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China Literature Announces 2023 Interim Results

Hong Kong, August 10, 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 unaudited consolidated results for the six months ended June 30, 2023.

Results Highlights [1]

- Total revenues were RMB3,283.0 million (USD454.3 million), compared with RMB4,087.2 million in the first half of 2022.
- **On a non-IFRS [2] basis**, which is intended to reflect core earnings by excluding certain one-time and/or non-cash items:
  - Operating profit was RMB545.8 million (USD75.5 million), compared with RMB693.8 million in the first half of 2022. Operating margin was 16.6%, compared with 17.0% in the first half of 2022.
  - Profit attributable to equity holders of the Company was RMB603.1 million (USD83.5 million), compared with RMB666.0 million in the first half of 2022. Its margin increased from 16.3% to 18.4%.
  - Basic earnings per share were RMB0.60. Diluted earnings per share were RMB0.59.
- **On an IFRS basis**:
  - Operating profit increased 23.8% year-over-year to RMB310.9 million (USD43.0 million). Operating margin increased from 6.1% to 9.5%.
  - Profit attributable to equity holders of the Company increased 64.8% year-over-year to RMB376.7 million (USD52.1 million).
  - Basic earnings per share were RMB0.37. Diluted earnings per share were RMB0.37.

Mr. Hou Xiaonan, Chief Executive Officer of China Literature, commented, "In the first half of 2023, China Literature continued to prioritize quality over quantity, focus on creating enduring and high-quality IP, and improve operational efficiency. We significantly expanded our selection of high-quality content, driven by our investment in premium content offerings, effective anti-piracy measures, and efforts to create a more vibrant user community. In the first half of this year, the number of popular titles, defined as titles that newly reached 10,000 average subscribers per chapter, increased more than 120% year-over-year. We also saw an 8.6% year-over-year increase in our MPUs. At the same time, our operating margin expanded to 9.5%, compared with 6.1% in the same period last year, while non-IFRS profit margin attributable to equity holders of the Company increased to 18.4%, compared with 16.3% in the same period last year.

Throughout the period, we continued to strengthen our platform for IP incubation and monetization, which spans the entire IP life cycle and the entire value chain. More quality IPs emerged within our ecosystem, including drama series The Road to Ordinary (平凡之路) and In Spite of the Strong Wind (纵有疾风起), and animated sequels to our franchise IPs Stellar Transformations (星辰变) and Almighty Mage (全职法师).

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1. Figures stated in USD are based on USD1 to RMB7.2258.
2. Non-IFRS adjustments exclude share-based compensation, M&A related impact such as net losses from investee companies and amortization of intangible assets, as well as related income tax effects.
3. 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.
4. "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.

Meanwhile, we recognize the enormous potential of leveraging generative AI for digital content production. To embrace this opportunity, we upgraded the Company's organizational structure and established four major business units to re-engineer our business processes. Our goal is to promote the synergy between content and platforms, increase the efficiency of IP creation and discovery, and improve our success rate at creating blockbuster IP. In July 2023, we released our 'Smart Pen' AI Large Language Model (LLM), the first LLM specifically for the online literature industry, and the new Smart Pen Edition of our Author Assistant Application, designed to support writers in various aspects of content creation, including creative assistance and data management. Introducing AI into our ecosystem, we believe, is the first step toward a symbiotic business-technology relationship that will gradually unleash value for our creators, users, and business partners, and eventually help to achieve our mission of creating good stories that will live forever."

Financial Review [(3)]

Revenues were RMB3,283.0 million (USD454.3 million), compared with RMB4,087.2 million in the first half of 2022.

Revenues from online business were RMB2,038.7 million (USD282.1 million), compared with RMB2,307.0 million in the first half of 2022. A further breakdown of this category is as follows: i) online business revenues from our self-owned platform products increased slightly from RMB1,763.1 million in the first half of 2022 to RMB1,764.0 million (USD244.1 million), as revenues from certain products were negatively impacted by strategically decreasing marketing spending on user acquisition with low ROI to improve operational efficiency and better position the Company for future high-quality growth, but this impact was more than offset by revenue growth from our core products driven by premium content offerings, effective anti-piracy measures, and enhanced product operations; ii) online business revenues from our channels on Tencent products were RMB177.0 million (USD24.5 million), compared with RMB347.5 million in the prior corresponding period, mainly as a result of the initiatives that we put in place to optimize distribution channels and a decrease in advertising revenues as more of our content was monetized through pay-to-read products with higher ROI; and iii) online business revenues from third-party platforms were RMB97.7 million (USD13.5 million), compared with RMB196.5 million in the prior corresponding period, which was primarily due to the suspension of our collaboration with certain third-party distribution partners.

Revenues from IP operations and others were RMB1,244.3 million (USD172.2 million), compared with RMB1,780.2 million in the prior corresponding period, among which i) revenues from IP operations were RMB1,190.1 million (USD164.7 million), compared with RMB1,731.3 million in the first half of 2022, primarily a result of a decrease in revenues generated from TV and web series as well as films due to fewer projects being released during the first half of 2023 when compared with the prior corresponding period, and ii) revenues from the "others" category, consisting mainly of sales of physical books, increased 10.7% year-over-year to RMB54.2 million (USD7.5 million) in the first half of 2023.

Cost of revenues decreased 13.5% year-over-year to RMB1,678.3 million (USD232.3 million), primarily due to i) lower production costs of TV, web and animated series and films, which were in line with the decrease in revenues, and ii) a decrease in platform distribution costs for online businesses.

Gross profit was RMB1,604.8 million (USD222.1 million), compared with RMB2,146.3 million in the first half of 2022. Gross margin was 48.9%, compared with 52.5% in the prior corresponding period.

Interest income increased 16.4% year-over-year to RMB80.1 million (USD11.1 million), reflecting higher interest income from bank deposits.

Other gains, net were RMB5.8 million (USD0.8 million) in the first half of 2023.

Selling and marketing expenses decreased 26.0% year-over-year to RMB822.1 million (USD113.8 million), mainly as a result of i) a decrease in promotion and advertising expenses associated with our online businesses as a part of our cost control and efficiency improvement initiatives, and ii) a decrease in marketing expenses associated with our films and drama series as fewer titles were released during the first half of 2023. As a percentage of revenues, selling and marketing expenses decreased to 25.0% in the first half of 2023 from 27.2% in the first half of 2022.

General and administrative expenses decreased 4.1% year-over-year to RMB534.5 million (USD74.0 million), primarily due to lower employee benefits expenses. As a percentage of revenues, general and administrative expenses were 16.3% in the first half of 2023, compared with 13.6% in the first half of 2022.

Net provision for impairment losses on financial assets reflected a provision for doubtful receivables. In the first half of 2023, the provision for doubtful receivables was RMB23.1 million (USD3.2 million) on a net basis, mainly associated with IP businesses.

Operating profit increased 23.8% year-over-year to RMB310.9 million (USD43.0 million) from RMB251.2 million in the prior corresponding period.

Income tax expense was RMB49.6 million (USD6.9 million), compared with RMB108.2 million for the same period of last year, primarily due to changes in taxable income.

Profit attributable to equity holders of the Company increased 64.8% year-over-year to RMB376.7 million (USD52.1 million) from RMB228.5 million in the prior corresponding period.

Key Operating Information

- Average MAUs on our self-owned platform products and self-operated channels were 211.7 million, a decrease of 20.0% year-over-year from 264.7 million. A further breakdown of MAUs is as follows: i) MAUs on our self-owned platform products decreased 12.0% year-over-year from 119.8 million to 105.4 million, mainly due to a decrease in marketing spending on user acquisition with low ROI as we maintain our focus on managing costs and improving operational efficiency, but the MAUs on our self-owned platform products increased 5.2% sequentially compared with the second half of 2022, driven primarily by our effective anti-piracy measures and improved content operations; and ii) MAUs on our self-operated channels on Tencent products decreased 26.6% year-over-year from 144.9 million to 106.3 million, primarily due to the optimization of our content offerings and distribution channels to improve operational efficiency.
- Average MPUs on our self-owned platform products and self-operated channels increased 8.6% year-over-year from 8.1 million to 8.8 million in the first half of 2023, mainly due to our effective anti-piracy measures, improved product operations, and continued investment in high-quality content offerings.

- Monthly ARPU for our pay-to-read business was RMB33.3 in the first half of 2023, decreasing 14.2% year-over-year from RMB38.8 in the prior corresponding period, mainly due to i) changes in revenue mix from different product offerings, and ii) lower user spend from newly converted paying users at the initial stage of the payment cycle.

Other Key Information

- EBITDA was RMB372.2 million (USD51.5 million), compared with RMB600.6 million in the first half of 2022. Adjusted EBITDA was RMB471.4 million (USD65.2 million), compared with RMB745.1 million in the first half of 2022.
- As of June 30, 2023, the Company's net cash position was RMB7,541.6 million (USD1,043.7 million).
- Free cash flow* was RMB475.7 million (USD65.8 million), compared to RMB548.7 million in the first half of 2022.
- New Classics Media, on a standalone basis, recorded RMB543.6 million (USD75.2 million) in revenues and RMB172.0 million (USD23.8 million) in profit attributable to equity holders of the company in the first half of 2023.

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

Business Review and Outlook

1. Overview

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

1) The paid reading sector remains a rich environment for incubating IP content. Improving the writer ecosystem and growing the online reading platform are key long-term tasks for us.
2) The Matthew Effect is more salient than ever in the IP and content domains. As "Blockbusters" play an increasingly crucial role in the gaming, animation, film and television industries, the demand for top-tier IP is growing rapidly.
3) The integrated development of IP is becoming increasingly important. By quickly and systematically developing audio, visual, and merchandise derivatives soon after the incubation of text-based IP, we will be able to shorten development cycles, reduce development costs, and increase our odds of creating blockbuster IPs. Moreover, the rapid advances in generative AI will create new opportunities to make this process even faster and more efficient.

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

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

Here are a few of our key takeaways on AI:

1) AI can super-charge content production, create multi-format user experiences and generally help us achieve the kind of integrated IP operations mentioned earlier. AI can facilitate the generation of content such as text, audio, comics, and animation, which can complement and be integrated with China Literature's existing user operation system, helping China Literature reach a broader audience in a wider variety of formats, with enhanced user stickiness.
2) AI can play an integral role in IP incubation. Its ability to quickly convert text into visuals will allow us to front-load IP development work, increasing our success rate at creating blockbuster IP.
3) AI can be a highly efficient means of translating online literature into multiple languages and therefore achieving IP globalization and creating significant additional value.
4) AI opens up a vast new imaginative space, and can be fully integrated into the IP ecosystem as a foundational capability that empowers upstream and downstream partners alike.

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

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

- The Content Ecosystem Platform Business Unit, which is mainly responsible for driving deep integration between original content creation and various platforms.
- The Film and TV Drama Business Unit, which is responsible for further integrating New Classics Media and China Literature to develop serialized IP dramas and films across various categories, and to create a steady stream of blockbusters.
- The Intelligence and Platform R&D Business Unit, which is responsible for driving breakthroughs in AI Large Language Model (LLM), and transforming them into cutting-edge generative AI applications.
- The Corporate Development Business Unit, which will oversee decision-making processes related to our core business and coordinate integrated IP development and operations.

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

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

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

2. First Half 2023 Business Highlights

IP Creation

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

IP Visualization

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

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

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

- In the comics segment, while increasing the number of comics adapted from our online literature works, we are focusing on enhancing our high-quality content offerings. Among which, works such as Dafeng Guardian (大奉打更人), Since the Red Moon Appeared (从红月开始), and Astral Pet Store (超神宠兽店) attained significant popularity.

IP Commercialization and Monetization

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

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

Overseas Business

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

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 Qidian Reading and QQ 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/.

Contact

For investors / analysts:
Maggie Zhou
Tel: +8621 6187 0500 ext. 80605
Email: IR@yuewen.com

For media:
Vivian Wang
Tel: +852 2232 3978
Email: vivian.wang@christensencomms.com

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 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 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

	Six months ended June 30,			
	2023		2022	
	(RMB in million, unless specified)			
Revenues				
Online business[1]		2,038.7		2,307.0
Intellectual property operations and others[2]		1,244.3		1,780.2
		3,283.0		**4,087.2**
Cost of revenues		(1,678.3)		(1,940.9)
Gross profit		**1,604.8**		**2,146.3**
Gross margin	***48.9%***		***52.5%***	
Interest income		80.1		68.9
Other gains/(losses), net		5.8		(235.4)
Selling and marketing expenses		(822.1)		(1,110.5)
General and administrative expenses		(534.5)		(557.5)
Net provision for impairment losses on financial assets		(23.1)		(60.5)
Operating profit		**310.9**		**251.2**
Operating margin	***9.5%***		***6.1%***	
Finance costs, net		(2.8)		(31.6)
Share of net profit of associates and joint ventures		117.5		120.8
Profit before income tax		**425.6**		**340.4**
Income tax expense		(49.6)		(108.2)
Profit for the period		**376.0**		**232.3**
Net margin	***11.5%***		***5.7%***	
Profit attributable to:				
Equity holders of the Company		376.7		228.5
Non-controlling interests		(0.7)		3.7
		376.0		**232.3**
Earnings per share				
(in RMB per share)				
- Basic earnings per share		0.37		0.23
- Diluted earnings per share		0.37		0.22

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.

CHINA LITERATURE

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended June 30,	
	2023	**2022**
	(RMB in million)	
Profit for the period	**376.0**	**232.3**
Other comprehensive income:		
Item that may be subsequently reclassified to profit or loss		
Share of other comprehensive loss of associates	(4.9)	(0.5)
Currency translation differences	(48.5)	46.1
Item that may not be reclassified to profit or loss		
Net loss from change in fair value of financial asset at fair value through other comprehensive income	(4.1)	(6.6)
Share of other comprehensive income of an associate	3.1	-
Currency translation differences	125.6	71.8
	71.3	110.9
Total comprehensive income for the period	**447.2**	**343.1**
Total comprehensive income attributable to:		
Equity holders of the Company	447.9	339.4
Non-controlling interests	(0.7)	3.7
	447.2	**343.1**

CHINA LITERATURE
SEGMENT INFORMATION

	Six months ended June 30,	
	2023	2022
	(RMB in million, except percentages)	
Revenues		
Online business	2,038.7	2,307.0
Intellectual property operations and others	1,244.3	1,780.2
Total revenues	**3,283.0**	**4,087.2**
Cost of revenues		
Online business	(1,018.7)	(1,146.7)
Intellectual property operations and others	(659.5)	(794.1)
Total cost of revenues	**(1,678.3)**	**(1,940.9)**
Gross profit		
Online business	1,020.0	1,160.3
Intellectual property operations and others	584.7	986.1
Total gross profit	**1,604.8**	**2,146.3**
Gross margin		
Online business	50.0%	50.3%
Intellectual property operations and others	47.0%	55.4%
Total gross margin	**48.9%**	**52.5%**

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CHINA LITERATURE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of	
	June 30, 2023	**December 31, 2022**
	(RMB in million)	
ASSETS		
Non-current assets		
Property, plant and equipment	121.5	132.9
Right-of-use assets	225.7	183.1
Intangible assets	7,413.2	7,421.6
Investments in associates and joint ventures	1,112.9	1,008.8
Financial assets at fair value through profit or loss	799.4	862.2
Financial asset at fair value through other comprehensive income	5.2	8.0
Deferred income tax assets	342.9	312.3
Prepayments, deposits and other assets	284.3	329.6
Term deposits	485.0	-
	10,790.1	**10,258.6**
Current assets		
Inventories	752.4	760.3
Television series and film rights	850.3	940.4
Financial assets at fair value through profit or loss	2,787.3	119.3
Trade and notes receivables	1,820.8	2,048.9
Prepayments, deposits and other assets	1,099.3	1,212.5
Term deposits	913.9	1,848.7
Cash and cash equivalents	3,359.9	5,545.8
	11,583.9	**12,475.9**
Total assets	**22,374.1**	**22,734.5**
EQUITY		
Capital and reserves attributable to the equity holders of the Company		
Share capital	0.6	0.6
Shares held for RSU scheme	(18.8)	(18.8)
Share premium	16,310.6	16,223.3
Other reserves	2,097.2	1,955.1
Retained earnings/(accumulated losses)	173.7	(202.9)
	18,563.5	**17,957.3**
Non-controlling interests	**0.1**	**(2.6)**
Total equity	**18,563.6**	**17,954.7**

	As of	
	June 30, 2023	**December 31, 2022**
	(RMB in million)	
LIABILITIES		
Non-current liabilities		
Lease liabilities	178.9	134.6
Long-term payables	2.9	4.7
Deferred income tax liabilities	137.3	139.6
Deferred revenue	25.4	26.5
Financial liabilities at fair value through profit or loss	262.5	490.6
	606.9	**796.0**
Current liabilities		
Borrowings	-	417.9
Lease liabilities	61.7	65.5
Trade payables	1,032.4	1,203.9
Other payables and accruals	812.0	1,019.4
Deferred revenue	698.4	619.1
Current income tax liabilities	228.3	275.8
Financial liabilities at fair value through profit or loss	370.7	382.2
	3,203.6	**3,983.8**
Total liabilities	**3,810.5**	**4,779.8**
Total equity and liabilities	**22,374.1**	**22,734.5**

CHINA LITERATURE

RECONCILIATION OF OPERATING PROFIT TO EBITDA AND ADJUSTED EBITDA

	Six months ended June 30,	
	2023	**2022**
	(RMB in million)	
Reconciliation of operating profit to EBITDA and adjusted EBITDA:		
Operating profit	310.9	251.2
Adjustments:		
Interest income	(80.1)	(68.9)
Other (gains)/losses, net	(5.8)	235.4
Depreciation of property, plant and equipment	17.0	9.6
Depreciation of right-of-use assets	38.4	49.9
Amortization of intangible assets	91.8	123.3
EBITDA	**372.2**	**600.6**
Adjustments:		
Share-based compensation	70.9	116.7
Expenditure related to acquisition	28.2	27.8
Adjusted EBITDA	**471.4**	**745.1**

CHINA LITERATURE

RECONCILIATIONS OF IFRS TO NON-IFRS RESULTS

	Six months ended June 30, 2023					
			Adjustments			
	As reported	Share-based compensation	Net losses from investments and acquisitions[(1)]	Amortization of intangible assets[(2)]	Tax effects	Non-IFRS
	(RMB in million, unless specified)					
Operating profit	310.9	70.9	153.9	10.1	-	545.8
Profit for the period	376.0	70.9	147.2	10.1	(1.8)	602.4
Profit attributable to equity holders of the Company	376.7	70.9	147.2	10.1	(1.8)	603.1
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%

	Six months ended June 30, 2022					
			Adjustments			
	As reported	Share-based compensation	Net losses from investments and acquisitions[(1)]	Amortization of intangible assets[(2)]	Tax effects	Non-IFRS
	(RMB in million, unless specified)					
Operating profit	251.2	116.7	305.9	20.1	-	693.8
Profit for the period	232.3	116.7	305.9	20.1	(5.2)	669.7
Profit attributable to equity holders of the Company	228.5	116.7	305.9	20.1	(5.2)	666.0
EPS (RMB per share)						
- basic	0.23					0.66
- diluted	0.22					0.65
Operating margin	6.1%					17.0%
Net margin	5.7%					16.4%

Notes:

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

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