

## China Literature Announces 2023 Annual Results

Hong Kong, March 18, 2024 – 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, 2023.

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

- Total revenues were RMB7,011.8 million (USD990.0 million), compared with RMB7,625.6 million in 2022.
  - Revenues from online business were RMB3,948.1 million (USD557.4 million), compared with RMB4,364.0 million in 2022. This was attributed to our ongoing initiative to shift away from channels with low return on investment (“ROI”) and to focus on high-quality growth.
  - Revenues from IP operations and others excluding New Classics Media (“NCM”) increased by 10.1% to RMB1,803.4 million (USD254.6 million); when including NCM, revenues from IP operations and others decreased by 6.1% to RMB3,063.6 million (USD432.6 million).
- **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 was RMB1,049.8 million (USD148.2 million), compared with RMB1,363.9 million in 2022.
  - Profit attributable to equity holders of the Company was RMB1,130.4 million (USD159.6 million), compared with RMB1,348.2 million in 2022.
  - Basic earnings per share were RMB1.12. Diluted earnings per share were RMB1.11.
- **On an IFRS basis:**
  - Operating profit was RMB709.3 million (USD100.1 million), compared with RMB628.8 million in 2022.
  - Profit attributable to equity holders of the Company was RMB804.9 million (USD113.6 million), compared with RMB608.2 million in 2022.
  - Basic earnings per share were RMB0.80. Diluted earnings per share were RMB0.79.

Mr. Hou Xiaonan, Chief Executive Officer of China Literature, commented, “In 2023, China Literature continued to build a comprehensive IP development framework encompassing a variety of content formats and covering every stage of the content lifecycle. Additionally, we equipped creators with cutting-edge AI tools to enhance our content ecosystem. The number of literary works that newly reached 100,000 average subscribers per chapter across the platform increased 125% year-over-year, and our MPUs increased 10.1% year-over-year to 8.7 million. With operational efficiency steadily improving, operating profit increased 12.8% from a year earlier to RMB709 million. Profit attributable to equity holders of the Company rose 32.3% to

<sup>1</sup> Figures stated in USD are based on USD1 to RMB7.0827.

<sup>2</sup> 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.

<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.

RMB805 million year-over-year, while its margin expanded from 8.0% to 11.5%.

Over the course of the year, China Literature continued to make significant progress in both the visualization and monetization of its IP, offering users a strong lineup of high-quality works, including dramas series such as ‘In Spite of the Strong Wind (纵有疾风起),’ ‘The Road to Ordinary (平凡之路),’ ‘Sunshine by My Side (骄阳伴我)’ and ‘The Infiltrator (潜行者),’ as well as new animation seasons for classic IP franchises including ‘Battle Through the Heavens (斗破苍穹),’ ‘Stellar Transformations (星辰变),’ ‘Almighty Mage (全职法师)’ and ‘Martial Universe (武动乾坤).’ Within our comics business, we announced the acquisition of the assets of Tencent Animation and Comics, which will expand our IP portfolio to include top Chinese comic titles such as ‘The Outcast (一人之下)’ and ‘The Fox Spirit Matchmaker (狐妖小红娘).’ This transaction will also strengthen our pipeline of comic adaptations and increase our production capacity for animated series. Furthermore, we are actively exploring new forms of content and venturing into the high-quality short drama vertical where we are achieving initial success.

2023 was a pivotal year for innovation and breakthroughs in AI technology. We launched the first Large Language Model designed specifically for the online literature industry, ‘Smart Pen,’ and the ‘Smart Pen Edition for the Author Assistant Application,’ making it available to all contracted writers. The AI features have generated weekly engagement rates of 30%, underscoring their attractiveness and usefulness. China Literature also plans to leverage AI to enhance the adaptation of online literature into animated series and comics, accelerating the process of converting text-based IPs into visual formats. Additionally, we have made significant progress in AI translation, which has been instrumental in expanding our online literature business globally. In December 2023, AI-translated works accounted for 21 of the top 100 bestsellers on our foreign language online reading platform. Looking ahead, we firmly believe that ‘Smart Pen’ and various other AI tools will unlock additional possibilities for creators, users, and partners. This will accelerate the release of IP value and enhance commercial efficiency, directly supporting our mission to create good stories that will live forever.”

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

**Revenues** were RMB7,011.8 million (USD990.0 million), compared with RMB7,625.6 million in 2022.

Revenues from online business were RMB3,948.1 million (USD557.4 million), compared with RMB4,364.0 million in 2022. A further breakdown of this category is as follows:

- i) Online business revenues from our self-owned platform products decreased slightly from RMB3,482.9 million in 2022 to RMB3,413.9 million (USD482.0 million), mainly due to our continuous efforts to move away from low-ROI distribution channels and improve the operational efficiency of our online reading business. In addition to narrowing our distribution channels, we focused on producing high-quality content, implementing effective anti-piracy measures, and improving core product operations. These efforts drove solid performance in a number of areas; for example, Qidian Reading, one of our flagship products, saw revenue growth of approximately 40% year-over-year;
- ii) Online business revenues from our channels on Tencent products were RMB341.7 million (USD48.2 million), compared with RMB591.0 million in 2022, partly due to steps we took to refine our content distribution practices as we chose to distribute more content through our core pay-to-read products with higher ROI, leading to a decrease in advertising revenues. The decline was also influenced by

initiatives we took to optimize distribution channels on Tencent products; and

- iii) Online business revenues from third-party platforms were RMB192.6 million (USD27.2 million), compared with RMB290.2 million in 2022, primarily due to the suspension of collaboration with certain third-party distribution partners.

Revenues from IP operations and others were RMB3,063.6 million (USD432.6 million), compared with RMB3,261.6 million in 2022.

- i) Revenues from IP operations were RMB2,973.8 million (USD419.9 million), compared with RMB3,160.2 million in 2022. The decrease was mainly due to reduced revenues from NCM, as fewer total number of drama series and film projects were released in 2023 compared with 2022. Excluding the impact of NCM, revenues from IP operations grew over 10% year-over-year, mainly driven by increased revenues from our licensing of copyrights, self-operated online games, and animated series; and
- ii) Revenues from the “others” category, consisting mainly of sales of physical books were RMB89.8 million (USD12.7 million), compared with RMB101.4 million in 2022.

**Cost of revenues** increased slightly by 1.2% year-over-year to RMB3,640.3 million (USD514.0 million), mainly due to an increase in content costs as we boosted investment in high-quality content during 2023, which was mostly offset by a reduction in production costs related to drama series and films, lower platform distribution costs, and a decrease in amortization of intangible assets.

**Gross profit** was RMB3,371.5 million (USD476.0 million), compared with RMB4,030.1 million in 2022. Gross margin was 48.1%, compared with 52.8% in 2022.

**Interest income** increased 3.4% year-over-year to RMB166.3 million (USD23.5 million), reflecting greater interest income from bank deposits.

**Other gains, net** were RMB11.5 million (USD1.6 million) in 2023, compared with net other losses of RMB207.1 million in 2022. The year-over-year difference was mainly due to net fair value changes related to certain investee companies and acquisitions.

**Selling and marketing expenses** decreased 14.1% year-over-year to RMB1,719.5 million (USD242.8 million), as a result of i) reduced promotion and advertising expenses for our online business as a part of our cost control and efficiency improvement initiatives; and ii) a decrease in marketing expenses associated with drama series and film promotion, due to the lower total number of releases in 2023. As a percentage of revenues, selling and marketing expenses decreased to 24.5% in 2023 from 26.3% in 2022.

**General and administrative expenses** decreased 6.2% year-over-year to RMB1,161.0 million (USD163.9 million), primarily attributable to reduced expenses associated with employee benefits. As a percentage of revenues, general and administrative expenses were 16.6% in 2023, compared with 16.2% in 2022.

**Net reversal of impairment losses on financial assets** was RMB40.6 million (USD5.7 million) in 2023, primarily due to the collection of doubtful receivables associated with IP businesses which were impaired in prior years.

**Operating profit** increased 12.8% year-over-year to RMB709.3 million (USD100.1 million) from RMB628.8 million in 2022.

**Income tax expense** was RMB97.9 million (USD13.8 million), compared with RMB166.2 million in 2022, primarily due to changes in taxable income.

**Profit attributable to equity holders of the Company** increased 32.3% year-over-year to RMB804.9 million (USD113.6 million) from RMB608.2 million in 2022.

### Key Operating Information

- Average MAUs on our self-owned platform products and self-operated channels were 205.6 million, a decrease of 15.7% year-over-year from 243.9 million. A further breakdown of MAUs is as follows:
  - i) MAUs on our self-owned platform products decreased 4.7% year-over-year from 110.0 million to 104.8 million, mainly due to our decision to cut marketing spending on low-ROI user acquisition channels as part of our overall efforts to improve operational efficiency. At the same time, we intensified our efforts to engage our core user base, as evidenced by the continued year-over-year growth in MAUs of our flagship reading product, Qidian Reading; and
  - ii) MAUs on our self-operated channels on Tencent products decreased 24.7% year-over-year from 133.9 million to 100.8 million, primarily due to our efforts to optimize content offerings and distribution channels to enhance our operational efficiency.
- Average MPUs on our self-owned platform products and self-operated channels increased 10.1% year-over-year from 7.9 million to 8.7 million in 2023. In particular, MPUs on our self-owned platform products increased over 20% year-over-year, reflecting the positive results of our ongoing and effective anti-piracy measures, enhanced product operation capabilities, and consistent delivery of high-quality content.
- Monthly ARPU for our pay-to-read business was RMB32.5, decreasing 14.0% year-over-year from RMB37.8 in 2022, due to i) changes in revenue mix from various product offerings, and ii) lower user spending from some newly converted paying users at the initial stage of the payment cycle.

### Other Key Information

- EBITDA was RMB829.5 million (USD117.1 million), compared with RMB1,052.8 million in 2022. Adjusted EBITDA was RMB1,017.9 million (USD143.7 million), compared with RMB1,350.6 million in 2022.
- As of December 31, 2023, the Company's net cash position was RMB8,101.4 million (USD1,143.8 million).
- Free cash flow\* was RMB872.8 million (USD123.2 million), compared to RMB1,182.7 million in 2022.
- New Classics Media, on a standalone basis, recorded RMB1,260.2 million (USD177.9 million) in revenues and RMB487.2 million (USD68.8 million) in profit attributable to equity holders of the company in 2023.

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

## Business Review and Outlook

### IP Creation

Our online reading business continues to make significant progress, adding 380,000 writers, 670,000 literary works, and more than 39 billion Chinese characters of content in 2023. New writers in particular are making a significant impact. The number of new writers whose books generated more than RMB100,000 in annual revenue increased by 60% in 2023 year-over-year. Among the new books with over RMB1 million in revenue in 2023, nearly a third were written by our new writers. In addition, the number of works written by writers born after the year 2000 with more than 10,000 average subscribers per chapter soared by 230% year-over-year.

Our growing library of creators and literary works continues to drive content quality to new heights. In 2023, the number of literary works that newly reached 100,000 average subscribers per chapter across the platform increased 125% year-over-year, and various other subscription records were broken. Our enhanced middle office, dedicated to nurturing and supporting our content creation ecosystem, is fueling this surge. This includes:

- Anti-piracy measures which have continued to achieve breakthroughs. Throughout the year, we championed creativity by removing 1.1 million links to pirated content to safeguard authors' interests, boost subscription numbers, and foster a healthier content ecosystem.
- Our proprietary “Smart Pen Edition for the Author Assistant Application,” leveraging our “Smart Pen” Large Language Model (LLM), is now accessible to all contracted writers. This cutting-edge tool sets a new benchmark in online literature creation. The weekly engagement rate with its AI features has reached 30%.
- Our innovative approach to building an interactive user community has strengthened the bond between our readers and our IP. In 2023, the number of new literary works with over one million user comments grew 67% year-over-year while the number of literary works with more than 100,000 monthly user votes grew 66% year-over-year. MPUs also grew nicely in 2023, increasing 10.1% year-over-year to 8.7 million.

### IP Visualization

In 2023, We continued to advance the visualization of our IP, offering our users a diverse selection of high-quality works.

- In the live action TV and film segment, following the debuts of “The Road to Ordinary (平凡之路)” and “In Spite of the Strong Wind (纵有疾风起)” in the first half of the year, we released a number of drama series in the second half, such as “Sunshine by My Side (骄阳伴我)” and “The Infiltrator (潜行者).” Among these, “Sunshine by My Side (骄阳伴我)” ranked first in daily viewership across all channels for 16 consecutive days, according to Kuyun. “The Infiltrator (潜行者)” ranked first in prime-time drama

series ratings nationwide during its broadcast run, according to metrics from China Audio Video Big Data.

- In the animation segment, new seasons for classic IP franchises including “Battle Through the Heavens (斗破苍穹),” “Stellar Transformations (星辰变),” “Almighty Mage (全职法师)” and “Martial Universe (武动乾坤)” were released during the period as well as the new animated series “Transcending the Nine Heavens (傲世九重天)” and “Mysterious Treasures (神藏).” Each of these titles was released to widespread praise from audiences. In particular, the 52-week season of “Battle Through the Heavens (斗破苍穹)” was a fan favorite, dominating Weibo's domestic animation popularity rankings for three months straight, maintaining its position as the most popular animated series on the Chinese internet. Our animated works continued to lead the market in terms of quantity, quality and hit rate. According to Enlightent, six of the top ten most-streamed online animated series in 2023 were adapted from China Literature IP.
- In the comics segment, 13 of our newly released adapted comic series broke the 100 million benchmark in popularity in 2023. In addition, the acquisition of the assets of Tencent Animation and Comics will further enrich our portfolio of IP including top Chinese comic IPs such as “The Outcast (一人之下)” and “The Fox Spirit Matchmaker (狐妖小红娘).” The move also bolsters our pipeline of comic adaptations and expands our production capacity for animated series. Going forward, we plan to leverage AI technologies to enhance the adaptation of online literature into animated series and comics, accelerate the adaptation process of text-based IPs into visual formats and enhance the efficiency of content commercialization.

### **IP Commercialization and Monetization**

- In the IP merchandise segment, we unveiled a diverse array of trendy collectibles and merchandise based on popular IPs such as “Lord of the Mysteries (诡秘之主),” “The King’s Avatar (全职高手)” and “Battle Through the Heavens (斗破苍穹).” We have a bunch of products including blind boxes, toy collectables, accessories and cards, all of which are highly sought-after. We've also broadened our IP licensing, collaborating with a diverse array of consumer brands across multiple industries such as digital 3C products, food and beverages, and automotive. This has been highly popular and is effectively driving sales for our partners. In 2024, we plan to enter new merchandise categories and explore synergies between our merchandise and various content formats. By strategically timing our merchandise launches with the release of the associated film, TV series and animated series, we aim to amplify the hype surrounding our IPs.
- In the games segment, licensed games based on our popular IPs were successfully launched in 2023 including “A Record of a Mortal's Journey to Immortality (凡人修仙传)” and “Swallowed Star (吞噬星空)”. This will be followed up with the expected launch of several other licensed games this year, including “Soul Land (斗罗大陆),” “Battle Through the Heavens (斗破苍穹)” and “Cultivation Chat Group (聊天群的日常生活)” which have all received regulatory approval. In terms of in-house game operations, we launched expansion packs with enhanced graphics and interactive features for our classic game “New Soul Land (新斗罗大陆)”. We will continue to roll out upgrades and improved gameplay to ensure our players have an exceptional gaming experience.

## **Innovation in Technology and Business**

We have long maintained the conviction that only through innovation can we make true breakthroughs. In 2023, we identified several new opportunities which we will take advantage of.

- As previously mentioned, we launched the first LLM designed specifically for the online literature industry, “Smart Pen,” and the “Smart Pen Edition for the Author Assistant Application,” which will support writers with various aspects of content creation. As AI technology continues to evolve, we see its potential to unlock significant value in our IP. AI promises to open doors for the adaption of a wider range of literary works, accelerate the transformation from text to visual formats, and pave the way for faster commercialization.
- We’ve officially entered the high-quality short drama segment with the rollout of our “Short Drama Star Incubation Plan.” This initiative will support more than 100 short drama series by establishing a creative fund with over RMB100 million, as well as pioneer the interactive short drama format. So far, several of our short drama series have surpassed RMB10 million in gross revenue.
- We continued to expand into overseas markets. By the end of 2023, our foreign language online reading platform, WebNovel, offered around 3,800 works translated from Chinese and about 620,000 original works created locally. We continued to enhance our AI translation models throughout the year, leading to a wealth of top-tier works being translated. In December 2023, AI-translated works accounted for 21 of the top 100 bestsellers on WebNovel. AI-driven translation is the catalyst for our multilingual expansion overseas and we expect it will continue to drive our growth and establish competitive advantages in specific genres in key overseas regions.

## **Outlook**

We are confident that 2024 will be a year of blockbusters for China Literature. At present, the number of pre-registration for “Joy of Life 2 (庆余年 2)” has exceeded 12 million, making the drama series the first to pass the 10 million pre-registration threshold across all platforms. In Tencent Video’s most anticipated list, we have three drama series ranking among the top 10, including “Joy of Life 2 (庆余年 2),” “The Legend of Shen Li (与凤行)” and “Dafeng Guardian (大奉打更人).” In an evolving industry, China Literature stands ready, armed with a portfolio of high-quality content, ecosystem partnerships and cutting-edge technologies. Our commitment to our foundational values - content, platform and IP - remains steadfast as we continue to create 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 to a range of digital entertainment mediums, including comics, animation, film, TV series, web series and games. The virtual world created by these digital offerings becomes 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 the value of its IP. Many of the Company's online literature works have been successfully adapted into animation, TV series, web series, films 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 unaudited non-IFRS measures may be defined differently from similar terms used by other companies. In addition, non-IFRS adjustments include relevant non-IFRS adjustments for the 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,	
	2023	2022
	(RMB in million, unless specified)	
<b>Revenues</b>		
Online business <sup>(1)</sup>	3,948.1	4,364.0
Intellectual property operations and others <sup>(2)</sup>	3,063.6	3,261.6
	<b>7,011.8</b>	<b>7,625.6</b>
Cost of revenues	(3,640.3)	(3,595.5)
<b>Gross profit</b>	<b>3,371.5</b>	<b>4,030.1</b>
	<b>Gross margin</b>	<b>48.1%</b>
		<b>52.8%</b>
Interest income	166.3	160.9
Other gains/(losses), net	11.5	(207.1)
Selling and marketing expenses	(1,719.5)	(2,002.6)
General and administrative expenses	(1,161.0)	(1,238.2)
Net reversal of/(provision for) impairment losses on financial assets	40.6	(114.3)
<b>Operating profit</b>	<b>709.3</b>	<b>628.8</b>
	<b>Operating margin</b>	<b>10.1%</b>
		<b>8.2%</b>
Finance costs, net	(12.9)	(54.0)
Share of net profit of associates and joint ventures	205.0	199.0
<b>Profit before income tax</b>	<b>901.4</b>	<b>773.8</b>
Income tax expense	(97.9)	(166.2)
<b>Profit for the year</b>	<b>803.5</b>	<b>607.6</b>
	<b>Net margin</b>	<b>11.5%</b>
		<b>8.0%</b>
<b>Profit attributable to:</b>		
Equity holders of the Company	804.9	608.2
Non-controlling interests	(1.3)	(0.6)
	<b>803.5</b>	<b>607.6</b>
<b>Earnings per share</b> <b>(in RMB per share)</b>		
- Basic earnings per share	0.80	0.60
- Diluted earnings per share	0.79	0.59

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,	
	2023	2022
	(RMB in million)	
<b>Profit for the year</b>	<b>803.5</b>	<b>607.6</b>
<b>Other comprehensive income:</b>		
<i>Item that may be subsequently reclassified to profit or loss</i>		
Share of other comprehensive (loss)/income of associates and joint ventures	(0.6)	4.7
Currency translation differences	(21.7)	62.9
<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	(4.3)	(7.5)
Currency translation differences	66.4	54.8
	39.8	114.8
<b>Total comprehensive income for the year</b>	<b>843.3</b>	<b>722.4</b>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Company	844.6	722.8
Non-controlling interests	(1.3)	(0.4)
	<b>843.3</b>	<b>722.4</b>

**CHINA LITERATURE  
SEGMENT INFORMATION**

	Year ended December 31,	
	2023	2022
	(RMB in million, except percentages)	
<b>Revenues</b>		
Online business	3,948.1	4,364.0
Intellectual property operations and others	3,063.6	3,261.6
<b>Total revenues</b>	<b>7,011.8</b>	<b>7,625.6</b>
<b>Cost of revenues</b>		
Online business	(1,983.5)	(2,217.2)
Intellectual property operations and others	(1,656.8)	(1,378.3)
<b>Total cost of revenues</b>	<b>(3,640.3)</b>	<b>(3,595.5)</b>
<b>Gross profit</b>		
Online business	1,964.6	2,146.8
Intellectual property operations and others	1,406.9	1,883.3
<b>Total gross profit</b>	<b>3,371.5</b>	<b>4,030.1</b>
<b>Gross margin</b>		
Online business	49.8%	49.2%
Intellectual property operations and others	45.9%	57.7%
<b>Total gross margin</b>	<b>48.1%</b>	<b>52.8%</b>

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

	As of	
	December 31, 2023	December 31, 2022
	(RMB in million)	
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	128.3	132.9
Right-of-use assets	207.7	183.1
Intangible assets	7,330.1	7,421.6
Investments in associates and joint ventures	924.7	1,008.8
Financial assets at fair value through profit or loss	856.0	862.2
Financial asset at fair value through other comprehensive income	4.1	8.0
Deferred income tax assets	394.1	312.3
Prepayments, deposits and other assets	291.6	329.6
Term deposits	1,829.0	-
	<b>11,965.7</b>	<b>10,258.6</b>
<b>Current assets</b>		
Inventories	743.7	760.3
Television series and film rights	995.1	940.4
Financial assets at fair value through profit or loss	2,442.7	119.3
Trade and notes receivables	1,988.2	2,048.9
Prepayments, deposits and other assets	1,212.6	1,212.5
Term deposits	1,038.7	1,848.7
Cash and cash equivalents	2,801.8	5,545.8
	<b>11,222.8</b>	<b>12,475.9</b>
<b>Total assets</b>	<b>23,188.5</b>	<b>22,734.5</b>
<b>EQUITY</b>		
<b>Capital and reserves attributable to the equity holders of the Company</b>		
Share capital	0.7	0.6
Shares held for RSU schemes	(16.6)	(18.8)
Share premium	16,312.6	16,223.3
Other reserves	2,173.3	1,955.1
Retained earnings/(accumulated losses)	555.0	(202.9)
	<b>19,024.9</b>	<b>17,957.3</b>
<b>Non-controlling interests</b>	<b>(0.5)</b>	<b>(2.6)</b>
<b>Total equity</b>	<b>19,024.4</b>	<b>17,954.7</b>

	As of	
	December 31, 2023	December 31, 2022
	(RMB in million)	
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Lease liabilities	153.2	134.6
Long-term payables	1.2	4.7
Deferred income tax liabilities	134.5	139.6
Deferred revenue	24.2	26.5
Financial liabilities at fair value through profit or loss	247.8	490.6
	<b>560.9</b>	<b>796.0</b>
<b>Current liabilities</b>		
Borrowings	10.0	417.9
Lease liabilities	74.9	65.5
Trade payables	1,119.7	1,203.9
Other payables and accruals	997.7	1,019.4
Deferred revenue	879.3	619.1
Current income tax liabilities	266.4	275.8
Financial liabilities at fair value through profit or loss	255.1	382.2
	<b>3,603.1</b>	<b>3,983.8</b>
<b>Total liabilities</b>	<b>4,164.0</b>	<b>4,779.8</b>
<b>Total equity and liabilities</b>	<b>23,188.5</b>	<b>22,734.5</b>

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

	Year ended December 31,	
	2023	2022
	(RMB in million)	
<b>Reconciliation of operating profit to EBITDA and adjusted EBITDA:</b>		
Operating profit	709.3	628.8
<b>Adjustments:</b>		
Interest income	(166.3)	(160.9)
Other (gains)/losses, net	(11.5)	207.1
Depreciation of property, plant and equipment	33.4	21.4
Depreciation of right-of-use assets	82.0	95.1
Amortization of intangible assets	182.7	261.2
<b>EBITDA</b>	<b>829.5</b>	<b>1,052.8</b>
<b>Adjustments:</b>		
Share-based compensation	131.5	241.3
Expenditures related to acquisition	56.9	56.5
<b>Adjusted EBITDA</b>	<b>1,017.9</b>	<b>1,350.6</b>

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

**Year ended December 31, 2023**

	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	709.3	131.5	188.9	20.2	-	1,049.8
Profit for the year	803.5	131.5	182.2	20.2	(8.3)	1,129.0
Profit attributable to equity holders of the Company	804.9	131.5	182.2	20.2	(8.3)	1,130.4
EPS (RMB per share)						
- basic	0.80					1.12
- diluted	0.79					1.11
Operating margin	10.1%					15.0%
Net margin	11.5%					16.1%

**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%

Notes:

<sup>(1)</sup> Mainly includes the disposal gain, 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.

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