

China Literature

2023 Annual Results

March 18, 2024



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 RMB7.0 bn (USD990.0 mn¹),** compared with RMB7.6 bn in 2022
 - **Online business revenues were RMB3.9 bn (USD557.4 mn),** compared with RMB4.4 bn in 2022
 - **IP operations and others revenues were RMB3.1 bn (USD432.6 mn),** compared with RMB3.3 bn in 2022; **Excluding NCM, revenues from IP operations and others increased 10.1% YoY**
- **Operating profit increased 12.8% YoY from RMB628.8 mn to RMB709.3 mn (USD100.1 mn).** **Operating margin increased from 8.2% to 10.1%**
- **Net profit to shareholders increased 32.3% from RMB608.2 mn to RMB804.9 mn (USD113.6 mn).** **Profit margin to shareholders increased from 8.0% to 11.5%**

Non-IFRS Measures

- **Non-IFRS operating profit was RMB1.0 bn (USD148.2 mn),** compared with RMB1.4 bn in 2022. **Non-IFRS operating margin was 15.0%,** compared with 17.9% in 2022
- **Non-IFRS net profit to shareholders was RMB1.1 bn (USD159.6 mn),** compared with RMB1.3 bn in 2022. **Non-IFRS profit to shareholders margin was 16.1%,** compared with 17.7% in 2022

Note:

(1) Figures stated in USD are based on USD1 to RMB7.0827.

IP Creation: Online Reading Business

A Content Ecosystem Full of Vitality, Witnessing Record-high Performance

In 2023, we added:



~380,000 writers



~670,000 literary works



~39 bn Chinese characters

New writers made a significant impact:

#New writers with books generating RMB100,000+ annual revenue

↗ 60% YoY

Among the new books with >RMB1 mn annual revenue ~1/3 were written by new writers

#Works written by writers post 2000s with 10,000+ average subscribers per chapter ↗ 230% YoY

Content quality reached new heights:

#Literary works that newly reached 100,000 average subscribers per chapter

↗ 125% YoY

#New literary works with 1 mn+ user comments

↗ 67% YoY

#Literary works with 100,000+ monthly user votes

↗ 66% YoY



MPU increased 10.1% YoY to 8.7 mn

Our enhanced middle office:

- Anti-piracy measures: removed 1.1 mn links to pirated content in 2023
- AI-backed Smart Pen Edition for the Author Assistant Application: accessible to all contracted writers, with a weekly engagement rate of up to 30%
- An interactive user community: strengthened the bond between our readers and our IP



Continuous Release of High-quality Productions

Drama Series



Sunshine by My Side
(骄阳伴我)

- **1st** in daily viewership across all channels for **16 consecutive days**, according to Kuyun

The Infiltrator
(潜行者)

- **1st** in prime-time drama series ratings nationwide during broadcast run, according to China Audio Video Big Data

The Road to Ordinary
(平凡之路)

- **1st** in Tencent Video drama hit list for **16 consecutive days**

In Spite of the Strong Wind
(纵有疾风起)

- **Top 2** for local TV prime-time drama series ratings nationwide during broadcast run on Beijing TV and Jiangsu TV

Animation



- The 52-week season of Battle Through the Heavens (斗破苍穹) ranked **1st** on Weibo's domestic animation popularity list for **3 months**, being the most popular animated series on the Chinese internet
- **6 of the top 10** most-streamed animated series in 2023 were adapted from our IP, according to Enlightent

Comics



- **13** of our newly released adapted comic series broke the **100 mn** benchmark in popularity in 2023
- Acquiring Tencent Animation and Comics will add top comic IPs like The Outcast (一人之下) and The Fox Spirit Matchmaker (狐妖小红娘) to our portfolio, and strengthen our adaptation pipeline and production capacity for comics and animation

High-quality Physical Merchandise and Online Games

Merchandise

- Unveiled a diverse array of trendy collectibles and merchandise based on popular IPs such as Lord of the Mysteries (诡秘之主), The King's Avatar (全职高手) and Battle Through the Heavens (斗破苍穹), including blind boxes, toy collectables, accessories and cards, all of which are highly sought after
- Broadened our IP licensing, collaborating with consumer brands across multiple industries like digital 3C products, food and beverages, and automotive



Online Games

- Game licensing: A Record of a Mortal's Journey to Immortality (凡人修仙传) and Swallowed Star (吞噬星空) were launched. Several other licensed games are expected this year, including Soul Land (斗罗大陆), Battle Through the Heavens (斗破苍穹) and Cultivation Chat Group (聊天群的日常生活) which have all received regulatory approval
- In-house game operation: Launched expansion packs with enhanced graphics and interactive features for New Soul Land (新斗罗大陆)



New Opportunities

1

As AI technology evolves, we see its potential to unlock greater value in our IP. AI is set to broaden the adaptation of more literary works, accelerate the text-to-visual transformation, and expedite commercialization.

2

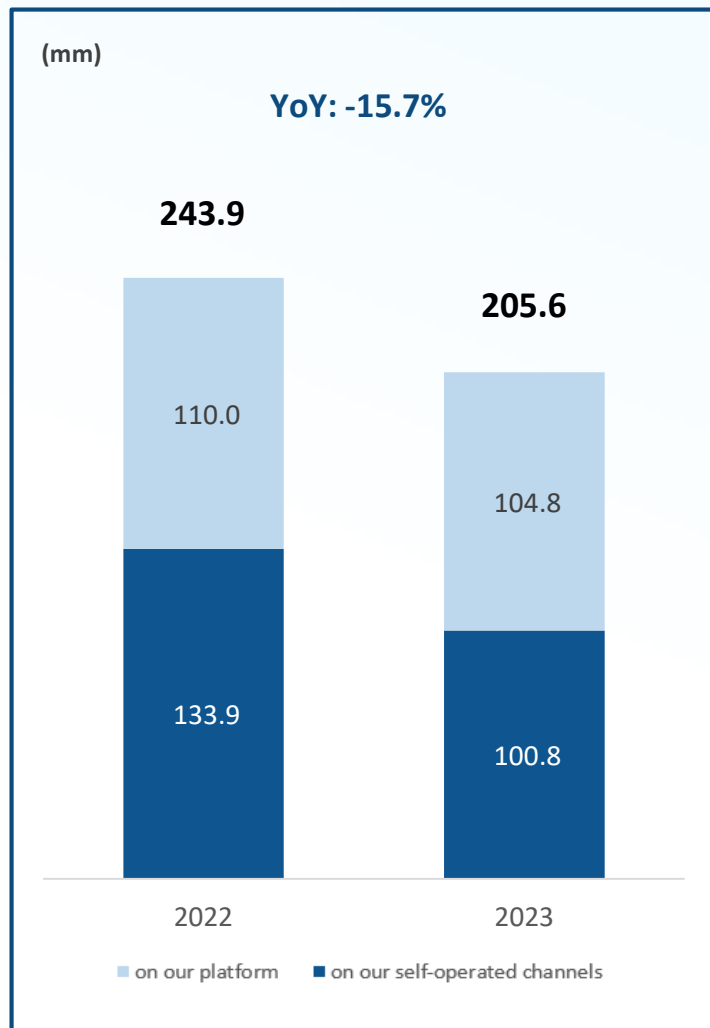
We've entered the short drama segment with our "Short Drama Star Incubation Plan," supporting **100+** short drama series through our creative fund with **RMB100 mn+** and pioneering the interactive short drama format. Several of our short drama series have surpassed **RMB10 mn** in gross revenue.

3

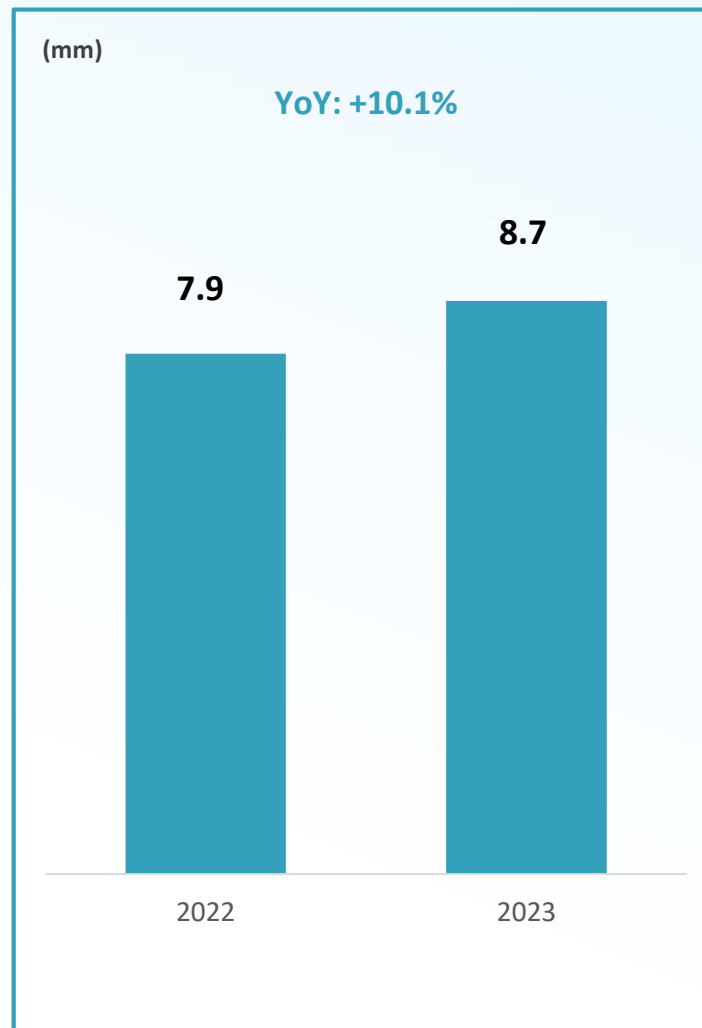
By 2023, WebNovel, our foreign language platform, offered **~3,800** works translated from Chinese and **~620,000** original works created locally. In December 2023, **21** AI-translated works from our enhanced translation models ranked among WebNovel's **top 100** bestsellers. AI-driven translation will fuel our overseas multilingual expansion.

Financials: Key Operating Metrics

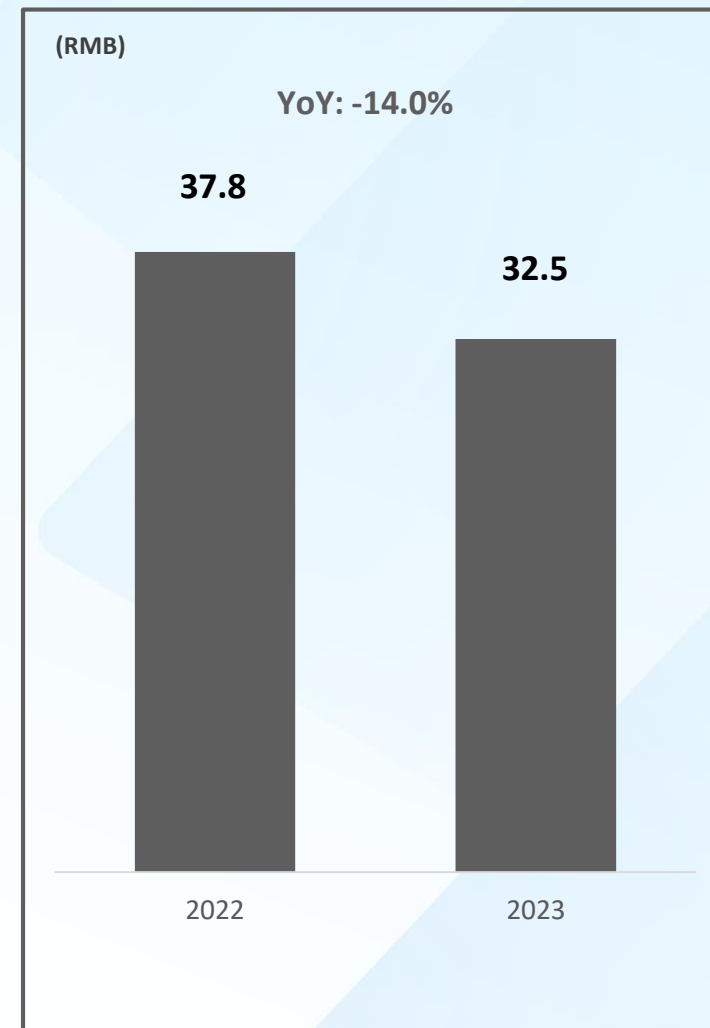
MAUs (1)



MPUs for Paid Reading (2)



Monthly ARPU for Paid Reading (3)



Notes:

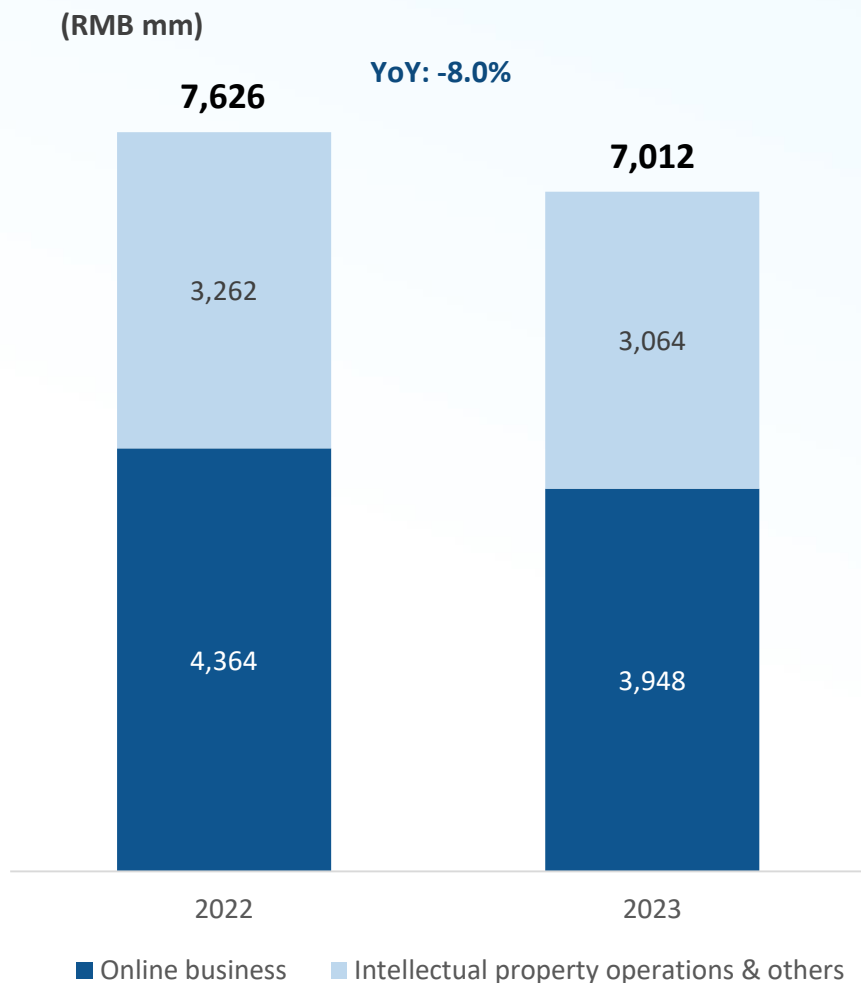
- (1) Average MAU is calculated as the average of MAUs for each calendar month during the respective year or period, on our platform and our self-operated channels on partner distribution platforms.
- (2) Average MPU is calculated as the average of MPUs for each calendar month during the respective year 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

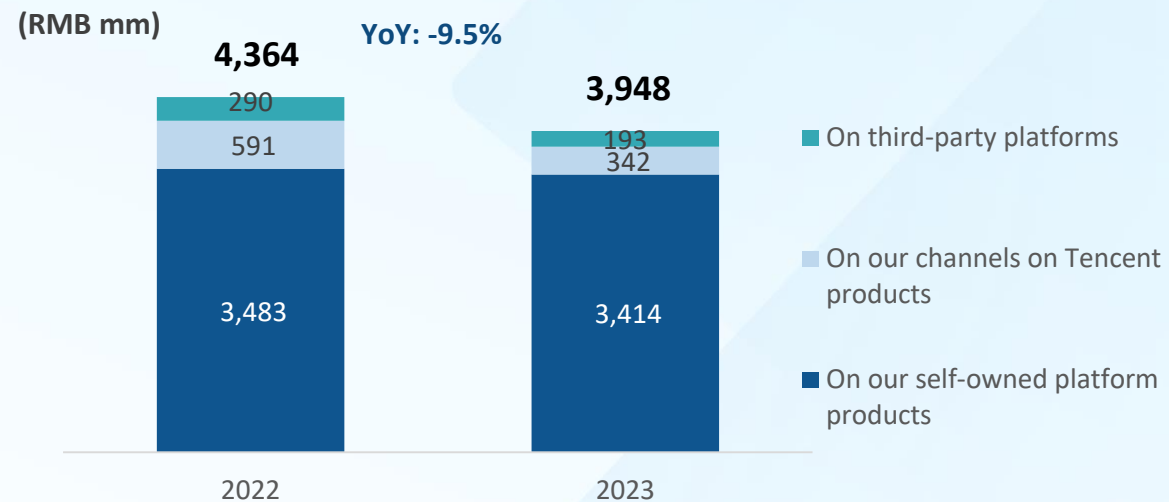
RMB'000	2022	2023	YoY
Revenues	7,625,622	7,011,785	(8.0%)
Cost of revenues	(3,595,519)	(3,640,322)	1.2%
Gross profit	4,030,103	3,371,463	(16.3%)
Interest income	160,893	166,316	3.4%
Other gains/(losses), net ⁽¹⁾	(207,077)	11,493	(105.6%)
Selling and marketing expenses	(2,002,614)	(1,719,519)	(14.1%)
General and administrative expenses	(1,238,177)	(1,161,035)	(6.2%)
Net (provision for)/reversal of impairment losses on financial assets	(114,294)	40,591	(135.5%)
Operating profit	628,834	709,309	12.8%
Finance costs	(53,985)	(12,891)	(76.1%)
Share of net profit of associates and joint ventures	198,971	204,979	3.0%
Income tax expense	(166,192)	(97,850)	(41.1%)
Net profit to shareholders	608,186	804,879	32.3%
Non-IFRS net profit to shareholders	1,348,216	1,130,379	(16.2%)

Financials: Revenue Structure

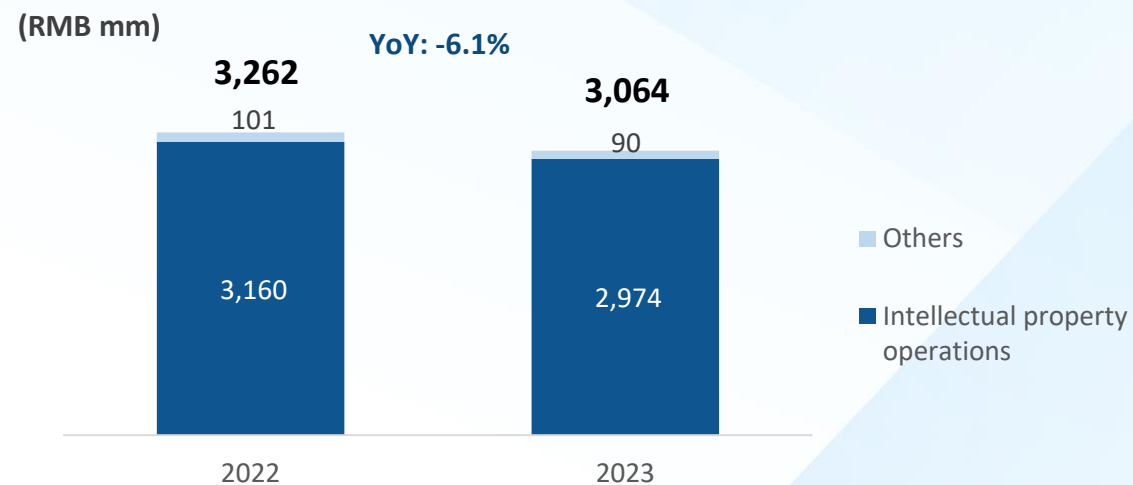
Revenues by Segment ⁽¹⁾



Online Business Revenues Breakdown ⁽¹⁾



Intellectual Property Operations & Others Revenues Breakdown ⁽¹⁾

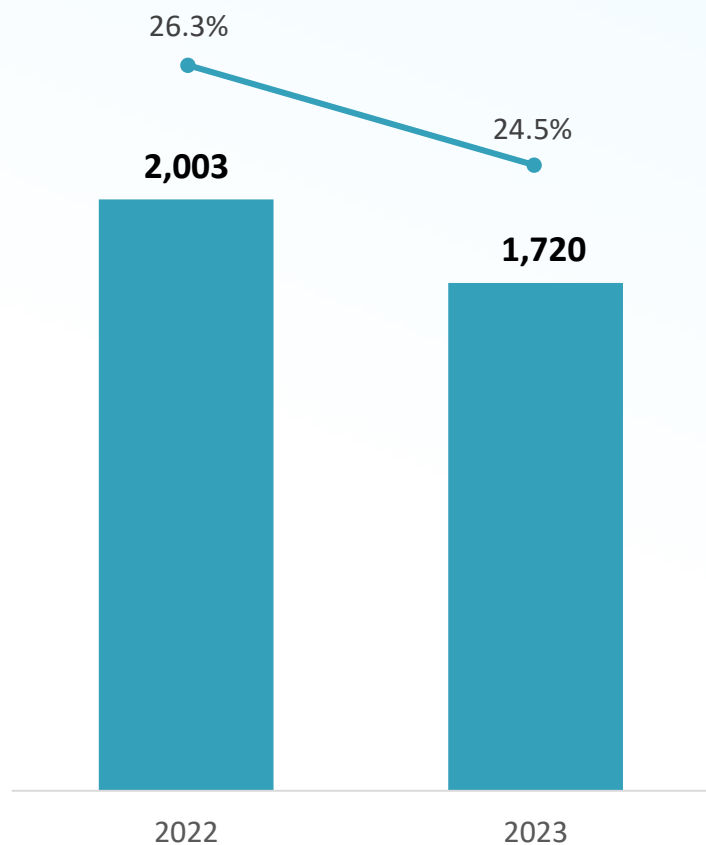


Note:

(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.

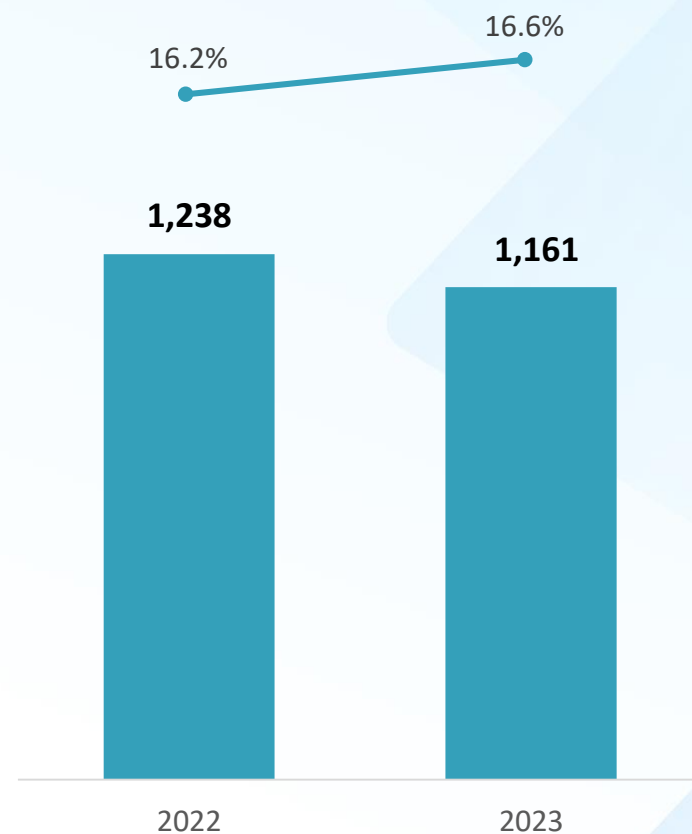
Selling & Marketing Expenses

as % of total revenue, total amount in RMB mn



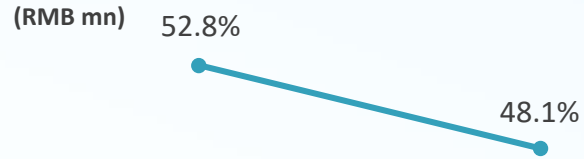
General & Administrative Expenses

as % of total revenue, total amount in RMB mn



Financials: Key Profitability Metrics

Gross Profit and Gross Margin



YoY: -16.3%

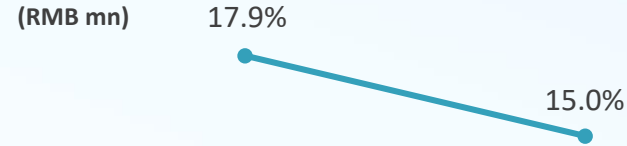
4,030

3,371

2022

2023

Non-IFRS Operating Profit and Operating Margin ⁽¹⁾



YoY: -23.0%

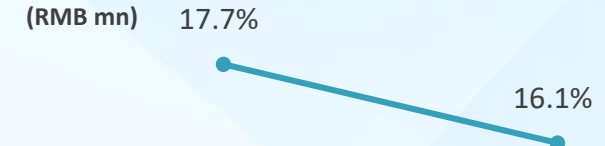
1,364

1,050

2022

2023

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



YoY: -16.2%

1,348

1,130

2022

2023

Note:

(1) Figures under Non-IFRS measures.

Financials: Non-IFRS Profitability

(RMB'000)	2022	2023	YoY
EBITDA	1,052,762	829,523	(21.2%)
<i>Margin %</i>	<i>13.8%</i>	<i>11.8%</i>	
Adjusted EBITDA ⁽¹⁾	1,350,632	1,017,926	(24.6%)
<i>Margin %</i>	<i>17.7%</i>	<i>14.5%</i>	
Operating profit	628,834	709,309	12.8%
<i>Margin %</i>	<i>8.2%</i>	<i>10.1%</i>	
Non-IFRS operating profit ⁽²⁾	1,363,936	1,049,814	(23.0%)
<i>Margin %</i>	<i>17.9%</i>	<i>15.0%</i>	
Net profit to shareholders	608,186	804,879	32.3%
<i>Margin %</i>	<i>8.0%</i>	<i>11.5%</i>	
Non-IFRS net profit to shareholders ⁽³⁾	1,348,216	1,130,379	(16.2%)
<i>Margin %</i>	<i>17.7%</i>	<i>16.1%</i>	

Notes:

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

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

Thank You

