

China Literature

2022 Annual Results

March 16, 2023



Disclaimer

This presentation contains forward-looking statements relating to the industry and business outlook, forecast business plans and growth strategies of the Company. These forward-looking statements are based on information currently available to the Company and are stated herein on the basis of the outlook at the time of this presentation. They are based on certain expectations, assumptions and premises, some of which are subjective or beyond our control. These forward-looking statements may prove to be incorrect and may not be realized in future. Underlying the forward-looking statements is a large number of risks and uncertainties. Further information regarding these risks and uncertainties is included in the Company's other public disclosure documents on its corporate website.

Furthermore, this presentation also contains statements based on the Company's management accounts, which have not been audited by the Auditor. Shareholders and potential investors should therefore not place undue reliance on such statements.

IFRS Measures

- **Revenues** were **RMB7.6 bn (USD1.1 bn¹)**, compared with RMB8.7 bn in 2021
- ✓ **Revenues from online business** were **RMB4.4 bn (USD626.6 mn)**, compared with RMB5.3 bn in 2021
- ✓ **Revenues from IP operations and others** were **RMB3.3 bn (USD468.3 mn)**, compared with RMB3.4 bn 2021
- **Operating profit** was **RMB628.8 mn (USD90.3 mn)**, compared with RMB2.2 bn in 2021. The YoY difference was mainly due to non-IFRS adjustment items, including a gain of RMB1.1 bn related to the sale of our stake in a JV in 2021 and fair value losses of certain investee companies in 2022.
- **Net profit to shareholders** was **RMB608.2 mn (USD87.3 mn)**, compared with RMB1.8 bn in 2021

Non-IFRS Measures

- **Non-IFRS operating profit** increased **4.9% YoY** from RMB1.30 bn to **RMB1.36 bn (USD195.8 mn)**; **Margin** increased from 15.0% to **17.9%**
- **Non-IFRS net profit to shareholders** increased **9.6%** from RMB1.23 bn to **RMB1.35 bn (USD193.6 mn)**; **Margin** increased from 14.2% to **17.7%**

Note:
(1) Figures stated in USD are based on USD1 to RMB6.9646.

IP Creation: Online Reading Business

We strengthened our focus on high-quality content offerings, effective anti-piracy measures, and improved product operations. We made significant breakthroughs in the premium reading business in 2022.



Qidian Reading, our flagship premium reading product, realized **+30%** YoY revenue growth in 2022, with its MAU in December 2022 increasing **80%** YoY



MPU on our self-owned platform products increased **16%** YoY and **14%** sequentially in 2H22



In 2022, the number of literature works that newly reached **3,000+** average subscribers per chapter increased **+50%** YoY

Status as blockbuster TV and film producer validated with the continuous release of first-rate works



Blockbusters of 2022:

- The drama series A Lifelong Journey (人世间) was the **No.1** show nationwide in 1H22. The series set an **8-year** record for CCTV-1 prime time ratings, topped all charts across the internet, and garnered significant acclaim.
- The drama series New Life Begins (卿卿日常) was released in 2H22 and achieved an iQiyi popularity index of **10,000** within **144** hours, breaking the record set by our drama series My Heroic Husband (赘婿) in 2021. According to various professional data sources, New Life Begins (卿卿日常) was the **No.1** drama series in terms of popularity index and video views throughout the year. In addition, the drama series has been released on mainstream media platforms in Vietnam, Malaysia, Europe and the United States, achieving popularity in those markets as well.
- The film Too Cool To Kill (这个杀手不太冷静) achieved box office receipts of **RMB2.6 billion**, ranking **No.3** in the 2022 box office.

Compelling animation and comics with accelerated capacity expansion



- Two of our most well-known IP titles, Battle Through the Heavens (斗破苍穹) and Stellar Transformations (星辰变), each released two new seasons in 2022.
- New seasons for Martial Universe (武动乾坤), Cinderella Chef (萌妻食神) and Forty Millenniums of Cultivation (星域四万年) were released in 2022 with soaring popularity.
- According to Guduo, a third-party data source, **7 out of the top 10** most popular domestic animation works newly released on Tencent Video in 2022 were based on China Literature's IP.



- 3-year joint project with Tencent Comics to adapt 300 online literary works into comics is proceeding ahead of schedule, with **230+** comic works launched by the end of 2022.
- New hit titles have emerged, e.g. Dafeng Guardian (大奉打更人), Since the Red Moon Appeared (从红月开始) and World's Best Martial Artist (全球高武).

Exquisite offline merchandises



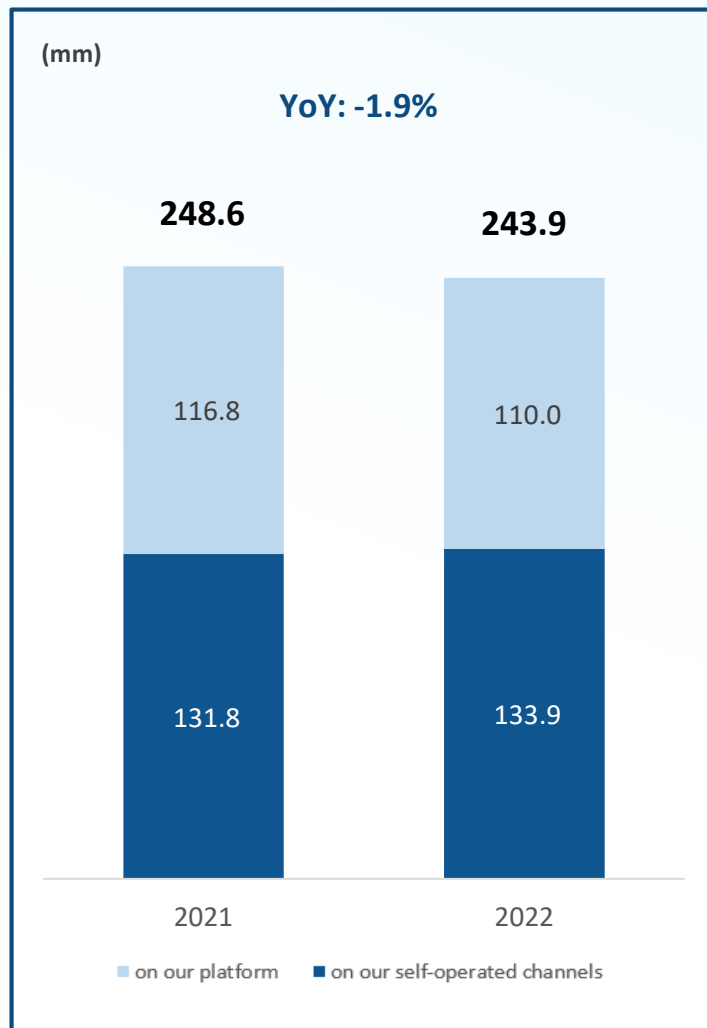
- The total GMV for several editions of the toy sculptures from Battle Through the Heavens (斗破苍穹) has exceeded **RMB20 mn** in 2022.
- Our in-house developed blind boxes for Lord of the Mysteries (诡秘之主) will soon be launched.

More exciting games on the way

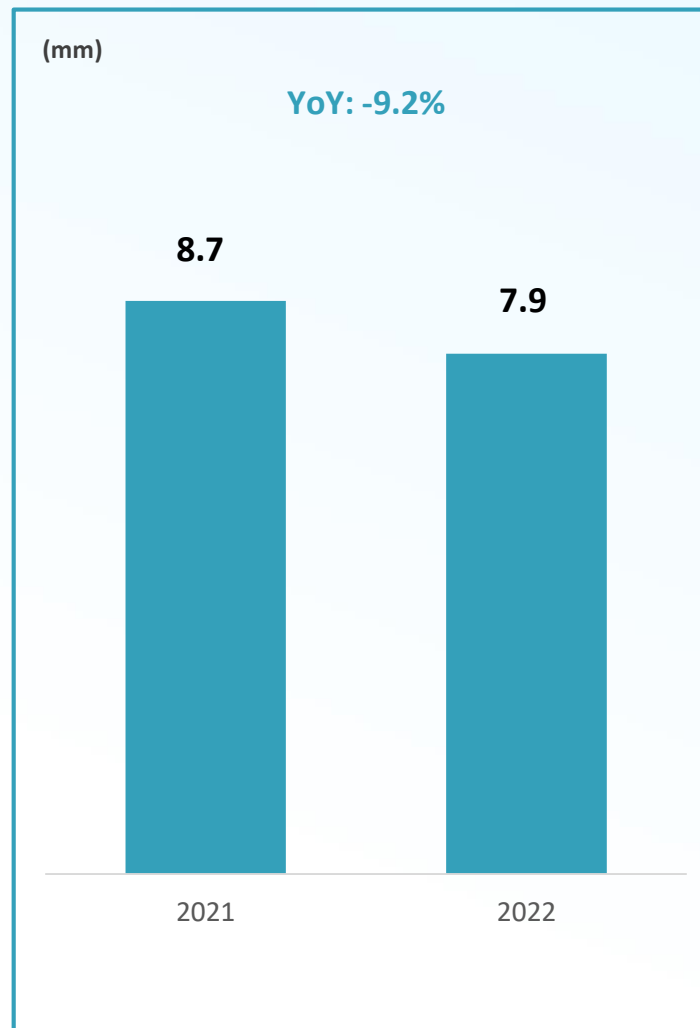
- Licensing: Swallowed Star (吞噬星空) and A Record of a Mortal's Journey to Immortality (凡人修仙传) have obtained publication approval and are expected to launch in 2023.
- Self-operation: enhanced in-house game development and operation capabilities.

Financials: Key Operating Metrics

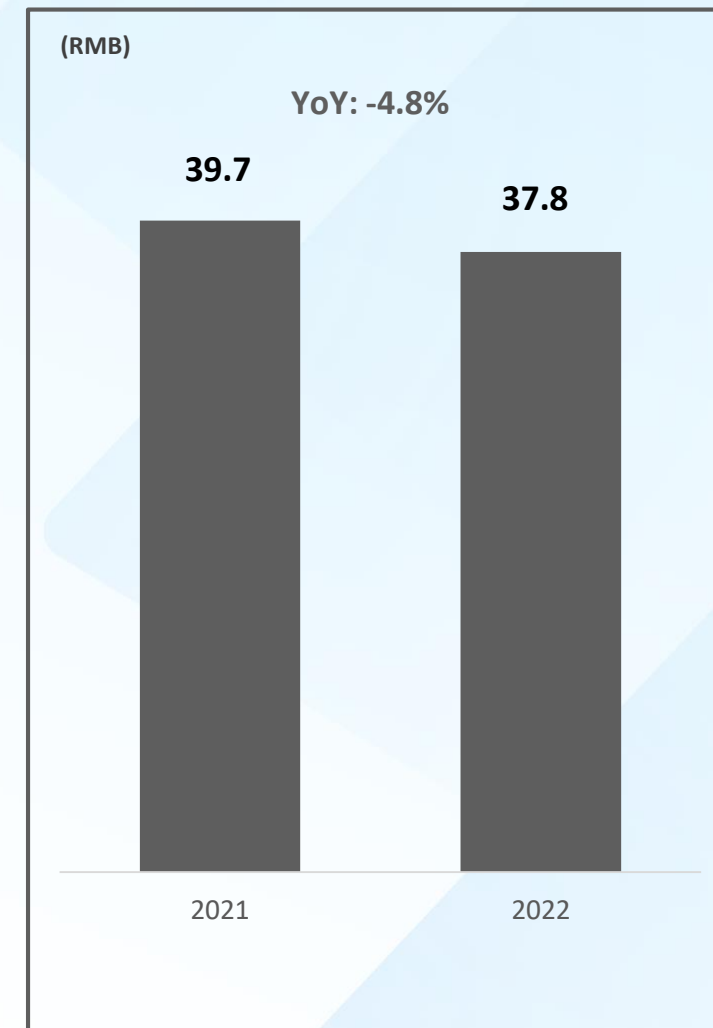
MAUs (1)



MPUs for Paid Reading (2)



Monthly ARPU for Paid Reading (3)



Notes:

- (1) Average MAU is calculated as the average of MAUs for each calendar month during the respective year or period, on our platform and our self-operated channels on partner distribution platforms.
- (2) Average MPU is calculated as the average of MPUs for each calendar month during the respective year or period, on our platform and our self-operated channels on partner distribution platforms.
- (3) Average monthly ARPU is calculated as online reading revenue on our platform and self-operated channels divided by average MPUs during the period, then divided by the number of months during the period.

Financials: Income Statement

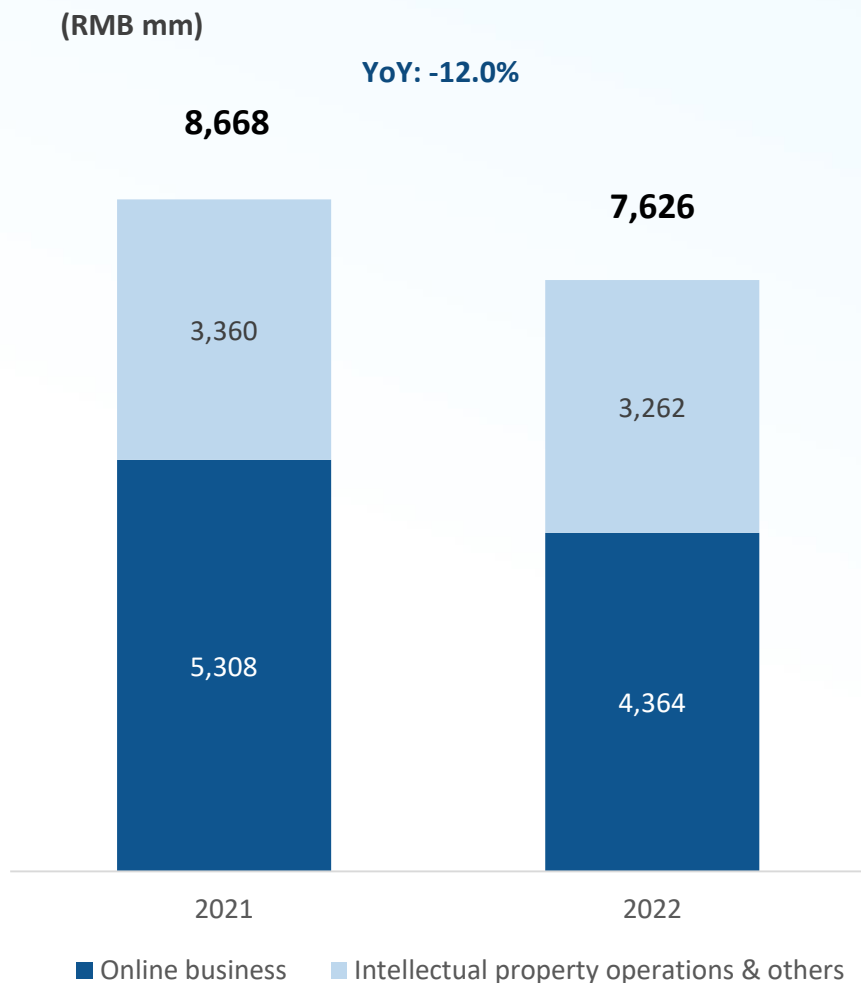
RMB'000	2021	2022	YoY
Revenues	8,668,244	7,625,622	(12.0%)
Cost of revenues	(4,068,801)	(3,595,519)	(11.6%)
Gross profit	4,599,443	4,030,103	(12.4%)
Interest income	125,353	160,893	28.4%
Other (losses)/gains, net ⁽¹⁾	1,448,083	(207,077)	(114.3%)
Selling and marketing expenses	(2,700,814)	(2,002,614)	(25.9%)
General and administrative expenses	(1,323,845)	(1,238,177)	(6.5%)
Net (provision for)/reversal of impairment losses on financial assets	24,420	(114,294)	(568.0%)
Operating profit	2,172,640	628,834	(71.1%)
Finance costs	(68,763)	(53,985)	(21.5%)
Share of net profit of associates and joint ventures	199,191	198,971	(0.1%)
Income tax expense	(460,141)	(166,192)	(63.9%)
Net profit to shareholders	1,846,609	608,186	(67.1%)
Non-IFRS net profit to shareholders	1,229,721	1,348,216	9.6%

Note:

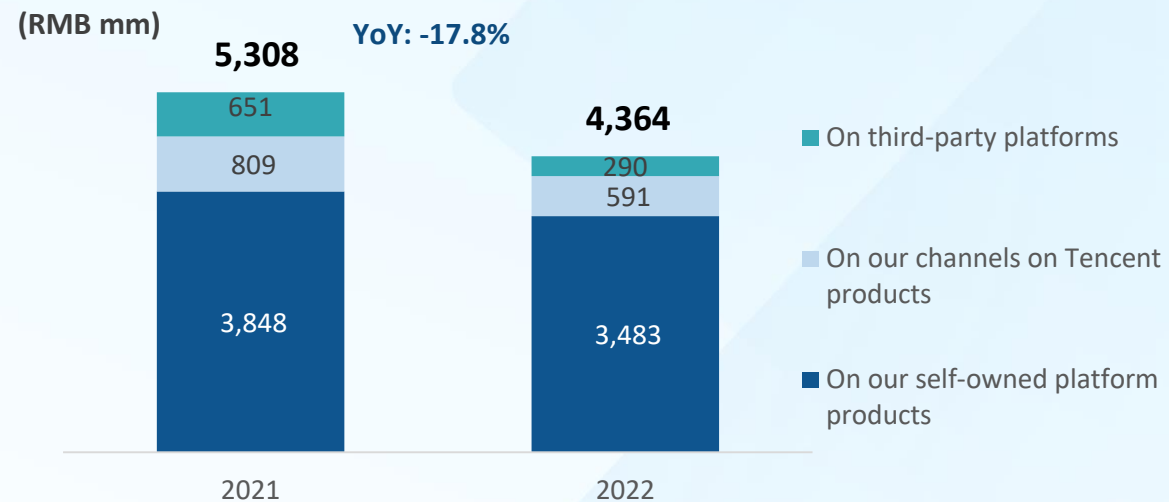
(1) The other gains in 2021 mainly consisted of a gain of RMB1,076.8 million related to the sale of our stake in Lazy Audio. The other losses in 2022 mainly consisted of a net fair value loss related to certain investee companies and acquisitions.

Financials: Revenue Structure

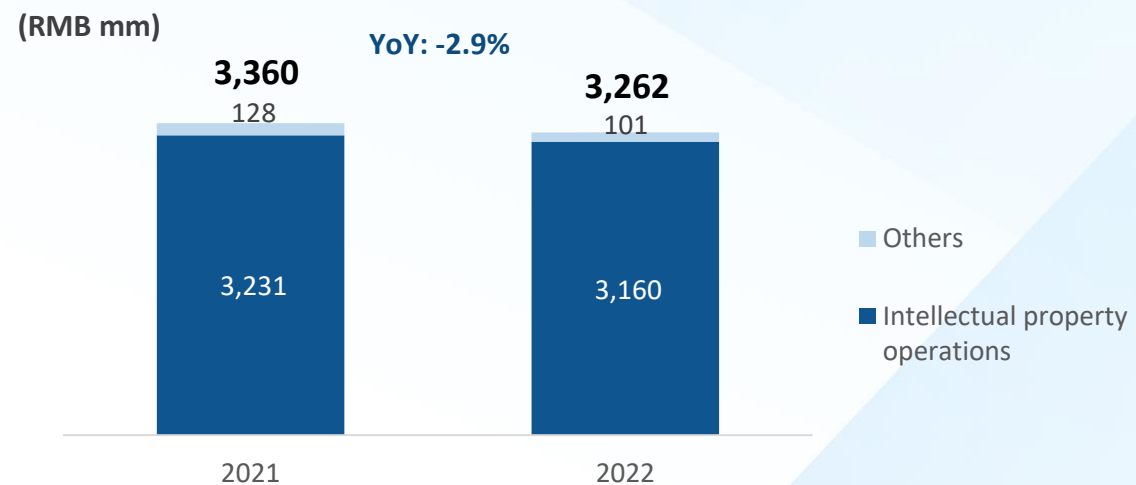
Revenues by Segment ⁽¹⁾



Online Business Revenues Breakdown ⁽¹⁾



Intellectual Property Operations & Others Revenues Breakdown ⁽¹⁾

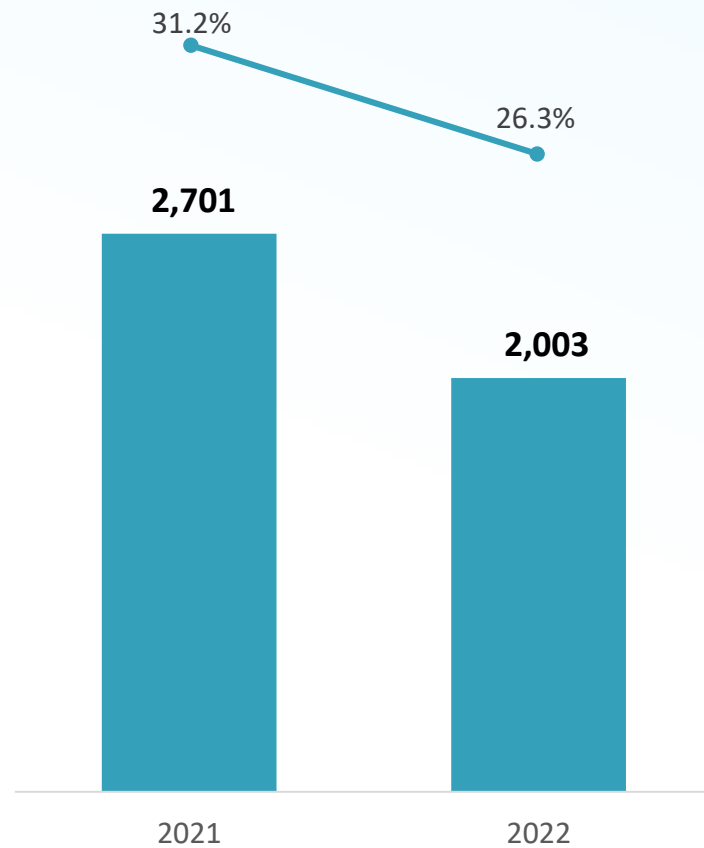


Note:

(1) Certain figures have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures shown in the breakdown items.

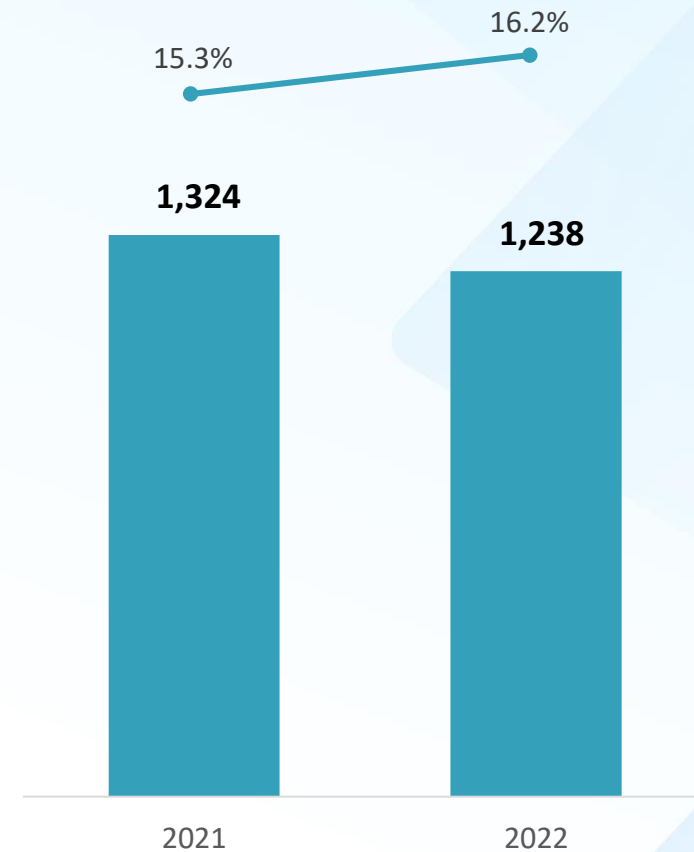
Selling & Marketing Expenses

as % of total revenue, total amount in RMB mn



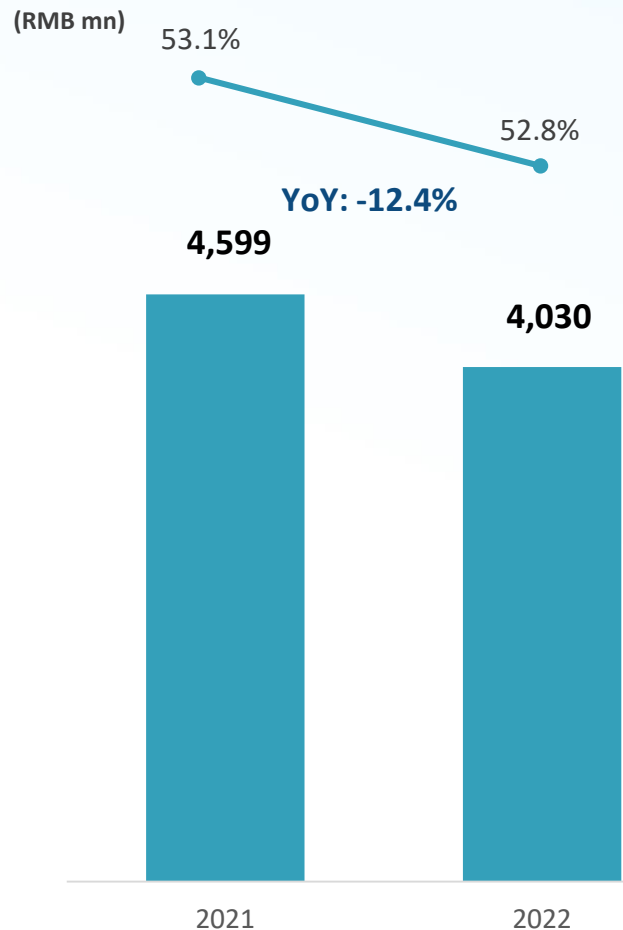
General & Administrative Expenses

as % of total revenue, total amount in RMB mn

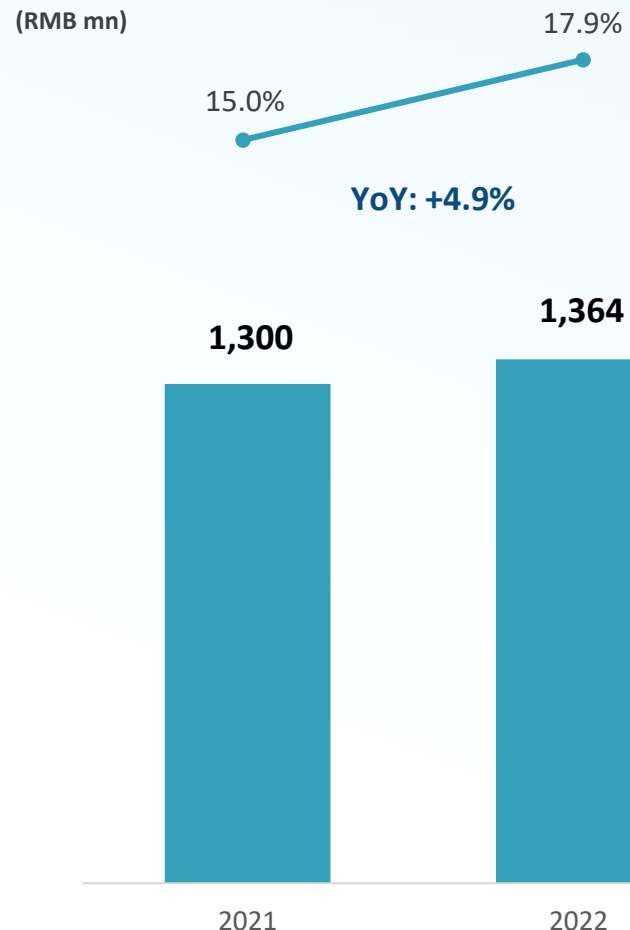


Financials: Key Profitability Metrics

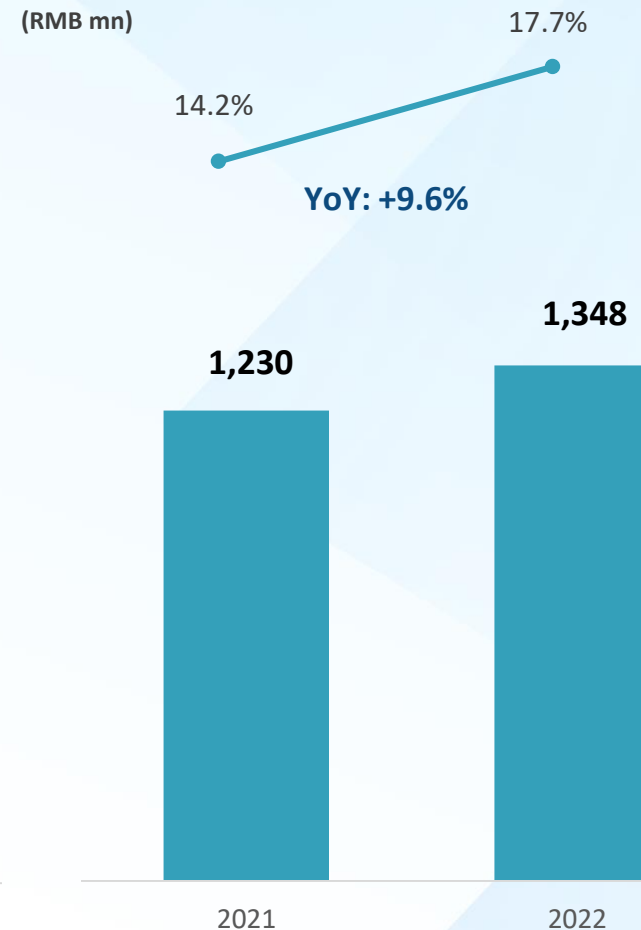
Gross Profit and Gross Margin



Non-IFRS Operating Profit and Operating Margin ⁽¹⁾



Non-IFRS Net Profit to Shareholders and Net Profit to Shareholders Margin ⁽¹⁾



Note:

(1) Figures under Non-IFRS measures.

Financials: Non-IFRS Profitability

(RMB'000)	2021	2022	YoY
EBITDA	1,094,005	1,052,762	(3.8%)
<i>Margin %</i>	12.6%	13.8%	
Adjusted EBITDA ⁽¹⁾	1,335,815	1,350,632	1.1%
<i>Margin %</i>	15.4%	17.7%	
Operating profit	2,172,640	628,834	(71.1%)
<i>Margin %</i>	25.1%	8.2%	
Non-IFRS operating profit ⁽²⁾	1,299,845	1,363,936	4.9%
<i>Margin %</i>	15.0%	17.9%	
Net profit to shareholders	1,846,609	608,186	(67.1%)
<i>Margin %</i>	21.3%	8.0%	
Non-IFRS net profit to shareholders ⁽³⁾	1,229,721	1,348,216	9.6%
<i>Margin %</i>	14.2%	17.7%	

Notes:

(1) Adjusted EBITDA is calculated as EBITDA for the period plus share-based compensation expense and expenditures related to acquisitions.

(2) Non-IFRS operating profit is defined as operating profit for the period adjusted by share-based compensation, net losses/(gains) from investments and acquisitions, and amortization of intangible assets resulting from acquisitions.

(3) Non-IFRS net profit to shareholders is defined as net profit to shareholders adjusted by share-based compensation, net losses/(gains) from investments and acquisitions, amortization of intangible assets resulting from acquisitions, and related tax effect.

Thank You

