from our channels on Tencent products were RMB591.0 million (USD84.9 million), compared with RMB808.9 million in 2021, which was mainly attributable in part to a reduction in advertising revenues caused by broader market factors and in part to the channel optimization carried out as a part of our initiatives to improve operational efficiency; iii) and online business revenues from third-party platforms were RMB290.2 million (USD41.7 million), compared with RMB651.1 million in 2021, primarily due to the suspension of collaboration with certain third-party distribution partners.

Revenues from IP operations and others were RMB3,261.6 million (USD468.3 million), compared with RMB3,359.8 million in 2021, among which i) revenues from IP operations were RMB3,160.2 million (USD453.8 million), compared with RMB3,231.4 million in 2021, mainly due to a decrease in revenues from our self-operated online game in 2022, despite solid growth in revenues from our TV and web series, films, animation series, and licensing of copyrights in 2022, and ii) revenues from the “others” category, consisting mainly of sales of physical books, were RMB101.4 million (USD14.6 million), compared with RMB128.4 million in 2021, as we continued to adjust our physical book business in tandem with our business development strategy.

**Cost of revenues** decreased 11.6% year-over-year to RMB3,595.5 million (USD516.3 million), mainly as a result of i) a reduction in platform distribution costs for our online businesses, ii) lower content costs, and iii) lower amortization of intangible assets of content copyrights due to the high base effect in the prior year.

The decrease in the cost of revenues was partially offset by an increase in production costs of TV, web and animated series and films along with the increase in revenues.

**Gross profit** decreased 12.4% year-over-year to RMB4,030.1 million (USD578.7 million). Gross margin was 52.8%, compared with 53.1% in 2021.

**Interest income** increased 28.4% year-over-year to RMB160.9 million (USD23.1 million), reflecting higher interest income from bank deposits.

**Other losses, net** were RMB207.1 million (USD29.7 million), compared with net other gains of RMB1,448.1 million in 2021. The other gains in 2021 mainly consisted of a gain of RMB1,076.8 million related to the sale of our stake in Lazy Audio. The other losses in 2022 mainly consisted of a net fair value loss related to certain investee companies and acquisitions.

**Selling and marketing expenses** decreased 25.9% year-over-year to RMB2,002.6 million (USD287.5 million), as a result of reduced promotion and advertising expenses for our online business as a part of our cost control and efficiency improvement initiatives in 2022. As a percentage of revenues, our selling and marketing expenses decreased to 26.3% in 2022 from 31.2% in 2021.

**General and administrative expenses** decreased 6.5% year-over-year to RMB1,238.2 million (USD177.8 million), primarily due to a decrease in research and development expenses and a reduction in professional service fees. As a percentage of revenues, general and administrative expenses were 16.2% in 2022, compared with 15.3% in 2021.

**Net provision for impairment losses on financial assets** reflected a provision for doubtful receivables. In 2022, the provision for doubtful receivables was RMB114.3 million (USD16.4 million) on a net basis, mainly related to TV series and film projects.

**Operating profit** was RMB628.8 million (USD90.3 million), compared with RMB2,172.6 million in 2021. The year-over-year difference was mainly attributable to non-IFRS adjustment items, including a gain from the sale of our stake in Lazy Audio in 2021 and fair value losses due to the decreased valuations of certain investee companies in 2022. **Non-IFRS operating profit** increased 4.9% year-over-year to RMB1,363.9 million (USD195.8 million). **Non-IFRS operating margin** increased from 15.0% to 17.9%, reflecting our successful efforts to control operational costs.

**Income tax expense** was RMB166.2 million (USD23.9 million), compared with RMB460.1 million in 2021.

**Profit attributable to equity holders of the Company** was RMB608.2 million (USD87.3 million), compared with RMB1,846.6 million in 2021. **Non-IFRS profit attributable to equity holders of the Company** increased 9.6% year-over-year to RMB1,348.2 million (USD193.6 million), with its **margin** increased from 14.2% to 17.7%.

## Key Operating Information

- Average MAUs on our self-owned platform products and self-operated channels decreased by 1.9% year-over-year from 248.6 million to 243.9 million in 2022. A further breakdown of MAUs is as follows: i) MAUs on our self-owned platform products decreased by 5.8% year-over-year from 116.8 million to 110.0 million, mainly as we reduced marketing spending on user acquisition as a part of our efforts to control costs and improve operational efficiency; and ii) MAUs on our self-operated channels on Tencent products remained relatively stable at 133.9 million, representing an increase of 1.6% year-over-year.
- Average MPUs on our self-owned platform products and self-operated channels decreased from 8.7 million to 7.9 million in 2022, mainly due to our channel optimization efforts and a reduction in marketing spending on low-ROI users. In conjunction with our efforts to control cost, we focused on improving content offerings, taking a creative approach to combatting piracy, and enhancing the user experience for our core products. As a result, average MPUs on our self-owned platform products increased 16% year-over-year and 14% sequentially in the second half of 2022.
- Monthly ARPU for paid reading content was RMB37.8, compared with RMB39.7 in 2021, primarily due to changes in revenue mix from different product offerings.

## Other Key Information

- EBITDA was RMB1,052.8 million (USD151.2 million), compared with RMB1,094.0 million in 2021. Adjusted EBITDA was RMB1,350.6 million (USD193.9 million), compared with RMB1,335.8 million in 2021.
- As of December 31, 2022, the Company's net cash position was RMB7,091.4 million (USD1,018.2 million).
- Free cash flow\* was RMB1,182.7 million (USD169.8 million), compared with RMB791.2 million in 2021.
- New Classics Media, on a standalone basis, recorded RMB1,623.3 million (USD233.1 million) in revenues and RMB537.7 million (USD77.2 million) in profit attributable to equity holders of the company in 2022.
- The Company announced in August 2022 that its board of directors had authorized a share buy-back program, under which the Company may repurchase up to RMB700 million (or HKD equivalent) of its ordinary shares for the next 12 months. As of December 31, 2022, the Company repurchased approximately 10.7 million shares for an aggregate consideration of approximately HKD233.0 million (USD29.9 million)<sup>(1)</sup>. All repurchased shares have been cancelled.

\* Free cash flow: operating cash flow deducts payments for lease liabilities and payments for capital expenditures.

## Business Highlights

### IP Creation

In our online reading business, we continued to expand our investment in premium content in 2022, while proactively cutting certain channels which generated low or negative returns. These adjustments have significantly improved our operational efficiency. More importantly, they have further enhanced our core

competitiveness as they should generate more positive feedback to high-quality content creators.

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

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

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

### ***IP Visualization***

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

- In the TV and film segment, we continued to release first-rate works. 2022 was another fruitful year highlighted by the launch of popular titles including the film *Too Cool to Kill* (这个杀手不太冷静) and drama series *A Lifelong Journey* (人世间), *New Life Begins* (卿卿日常), *Life is A Long Quiet River* (心居), *The Heart of Genius* (天才基本法), *The Wind Blows from Longxi* (风起陇西), *Master of My Own* (请叫我总监), and *Rose War* (玫瑰之战). Among which:

- A Lifelong Journey (人世间) was the No.1 show nationwide in the first half of 2022. The drama series set an 8-year record for CCTV-1 prime time ratings, topped all charts across the internet, and garnered significant acclaim.
- New Life Begins (卿卿日常), which was released in the second half of the year, achieved an iQiyi popularity index of ten thousand within 144 hours, breaking the record set by My Heroic Husband (赘婿) in 2021. According to various professional data sources such as Enlightent, Kuyun, Maoyan and Dengta, New Life Begins (卿卿日常) ranked first in terms of popularity index and video views throughout the year. In addition, the drama series has been released on mainstream media platforms in Vietnam, Malaysia, Europe and the United States, achieving popularity in those markets as well.

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

- In the animation segment, we continued our track record of strong releases. Two of our most well-known IP titles, Battle Through the Heavens (斗破苍穹) and Stellar Transformations (星辰变), each released two new seasons in 2022. We also launched new seasons for Martial Universe (武动乾坤), Cinderella Chef (萌妻食神) and Forty Millenniums of Cultivation (星域四万年), making these titles soar in popularity as well. Our animation works have achieved great success on video platforms, leading in terms of quantity, quality and hit rate. According to Guduo, a third-party data source, among the top 10 most popular domestic animation works that were newly released on Tencent Video in 2022, seven were based on China Literature's IP. These successes again demonstrate our unique strengths in proprietary IP and our professional capabilities along the entire value chain. It's fair to say that, in addition to serving as the cornerstone of our IP visualization strategy, our IP has also empowered the growth of the entire animation industry in China, helping it stand out as one of the most popular and steadily-growing categories on China's top video platforms.
- In the comics segment, we improved our production capacity and accelerated the IP visualization process. Back in the second half of 2020, we announced a joint project with Tencent Comics to adapt 300 online literary works into comics over the next three years. Our progress on this project is ahead of schedule. By the end of 2022, we had launched over 230 comics, some of which have become hit titles, such as Dafeng Guardian (大奉打更人), Since the Red Moon Appeared (从红月开始) and World's Best Martial Artist (全球高武). Adapted comics based on successful online literature are generally of higher average quality than original comics, featuring more vivid characters, more compelling storylines

and more complete worldviews. Our successful text-to-comic adaptation efforts lay the foundation for the subsequent development of animations, films and dramas, which open up further possibilities to unleash the monetization potential of IP derivatives and games.

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

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

### ***Overseas Business***

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

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

### ***Outlook***

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

## **About China Literature Limited**

China Literature is dedicated to building a deep and immersive intellectual property (“IP”) universe for the Mandarin-speaking world. It incubates original IPs from its online literature platform, which are subsequently adapted on a range of digital entertainment mediums, including comics, animation, film, TV series, web series and games. The virtual world created by these digital offerings become an inseparable part of a user’s daily life. China Literature creates and promotes IPs mainly through QQ Reading and Qidian Reading, its leading online literature platforms, as well as New Classics Media, a renowned film and TV drama series production house in China. China Literature collaborates with Tencent, its shareholder and strategic partner, as well as other third-party partners to distribute and develop IP content and to enhance value of its IP. Many of the Company’s online literature works have been successfully adapted into animation, TV series, web series, film and games, including Joy of Life, Candle in the Tomb, Soul Land, The King’s Avatar and My Heroic Husband. China Literature’s rich and extensive content library as well as its unparalleled capability and resources to adapt IP into various entertainment formats is a significant competitive advantage that lies at the core of its business model. For more information, please visit <http://ir.yuewen.com/>.

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## **Non-IFRS Financial Measures**

To supplement the consolidated financial statements of the Company prepared in accordance with IFRS, certain non-IFRS financial measures, namely non-IFRS operating profit, non-IFRS operating margin, non-IFRS profit for the year, non-IFRS net margin, non-IFRS profit attributable to equity holders of the Company, non-IFRS basic EPS and non-IFRS diluted EPS as additional financial measures, have been presented in this press release 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 the Company’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 Company’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 the Company's operating performances. From time to time, there may be other items that the Company may include or exclude in reviewing its financial results.

### **Forward-Looking Statements**

*This press release contains forward-looking statements relating to the industry and business outlook, forecast business plans and growth strategies of the Company. These forward-looking statements are based on information currently available to the Company and are stated herein on the basis of the outlook at the time of this press release. 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 the forward-looking statements is a large number of risks and uncertainties. Further information regarding these risks and uncertainties is included in our other public disclosure documents on our corporate website.*

**CHINA LITERATURE  
CONSOLIDATED INCOME STATEMENT**

	Year ended December 31,	
	2022	2021
(RMB in million, unless specified)		
<b>Revenues</b>		
Online business <sup>(1)</sup>	4,364.0	5,308.5
Intellectual property operations and others <sup>(2)</sup>	3,261.6	3,359.8
	<b>7,625.6</b>	<b>8,668.2</b>
Cost of revenues	(3,595.5)	(4,068.8)
<b>Gross profit</b>	<b>4,030.1</b>	<b>4,599.4</b>
	<b>Gross margin</b>	<b>52.8%</b>
		<b>53.1%</b>
Interest income	160.9	125.4
Other (losses)/gains, net	(207.1)	1,448.1
Selling and marketing expenses	(2,002.6)	(2,700.8)
General and administrative expenses	(1,238.2)	(1,323.8)
Net (provision for)/reversal of impairment losses on financial assets	(114.3)	24.4
<b>Operating profit</b>	<b>628.8</b>	<b>2,172.6</b>
	<b>Operating margin</b>	<b>8.2%</b>
		<b>25.1%</b>
Finance costs	(54.0)	(68.8)
Share of net profit of associates and joint ventures	199.0	199.2
<b>Profit before income tax</b>	<b>773.8</b>	<b>2,303.1</b>
Income tax expense	(166.2)	(460.1)
<b>Profit for the year</b>	<b>607.6</b>	<b>1,842.9</b>
	<b>Net margin</b>	<b>8.0%</b>
		<b>21.3%</b>
<b>Profit attributable to:</b>		
Equity holders of the Company	608.2	1,846.6
Non-controlling interests	(0.6)	(3.7)
	<b>607.6</b>	<b>1,842.9</b>
<b>Earnings per share</b>		
<b>(in RMB per share)</b>		
- Basic earnings per share	0.60	1.83
- Diluted earnings per share	0.59	1.82

Notes:

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

<sup>(2)</sup> 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.

**CHINA LITERATURE**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Year ended December 31,	
	2022	2021
(RMB in million)		
<b>Profit for the year</b>	<b>607.6</b>	<b>1,842.9</b>
<b>Other comprehensive income/(loss):</b>		
<i>Item that may be subsequently reclassified to profit or loss</i>		
Share of other comprehensive income/(loss) of associates and joint ventures	4.7	(28.9)
Currency translation differences	62.9	(13.3)
<i>Item that may not be reclassified to profit or loss</i>		
Net loss from change in fair value of financial asset at fair value through other comprehensive income	(7.5)	(21.9)
Currency translation differences	54.8	(14.1)
	114.8	(78.2)
<b>Total comprehensive income for the year</b>	<b>722.4</b>	<b>1,764.7</b>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Company	722.8	1,769.2
Non-controlling interests	(0.4)	(4.5)
	<b>722.4</b>	<b>1,764.7</b>

**CHINA LITERATURE  
SEGMENT INFORMATION**

	Year ended December 31,	
	2022	2021
(RMB in million, except percentages)		
<b>Revenues</b>		
Online business	4,364.0	5,308.5
Intellectual property operations and others	3,261.6	3,359.8
<b>Total revenues</b>	<b>7,625.6</b>	<b>8,668.2</b>
<b>Cost of revenues</b>		
Online business	(2,217.2)	(2,690.3)
Intellectual property operations and others	(1,378.3)	(1,378.5)
<b>Total cost of revenues</b>	<b>(3,595.5)</b>	<b>(4,068.8)</b>
<b>Gross profit</b>		
Online business	2,146.8	2,618.1
Intellectual property operations and others	1,883.3	1,981.3
<b>Total gross profit</b>	<b>4,030.1</b>	<b>4,599.4</b>
<b>Gross margin</b>		
Online business	49.2%	49.3%
Intellectual property operations and others	57.7%	59.0%
<b>Total gross margin</b>	<b>52.8%</b>	<b>53.1%</b>

**CHINA LITERATURE**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	As of	
	December 31, 2022	December 31, 2021
	(RMB in million)	
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	132.9	45.1
Right-of-use assets	183.1	281.5
Intangible assets	7,421.6	7,455.5
Investments in associates and joint ventures	1,008.8	932.3
Financial assets at fair value through profit or loss	862.2	1,310.0
Financial asset at fair value through other comprehensive income	8.0	14.1
Deferred income tax assets	312.3	271.8
Prepayments, deposits and other assets	329.6	256.7
	<b>10,258.6</b>	<b>10,567.0</b>
<b>Current assets</b>		
Inventories	760.3	653.8
Television series and film rights	940.4	1,090.9
Financial assets at fair value through profit or loss	119.3	-
Trade and notes receivables	2,048.9	2,747.2
Prepayments, deposits and other assets	1,212.5	1,032.0
Term deposits	1,848.7	2,678.0
Cash and cash equivalents	5,545.8	4,528.4
	<b>12,475.9</b>	<b>12,730.3</b>
<b>Total assets</b>	<b>22,734.5</b>	<b>23,297.3</b>
<b>EQUITY</b>		
<b>Capital and reserves attributable to the equity holders of the Company</b>		
Share capital	0.6	0.6
Shares held for RSU scheme	(18.8)	(17.5)
Share premium	16,223.3	16,412.7
Other reserves	1,955.1	1,455.1
Accumulated losses	(202.9)	(664.6)
	<b>17,957.3</b>	<b>17,186.5</b>
<b>Non-controlling interests</b>	<b>(2.6)</b>	<b>0.5</b>
<b>Total equity</b>	<b>17,954.7</b>	<b>17,187.0</b>

	As of	
	December 31, 2022	December 31, 2021
	(RMB in million)	
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	-	382.5
Lease liabilities	134.6	201.9
Long-term payables	4.7	9.1
Deferred income tax liabilities	139.6	149.3
Deferred revenue	26.5	28.8
Financial liabilities at fair value through profit or loss	490.6	827.2
	<b>796.0</b>	<b>1,598.8</b>
<b>Current liabilities</b>		
Borrowings	417.9	792.8
Lease liabilities	65.5	72.6
Trade payables	1,203.9	1,127.4
Other payables and accruals	1,019.4	1,185.8
Deferred revenue	619.1	669.8
Current income tax liabilities	275.8	338.6
Financial liabilities at fair value through profit or loss	382.2	324.7
	<b>3,983.8</b>	<b>4,511.5</b>
<b>Total liabilities</b>	<b>4,779.8</b>	<b>6,110.3</b>
<b>Total equity and liabilities</b>	<b>22,734.5</b>	<b>23,297.3</b>

**CHINA LITERATURE**  
**RECONCILIATION OF OPERATING PROFIT TO EBITDA AND ADJUSTED EBITDA**

	Year ended December 31,	
	2022	2021
	(RMB in million)	
<b>Reconciliation of operating profit to EBITDA and adjusted EBITDA:</b>		
Operating profit	628.8	2,172.6
<b>Adjustments:</b>		
Interest income	(160.9)	(125.4)
Other losses/(gains), net	207.1	(1,448.1)
Depreciation of property, plant and equipment	21.4	19.1
Depreciation of right-of-use assets	95.1	80.3
Amortization of intangible assets	261.2	395.5
<b>EBITDA</b>	<b>1,052.8</b>	<b>1,094.0</b>
<b>Adjustments:</b>		
Share-based compensation	241.3	188.1
Expenditures related to acquisition	56.5	53.7
<b>Adjusted EBITDA</b>	<b>1,350.6</b>	<b>1,335.8</b>

**CHINA LITERATURE**  
**RECONCILIATIONS OF IFRS TO NON-IFRS RESULTS**

**Year ended December 31, 2022**

	As reported	Share-based compensation	Adjustments			Tax effect	Non-IFRS
			Net losses from investments and acquisitions <sup>(1)</sup>	Amortization of intangible assets <sup>(2)</sup>			
			(RMB in million, unless specified)				
Operating profit	628.8	241.3	461.6	32.2	-	1,363.9	
Profit for the year	607.6	241.3	469.4	32.2	(2.9)	1,347.7	
Profit attributable to equity holders of the Company	608.2	241.3	469.4	32.2	(2.9)	1,348.2	
EPS (RMB per share)							
- basic	0.60						1.33
- diluted	0.59						1.32
Operating margin	8.2%						17.9%
Net margin	8.0%						17.7%

**Year ended December 31, 2021**

	As reported	Share-based compensation	Adjustments			Tax effect	Non-IFRS
			Net (gains) from investments and acquisitions <sup>(1)</sup>	Amortization of intangible assets <sup>(2)</sup>			
			(RMB in million, unless specified)				
Operating profit	2,172.6	188.1	(1,098.6)	37.7	-	1,299.8	
Profit for the year	1,842.9	188.1	(1,098.6)	37.7	255.9	1,226.0	
Profit attributable to equity holders of the Company	1,846.6	188.1	(1,098.6)	37.7	255.9	1,229.7	
EPS (RMB per share)							
- basic	1.83						1.22
- diluted	1.82						1.21
Operating margin	25.1%						15.0%
Net margin	21.3%						14.1%

Notes:

<sup>(1)</sup> Including net disposal gain and fair value changes arising from investee companies, the fair value changes of consideration liabilities related to the acquisition of NCM, the compensation costs for certain employees and former owners of NCM, and impairment provision for long-term investments.

<sup>(2)</sup> Amortization of intangible assets and TV series and film rights resulting from acquisitions.