



2024
INTERIM
REPORT

China Literature Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 772



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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Hou Xiaonan
(Chief Executive Officer and President)
Mr. Huang Yan *(Vice President)*

Non-executive Directors

Mr. James Gordon Mitchell *(Chairman)*
Mr. Cao Huayi
Mr. Xie Qinghua

Independent Non-executive Directors

Ms. Yu Chor Woon Carol
Ms. Leung Sau Ting Miranda
Mr. Liu Junmin

Audit Committee

Ms. Yu Chor Woon Carol *(Chairman)*
Ms. Leung Sau Ting Miranda
Mr. Xie Qinghua

Remuneration Committee

Ms. Leung Sau Ting Miranda *(Chairman)*
Ms. Yu Chor Woon Carol
Mr. James Gordon Mitchell

Nomination Committee

Mr. James Gordon Mitchell *(Chairman)*
Ms. Yu Chor Woon Carol
Mr. Liu Junmin

Strategy and Investment Committee

Mr. Hou Xiaonan *(Chairman)*
Mr. James Gordon Mitchell

Authorized Representatives

Mr. Hou Xiaonan
Mr. Au Wai Keung

Joint Company Secretaries

Ms. Xu Lan *(resigned on August 2, 2024)*
Mr. Au Wai Keung

Legal Advisors

As to Hong Kong laws:
Clifford Chance
27/F, Jardine House
One Connaught Place
Hong Kong

As to Cayman Islands laws:
Maples and Calder (Hong Kong) LLP
26th Floor, Central Plaza
18 Harbour Road
Wan Chai
Hong Kong

Auditor

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central
Hong Kong

Registered Office

The offices of Maples Corporate Services Limited
PO Box 309, Ugland House
Grand Cayman KY1-1104
Cayman Islands

Head Office and Principal Place of Business in China

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Pudong New Area
Shanghai
PRC

CORPORATE INFORMATION

Principal Place of Business in Hong Kong

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ICBC Tower
3 Garden Road
Central
Hong Kong

Principal Share Registrar and Transfer Office

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman KY1-1102
Cayman Islands

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Center
183 Queen's Road East
Wan Chai
Hong Kong

Principal Banker

Shanghai Huangpu Sub-branch of
Bank of Communications
No. 99 Huaihai East Road
Shanghai
PRC

Company's Website

<http://ir.yuewen.com/>

Stock Code

772

FINANCIAL PERFORMANCE HIGHLIGHTS

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

CHAIRMAN'S STATEMENT

I hereby present our interim report for the six months ended June 30, 2024.

As Xiaonan's CEO's statement will lay out in more detail, we released several critically acclaimed and commercially successful titles during the first half of 2024, including the film YOLO (熱辣滾燙), and the TV series The Legend of Shen Li (與鳳行), Joy of Life 2 (慶餘年第二季), and The Tale of Rose (玫瑰的故事).

The success of these releases exemplifies our ability to create and extend blockbuster IPs, to maximize their impact on audiences, and to fully unleash their monetization potential. For example, we amplified Joy of Life 2's release with the simultaneous roll out of themed merchandise, additional content, and online and offline events to strengthen the bond with audiences. Our fully integrated approach sets a new standard for holistically managing our IPs which we will apply to other IPs in our portfolio, reflecting the strategic direction in which we are headed.

Upstream, we continued to strengthen our online reading business' content ecosystem, adding approximately 170,000 writers, 320,000 literary works, and over 21 billion Chinese characters in the first half of 2024. This ecosystem provides a steady stream of IPs which drive value as novels, visualized content, interactive entertainment, and so forth, and provide us with enduring strategic differentiation.

We continue to explore new technologies and emerging business opportunities. For example, our generative AI tools empower writers and boosts their productivity, as well as facilitate the rapid translation of works for our overseas platform, WebNovel. Approximately 40% of the top 100 bestselling works on WebNovel were AI-translated during the first half of the year.

I am confident that our integrated approach to developing and holistically managing IPs will deliver long-term and sustainable returns for our shareholders. I would like to express my heartfelt gratitude to our dedicated team, partners, and shareholders for their unwavering support. Together, we will navigate the evolving landscape of digital literature and entertainment, bringing China Literature's stories, characters, and worlds along with us.

Sincerely,

Mr. James Gordon Mitchell

Chairman of the Board and Non-Executive Director

Hong Kong, August 12, 2024

CEO'S STATEMENT

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

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

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

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

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

- We launched a virtual fan zone on Qidian Reading APP alongside the release of Joy of Life 2, which gave readers free access to the author’s trilogy for a limited time as well as offered a series of engaging activities. These initiatives resulted in a 38-fold increase in reading volume sequentially, generated over 100 million visits to the virtual fan zone, and set a new annual record for daily active users of Qidian Reading APP.

CEO'S STATEMENT

- We also released 11 categories of Joy of Life-themed merchandise including blind boxes, accessories and a premium collectible card series featuring 308 card designs. Sales of the blind boxes exceeded 200,000 units, while the collectible cards generated over RMB20 million in GMV before the drama's release, making them the all-time best-selling collectible cards in the drama-themed category.
- We launched a series of offline events that attracted a large number of fans. These events engaged participants to share their experiences online, sparking a viral wave of social media activity and user-generated content.

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

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

IP Creation

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

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

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

CEO'S STATEMENT

IP Visualization

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

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

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

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

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

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

CEO'S STATEMENT

IP Commercialization and Monetization

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

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

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

Exploration into New Technologies and Emerging Business Opportunities

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

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

CEO'S STATEMENT

Outlook

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

Sincerely,

Mr. Hou Xiaonan

Executive Director, Chief Executive Officer and President

Hong Kong, August 12, 2024

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Notes:

- (1) Revenues from online business primarily reflect revenues from online paid reading, online advertising and distribution of third-party online games on our platform.
- (2) Revenues from intellectual property operations and others primarily reflect revenues from production and distribution of TV, web and animated series, films, licensing of copyrights, operation of self-operated online games, and sales of physical books.

MANAGEMENT DISCUSSION AND ANALYSIS

- Revenues from online business decreased by 2.2% year-over-year to RMB1,940.4 million for the six months ended June 30, 2024, accounting for 46.3% of total revenues.

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

Revenues from online business on our channels on Tencent products decreased by 26.2% year-over-year to RMB130.7 million for

the six months ended June 30, 2024. The decline was mainly due to a continuous decrease in advertising revenues from free-to-read channels as we focus on developing a high-quality pay-to-read business model with more content distributed through pay-to-read channels with higher ROI.

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

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

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

Note:

- (1) Monthly ARPU is calculated as online reading revenues on our self-owned platform products and self-operated channels on Tencent products divided by average MPUs during the period, then divided by the number of months during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

- For the six months ended June 30, 2024, average MAUs on our self-owned platform products and self-operated channels were 176.0 million, a decrease of 16.9% year-over-year from 211.7 million. Specifically, MAUs on our self-owned platform products remained stable on a year-over-year basis at 105.3 million, compared with 105.4 million during the six months ended June 30, 2023. MAUs on our self-operated channels on Tencent products decreased by 33.5% year-over-year from 106.3 million to 70.7 million, primarily as a result of the optimization of our operational efficiency with more content distributed through our core pay-to-read products, leading to a decline in users acquired through free-to-read channels.
- Average MPUs on our self-owned platform products and self-operated channels increased slightly by 0.4% year-over-year to 8.8 million for the six months ended June 30, 2024.
- Monthly ARPU for our pay-to-read business decreased by 1.9% year-over-year from RMB32.3 to RMB31.7 for the six months ended June 30, 2024, mainly due to changes in revenue mix from different product offerings.
- Revenues from intellectual property operations and others increased by 73.3% year-over-year to RMB2,250.6 million for the six months ended June 30, 2024.

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Cost of Revenue

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Segment Information:

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

	Six months ended June 30, 2024		
	Online business RMB'000 (Unaudited)	Intellectual property operations and others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenues	1,940,377	2,250,556	4,190,933
Cost of revenues	965,951	1,141,752	2,107,703
Gross profit	974,426	1,108,804	2,083,230
Gross margin	50.2%	49.3%	49.7%

	Six months ended June 30, 2023		
	Online business RMB'000 (Unaudited)	Intellectual property operations and others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenues	1,984,404	1,298,622	3,283,026
Cost of revenues	997,778	680,486	1,678,264
Gross profit	986,626	618,136	1,604,762
Gross margin	49.7%	47.6%	48.9%

MANAGEMENT DISCUSSION AND ANALYSIS

Other Financial Information

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

Notes:

- (1) EBITDA consists of operating profit for the period less interest income and other (losses)/gains, net and plus depreciation of property, plant and equipment as well as right-of-use assets, and amortization of intangible assets.
- (2) Adjusted EBITDA is calculated as EBITDA for the period plus share-based compensation expense and expenditures related to acquisition.
- (3) Adjusted EBITDA margin is calculated by dividing adjusted EBITDA by revenues.
- (4) Net cash is calculated as cash and cash equivalents, plus term deposits and others, less total borrowings.
- (5) Capital expenditures consist of expenditures for intangible assets and property, plant and equipment.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table reconciles our operating profit to our EBITDA and adjusted EBITDA for the periods presented:

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

Non-IFRS Financial Measures:

To supplement the consolidated financial statements of our Group prepared in accordance with IFRS, certain non-IFRS financial measures, namely non-IFRS operating profit, non-IFRS operating margin, non-IFRS profit for the period, non-IFRS net margin, non-IFRS profit attributable to equity holders of the Company, non-IFRS basic EPS and non-IFRS diluted EPS as additional financial measures, have been presented in this interim report for the convenience of readers. These unaudited non-IFRS financial measures should be considered in addition to, and not as a substitute for, measures of our Group's financial performance prepared in accordance with IFRS. These non-IFRS financial measures may be defined differently from similar terms used by other companies. In addition, non-IFRS adjustments include relevant non-IFRS

adjustments for the Group's material associates based on available published financials of the relevant material associates, or estimates made by the Company's management based on available information, certain expectations, assumptions and premises.

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

MANAGEMENT DISCUSSION AND ANALYSIS

The following tables set forth the reconciliations of our Group's non-IFRS financial measures for the six months ended June 30, 2024 and 2023 to the nearest measures prepared in accordance with IFRS:

Non-IFRS Financial Measures

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

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

Notes:

- (1) This item mainly includes the disposal gain, impairment provision and fair value changes arising from our investee companies, the fair value changes of consideration liabilities related to the acquisition of NCM, and the compensation costs for certain employees and former owners of NCM.
- (2) Represents amortization of intangible assets and TV series and film rights resulting from acquisitions.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Structure

The Company maintained a healthy and sound financial position during the period. Total assets increased from RMB23,188.5 million as of December 31, 2023 to RMB24,431.3 million as of June 30, 2024, while our total liabilities increased from RMB4,164.0 million as of December 31, 2023 to RMB5,199.5 million as of June 30, 2024. The liabilities-to-assets ratio increased from 18.0% as of December 31, 2023 to 21.3% as of June 30, 2024.

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

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

Liquidity and Financial Resources

Our Group funds our cash requirements principally from capital contributions from shareholders, and cash generated from our operations. As of June 30, 2024, our Group had net cash of RMB9,208.1 million, compared with RMB8,101.4 million as of December 31, 2023. The increase in net cash in the first half of 2024 was mainly due to the cash generated from our operating activities, partially offset by payments for our investments and acquisitions, the earn-out cash consideration paid for the acquisition of NCM based on its 2023 financial performance, repurchase of shares by the Company and capital expenditures. For the six months ended June 30, 2024, our Group had free cash flow of RMB1,531.8 million. This was a result of net cash flow generated from operating activities of RMB1,613.8 million, deducting payments for lease liabilities of RMB32.2 million and payments for capital expenditures of RMB49.8 million. Our bank

balances and term deposits are primarily in RMB, USD and HKD. Our Group monitors capital on the basis of gearing ratio, which is calculated as debt divided by total equity. As of June 30, 2024:

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

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

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

Capital Expenditures and Long-term Investments

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

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign Exchange Risk Management

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

Employees

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

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

New Classics Media

On October 31, 2018, the Company acquired 100% of the equity interest in NCM which is primarily engaged in TV series, web series and film production and distribution in China. NCM, on a standalone basis, recorded RMB1,050.3 million in revenues and RMB300.3 million in profit attributable to equity holders of the company for the six months ended June 30, 2024.

No Material Changes

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

OTHER INFORMATION

Corporate Governance

The Group is committed to maintaining high standards of corporate governance and recognises that good governance is vital for the long-term success and sustainability of the Company's business. The Company has adopted the CG Code as its own code of corporate governance.

During the six months ended June 30, 2024, the Company has complied with all the applicable code provisions of the CG Code.

Model Code for Dealing in Securities by Directors

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

Interim Dividend

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

Audit Committee

The Audit Committee, together with the Board and the Auditor, has reviewed the interim report of the Group for the six months ended June 30, 2024. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and has also reviewed the effectiveness of the risk management and internal control systems of the Company, and considered the risk management and internal control systems to be effective and adequate.

Purchase, Sale or Redemption of Listed Securities

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

Month for purchase in the six months ended 30 June 2024	Number of Shares purchased	Purchase consideration per Share		Aggregate consideration paid HKD
		Lowest price paid HKD	Highest price paid HKD	
April	200,000	24.20	24.40	4,860,980
June	952,800	24.85	26.05	24,140,140
Total	1,152,800			29,001,120

OTHER INFORMATION

Save as disclosed above, during the six months ended June 30, 2024, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares).

Changes of Directors' Information

There are no changes of Directors' information since the publication of the Company's 2023 annual report.

Directors' and Chief Executive's Interests and Short Position in Shares, Underlying Shares and Debentures

As of June 30, 2024, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept, pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests of Directors and Chief Executives of the Company

Name	Capacity/ Nature of Interest	Number of Shares	Long/ short position	Approximate Percentage of Shareholding in the Company ⁽¹⁾ (%)
Mr. James Gordon Mitchell	Beneficial owner	367,352	Long position	0.04
Mr. Hou Xiaonan	Beneficial owner	2,289,756 ⁽²⁾	Long position	0.22
Mr. Huang Yan	Beneficial owner	3,127,231 ⁽³⁾	Long position	0.30
Mr. Cao Huayi	Interest in controlled corporations	40,593,577 ⁽⁴⁾	Long position	3.96

OTHER INFORMATION

Interests of Directors and Chief Executives in Associated Corporations of the Company

Name	Name of Associated Corporations	Capacity/ Nature of Interest	Number of Shares	Approximate Percentage of Shareholding in Associated Corporations ⁽⁹⁾ (%)
Mr. James Gordon Mitchell	Tencent Holdings Limited	Beneficial owner	19,079,445 ⁽⁵⁾	0.20
	Tencent Music Entertainment Group	Beneficial owner	29,912 ⁽⁶⁾	0.00
Mr. Hou Xiaonan	Tencent Holdings Limited	Beneficial owner	158,550	0.00
Mr. Huang Yan	Tencent Holdings Limited	Beneficial owner	17,500	0.00
Mr. Xie Qinghua	Tencent Holdings Limited	Beneficial owner	114,804 ⁽⁷⁾	0.00
Mr. Cao Huayi	Tencent Holdings Limited	Interest in controlled corporations	270,000 ⁽⁸⁾	0.00

Notes:

- (1) The calculation is based on the total number of 1,025,680,061 Shares in issue as of June 30, 2024.
- (2) As at June 30, 2024, these interests comprised (i) 67,988 Shares, (ii) 28,018 underlying Shares in respect of the RSUs granted to Mr. Hou Xiaonan under 2020 Restricted Share Unit Scheme of the Company, and (iii) 2,193,750 underlying Shares in respect of the Options granted to Mr. Hou Xiaonan under the 2021 Share Option Plan.
- (3) As at June 30, 2024, these interests comprised (i) 200,240 Shares, (ii) 276,360 underlying Shares in respect of the RSUs granted to Mr. Huang Yan under 2014 Restricted Share Unit Scheme of the Company, and (iii) 2,650,631 underlying Shares in respect of the Options granted to Mr. Huang Yan under the 2021 Share Option Plan.
- (4) As at June 30, 2024, Mr. Cao Huayi was interested in 100% and 43.63% of C-Hero Limited and X-Poem Limited respectively and was therefore deemed to be interested in the 34,931,550 Shares and 5,662,027 Shares by C-Hero Limited and X-Poem Limited pursuant to the share purchase agreement, respectively.
- (5) As at June 30, 2024, these interests of Mr. James Gordon Mitchell (being an employee of Tencent) comprised (i) 7,396,587 shares of Tencent, (ii) 636,367 shares underlying Tencent in respect of the awarded shares granted to Mr. James Gordon Mitchell under share award schemes of Tencent, and (iii) 11,046,491 shares underlying Tencent in respect of the options granted to Mr. James Gordon Mitchell under share option schemes of Tencent. Tencent is the controlling shareholder of the Company and thus is an associated corporation of the Company.
- (6) As at June 30, 2024, these interests comprised (i) 29,000 ordinary shares and (ii) 456 American depositary shares ("ADS") of Tencent Music Entertainment Group each representing two ordinary shares of Tencent Music Entertainment Group.
- (7) As at June 30, 2024, these interests of Mr. Xie Qinghua (being an employee of Tencent) comprised (i) 21,073 shares of Tencent, and (ii) 93,731 shares underlying Tencent in respect of the awarded shares granted to Mr. Xie Qinghua under share award schemes of Tencent. Tencent is the controlling shareholder of the Company and thus is an associated corporation of the Company.
- (8) As at June 30, 2024, Mr. Cao Huayi was interested in 100% of C-Hero Limited and was therefore deemed to be interested in the 270,000 shares interested in by C-Hero Limited.
- (9) The calculation is based on the total number of 9,354,596,965 shares of Tencent in issue as at June 30, 2024, and the total number of 3,432,154,260 ordinary shares of Tencent Music Entertainment Group in issue according to its latest company filing (where applicable).

OTHER INFORMATION

Save as disclosed above, as of June 30, 2024, none of the Directors and chief executives of the Company has or was deemed to have any other interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Furthermore, save as disclosed in the foregoing, during the six months ended 30 June 2024, none of the Directors or chief executives (including their spouses and children under the age of 18) of the Company had any other interests in or was granted any right to subscribe in any shares, underlying shares, or debentures of the Company or any of its associated corporations, or had exercised any such rights.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As of June 30, 2024, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity/ Nature of Interest	Number of Shares	Long/ short position	Approximate Percentage of Shareholding in the Company ⁽¹⁾ (%)
Tencent Holdings Limited ⁽²⁾	Interest in controlled corporations	577,643,604	Long position	56.32
THL A13 ⁽²⁾	Beneficial owner	268,600,500	Long position	26.19
Qinghai Lake ⁽²⁾	Beneficial owner	230,705,634	Long position	22.49
Tencent Mobility Limited ⁽²⁾	Beneficial owner	78,337,470	Long position	7.64

OTHER INFORMATION

Notes:

- (1) The calculation is based on the total number of 1,025,680,061 Shares in issue as of June 30, 2024.
- (2) As at June 30, 2024, THL A13, Qinghai Lake, Tencent Mobility Limited were wholly-owned subsidiaries of Tencent. Under the SFO, Tencent was deemed to be interested in 577,643,604 Shares directly held by THL A13, Qinghai Lake, and Tencent Mobility Limited in aggregate.

Save as disclosed above, as of June 30, 2024, the Directors and the chief executives of the Company were not aware of any persons (other than the Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Restricted Stock Unit Plan

The Company adopted its RSU Plan as approved by the Board resolution passed on December 23, 2014 and amended by the Board resolution passed on March 12, 2016. The RSU Plan commenced on December 23, 2014 and shall continue in effect for a term of ten (10) years unless sooner terminated. Certain principal terms and details of the RSU Plan are summarized as follows:

Purpose

The purpose of the RSU Plan is to promote the success and enhance the value of our Company, by linking the personal interests of our employees, directors or consultants, by providing such individual employees, directors or consultants with an incentive for outstanding performance, to generate superior returns to the Shareholders. The RSU Plan is further intended to provide flexibility in our ability to motivate, attract, and retain the services of recipients upon whose judgment, interest, and special effort the successful conduct of our operation is largely dependent.

Eligible Participants

Those eligible to participate in the RSU Plan include employees, all members of the Board or consultants of a Group Company, as determined by the Administrator. The Administrator may, from time to time, select the employees, directors and consultants to whom Awards may be granted and will determine the nature and amount of each Award. No consideration is required to be paid by the grantees for the grant of an Award of RSUs.

Maximum Numbers of Shares

A total of 40,409,091 Shares have been issued to Link Apex Holdings Limited and Peak Income Group Limited which are holding the Shares on trust. The Board shall have the sole and absolute discretion to increase the number of Shares which may be issued pursuant to all Awards under the RSU Plan by 1% of the total Shares of our Company on a fully diluted basis, subject to compliance with all applicable laws and regulations (including the Listing Rules).

OTHER INFORMATION

Maximum Entitlement of Each Participant

The maximum number of awarded Shares underlying the RSUs which may be awarded to a selected participant under the RSU Plan shall not exceed 1% of the issued Shares of the Company as at the adoption date of the RSU Plan.

Administration

We have appointed a trustee to assist the Administrator with the administration of the RSU Plan and grant and vesting of RSUs, subject to applicable laws and the provisions of the RSU Plan (including any other powers given to the Administrator under the RSU Plan).

Restricted Stock Units

Award of Restricted Stock Units

The Administrator shall have the authority (a) to grant an Award of Restricted Stock Units to the employees, Directors and consultants, (b) to issue or transfer RSUs to grantees, and (c) to establish terms, conditions and restrictions applicable to such RSUs including the Restricted Period (as defined below), which may differ with respect to each grantee, the time or times at which RSUs shall be granted or become vested and the number of Shares to be covered by each grant.

Upon the expiration of the Restricted Period (as defined below) and the attainment of any other vesting criteria established by the Administrator, with respect to any outstanding RSUs, our Company shall deliver to the grantee, or his or her beneficiary, without charge, one Share (or other securities or other property, as applicable) for each such outstanding RSU which has not then been forfeited and with respect to which the Restricted Period (as defined below) has expired and any other such

vesting criteria are attained; provided, however, that the Administrator may, in its sole discretion, elect to pay cash or part cash and part Shares in lieu of delivering only Shares in respect of such RSUs. If a cash payment is made in lieu of delivering Shares, the amount of such payment shall be equal to the fair market value of the Shares as of the date on which the Restricted Period (as defined below) lapsed with respect to such RSUs, less an amount equal to any taxes required to be withheld.

The grantee generally shall not have the rights and privileges of a shareholder as to the Shares covered by the RSUs, including the right to vote unless and until such RSUs are settled in Shares.

Subject to relevant provisions in the applicable Award Agreement and at the discretion of the Administrator, cash dividends and stock dividends with respect to the RSUs may be set aside for the Company for the grantee's account. The cash dividends or stock dividends so set aside by the Administrator and attributable to any particular RSU shall be distributed to the grantee upon the release of settlement of such RSU and, if such Award is forfeited, the grantee shall have no right to such cash dividends or stock dividends.

Amount Payable on Acceptance of the RSUs Granted

The grant shall be made at no consideration to selected participants.

Restricted Period

The Restricted Period of RSUs shall commence on the date of grant and shall expire from time to time as to that part of the RSU indicated in a schedule established by the Administrator and contained in the applicable Award Agreement.

OTHER INFORMATION

Details of the RSUs Granted under the RSU Plan

The RSUs granted in respect of 18,552,500 underlying Shares on December 23, 2014 have a vesting period of five years, one-fifth of which will each vest on December 23, 2015, 2016, 2017, 2018 and 2019 respectively.

The RSUs granted in respect of 5,782,500 underlying Shares on January 17, 2017 have a vesting period of five years, one-fifth of which will each vest on January 17, 2018, 2019, 2020, 2021 and 2022 respectively.

The RSUs granted in respect of 7,160,000 underlying Shares on September 4, 2017 have a vesting period of five years, one-fifth of which will each vest on September 4, 2018, 2019, 2020, 2021 and 2022 respectively.

The RSUs granted in respect of 3,900,500 underlying Shares on October 29, 2018 have a vesting period of five years, one-fifth of which will each vest on October 29, 2019, 2020, 2021, 2022 and 2023 respectively.

The RSUs granted in respect of 5,690,000 underlying Shares on April 10, July 10 and November 5, 2019 have a vesting period of five years, one-fifth of which will each vest on April 10, July 10, and November 5, 2020, 2021, 2022, 2023 and 2024 respectively.

The RSUs granted in respect of 1,574,360 underlying Shares on April 9 and September 4, 2020 have a vesting period of five years, one-fifth of which will each vest on April 9 and September 4, 2021, 2022, 2023, 2024 and 2025 respectively.

The RSUs granted in respect of 1,886,489 underlying Shares on January 4, April 12, July 12, October 18 and November 5, 2021 have a vesting period of five years, one-fifth of which will each vest on January 4, April 12, July 12, October 18 and November 5, 2022, 2023, 2024, 2025 and 2026 respectively.

The RSUs granted in respect of 2,035,302 underlying Shares on January 10, April 6, August 18 and December 28, 2022 have a vesting period of five years, one-fifth of which will each vest on January 10, April 6, August 18 and December 28, 2023, 2024, 2025, 2026 and 2027 respectively.

The RSUs granted in respect of 940,097 underlying Shares on May 23, August 21, and December 28, 2023 have a vesting period of five years, one-fifth of which will each vest on May 23, August 21 and December 28, 2024, 2025, 2026, 2027 and 2028 respectively.

OTHER INFORMATION

Details of movements of the outstanding RSUs granted by the Company pursuant to the RSU Plan during the reporting period are set out below:

Selected Grantees	Date of Grant	Number of RSUs					As at June 30, 2024	Vesting Period	Closing Price of the Shares immediately before the Date of Grant HKD	Fair value of RSUs at the Date of Grant per Share during the six months ended June 30, 2024 ⁽ⁱ⁾ HKD
		As at January 1, 2024	Granted during the six months ended June 30, 2024	Vested during the six months ended June 30, 2024	Forfeited during the six months ended June 30, 2024	Cancelled during the six months ended June 30, 2024				
Huang Yan	November 5, 2021	276,360	-	-	-	-	276,360	November 5, 2022 – November 5, 2026	53.25	-
Employee Participants 5 highest paid individuals during the financial year (in aggregate)	November 5, 2019	10,000	-	-	-	-	10,000	November 5, 2020 – November 5, 2024	30.65	-
	December 28, 2023	298,202	-	-	-	-	298,202	December 28, 2024 – December 28, 2028	28.00	-
Employees (excluding 5 highest paid individuals) (in aggregate)	April 10, 2019	41,000	-	41,000	-	-	-	April 10, 2020 – April 10, 2024	38.35	-
	July 10, 2019	29,600	-	-	-	-	29,600	July 10, 2020 – July 10, 2024	37.20	-
	November 5, 2019	547,200	-	-	39,600	-	507,600	November 5, 2020 – November 5, 2024	30.65	-
	April 9, 2020	78,000	-	39,000	-	-	39,000	April 9, 2021 – April 9, 2025	31.05	-
	September 4, 2020	98,000	-	-	-	-	98,000	September 4, 2021 – September 4, 2025	55.95	-
	January 4, 2021	163,981	-	54,654	-	-	109,327	January 4, 2022 – January 4, 2026	60.85	-
	April 12, 2021	74,472	-	11,353	40,407	-	22,712	April 12, 2022 – April 12, 2026	78.00	-
	October 18, 2021	87,653	-	-	-	-	87,653	October 18, 2022 – October 18, 2026	56.80	-
	November 5, 2021	65,637	-	-	-	-	65,637	November 5, 2022 – November 5, 2026	53.25	-
	January 10, 2022	540,416	-	135,100	102,946	-	302,370	January 10, 2023 – January 10, 2027	48.25	-
	April 6, 2022	441,912	-	110,472	214,564	-	116,876	April 6, 2023 – April 6, 2027	34.40	-
	August 18, 2022	96,000	-	-	-	-	96,000	August 18, 2023 – August 18, 2027	29.40	-
	December 28, 2022	71,377	-	-	-	-	71,377	December 28, 2023 – December 28, 2027	29.85	-
May 23, 2023	100,243	-	20,047	-	-	80,196	May 23, 2024 – May 23, 2028	31.85	-	
August 21, 2023	283,594	-	-	106,348	-	177,246	August 21, 2024 – August 21, 2028	31.55	-	
December 28, 2023	258,058	-	-	-	-	258,058	December 28, 2024 – December 28, 2028	28.00	-	
Total		3,561,705	-	411,626	503,865	-	2,646,214			

OTHER INFORMATION

Notes:

- The RSUs were granted at nil purchase price.
- For Employee Participants (including Directors) as set out in the table above, the weighted average closing price of the Shares immediately before the dates on which the awards were vested in the six months ended June 30, 2024 was HKD26.85 per Share.
- The fair value of each RSUs was calculated based on the market price of the Shares at the respective grant date. The expected dividends during the vesting period had been taken into account when assessing the fair value of these RSUs. During the reporting period, no RSUs were granted under the RSU Plan.
- None of the grants of awards to any participant is in excess of the 1% individual limit.
- All of the grants made during the six months ended June 30, 2024 were made without any performance targets.
- During the reporting period, no RSUs were lapsed or cancelled under the RSU Plan.

Movements in the number of RSUs outstanding are as follows:

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

2020 Restricted Share Unit Scheme

The 2020 Restricted Share Unit Scheme was adopted by the Board resolution passed on May 15, 2020 and amended by the Shareholders' resolution passed on May 22, 2023. For further details of the 2020 Restricted Share Unit Scheme, please refer to the announcement of the Company dated April 28, 2023 and the circular of the Company dated April 28, 2023.

Effectiveness and Duration

Subject to the terms and conditions of the 2020 Restricted Share Unit Scheme, the 2020 Restricted Share Unit Scheme shall be valid and effective for a period of ten years commencing on May 15, 2020, after which no awards will be granted, but the provisions of the 2020 Restricted Share Unit Scheme shall in all other respects remain in full force and effect and the awards granted during the term of the 2020 Restricted Share Unit Scheme may continue to be valid in accordance with their respective terms of grant.

OTHER INFORMATION

Purposes and Objectives

The purposes of the 2020 Restricted Share Unit Scheme are to (i) recognise the contributions by the participants with an opportunity to acquire a proprietary interest in the Company; (ii) encourage and retain such individuals for the continual operation and development of the Group; (iii) provide additional incentives for them to achieve performance goals; (iv) attract suitable personnel for further development of the Group; and (v) motivate the participants to maximize the value of the Company for the benefits of both the participants and the Company, with a view to achieving the objectives of increasing the value of the Group and aligning the interests of the participants directly to the Shareholders through ownership of Shares.

Eligible Participants

The participants of the 2020 Restricted Share Unit Scheme include (i) any employee (whether full time or part time), executives or officers, directors (including executive, non-executive and independent non-executive directors) of any subsidiary of the Group or any related entity; and (ii) any service provider who, in the sole opinion of the Board, has contributed or will contribute to the growth and development of the Group and qualifies by in the interests of the long term growth of the Group. For the avoidance of doubt, the participants shall exclude placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions, and professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity. The basis of eligibility of any participant to be granted RSUs under the 2020 Restricted Share Unit Scheme shall be determined by the Board/Chairman (as the case may be) from time to time on the basis of the participant's contribution or potential contribution to the development and growth of the Group, or such other factors as the Board may deem appropriate.

Scheme Limit

Subject to the terms and conditions of the 2020 Restricted Share Unit Scheme, the total number of Shares underlying the 2020 Restricted Share Unit Scheme shall not in aggregate exceed 45,710,177 Shares, representing 4.5% of the issued share capital of the Company as of June 30, 2020. Without prejudice to the foregoing, the total number of Shares underlying the RSUs to be granted under the 2020 Restricted Share Unit Scheme in any financial year will not exceed three per cent (3%) of the issued Shares as at the beginning of that financial year.

Without prejudice to the foregoing, the total number of Shares to be issued to the service providers underlying the 2020 Restricted Share Unit Scheme and other share schemes of the Group shall not in aggregate exceed 5,076,192 Shares, representing approximately 0.5% of the total number of Shares as at May 22, 2023.

The total number of Shares which may be issued in respect of all RSUs to be granted under the 2020 Restricted Share Unit Scheme, and all options and awards to be granted under any other schemes of the Group as refreshed must not exceed 10% of the total issued Shares as at the date of approval of the 2020 Restricted Share Unit Scheme, being May 15, 2020, as at the date of passing of the Shareholders' resolution in relation to the amendments to the 2020 Restricted Share Unit Scheme being May 22, 2023 or the maximum number of Shares in accordance with the Share Option Plan (whichever is lower).

The maximum number of Shares which may be awarded to any one participant under the 2020 Restricted Share Unit Scheme may not exceed one per cent (1%) of the issued Shares in issue.

OTHER INFORMATION

Administration

Subject to the terms and conditions of the 2020 Restricted Share Unit Scheme, the 2020 Restricted Share Unit Scheme shall be subject to the administration of the Board in accordance with the terms and conditions of the 2020 Restricted Share Unit Scheme, and the Company appointed a trustee to assist with the administration and vesting of RSUs granted pursuant to the 2020 Restricted Share Unit Scheme. The trustee holding unvested shares of a share scheme, whether directly or indirectly, shall abstain from voting on matters that require Shareholders' approval under the Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner's direction and such a direction is given.

Subject to the terms and conditions of the 2020 Restricted Share Unit Scheme, the Board shall have the sole and absolute right to, among others, determine the a grantee either (i) a Director, or (ii) a member of the senior management of the Company as included in the latest annual report of the Company published on the website of the Stock Exchange immediately before the date of grant ("Senior Grantees") who will be granted awards under the 2020 Restricted Share Unit Scheme, the terms and conditions on which awards are granted to Senior Grantees and when the awards granted to Senior Grantees pursuant to the 2020 Restricted Share Unit Scheme may vest. The Chairman shall have the sole and absolute right to, among others, determine any grantee other than a Senior Grantee (the "Junior Grantees") who will be granted awards under the 2020 Restricted Share Unit Scheme, the terms and conditions on which awards are granted to Junior Grantees and when the awards granted to Junior Grantees pursuant to the 2020 Restricted Share Unit Scheme may vest.

The Administrative Committee may (i) exercise the mandate granted by the Shareholders at general meetings of the Company and direct the Company to allot and issue Shares to the trustee to be held by the trustee to satisfy the RSUs upon vesting; and/or (ii) direct and procure the trustee to receive existing Shares from any Shareholder or purchase existing Shares (either on-market or off-market) to satisfy the RSUs upon vesting.

Any change to the terms of awards granted to a participant must be approved by the Board, the remuneration committee of the Company, the independent Non-Executive Directors and/or the Shareholders (as the case may be) if the initial grant of the awards was approved by the Board, the remuneration committee of the Company, the independent Non-Executive Directors and/or the Shareholders (as the case may be). This requirement does not apply where the alterations take effect automatically under the existing terms of the 2020 Restricted Share Unit Scheme.

The 2020 Restricted Share Unit Scheme shall be subject to the administration of the Board in accordance with the terms and conditions of the 2020 Restricted Share Unit Scheme, and the Company may appoint a trustee to assist with the administration and vesting of RSUs granted pursuant to the 2020 Restricted Share Unit Scheme. The trustee does not exercise any voting rights in respect of any Shares held under the trust or as nominee.

Grant and Vesting

Subject to otherwise determined by the Board at its sole absolute discretion, the Senior Grantee is not required to pay any grant or purchase price or make any other payment to the Company to accept the RSUs granted; and subject to otherwise determined by the Chairman at his sole absolute discretion, the Junior Grantee is not required to pay any grant or purchase price or make any other payment to the Company to accept the RSUs granted.

OTHER INFORMATION

Subject to the terms of the 2020 Restricted Share Unit Scheme and the specific terms and conditions applicable to each award, the vesting period shall be determined by the Board or the Chairman (as the case may be), and in no case the vesting period of shall be less than twelve (12) months or such period as the Listing Rules may prescribe or permit.

The RSUs which have vested shall be satisfied within a reasonable period from the vesting date of such RSUs, either by: (a) the administrative committee directing and procuring the relevant trustee to transfer the Shares underlying the RSUs; and/or (b) the administrative committee directing and procuring the trustee to pay to the grantee in cash an amount which is equivalent to the market value of the Shares.

The 2020 Restricted Share Unit Scheme does not provide for any performance target that must be achieved before the award(s) can be vested.

Details of the RSUs Granted under the 2020 Restricted Share Unit Scheme

The RSUs granted in respect of 4,162,633 underlying Shares on September 1, 2020 have a vesting period of four years, one-fourth of which will each vest on September 1, 2021, 2022, 2023, and 2024 respectively.

The RSUs granted in respect of 1,960,258 underlying Shares on April 12, July 12 and September 16, 2021 have a vesting period of four years, one-fourth of which will each vest on April 12, July 12 and September 16, 2022, 2023, 2024, and 2025 respectively.

The RSUs granted in respect of 4,205,077 underlying Shares on August 18, October 12 and December 28, 2022 have a vesting period of four years, one-fourth of which will each vest on August 18, October 12 and December 28, 2023, 2024, 2025 and 2026 respectively.

The RSUs granted in respect of 2,187 underlying Shares on May 23, 2023 have a vesting period of two years, one half of which will each vest on May 23, 2024 and 2025 respectively.

The RSUs granted in respect of 3,057,072 underlying Shares on August 21, 2023 have a vesting period of four years, one-fourth of which will each vest on August 21, 2024, 2025, 2026 and 2027 respectively.

OTHER INFORMATION

Details of movements of the outstanding RSUs granted by the Company pursuant to the 2020 Restricted Share Unit Scheme during the reporting period are set out below:

Selected Grantees	Date of Grant	Number of RSUs					As at June 30, 2024	Vesting Period	Closing Price of the Shares immediately before the Date of Grant HKD	Fair value of RSUs at the Date of Grant per Share during the six months ended June 30, 2024 ⁽⁹⁾ HKD
		As at January 1, 2024	Granted during the six months ended June 30, 2024	Vested during the six months ended June 30, 2024	Lapsed during the six months ended June 30, 2024	Cancelled during the six months ended June 30, 2024				
Hou Xiaonan	September 1, 2020	28,018	-	-	-	-	28,018	September 1, 2021 – September 1, 2024	48.15	-
Employee Participants 5 highest paid individuals during the financial year (in aggregate)	September 1, 2020	70,607	-	-	-	-	70,607	September 1, 2021 – September 1, 2024	48.15	-
Employees (excluding 5 highest paid individuals) (in aggregate)	September 1, 2020	480,389	-	-	10,930	-	469,459	September 1, 2021 – September 1, 2024	48.15	-
	April 12, 2021	21,926	-	-	21,926	-	-	April 12, 2022 – April 12, 2025	78.00	-
	July 12, 2021	657,057	-	-	28,971	-	628,086	July 12, 2022 – July 12, 2025	80.65	-
	September 16, 2021	27,692	-	-	-	-	27,692	September 16, 2022 – September 16, 2025	65.10	-
	August 18, 2022	2,202,900	-	-	111,000	-	2,091,900	August 18, 2023 – August 18, 2026	29.40	-
	October 12, 2022	293,566	-	-	116,099	-	177,467	October 12, 2023 – October 12, 2026	20.30	-
	December 28, 2022	42,826	-	-	-	-	42,826	December 28, 2023 – December 28, 2026	29.85	-
	May 23, 2023	2,187	-	1,093	-	-	1,094	May 23, 2024 – May 23, 2025	31.85	-
	August 21, 2023	2,999,006	-	-	131,881	-	2,867,125	August 21, 2024 – August 21, 2027	31.55	-
Total		6,826,174	-	1,093	420,807	-	6,404,274			

Notes:

- The RSUs were granted at nil purchase price.
- For Employee Participants (including Directors) as set out in the table above, the weighted average closing price of the Shares immediately before the date on which the awards were vested in the six months ended June 30, 2024 was HKD28.4 per Share.
- The fair value of each RSUs was calculated based on the market price of the Shares at the respective grant date. The expected dividends during the vesting period had been taken into account when assessing the fair value of these RSUs. During the reporting period, no RSUs were granted under the 2020 Restricted Share Unit Scheme.
- None of the grants of awards to any participant is in excess of the 1% individual limit.
- As at January 1, 2024 and June 30, 2024, the total numbers of RSUs available for grant under the 2020 Restricted Share Unit Scheme were 34,915,980 and 35,336,787, respectively.
- As at January 1, 2024 and June 30, 2024, the total numbers of Shares underlying the RSUs available for grant under the Service Provider Sublimit were 5,076,192 and 5,076,192 respectively.
- During the reporting period, no RSUs were cancelled under the 2020 Restricted Share Unit Scheme.

OTHER INFORMATION

Movements in the number of RSUs outstanding are as follows:

	Number of RSUs
As of January 1, 2024	6,826,174
Granted	–
Lapsed	(420,807)
Vested	(1,093)
Cancelled	–
Outstanding balance as of June 30, 2024	6,404,274
As of January 1, 2023	6,690,316
Granted	2,187
Lapsed	(552,354)
Vested	(10,962)
Cancelled	–
Outstanding balance as of June 30, 2023	6,129,187

2021 Share Option Plan

The 2021 Share Option Plan was approved by the Shareholders' resolution passed on May 24, 2021, and amended by the Shareholders' resolution passed on May 22, 2023. For further details of the 2021 Share Option Plan, please refer to the announcement of the Company dated April 28, 2023 and the circular of the Company dated April 28, 2023.

Effectiveness and Duration

The Share Option Plan is valid and effective for a period of 10 years commencing on May 24, 2021. Following the expiry of the Share Option Plan, no further share option can be granted under the Share Option Plan (the "Option"), but the provisions of the Share Option Plan will remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Plan.

Purpose

The purpose of the 2021 Share Option Plan was to provide incentives and rewards to the directors, employees, advisors, consultants and business partners of the Group for their contributions to, and continuing efforts to promote the interest of, the Company.

OTHER INFORMATION

Administration

The Board shall have the sole and absolute right to, among others, interpret and construe the provisions of the 2021 Share Option Plan, determine the Senior Grantees who will be offered Options under the 2021 Share Option Plan and the Subscription Price in relation to such Options in accordance with the provisions of the 2021 Share Option Plan. The Chairman shall have the sole and absolute right to, among other things, determine the Junior Grantees who will be offered Options under the 2021 Share Option Plan and the Subscription Price in relation to such Options in accordance with the provisions of the 2021 Share Option Plan.

The Administrative Committee shall be responsible for, among other things, applying to the Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in, any Shares to be issued pursuant to the exercise of Options under the 2021 Share Option Plan on the Stock Exchange and approving the draft announcement to be published by the Company in connection with the grant of Options.

An amount of RMB1.00 is payable by the Grantee to the Company upon acceptance of the offer of Options within three (3) days after such acceptance or other time as prescribed by the Company, and such remittance shall not be refundable and shall not be deemed to be a part payment of the subscription price of the Option.

Eligible Participants

The Eligible Participants for the 2021 Share Option Plan include (i) any employee (whether full time or part time), executives or officers, directors (including executive, non-executive and independent non-executive directors) of any member of the Group or any Related Entity (as defined in the 2021 Share Option Plan), and (ii) any Service Provider (as defined in the 2021 Share Option Plan) who, in the sole opinion of the Board, have contributed or will contribute to the growth and development of the Group. The Eligible Participants shall exclude placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions, and professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity.

Scheme Limit

A total of 25,470,141 Shares may be granted under the 2021 Share Option Plan, representing 2.5% of the issued share capital as at the date of general meeting of the Company approving the adoption of the 2021 Share Option Plan (the "Scheme Limit") unless otherwise permitted by the Listing Rules or the Company obtains the approval of the Shareholders to refresh the Scheme Limit.

Without prejudice to the foregoing, the total number of Shares to be issued to the service providers underlying the 2021 Share Option Plan and other share schemes of the Group shall not in aggregate exceed 5,076,192 Shares, representing approximately 0.5% of the total number of Shares as at May 22, 2023.

OTHER INFORMATION

The maximum number of Shares which may be issued in respect of all Options to be granted under the 2021 Share Option Plan, and all options and awards to be granted under any other schemes of the Group as refreshed must not exceed 10% of the total issued Shares as at the date of approval of the Share Option Plan, being May 24, 2021 as at the date of passing of the Shareholders' resolution in relation to the amendments to the Share Option Plan being May 22, 2023 or the maximum number of Shares in accordance with the 2020 Restricted Share Unit Scheme (whichever is lower).

No Option may be granted to any Eligible Participant which, if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of the Options already granted or to be granted to such Eligible Participant under the 2021 Share Option Plan (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the grant date of such new grant exceeding 1% in aggregate of the issued share capital of the Company as at the grant date of such new grant.

Option Terms and Exercise of Options

The subscription price of Options shall be a price determined by the Board or the Chairman (as the case may be) and notified to any Grantee and will be the highest of: (a) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the Grant Date of the relevant Options, which must be a business day; (b) an amount equivalent to the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five (5) business days immediately preceding the grant date of the relevant Options; and (c) the nominal value per Share on the grant date of the relevant Options.

The vesting period of the Options shall be determined by the Board or the Chairman (as the case may be) and in no case the vesting period of shall be less than twelve (12) months or such period as the Listing Rules may prescribe or permit.

The 2021 Share Option Plan does not provide for any performance target that must be achieved before the Option(s) can be vested or exercised.

OTHER INFORMATION

Details of the Options Granted under the 2021 Share Option Plan

Details of movements of outstanding Options granted to Directors during the six months ended June 30, 2024 are as follows:

Name	Position	Date of Grant	Number of Options					As at June 30, 2024	Exercise price HKD	Exercise Period	Closing Price of the Options immediately before the Date of Grant HKD	Fair value of Options at the Date of Grant during the six months ended June 30, 2024 ⁽⁴⁾ HKD
			As at January 1, 2024	Granted during the six months ended June 30, 2024	Exercised during the six months ended June 30, 2024	Lapsed during the six months ended June 30, 2024	Cancelled during the six months ended June 30, 2024					
Hou Xiaonan	Director	July 12, 2021	543,750	-	-	-	-	543,750	82.85	July 12, 2021 – July 11, 2031 (Note 1)	80.65	-
	Director	August 18, 2022	1,650,000	-	-	-	-	1,650,000	30.69	August 18, 2022 – August 17, 2032 (Note 2)	29.40	-
Huang Yan	Director	November 5, 2021	1,786,539	-	-	-	-	1,786,539	53.14	November 5, 2021 – November 4, 2031 (Note 3)	53.25	-
	Director	August 18, 2022	360,002	-	-	-	-	360,002	30.69	August 18, 2022 – August 17, 2032 (Note 3)	29.40	-
	Director	August 21, 2023	504,090	-	-	-	-	504,090	32.06	August 21, 2023 – August 20, 2033 (Note 3)	31.55	-
Total			4,844,381	-	-	-	-	4,844,381				

Notes:

- For Options granted with exercisable date determined based on the grant date of Options, the first 25% of the total Options can be exercised after the grant date, and each 25% of the total Options will become exercisable in each subsequent year.
- For Options granted with exercisable date determined based on the grant date of Options, the first 33.33% of the total Options can be exercised after the grant date, and each 33.33% of the total Options will become exercisable in each subsequent year.
- For Options granted with exercisable date determined based on the grant date of Options, the first 25% of the total Options shall be vested and can be exercised one year after the grant date, and each 25% of the total Options will become exercisable in each subsequent year.
- During the reporting period, no Options were granted to Directors, exercised, lapsed, or cancelled during the six months ended June 30, 2024.
- An amount of RMB1.00 was paid by each grantee to the Company upon acceptance of the offer of Options.

OTHER INFORMATION

Details of movements of outstanding Options granted to employees of the Group (apart from Directors) who are independent third parties of the Company during the six months ended June 30, 2024 are as follows:

Position	Date of Grant	As at January 1, 2024	Number of Options				As at June 30, 2024	Exercise price HKD	Exercise Period	Closing Price of the Options immediately before the Date of Grant HKD	Fair value of Options at the Date of Grant during the six months ended June 30, 2024 ⁽¹⁾ HKD
			Granted during the six months ended June 30, 2024	Exercised during the six months ended June 30, 2024	Lapsed during the six months ended June 30, 2024	Cancelled during the six months ended June 30, 2024					
Employee	July 12, 2021	1,547,814	-	-	725,000	-	82.85	July 12, 2021 - July 11, 2031 (Note 1)	80.65	-	
Employee	August 18, 2022	2,565,869	-	-	1,551,266	-	30.69	August 18, 2022 - August 17, 2032 (Note 1)	29.40	-	
Employee	August 21, 2023	1,105,459	-	-	186,108	-	32.06	August 21, 2023 - August 20, 2033 (Note 1)	31.55	-	
Total		5,219,142	-	-	2,462,374	-	2,756,768				

Notes:

- For Options granted with exercisable date determined based on the grant date of Options, the first 25% of the total Options shall be vested and can be exercised one year after the grant date, and each 25% of the total Options will be vested and become exercisable in each subsequent year.
- During the reporting period, 2,462,374 Options with exercise prices ranging from HKD30.69 to HKD82.85 per share were lapsed.
- During the reporting period, no Options were granted to employees of the Group (apart from Directors) who are independent third parties of the Company, exercised or cancelled during the six months ended June 30, 2024.
- An amount of RMB1.00 was paid by the grantee to the Company upon acceptance of the offer of Options.
- None of the grants of Options to any participant is in excess of the 1% individual limit.
- As at January 1, 2024 and June 30, 2024, the total numbers of Shares underlying options available for grant under the Service Provider Sublimit were 5,076,192 and 5,076,192 respectively.

OTHER INFORMATION

Movements in the number of Options outstanding are as follows:

	Number of Options
As of January 1, 2024	10,063,523
Granted	–
Lapsed	(2,462,374)
Cancelled	–
Outstanding balance as of June 30, 2024	7,601,149
Exercisable as of June 30, 2024	3,313,218

As at January 1, 2024 and June 30, 2024, the total numbers of Options available for grant under the Share Option Plan were 11,600,368 and 14,062,742, respectively.

The total number of Shares that may be issued in respect of options and awards granted under all schemes of the Company during the six months ended June 30, 2024 divided by the weighted average number of Shares in issue for the six months ended June 30, 2024 was Nil.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

To the Board of Directors of China Literature Limited

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 43 to 92, which comprises the condensed consolidated statement of financial position of China Literature Limited (the “Company”) and its subsidiaries (together, the “Group”) as at June 30, 2024 and the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, August 12, 2024

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2024

	Note	Six months ended June 30,	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenues	7	4,190,933	3,283,026
Cost of revenues	8	(2,107,703)	(1,678,264)
Gross profit		2,083,230	1,604,762
Interest income	9	90,582	80,137
Other (losses)/gains, net	10	(3,724)	5,814
Selling and marketing expenses	8	(1,158,882)	(822,147)
General and administrative expenses	8	(544,789)	(534,509)
Net provision for impairment losses on financial assets		(11,968)	(23,109)
Operating profit		454,449	310,948
Finance costs, net	11	(2,099)	(2,820)
Share of net profit of associates and joint ventures	18	150,646	117,461
Profit before income tax		602,996	425,589
Income tax expense	12	(99,064)	(49,610)
Profit for the period		503,932	375,979
Other comprehensive income, net of tax:			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Share of other comprehensive loss of associates		(185)	(4,865)
Currency translation differences		(18,972)	(48,497)
<i>Items that will not be reclassified to profit or loss</i>			
Net gain/(loss) from change in fair value of financial asset at fair value through other comprehensive income		1,400	(4,122)
Share of other comprehensive income of an associate		–	3,098
Currency translation differences		47,943	125,648
		30,186	71,262
Total comprehensive income for the period		534,118	447,241
Profit attributable to:			
– Equity holders of the Company		504,303	376,680
– Non-controlling interests		(371)	(701)
		503,932	375,979
Total comprehensive income attributable to:			
– Equity holders of the Company		534,497	447,912
– Non-controlling interests		(379)	(671)
		534,118	447,241
Earnings per share (expressed in RMB per share)			
– Basic earnings per share	13(a)	0.50	0.37
– Diluted earnings per share	13(b)	0.49	0.37

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of June 30, 2024

	Note	As of June 30, 2024 RMB'000 (Unaudited)	As of December 31, 2023 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	115,342	128,327
Right-of-use assets	16	177,403	207,675
Intangible assets	17	7,327,415	7,330,124
Investments in associates and joint ventures	18	1,064,204	924,683
Financial assets at fair value through profit or loss	19	853,234	856,047
Financial asset at fair value through other comprehensive income	20	5,559	4,071
Deferred income tax assets	21	488,753	394,121
Prepayments, deposits and other assets	23	292,513	291,608
Term deposits		2,199,000	1,829,000
		12,523,423	11,965,656
Current assets			
Inventories	24	716,593	743,660
Television series and film rights	25	857,686	995,078
Financial assets at fair value through profit or loss	19	2,817,577	2,442,719
Trade and notes receivables	26	2,127,935	1,988,200
Prepayments, deposits and other assets	23	1,186,541	1,212,607
Term deposits		1,303,193	1,038,739
Cash and cash equivalents		2,898,306	2,801,796
		11,907,831	11,222,799
Total assets		24,431,254	23,188,455
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	22	651	650
Treasury shares	22	(16,512)	–
Shares held for RSU schemes	22	(16,647)	(16,647)
Share premium	22	16,374,739	16,312,648
Other reserves		1,831,178	2,173,341
Retained earnings		1,059,256	554,953
		19,232,665	19,024,945
Non-controlling interests		(917)	(538)
Total equity		19,231,748	19,024,407

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of June 30, 2024

	Note	As of June 30, 2024 RMB'000 (Unaudited)	As of December 31, 2023 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	16	119,873	153,182
Long-term payables		8,125	1,151
Deferred income tax liabilities	21	132,135	134,520
Deferred revenue		23,079	24,231
Financial liabilities at fair value through profit or loss	31	–	247,830
		283,212	560,914
Current liabilities			
Borrowings	28	10,000	10,000
Lease liabilities	16	81,740	74,921
Trade payables	29	1,222,103	1,119,714
Other payables and accruals	30	1,935,279	997,662
Deferred revenue		1,144,543	879,250
Current income tax liabilities		237,427	266,444
Financial liabilities at fair value through profit or loss	31	285,202	255,143
		4,916,294	3,603,134
Total liabilities		5,199,506	4,164,048
Total equity and liabilities		24,431,254	23,188,455

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

On behalf of the board of directors

Director

Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2024

	Attributable to equity holders of the Company									
	Share capital RMB'000	Treasury shares RMB'000	Shares held				Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
			Share premium RMB'000	for RSU schemes RMB'000	Other reserves RMB'000					
(Unaudited)										
As of January 1, 2024	650	-	16,312,648	(16,647)	2,173,341	554,953	19,024,945	(538)	19,024,407	
Comprehensive income										
Profit for the period	-	-	-	-	-	504,303	504,303	(371)	503,932	
Other comprehensive income										
- Share of other comprehensive loss of an associate (Note 18)	-	-	-	-	(185)	-	(185)	-	(185)	
- Currency translation differences	-	-	-	-	28,979	-	28,979	(8)	28,971	
- Net profit from change in fair value of financial asset at fair value through other comprehensive income (Note 20)	-	-	-	-	1,400	-	1,400	-	1,400	
Total comprehensive income for the period	-	-	-	-	30,194	504,303	534,497	(379)	534,118	
Share of other changes in net assets of an associate	-	-	-	-	(557)	-	(557)	-	(557)	
Transaction with owners										
Share-based compensation expenses	-	-	-	-	55,440	-	55,440	-	55,440	
Transfer of vested RSUs (Note 22)	-	-	(144)	-	-	-	(144)	-	(144)	
Issue of ordinary shares as consideration for a business combination (Note 22)	2	-	72,161	-	-	-	72,163	-	72,163	
Business combination under common control (Note 33)	-	-	-	-	(427,240)	-	(427,240)	-	(427,240)	
Repurchase of shares (to be cancelled) (Note 22)	-	(16,512)	-	-	-	-	(16,512)	-	(16,512)	
Repurchase and cancellation of shares (Note 22)	(1)	-	(9,926)	-	-	-	(9,927)	-	(9,927)	
Transactions with owners in their capacity for the period	1	(16,512)	62,091	-	(371,800)	-	(326,220)	-	(326,220)	
As of June 30, 2024	651	(16,512)	16,374,739	(16,647)	1,831,178	1,059,256	19,232,665	(917)	19,231,748	

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2023

	Attributable to equity holders of the Company							
	Share capital RMB'000	Share premium RMB'000	Shares held for RSU schemes RMB'000	Other reserves RMB'000	Retained earnings/ (accumulated losses) RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
(Unaudited)								
As of January 1, 2023	644	16,223,277	(18,766)	1,955,121	(202,938)	17,957,338	(2,616)	17,954,722
Comprehensive income								
Profit for the period	-	-	-	-	376,680	376,680	(701)	375,979
Other comprehensive income								
- Share of other comprehensive loss of an associate (Note 18)	-	-	-	(1,767)	-	(1,767)	-	(1,767)
- Currency translation differences	-	-	-	77,121	-	77,121	30	77,151
- Net loss from change in fair value of financial asset at fair value through other comprehensive income (Note 20)	-	-	-	(4,122)	-	(4,122)	-	(4,122)
Total comprehensive income for the period	-	-	-	71,232	376,680	447,912	(671)	447,241
Transaction with owners								
Share-based compensation expenses	-	-	-	70,892	-	70,892	-	70,892
Issue of ordinary shares as consideration for a business combination (Note 22)	2	87,340	-	-	-	87,342	-	87,342
Capital injection	-	-	-	-	-	-	3,376	3,376
Transactions with owners in their capacity for the period	2	87,340	-	70,892	-	158,234	3,376	161,610
As of June 30, 2023	646	16,310,617	(18,766)	2,097,245	173,742	18,563,484	89	18,563,573

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2024

	Note	Six months ended June 30,	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		1,769,655	719,577
Income tax paid		(155,812)	(103,939)
Net cash generated from operating activities		1,613,843	615,638
Cash flows from investing activities			
Payment for business combination under common control, net of cash acquired	33	(474,092)	–
Placements of term deposits with initial term of over three months		(1,030,454)	(2,564,795)
Receipts from maturity of term deposits with initial term of over three months		399,454	3,033,053
Payment for acquisition of financial assets at fair value through profit or loss		(6,313,361)	(2,800,134)
Proceeds from disposals or settlement of financial assets at fair value through profit or loss		5,929,524	148,892
Payment for investments in joint ventures		(23,377)	(17,540)
Purchase of property, plant and equipment		(5,181)	(14,077)
Purchase of intangible assets		(44,643)	(85,219)
Proceeds from disposals of property, plant and equipment		393	1,499
Interest received		29,418	48,843
Dividends received		196,332	–
Settlement of contingent consideration payable	31	(146,907)	(204,026)
Proceeds from disposal of investment in associates and joint ventures		5,068	69,195
Loan lent to a related party		–	(5,000)
Proceeds from settlement of loan lent to a former subsidiary		–	6,766
Net cash used in investing activities		(1,477,826)	(2,382,543)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2024

	Note	Six months ended June 30,	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Cash flows from financing activities			
Repayments of borrowings		–	(417,876)
Interests paid		(4,624)	(11,602)
Proceeds from financial investors in television series and films		–	536
Repayments to financial investors in television series and films		–	(128)
Principal elements of lease payments		(32,168)	(40,676)
Proceeds from capital injection to a subsidiary by non-controlling interests		–	3,376
Payment for repurchase of ordinary shares	22	(26,439)	–
Net cash flows used in financing activities		(63,231)	(466,370)
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		2,801,796	5,545,766
Exchange gains on cash and cash equivalents		23,724	47,415
Cash and cash equivalents at end of the period		2,898,306	3,359,906

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 General information

China Literature Limited (the “Company”) was incorporated in the Cayman Islands on April 22, 2013, as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. The registered office is at Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since November 8, 2017.

The Company is an investment holding company. The Company and its subsidiaries, including structured entities (collectively, the “Group”), are principally engaged in the provision of reading services (either free or paid), copyright commercialisation (either by self-operation or collaboration with others), writer cultivation and brokerage, operation of text work reading and related open platform, which are all based on text work, and the realisation of these activities through technology methods and digital media including but not limited to personal computers, Internet and mobile network in the People’s Republic of China (the “PRC”). On October 31, 2018, the Group acquired 100% equity interest of New Classics Media Holdings Limited (or referred to as the “New Classics Media” and previously known as “Qiandao Lake Holdings Limited”). New Classics Media and its subsidiaries are principally engaged in production and distribution of television series, web series and films in the PRC, which has further expanded the Group’s intellectual property operation business, in particular for the production and distribution of film and TV programs.

The ultimate holding company of the Company is Tencent Holdings Limited (“Tencent”), which is incorporated in the Cayman Islands with limited liability and the shares of Tencent have been listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The interim financial information comprises the condensed consolidated statement of financial position as of June 30, 2024, the related condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes (“the Interim Financial Information”). The Interim Financial Information is presented in Renminbi (“RMB”), unless otherwise stated.

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

2 Basis of preparation

The Interim Financial Information has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended December 31, 2023, which have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (“IFRS Accounting Standards”), as set out in the 2023 annual report of the Company dated March 18, 2024 (the “2023 Financial Statements”).

The Group completed the business combination under common control with Tencent and several of its subsidiaries (together referred to as “the Sellers”) during the six months ended June 30, 2024. Regarding the business combination under common control, the Group applied predecessor accounting method that the assets and liabilities of the acquired business are stated at predecessor carrying values, and no new goodwill arises. The acquired business’ results and statement of financial position are incorporated prospectively from the date on which the business combination under common control occurred. For detailed information, please refer to Note 33.

3 Material accounting policy information

Except as described below, the accounting policies and method of computation used in the preparation of the Interim Financial Information are consistent with those used in the 2023 Financial Statements, which have been prepared in accordance with IFRS Accounting Standards under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including contingent consideration payable) at fair value through profit or loss, which are carried at fair value.

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

3.1 Amendments to standards and interpretations adopted by the Group

The following standards and amendments have been adopted by the Group for the first time for the financial year beginning on January 1, 2024:

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

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

3 Material accounting policy information (Continued)

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

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

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

4 Estimates

The preparation of Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2023 Financial Statements.

NOTES TO THE INTERIM FINANCIAL INFORMATION

5 Financial risk management and financial instruments

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk.

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's 2023 Financial Statements.

There was no changes in the risk management policies during the six months ended June 30, 2024.

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate cash and cash equivalents.

5.2 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as of June 30, 2024 and December 31, 2023 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded equity securities) is based on quoted market prices at the end of the reporting period. These instruments are included in level 1;
- Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2; and
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

NOTES TO THE INTERIM FINANCIAL INFORMATION

5 Financial risk management and financial instruments (Continued)

5.2 Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair values as of June 30, 2024.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As of June 30, 2024				
Financial assets:				
– Financial asset at fair value through profit or loss (“FVPL”)	4,603	–	3,666,208	3,670,811
– Financial asset at fair value through other comprehensive income (“FVOCI”)	5,559	–	–	5,559
	10,162	–	3,666,208	3,676,370
Financial liabilities at fair value through profit or loss	–	–	285,202	285,202

The following table presents the Group's assets and liabilities that are measured at fair value as of December 31, 2023.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As of December 31, 2023				
Financial assets:				
– FVPL	6,579	–	3,292,187	3,298,766
– FVOCI	4,071	–	–	4,071
	10,650	–	3,292,187	3,302,837
Financial liabilities at fair value through profit or loss	–	–	502,973	502,973

There were no transfers of financial assets and liabilities between level 1, level 2 and level 3 during the six months ended June 30, 2024 and 2023.

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for financial instruments.

NOTES TO THE INTERIM FINANCIAL INFORMATION

5 Financial risk management and financial instruments (Continued)

5.2 Fair value estimation (Continued)

There were no changes in valuation techniques during the six months ended June 30, 2024 and 2023.

The changes in level 3 financial instruments for the six months ended June 30, 2024 and 2023 are represented in the following table:

	Financial assets		Financial liabilities	
	Six months ended		Six months ended	
	June 30,		June 30,	
	2024	2023	2024	2023
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Opening balance	3,292,187	972,659	502,973	872,775
Additions	6,313,361	2,800,134	–	–
Compensation costs	–	–	1,800	1,825
Changes in fair value recognised as other (losses)/gains, net	(12,391)	(38,448)	(501)	49,952
Changes in fair value recognised as revenues	(71)	–	–	–
Disposals	(5,929,524)	(171,919)	–	–
Settlement of contingent consideration payable (Note 31)	–	–	(219,070)	(291,368)
Currency translation differences	2,646	15,354	–	–
Closing balance	3,666,208	3,577,780	285,202	633,184
Include unrealised gains and losses recognised in profit or loss attributable to balances held at the end of the reporting period	(40,552)	(50,427)	(1,204)	45,830

6 Segment information

The chief operating decision-makers mainly include executive directors of the Group. They review the Group's internal reporting in order to assess performance, allocate resources, and determine the operating segments based on these reports.

NOTES TO THE INTERIM FINANCIAL INFORMATION

6 Segment information (Continued)

To help investors better understand the Group's revenue structure and margin trends, short-form dramas have been reclassified from "Online business" to "Intellectual property operations and others", both in the internal reports to the chief operating decision-makers and in the consolidated financial statements of the Group. The comparative figures in the condensed consolidated financial statements of the Group and the note have been restated to conform with the new presentation. The board of directors believes that the above changes in segment information better reflect current market trends, as well as resource allocation and future business development of the Group.

The Group had the following reportable segments for the six months ended June 30, 2024 and 2023:

- Online business (including online paid reading, online advertising and game publishing); and
- Intellectual property operations and others (including licensing and distribution of film, television, web and animated series, copyrights licensing, sales of adaptation rights and scripts, distribution of short-form dramas, sales of physical books, in-house online games operations, distributions of online audio books and online comic content provided via Tencent and third-party platforms, etc.)

Subsequent to the reclassification, segment of "Intellectual property operations and others" now consists of the financials of distribution of short-form dramas.

As of June 30, 2024 and 2023, the chief operating decision-makers assessed the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. The selling and marketing expenses and general and administrative expenses were common costs incurred for these operating segments as a whole and therefore, they were not included in the measure of the segments' performance which was used by the chief operating decision-makers as a basis for the purpose of resource allocation and assessment of segment performance. Interest income, other gains, net, finance costs, net, net provision for impairment losses on financial assets, share of net profit of associates and joint ventures and income tax expenses were also not allocated to individual operating segment.

There were no material inter-segment sales during the six months ended June 30, 2024 and 2023. The revenues from external customers reported to the chief operating decision-makers were measured in a manner consistent with that applied in the condensed consolidated statement of comprehensive income.

Other information, together with the segment information, provided to the chief operating decision-makers, was measured in a manner consistent with that applied in these condensed consolidated financial statements. There were no segment assets and segment liabilities information provided to the chief operating decision-makers.

The Company is domiciled in the Cayman Islands while the Group mainly operates its business in the PRC and earns substantially all of the revenues from external customers attributed to the PRC. The revenue is mainly generated in the PRC.

NOTES TO THE INTERIM FINANCIAL INFORMATION

6 Segment information (Continued)

The segment information provided to the chief operating decision-makers for the reportable segments for the six months ended June 30, 2024 and 2023 is as follows:

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

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

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

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

7 Revenues

7.1 Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major lines:

(Unaudited) Six months ended June 30, 2024	Online business			Intellectual property operations and others		
	On self-owned platform products RMB'000	On the channels on Tencent products RMB'000	On third-party platforms RMB'000	Intellectual property operations RMB'000	Others RMB'000	Total RMB'000
Timing of revenue recognition:						
– At a point in time	1,500,919	122,162	115,549	1,193,304	44,848	2,976,782
– Over time	193,250	8,497	–	1,009,523	2,881	1,214,151
	1,694,169	130,659	115,549	2,202,827	47,729	4,190,933

(Unaudited) Six months ended June 30, 2023	Online business			Intellectual property operations and others		
	On self-owned platform products RMB'000	On the channels on Tencent products RMB'000	On third-party platforms RMB'000	Intellectual property operations RMB'000	Others RMB'000	Total RMB'000
Timing of revenue recognition:						
– At a point in time	1,562,824	175,461	97,729	1,015,159	43,823	2,894,996
– Over time	146,843	1,547	–	238,794	846	388,030
	1,709,667	177,008	97,729	1,253,953	44,669	3,283,026

NOTES TO THE INTERIM FINANCIAL INFORMATION

8 Expenses by nature

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Promotion and advertising expenses	866,253	558,281
Content costs (Note a)	856,281	751,939
Employee benefits expenses	532,208	516,844
Production costs of television, web and animated series and films	442,026	268,714
Platform distribution costs	366,778	383,224
Impairment loss on television series and film rights (Note 25(a))	185,356	–
Payment handling costs	145,802	126,849
Amortisation of intangible assets (Note 17)	79,944	91,772
Bandwidth and server custody fees	56,980	43,354
Cost of physical inventories sold	46,266	29,336
Game development outsourcing costs	42,736	56,687
Depreciation of right-of-use assets (Note 16)	36,166	38,437
Travelling, entertainment and general office expenses	23,635	17,888
Depreciation of property, plant and equipment (Note 15)	17,817	17,007
Professional service fees	12,395	11,102
Tax surcharge expenses	10,617	8,314
Auditors' remuneration		
– Audit services	5,315	5,315
– Non-audit services	442	488
Logistic expenses	4,034	2,542
Provision for physical inventory obsolescence	3,242	8,802
Expense relating to short-term and low value leases (Note 16)	2,507	2,426
Impairment loss on prepayments for production of television series and films	–	36,000
Impairment loss on prepayments to directors and writers	–	2,830
Others	74,574	56,769
	3,811,374	3,034,920

Notes:

- (a) Content costs mainly include (i) other than the initial acquisition of the copyrights from writers, the Group also pays a certain percentage of the revenues earned on such contents posted through its self-owned platforms, channels on Tencent products and third-party platforms. In addition, some writers share certain percentage of the revenue earned on virtual gift purchases pursuant to their royalty arrangements; (ii) the direct costs associated with the adaptation rights and scripts that sold by the Group; and (iii) the impairment loss on adaptation rights and scripts.
- (b) Research and development expenses (being included in the Group's general and administrative expenses) for the six months ended June 30, 2024 was approximately RMB264,497,000 (for the six months ended June 30, 2023: RMB267,239,000), which mainly included employee benefits expenses of research and development function staff.

NOTES TO THE INTERIM FINANCIAL INFORMATION

9 Interest income

	Six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Interest income on bank deposits	90,462	80,065
Others	120	72
	90,582	80,137

10 Other (losses)/gains, net

	Six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Government subsidies	48,634	83,434
Net fair value gains of investments in financial assets at fair value through profit or loss (excluding redeemable shares)	26,845	31,832
Compensation received for copyright infringements	5,516	5,407
Fair value gain/(loss) on contingent consideration payable (Note 5.2)	501	(49,952)
Impairment loss of intangible assets (Note 17)	(22,591)	–
Impairment provision for investments in associates and joint ventures (Note 18)	(26,157)	(55,308)
Net fair value losses of investments in redeemable shares	(41,264)	(70,999)
Gain on disposal of investment in an associate	–	40,402
Dilution gains on deemed disposal (Note 18)	–	12,711
Others, net	4,792	8,287
	(3,724)	5,814

NOTES TO THE INTERIM FINANCIAL INFORMATION

11 Finance costs, net

	Six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Interest expenses on lease liabilities (Note 16)	4,624	4,372
Foreign exchange gain, net	(2,525)	(8,733)
Interest expenses on borrowings	–	7,181
	2,099	2,820

12 Income tax expense

(a) Cayman Islands corporate income tax (“CIT”)

The Company was not subject to any taxation in the Cayman Islands for the six months ended June 30, 2024 and 2023.

(b) Hong Kong profits tax

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

(c) PRC corporate income tax

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

Certain subsidiaries of the Group in the PRC were approved as High and New Technology Enterprise, and accordingly, they were subject to a reduced preferential CIT rate of 15% for the periods presented according to the applicable CIT Law.

Certain subsidiaries of the Group are entitled to other tax concessions, mainly include the preferential tax rate of 15% applicable to some subsidiaries located in certain area of the Mainland of China upon fulfillment of certain requirements of the respective local government.

NOTES TO THE INTERIM FINANCIAL INFORMATION

12 Income tax expense (Continued)

(c) PRC corporate income tax (Continued)

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

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax	119,203	82,543
Deferred income tax (Note 21)	(20,139)	(32,933)
Income tax expense	99,064	49,610

13 Earnings per share

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

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net profit attributable to the equity holders of the Company	504,303	376,680
Weighted average number of ordinary shares in issue (thousand)	1,014,153	1,006,602
Basic earnings per share (expressed in RMB per share)	0.50	0.37

NOTES TO THE INTERIM FINANCIAL INFORMATION

13 Earnings per share (Continued)

- (b) Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the six months ended June 30, 2024 and 2023, the Company had dilutive potential ordinary shares of restricted shares units (“RSUs”) and share options granted to employees and directors. For the RSUs, a calculation was performed to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company’s shares during the period) based on the monetary value of the subscription rights attached to the outstanding RSUs. The RSUs were assumed to have been fully vested and released from restrictions with no impact on earnings. For the share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that would have been issued at fair value (determined as the average market share price of the Company’s shares) were incremental shares issued for no consideration which causes dilution to earnings per share.

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

14 Dividends

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

15 Property, plant and equipment

	Computer equipment RMB'000	Leasehold improvements RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
(Unaudited)							
Six months ended							
June 30, 2024							
Opening net book amount as of January 1, 2024	25,173	70,501	12,570	1,748	18,335	–	128,327
Additions	2,185	2,730	260	–	–	–	5,175
Business combination under common control	32	–	2	–	–	–	34
Disposals	(375)	–	(1)	(1)	–	–	(377)
Depreciation	(5,175)	(10,465)	(1,507)	(230)	(440)	–	(17,817)
Closing net book amount as of June 30, 2024	21,840	62,766	11,324	1,517	17,895	–	115,342

	Computer equipment RMB'000	Leasehold improvements RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
(Unaudited)							
Six months ended							
June 30, 2023							
Opening net book amount as of January 1, 2023	21,497	72,444	13,183	1,091	18,892	5,751	132,858
Additions	4,458	447	–	1,172	–	570	6,647
Transfer from construction in progress	–	3,646	2,105	–	–	(5,751)	–
Disposals	(224)	–	(686)	(69)	–	–	(979)
Depreciation	(1,267)	(12,912)	(2,364)	(209)	(255)	–	(17,007)
Closing net book amount as of June 30, 2023	24,464	63,625	12,238	1,985	18,637	570	121,519

NOTES TO THE INTERIM FINANCIAL INFORMATION

16 Leases

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the condensed consolidated statement of financial position

The condensed consolidated statement of financial position shows the following amounts relating to leases:

	As of June 30, 2024 RMB'000 (Unaudited)	As of December 31, 2023 RMB'000
Right-of-use assets		
Properties	177,403	207,675
Lease liabilities		
Current	81,740	74,921
Non-current	119,873	153,182
	201,613	228,103

Additions to the right-of-use assets during the six months ended June 30, 2024 were approximately RMB6,714,000 (for the six months ended June 30, 2023: RMB80,887,000).

NOTES TO THE INTERIM FINANCIAL INFORMATION

16 Leases (Continued)

(b) Amounts recognised in the condensed consolidated statement of comprehensive income

The condensed consolidated statement of comprehensive income shows the following amounts relating to leases:

	Six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Depreciation charge of right-of-use assets		
Properties	(36,166)	(38,437)
Interest expense (included in finance costs, net)	4,624	4,372
Expense relating to short-term leases (included in general and administrative expenses and selling and marketing expenses)	2,260	2,203
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in general and administrative expenses)	247	223
	7,131	6,798

The total cash outflow for leases during the six months ended June 30, 2024 was approximately RMB36,792,000 (for the six months ended June 30, 2023: RMB46,912,000).

(c) The Group's leasing activities and how these are accounted for

The Group leases various properties and vehicle rental contracts are typically made for fixed periods of no longer than 9 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

NOTES TO THE INTERIM FINANCIAL INFORMATION

17 Intangible assets

	Goodwill RMB'000	Non- compete agreement RMB'000	Trademarks RMB'000	Copyrights of contents RMB'000	Software RMB'000	Domain names RMB'000	Total RMB'000
(Unaudited)							
Six months ended June 30, 2024							
Opening net book amount as of January 1, 2024	6,632,807	8,245	536,440	138,492	12,090	2,050	7,330,124
Additions	-	-	-	37,452	7,744	-	45,196
Amortisation	-	(3,298)	(9,766)	(62,811)	(4,063)	(6)	(79,944)
Business combination under common control (Note 33)	-	-	-	54,630	-	-	54,630
Impairment (Note 10)	-	-	-	(22,591)	-	-	(22,591)
Closing net book amount as of June 30, 2024	6,632,807	4,947	526,674	145,172	15,771	2,044	7,327,415

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

Impairment tests for goodwill

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

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

17 Intangible assets (Continued)

Impairment tests for goodwill (Continued)

During the six months ended June 30, 2024 and 2023, impairment review on goodwill arising from acquired TV and film business had been conducted by the management according to IAS 36 “Impairment of assets”. The Group has engaged an independent external valuer to assist in performing the goodwill impairment assessment.

For the purposes of impairment review, the recoverable amount of goodwill is determined based on the higher amount of the fair value less cost of disposal (“FVLCD”) and value-in-use calculations. As of June 30, 2024 and June 30, 2023, the recoverable amounts of goodwill are determined based on value-in-use calculations. The value-in-use calculations adopt cash flow projections derived from expected business performance covering a five-year period. The accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control processes established by the Group. The management leveraged their extensive experiences in the industries and developed forecasts based on past performance and their expectation on future business plans and market developments.

Based on the results of the impairment assessments, no impairment loss on the goodwill relating to the acquired TV and film business had been recognised as of June 30, 2024 and 2023.

Impairment tests for copyrights

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

18 Investments in associates and joint ventures

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

(a) Investments in associates

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

Note:

Both external and internal sources of information of associates are considered in assessing whether there is any indication that the investments may be impaired, including but not limited to financial position, business performance and market capitalisation. The Group carries out impairment assessment on those investments with impairment indicators, and the respective recoverable amounts of investments are determined with reference to the higher of fair value less costs of disposal and value in use.

No impairment provision against the carrying amounts of investments in associates was made during the six months ended June 30, 2024 (for the six months ended June 30, 2023: RMB55,308,000).

NOTES TO THE INTERIM FINANCIAL INFORMATION

18 Investments in associates and joint ventures (Continued)

(b) Investments in joint ventures

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

Note:

Both external and internal sources of information of joint ventures are considered in assessing whether there is any indication that the investments may be impaired, including but not limited to financial position, business performance and market capitalisation. The Group carries out impairment assessment on those investments with impairment indicators, and the respective recoverable amounts of investments are determined with reference to the higher of fair value less costs of disposal and value in use.

The Group made an aggregate impairment provision of approximately RMB26,157,000 against the carrying amounts of certain investments in joint ventures during the six months ended June 30, 2024 (for the six months ended June 30, 2023: nil). The impairment losses were mainly resulted from revisions of financial and business outlook of these joint ventures.

NOTES TO THE INTERIM FINANCIAL INFORMATION

19 Financial assets at fair value through profit or loss

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

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

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

FVPL include the following:

	As of June 30, 2024 RMB'000 (Unaudited)	As of December 31, 2023 RMB'000
Included in non-current assets:		
Investments in unlisted entities	848,631	849,468
Investment in a listed entity	4,603	6,579
	853,234	856,047
Included in current assets:		
Investments in television series and films	–	822
Investments in structured deposits	2,817,577	2,441,897
	2,817,577	2,442,719
	3,670,811	3,298,766

NOTES TO THE INTERIM FINANCIAL INFORMATION

19 Financial assets at fair value through profit or loss (Continued)

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

Movement of FVPL is analysed as follows:

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At the beginning of the period	3,298,766	981,570
Additions (Note a)	6,313,361	2,800,134
Changes in fair value recognised as other (losses)/gains, net (Note 10)	(14,419)	(39,167)
Changes in fair value recognised as revenues	(71)	–
Settlements/disposals (Note b)	(5,929,524)	(171,919)
Currency translation difference	2,698	16,104
At the end of the period	3,670,811	3,586,722

Notes:

- (a) In May 2024, the Group invested in convertible preferred shares of a third-party company that was principally engaged in the offline merchandise business at a cash consideration of USD6,000,000 (equivalent to approximately RMB42,661,000), which represented 14.07% equity interest of the investee on an outstanding and fully converted basis.

During the six months ended June 30, 2024, the Group invested in structured deposits with guaranteed principal and floating return at a cash consideration of approximately RMB6,270,700,000. Fair value gain from these investments was recognised in "other (losses)/gains, net" in the condensed consolidated statement of comprehensive income.

- (b) During the six months ended June 30, 2024, the Group's disposals of financial assets at FVPL included the receipts of principals and related interests upon the maturity of certain structured deposits amounting to approximately RMB5,929,524,000.

NOTES TO THE INTERIM FINANCIAL INFORMATION

20 Financial asset at fair value through other comprehensive income

FVOCI include the following:

	As of June 30, 2024 RMB'000 (Unaudited)	As of December 31, 2023 RMB'000
Included in non-current assets:		
Investment in a listed entity	5,559	4,071

Movement of FVOCI is analysed as follows:

	Six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
At the beginning of the period	4,071	8,009
Changes in fair value	1,400	(4,122)
Currency translation difference	88	1,278
At the end of the period	5,559	5,165

21 Deferred income taxes

The movements of deferred income tax assets/liabilities are as follows:

	As of June 30, 2024 RMB'000 (Unaudited)	As of December 31, 2023 RMB'000
Gross deferred income tax assets	517,667	434,825
Set-off of deferred income tax assets pursuant to set-off provisions	(28,914)	(40,704)
Net deferred income tax assets	488,753	394,121

NOTES TO THE INTERIM FINANCIAL INFORMATION

21 Deferred income taxes (Continued)

	As of June 30, 2024 RMB'000 (Unaudited)	As of December 31, 2023 RMB'000
Gross deferred income tax liabilities	(161,049)	(175,224)
Set-off of deferred income tax liabilities pursuant to set-off provisions	28,914	40,704
Net deferred income tax liabilities	(132,135)	(134,520)

The movements of deferred income tax assets/liabilities are as follows:

	Deferred income tax assets RMB'000 (Unaudited)	Deferred income tax liabilities RMB'000 (Unaudited)	Deferred income tax, net RMB'000 (Unaudited)
As of December 31, 2023	434,825	(175,224)	259,601
Credited to condensed consolidated income statement	5,964	14,175	20,139
Business combination under common control (Note 33)	76,878	–	76,878
As of June 30, 2024	517,667	(161,049)	356,618
As of December 31, 2022	314,605	(141,885)	172,720
Adjustment on Amendments to IAS 12	26,459	(26,459)	–
As of January 1, 2023 (Restated)	341,064	(168,344)	172,720
Credited/(charged) to condensed consolidated income statement	40,753	(7,820)	32,933
As of June 30, 2023	381,817	(176,164)	205,653

NOTES TO THE INTERIM FINANCIAL INFORMATION

22 Share capital, treasury shares, share premium and shares held for RSU schemes

	Number of ordinary shares	Share capital RMB'000	Treasury shares RMB'000	Share premium RMB'000	Shares held for RSU schemes RMB'000	Total RMB'000
As of January 1, 2024	1,023,393,477	650	–	16,312,648	(16,647)	16,296,651
Transfer of vested RSUs	–	–	–	(144)	–	(144)
Issue of ordinary shares as consideration for a business combination	2,719,384	2	–	72,161	–	72,163
Repurchase and cancellation of shares	(432,800)	(1)	–	(9,926)	–	(9,927)
Repurchase of shares (to be cancelled) (Note a)	–	–	(16,512)	–	–	(16,512)
As of June 30, 2024	1,025,680,061	651	(16,512)	16,374,739	(16,647)	16,342,231

	Number of ordinary shares	Share capital RMB'000	Treasury Shares RMB'000	Share premium RMB'000	Shares held for RSU schemes RMB'000	Total RMB'000
As of January 1, 2023	1,015,238,417	644	–	16,223,277	(18,766)	16,205,155
Issue of ordinary shares as consideration for a business combination	3,021,371	2	–	87,340	–	87,342
As of June 30, 2023	1,018,259,788	646	–	16,310,617	(18,766)	16,292,497

Note:

- (a) During the six months ended June 30, 2024, the Group repurchased a total of 1,152,800 ordinary shares that listed on The Stock Exchange of Hong Kong Limited. The total amount paid to repurchase these ordinary shares was approximately HKD29,001,000 (approximately RMB26,439,000). As of June 30, 2024, 432,800 out of 1,152,800 repurchased ordinary shares had been cancelled and deducted from the share capital and share premium within shareholders' equity, and the remaining 720,000 shares were recorded as treasury shares as of June 30, 2024.

NOTES TO THE INTERIM FINANCIAL INFORMATION

23 Prepayments, deposits and other assets

	As of June 30, 2024 RMB'000 (Unaudited)	As of December 31, 2023 RMB'000
Non-current:		
Prepayments to directors and writers	95,192	99,796
Prepayments for production of television series and films	92,774	82,428
Interests receivable	50,762	22,531
Deferred compensation costs (Note 31)	26,862	53,432
Deposits and prepayments	24,852	25,114
Prepayments for overseas licensed film rights	1,521	1,521
Amount due from a related party (Note 32)	550	6,786
	292,513	291,608
Current:		
Amounts due from related parties (Note 32)	631,817	735,835
Recoverable value-added tax	105,340	87,503
Receivables from co-producers and others for production of television series and films	100,264	99,714
Deferred costs	97,866	87,797
Interests receivable	69,927	36,994
Prepaid corporate income tax	52,403	44,811
Prepayments for production of television series and films	42,981	17,981
Prepayments to vendors and online writers	31,443	29,103
Rental and other deposits	7,524	11,412
Staff advances	2,602	331
Royalty advances	2,586	5,129
Others	41,788	55,997
	1,186,541	1,212,607

Notes:

The directors of the Group considered that the carrying amounts of "prepayments, deposits and other assets" (excluding prepayments) approximated to their respective fair values as of June 30, 2024 and December 31, 2023. At each period end, deposits and other assets are assessed for impairment with respect to their recoverability by considering the credit status of the payees.

NOTES TO THE INTERIM FINANCIAL INFORMATION

24 Inventories

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

Raw materials primarily consist of paper which will be transferred into work in progress when book production process starts and the paper are delivered to printers for printing.

Inventories mainly consist of adaptation rights and scripts, paper and books and side-line merchandise for sale. Inventories are stated at the lower of cost or net realisable value. During the six months ended June 30, 2024, the cost of inventories recognised as expenses amounted to approximately RMB157,556,000 (for the six months ended June 30, 2023: RMB107,553,000) and the provision for impairment of inventories amounted to approximately RMB20,183,000 (for the six months ended June 30, 2023: RMB39,515,000). All these expenses and impairment charge have been included in "cost of revenues" in the condensed consolidated statements of comprehensive income.

During the six months ended June 30, 2024, the provision for impairment of inventories as utilised upon the Group's ultimate sales of the related inventories amounted to approximately RMB5,807,000 (for the six months ended June 30, 2023: RMB5,452,000).

25 Television series and film rights

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

25 Television series and film rights (Continued)

	Production in progress RMB'000	Completed RMB'000	Total RMB'000
(Unaudited)			
As of January 1, 2024	951,533	43,545	995,078
Additions	407,658	–	407,658
Business combination under common control (Note 33)	19,585	–	19,585
Transfer from adaptation rights and scripts to under production	62,747	–	62,747
Transfer from production in progress to completed	(604,383)	604,383	–
Recognised in cost of revenues	(2,260)	(625,122)	(627,382)
As of June 30, 2024 (Note b)	834,880	22,806	857,686

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

Notes:

- (a) During the six months ended June 30, 2024, the Group considered the expected recoverable amounts of certain completed television series and film rights could not cover the respective carrying amounts, and an impairment loss of approximately RMB185,356,000 (for the six months ended June 30, 2023: nil) was recognised and included as part of cost of revenues.
- (b) The balance of television series and film rights production in progress represented costs associated with the production of television series and films, including remuneration of the directors, casts and the production crew, costumes, insurance, make-up and hairdressing, as well as rental of camera and lighting equipment etc. Television series and film rights production in progress are transferred to television series and film rights completed upon completion of production.
- (c) The Group has entered into certain joint operation arrangements to produce and distribute television series and films. As at June 30, 2024, the carrying amounts of television series and film rights recognised in the consolidated statement of financial position relating to the Group's interests in these joint operation arrangements are approximately RMB351,003,000 (December 31, 2023: RMB471,894,000).

NOTES TO THE INTERIM FINANCIAL INFORMATION

26 Trade and notes receivables

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

The Group applies the IFRS 9 simplified approach for trade receivables, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. The Group also performed assessment on an individual basis, when it becomes aware of an increase in credit risk for the individual financial instrument. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The directors of the Company considered that the carrying amounts of the trade and notes receivables balances approximated their fair value as of June 30, 2024 and December 31, 2023.

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

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

27 Share-based payments

(a) RSU schemes of the Group

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

(i) 2014 RSU Scheme

The Company has adopted a share award scheme on December 23, 2014 to the extent of 25,000,000 new ordinary shares of the Company for the purpose of attracting and retaining the best available personnel, and providing additional incentives to employees, directors and consultants and to promote the success of the Group's business (the "2014 RSU Scheme"). The RSUs granted under the 2014 RSU Scheme would become vested with respect to 20% of the RSUs on each of the first five anniversaries of the grant date.

On March 12, 2016, the Company modified the vesting condition associated with the 2014 RSU Scheme in a non-beneficial way by adding a non-market performance condition relating to completion of a defined initial public offering of the Company.

On January 17, 2017, the shareholders of the Company approved additional 15,409,091 new ordinary shares be further reserved for the purpose of the Company's employee incentive plan. The aggregate number of shares reserved under the 2014 RSU Scheme was 40,409,091 shares.

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

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

Note:

If the grantee's employment with or service with the Group terminates (e.g. upon cessation of employment), any rights to the RSUs or options subjected to the unvested portion of the grantee shall be forfeited.

NOTES TO THE INTERIM FINANCIAL INFORMATION

27 Share-based payments (Continued)

(a) RSU schemes of the Group (Continued)

(ii) 2020 RSU Scheme

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

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

	Number of RSUs
(Unaudited)	
As of January 1, 2024	6,826,174
Granted	–
Forfeited	(420,807)
Vested	(1,093)
Outstanding balance as of June 30, 2024	6,404,274
(Unaudited)	
As of January 1, 2023	6,690,316
Granted	2,187
Forfeited	(552,354)
Vested	(10,962)
Outstanding balance as of June 30, 2023	6,129,187

During the six months ended June 30, 2024 and 2023, there was no RSU granted to executive directors of the Company.

The fair value of each RSUs was calculated based on the market price of the Company's shares at the respective grant date. The expected dividends during the vesting period had been taken into account when assessing the fair value of these RSUs.

NOTES TO THE INTERIM FINANCIAL INFORMATION

27 Share-based payments (Continued)

(b) Share option scheme of the Group

Pursuant to a resolution passed at the annual general meeting held on May 24, 2021, the Company adopted a share option scheme (the “2021 Share Option Scheme”). The purpose of the 2021 Share Option Scheme was to recognise the contribution that the participants have made to the Company, to attract and retain the best available personnel and to promote the success of the Company. The 2021 Share Option Scheme is valid and effective for a period of 10 years commencing on May 24, 2021. The share options granted were divided into three to four tranches on an equal basis at their grant dates. The first tranche can be exercised immediately or after a year from the grant date, and the remaining tranches will become exercisable in each subsequent year.

(i) Movements in share options

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

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

During the six months ended June 30, 2024 and 2023, no option was granted or exercised.

NOTES TO THE INTERIM FINANCIAL INFORMATION

27 Share-based payments (Continued)

(b) Share option scheme of the Group (Continued)

(ii) Outstanding share options

Details of the expiry dates, exercise prices and respective numbers of share options which remained outstanding as of June 30, 2024 and December 31, 2023 are as follows:

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

(iii) Fair value of options

The directors of the Company have used the binomial model to determine the fair value of the options as at the respective grant dates, which is to be expensed over the relevant vesting period.

(c) Expected Retention Rate

The Group has to estimate the Expected Retention Rate at the end of the vesting periods of the RSUs and share options in order to determine the amount of share-based compensation expenses charged to the condensed consolidated statement of comprehensive income. As of June 30, 2024, the Expected Retention Rate of the Group was assessed to be no lower than 92% (June 30, 2023: 92%).

NOTES TO THE INTERIM FINANCIAL INFORMATION

28 Borrowings

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

Note:

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

As of June 30, 2024 and December 31, 2023, the Group's secured bank borrowings consisted of RMB10,000,000 fixed rate borrowings bearing interest rate at 3.4% per annum.

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

29 Trade payables

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

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

NOTES TO THE INTERIM FINANCIAL INFORMATION

30 Other payables and accruals

	As of June 30, 2024 RMB'000 (Unaudited)	As of December 31, 2023 RMB'000
Payables of proceeds from license and distribution of television series and films rights (Note a)	842,424	126,856
Advertising and marketing expense accruals	483,067	230,005
Staff costs and welfare accruals	160,121	229,802
Payable related to business combination under common control (Note 33)	120,000	–
Other taxes payables	110,457	153,235
Payables of outsourcing fee on game development	27,775	26,797
Payables of professional service fee	23,231	35,390
Payments received from co-producer (Note b)	21,173	19,252
Special funds payable	17,750	17,990
Payables related to purchase of intangible assets	11,910	11,357
Payables related to purchase of property, plant and equipment	4,574	4,580
Payables related to investments	–	8,940
Others	112,797	133,458
	1,935,279	997,662

Notes:

- (a) These payables are related to the proceeds generated from television series and film rights that are collected by the Group and it is obliged to be settled with counterparties within the agreed credit period.
- (b) It represents payments received from co-producers for the co-produced television series and films under joint operation agreements and the Group is obliged to utilise these payments in production.

NOTES TO THE INTERIM FINANCIAL INFORMATION

31 Financial liabilities at fair value through profit or loss

	As of June 30, 2024 RMB'000 (Unaudited)	As of December 31, 2023 RMB'000
Non-current:		
Contingent consideration payable relating to the acquisition of 100% equity interest of New Classics Media	–	247,830
Current:		
Contingent consideration payable relating to the acquisition of 100% equity interest of New Classics Media	285,202	255,143
	285,202	502,973

Note:

On October 31, 2018, the Group entered into a share purchase agreement (“2018 New Classic Media Share Purchase Agreement”) with the selling shareholders (including a subsidiary of Tencent) to acquire 100% equity interest of New Classics Media, which is principally engaged in production and distribution of television series, web series and films. Pursuant to the share purchase agreement, the aggregate consideration for the acquisition of New Classics Media is approximately RMB15,500,000,000 and will be subject to an earn-out mechanism that is set out in the share purchase agreement. The consideration will be settled by a combination of cash and new shares issued by the Company based on the terms and subject to the conditions set forth in the share purchase agreement.

On August 27, 2020, the Group entered into a supplemental deed in relation to the amendment of the 2018 New Classics Media Share Purchase Agreement (“the supplemental SPA deed”), which was approved by the shareholders of the Group on December 9, 2020 and took effective from December 11, 2020 (the “Effective Date”). Pursuant to the supplemental SPA deed, the original earn-out mechanism was revised. The original earn-out consideration payable by the Group for the year ended December 31, 2020 under the mechanism (being 15,119,815 consideration shares and approximately RMB1,021,000,000 in cash) has been apportioned into five tranches and allocated to cover five financial years ending December 31, 2024, and is subject to additional conditions and adjustments set forth in the supplemental SPA deed.

“Monte Carlo Simulation Method” was used to in this exercise to measure the value of the contingent consideration. The future net profit of New Classics Media was simulated in numerous scenarios based on the assumptions of growth rate and volatility of net profit of New Classics Media. For each scenario, the consideration to be paid in the form of cash and shares would be determined in accordance with the earn-out mechanism that set out in the supplemental SPA deed. Such consideration was then discounted at a rate that reflects the associated risk of the payment to arrive the present value of consideration in a scenario. The value of contingent consideration was obtained by the average of the present value of considerations in these scenarios.

The estimated consideration payable arising from the new earn-out mechanism was recognised as “contingent consideration payable”. The contingent consideration payable was initially and subsequently measured at fair value based on the valuation results performed by the independent external valuation firm. For the six months ended June 30, 2024, a total number of 2,719,384 shares (for the six months ended June 30, 2023: 3,021,371 shares) was issued and a total cash consideration of approximately RMB146,907,000 (for the six months ended June 30, 2023: RMB204,026,000) was paid under the new earn-out mechanism.

Under the supplemental SPA deed, a special purpose vehicle company set up by Mr. Cao Huayi, the founder of New Classics Media (the “Founder”) must return to the Group an amount of approximately RMB216,358,000 on a one-time basis, which is equal to the return of consideration under the original earn out mechanism, if that Founder ceases or terminates his employment or breaches the deed of non-competition. As such, approximately RMB216,358,000 was considered and accounted for as remuneration for his future services and was recognised as “deferred compensation costs” in the condensed consolidated statement of financial position, on the Effective Date. For the six months ended June 30, 2024, the compensation costs amounting to approximately RMB26,570,000 was charged to “general and administrative expenses” in the condensed consolidated statement of comprehensive income (for the six months ended June 30, 2023: RMB26,424,000).

NOTES TO THE INTERIM FINANCIAL INFORMATION

31 Financial liabilities at fair value through profit or loss (Continued)

Note: (Continued)

In addition, out of the total above mentioned consideration, an aggregate RMB20,000,000 was a contingent payment which would be automatically forfeited if these selling shareholders who are also the employees of New Classics Media terminate their employments. It was also considered and accounted as remuneration for their future services. The compensation costs amounting to approximately RMB1,800,000 were charged to “general and administrative expenses” in the condensed consolidated statement of comprehensive income during the six months ended June 30, 2024 (for the six months ended June 30, 2023: RMB1,825,000).

32 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family member of the Group are also considered as related parties.

Name of major related parties	Relationship with the Company
Tencent	Ultimate holding company
Aceville Pte. Ltd	Fellow subsidiary
Beijing Tencent Culture Media Co., Ltd.	Fellow subsidiary
Shanghai Tencent Penguin Film Culture Co., Ltd.	Fellow subsidiary
Shenzhen Lazy Online Technology Co., Ltd.	Fellow subsidiary
Shenzhen Tencent Animation Co., Ltd.	Fellow subsidiary
Shenzhen Tencent Computer Systems Company Limited	Fellow subsidiary
Tencent Cloud Computing (Beijing) Company Limited	Fellow subsidiary
Tencent Film Culture Communication Co., Ltd.	Fellow subsidiary
Tencent Technology (Beijing) Company Limited	Fellow subsidiary
Tencent Technology (Shenzhen) Company Limited	Fellow subsidiary
Beijing Jinjiang Networking Technology Co., Ltd.	Joint venture of the Group
Sky Mutual Entertainment (Tianjin) Culture Communication Co., Ltd.	Joint venture of the Group
Chongqing Color Pencil Animation Design Co., Ltd.	Associate of the Group
Beijing Kuaishou Technology Co., Ltd.	Associate of the ultimate holding company
Beijing Muyuan Technology Co., Ltd	Associate of the ultimate holding company
Beijing Zhizhetianxia Technology Co., Ltd.	Associate of the ultimate holding company
Guangzhou Tianwen Kadokawa Animation and Comics Co., Ltd.	Associate of the ultimate holding company
Shanghai Linmon Picture Media Co., Ltd.	Associate of the ultimate holding company
Shanghai Mengqiu Network Technology Co., Ltd.	Associate of the ultimate holding company
Shanghai Ruyi Film and Television Production Co., Ltd	Associate of the ultimate holding company
Shanghai Xunmeng Information Technology Co., Ltd.	Associate of the ultimate holding company
Shengji Information Technology (Shanghai) Co., Ltd.	Associate of the ultimate holding company
Tianjin Deep Blue Film Media Co., Ltd.	Associate of the ultimate holding company
Tianjin Maoyan Weying Technology Co., Ltd.	Associate of the ultimate holding company
Tibet Tongkan Future Film and Culture Media Co., Ltd.	Associate of the ultimate holding company

NOTES TO THE INTERIM FINANCIAL INFORMATION

32 Related party transactions (Continued)

(a) Intellectual property operations and provision of advertising

	Six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Fellow subsidiaries	764,800	875,658
Associates of the ultimate holding company (Note)	58,586	19,200
Associates of the Group	4,253	2,103
	827,639	896,961

During the six months ended June 30, 2024 and 2023, revenue from intellectual property operations relating to fellow subsidiaries recognised at a point in time including license of television series, film rights and animated series, copyrights licensing, sales of adaptation rights and scripts and others. Revenue is recognised when certain materials or contents had been delivered and accepted and the Group had no further obligation upon the delivery of such materials or contents.

(b) Receipts of services, purchase of animation works and other purchases

	Six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Fellow subsidiaries	185,421	150,252
Associates of the ultimate holding company	64,747	37,103
Associates of the Group	17,635	5,166
Joint ventures of the Group	22,633	24,827
	290,436	217,348

The Group's pricing policies on the transactions with related parties are based on mutually agreed terms.

Note:

For the related party transactions disclosed in Note 32, the associates of the ultimate holding company represented the companies that are associates of the Company's ultimate holding company Tencent but not the associate of the Group, the related party transactions of which are disclosed separately.

NOTES TO THE INTERIM FINANCIAL INFORMATION

32 Related party transactions (Continued)

(c) Interest income

	Six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
A joint venture of the Group	–	72

(d) Loan lent to a related party

	Six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
A joint venture of the Group	–	5,000

(e) Period/year-end balances with related parties

	As of June 30, 2024 RMB'000 (Unaudited)	As of December 31, 2023 RMB'000
Trade receivables		
Fellow subsidiaries	1,162,184	1,305,373
Associates of the ultimate holding company	35,264	58,219
Associates of the Group	2,509	48
Joint ventures of the Group	321	321
	1,200,278	1,363,961
Less: allowance for impairment of trade receivables	(23,151)	(37,295)
	1,177,127	1,326,666

NOTES TO THE INTERIM FINANCIAL INFORMATION

32 Related party transactions (Continued)

(e) Period/year-end balances with related parties (Continued)

	As of June 30, 2024 RMB'000 (Unaudited)	As of December 31, 2023 RMB'000
Prepayments, deposits and other receivables		
Fellow subsidiaries	633,668	541,827
An associate of the Group	550	–
Associates of the ultimate holding company	115	217
A joint venture of the Group	–	202,332
	634,333	744,376
Less: allowance for impairment of prepayments, deposits and other receivables	(1,966)	(1,755)
	632,367	742,621

Receivables due from related parties are unsecured, interest-free and repayable on demand. As of June 30, 2024, bad debt provision amounted to approximately RMB25,117,000 (December 31, 2023: RMB39,050,000) was made against receivables from related parties.

	As of June 30, 2024 RMB'000 (Unaudited)	As of December 31, 2023 RMB'000
Trade payables		
Fellow subsidiaries	88,382	134,208
Joint ventures of the Group	90,444	79,394
Associates of the ultimate holding company	5,374	610
Associates of the Group	3,629	2,666
	187,829	216,878

NOTES TO THE INTERIM FINANCIAL INFORMATION

32 Related party transactions (Continued)

(e) Period/year-end balances with related parties (Continued)

	As of June 30, 2024 RMB'000 (Unaudited)	As of December 31, 2023 RMB'000
Other payables, accruals and deferred revenue		
Fellow subsidiaries	817,917	359,701
Associates of the ultimate holding company	41,976	28,176
Joint ventures of the Group	10,754	14,673
	870,647	402,550

Payables due from related parties are unsecured, interest-free and payable on demand.

(f) Key management personnel compensation

	Six months ended June 30,	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Salaries, wages and bonuses	2,809	2,179
Other social security costs, housing benefits and other employee benefits	124	22
Pension costs – defined contribution plans	100	32
Share-based compensation expenses	6,699	7,243
	9,732	9,476

33 Business combination under common control

(a) Acquisition of Tencent Animation and Comics

On December 11, 2023, the Group entered into an agreement with Tencent and several of its subsidiaries (together referred to as “the Sellers”), for the acquisition of (1) “Tencent Animation and Comics” APP platform and agreed number of works owned by the platform; (2) agreed number of animation, film and television series projects; and (3) 90% equity interests of Shanghai Michengzi Culture Communication Company Limited, which is a subsidiary of Tencent (collectively, “the Acquisition”). The total consideration for the Acquisition was amounted to RMB600,000,000. The completion date of the Acquisition was April 30, 2024.

NOTES TO THE INTERIM FINANCIAL INFORMATION

33 Business combination under common control (Continued)

(a) Acquisition of Tencent Animation and Comics (Continued)

As both the Group and the Sellers are subsidiaries of Tencent, the Acquisition was accounted for as business combinations under common control. The assets and liabilities transferred from the Sellers to the Group are stated at predecessor carrying values, which are incorporated prospectively from the date on which the business combination between entities under common control occurred.

Details of the purchase consideration is as follows:

Purchase consideration	RMB'000
Cash consideration paid	480,000
Cash consideration payables (Note a)	120,000
Total purchase consideration	600,000

Note:

- (a) The cash consideration payables are expected to be paid by the end of 2024.

No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the ultimate controlling party's interest.

The net assets acquired in the Acquisition were approximately RMB172,760,000, which mainly include intangible assets of approximately RMB54,630,000, television series and film rights of approximately RMB19,585,000, deferred income tax assets of approximately RMB76,878,000 and cash and cash equivalents of approximately RMB5,908,000. The excess of purchase consideration over the net assets acquired amounting to approximately RMB427,240,000 was recognized in "Other reserves".

(b) Purchase consideration – cash outflow

Outflow of cash to acquire subsidiary, net of cash acquired	RMB'000
Cash consideration paid	480,000
Less: Balance of cash acquired	(5,908)
Net outflow of cash – investing activities	474,092

34 Subsequent events

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

DEFINITION

“2014 Restricted Share Unit Scheme” or “Restricted Stock Unit Plan”	:	the scheme adopted by the Company to grant RSUs to the Directors, senior management and employees and those of our subsidiaries which took effect as of December 23, 2014;
“2020 Restricted Share Unit Scheme”	:	a restricted share unit scheme of the Company adopted on May 15, 2020 and amended by the Shareholders’ resolution passed on May 22, 2023;
“2021 Share Option Plan” or “Share Option Plan”	:	a share option plan of the Company adopted on May 24, 2021 and amended by the Shareholders’ resolution passed on May 22, 2023;
“Administrator”	:	the committee appointed to administer the RSU Plan composed of members of the Board, and if no such committee is appointed, it shall mean the Board;
“Audit Committee”	:	the audit committee of the Company;
“Auditor”	:	PricewaterhouseCoopers, the external auditor of the Company;
“Award(s)”	:	the RSU(s) granted under the RSU Plan;
“Award Agreement”	:	the agreement evidencing the grant of the Awards;
“Board”	:	the board of Directors of the Company;
“C-Hero Limited”	:	a company incorporated with limited liability in the British Virgin Islands, whose registered office is at Craigmuir Chambers, Road Town, Tortola, VG 1110, British Virgin Islands;
“CCASS”	:	the Central Clearing and Settlement System established and operated by HKSCC;
“CG Code”	:	the Corporate Governance Code as set out in Appendix C1 of the Listing Rules;
“China” or the “PRC”	:	the People’s Republic of China;
“Company”, “our Company”, “the Company” or “China Literature”	:	China Literature Limited (阅文集团) (formerly known as China Reading Limited), an exempted company incorporated in the Cayman Islands with limited liability on April 22, 2013 with its Shares listed on the Main Board of the Stock Exchange on the Listing Date under the stock code 772;
“Controlling Shareholders”	:	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Tencent, THL A13, Qinghai Lake and Tencent Mobility;

DEFINITION

“Director(s)”	:	the director(s) of our Company;
“Group”, “our Group”, “the Group”, “we”, “us”, or “our”	:	the Company, its subsidiaries and its consolidated affiliated entities from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time;
“HKD”	:	the lawful currency of Hong Kong;
“Hong Kong”	:	the Hong Kong Special Administrative Region of the People’s Republic of China;
“IFRS”	:	International Financial Reporting Standards;
“IP”	:	intellectual property;
“Listing Date”	:	November 8, 2017, the date on which the Shares are listed and on which dealings in the Shares are first permitted to take place on the Stock Exchange;
“Listing Rules”	:	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time;
“Main Board”	:	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange;
“MAUs”	:	monthly active users who access our platform or through our products or our self-operated channels on Tencent products at least once during the calendar month in question;
“Model Code”	:	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules;
“MPUs”	:	monthly paying users, meaning the number of accounts that purchase our content or virtual items on a special mobile app, WAP or website at least once during the calendar month in question;

DEFINITION

“New Classics Media” or “NCM”	:	New Classics Media Holdings Limited, previously known as “Qiandao Lake Holdings Limited”, a company established in Cayman Islands on 18 May 2018. Its subsidiaries are principally engaged in production and distribution of television series and movies;
“Qinghai Lake”	:	Qinghai Lake Investment Limited, one of our Controlling Shareholders, a limited liability company incorporated under the laws of the British Virgin Islands on July 1, 2014 as an investment vehicle and a wholly-owned subsidiary of Tencent;
“reporting period”	:	the six months ended June 30, 2024;
“RMB”	:	the lawful currency of the PRC;
“RSU(s)”	:	restricted stock unit(s);
“Service Provider Sublimit”	:	a sublimit for the total number of Shares to be issued to the service providers underlying the share schemes of the Company shall not in aggregate exceed 5,076,192 Shares, representing approximately 0.5% of the total number of Shares as of May 22, 2023;
“SFO”	:	the Securities and Futures Ordinance;
“Share(s)”	:	ordinary share(s) in the share capital of our Company with a par value of USD0.0001 each;
“Shareholders”	:	holder(s) of our Share(s);
“Stock Exchange”	:	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	:	has the meaning ascribed thereto in section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
“Tencent”	:	Tencent Holdings Limited, one of our Controlling Shareholders, a limited liability company organized and existing under the laws of the Cayman Islands and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 700);
“Tencent Mobility”	:	Tencent Mobility Limited, a company incorporated with limited liability in Hong Kong, a wholly owned subsidiary of Tencent and a connected person of the Company;

DEFINITION

“THL A13”	:	THL A13 Limited, one of our Controlling Shareholders, a limited liability company incorporated under the laws of the British Virgin Islands as an investment vehicle on February 1, 2013 and a wholly-owned subsidiary of Tencent;
“USD”	:	the lawful currency of the United States; and
“X-Poem Limited”	:	a company incorporated with limited liability in the British Virgin Islands, whose registered office is at Craigmuir Chambers, Road Town, Tortola, VG 1110, British Virgin Islands.



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