

# China Literature

## 2024 Interim Results

August 12, 2024



# Disclaimer

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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.

# 2024 Interim Results Summary

## IFRS Measures

- **Revenues** increased **27.7%** YoY from RMB3.3 bn to **RMB4.2 bn (USD588.1 mn<sup>1</sup>)**
  - **Online business revenues** were **RMB1.9 bn (USD272.3 mn)**, compared with RMB2.0 bn in 1H23
  - **IP operations and others revenues** increased **73.3%** from RMB1.3 bn to **RMB2.3 bn (USD315.8 mn)**
- **Operating profit** increased **46.1%** YoY from RMB310.9 mn to **RMB454.4 mn (USD63.8 mn)**. **Operating margin** increased from 9.5% to **10.8%**
- **Net profit to shareholders** increased **33.9%** from RMB376.7 mn to **RMB504.3 mn (USD70.8 mn)**. **Profit margin to shareholders** increased from 11.5% to **12.0%**

## Non-IFRS Measures

- **Non-IFRS operating profit** increased **14.3%** YoY from RMB545.8 mn to **RMB624.2 mn (USD87.6 mn)**. **Non-IFRS operating margin** was **14.9%**, compared with 16.6% in 1H23
- **Non-IFRS net profit to shareholders** increased **16.4%** YoY from RMB603.1 mn to **RMB702.1 mn (USD98.5 mn)**. **Non-IFRS profit to shareholders margin** was **16.8%**, compared with 18.4% in 1H23

Note:

(1) Figures stated in USD are based on USD1 to RMB7.1268.

# IP Operations Business Making Significant Progress

## IP Operations Delivered a Strong Performance with Revenues up 75.7% YoY

- Released Multiple Blockbusters: 1 Film + 3 Drama Series



### YOLO (热辣滚烫)

- No. 1** in domestic box office receipts in 2024, with sales of **RMB3.5 bn**
- Highest** grossing overseas Chinese-language film in 2024



### Joy of Life 2 (庆余年第二季)

- Record high 34,000+** on Tencent Video's popularity index
- No. 1** in nationwide live viewership rankings on CCTV-8 for **18** consecutive days
- Topped** the charts across major industry review platforms including Kuyun, Douban, Maoyan, Beacon and Enlightent
- The **highest-viewed** mainland Chinese TV series on Disney+
- Translated into **14** languages for release globally



### The Legend of Shen Li (与凤行)

- 31,000+** on Tencent Video's popularity index
- No. 1** on Mango TV Drama Popularity List for **22** days
- No. 1** in viewership ratings among provincial satellite TV networks
- Released in **180+** countries and regions globally in **16** languages



### The Tale of Rose (玫瑰的故事)

- 31,000+** on Tencent Video's popularity index, a **record high** for an urban drama
- No. 1** rated national prime-time drama series
- Translated into **12** languages for release globally

# Establishment of an Integrated Content Operation Mechanism

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

- Highly anticipated drama series Joy of Life 2 (庆余年第二季) achieved remarkable success both domestically and internationally in 1H24 amplified by the simultaneous launch of a range of Joy of Life-themed products across various media formats to maximize synergistic effects
- Highlights strength of strategy to leverage resources across various departments to effectively collaborate with both upstream and downstream partners to maximize monetization potential of IP

### Launched Simultaneously Alongside Joy of Life 2:

- Launched a virtual fan zone on Qidian Reading, offering free limited-time access to the author's trilogy alongside a series of engaging activities, resulting in **38-fold** increase in reading volume sequentially, **100 mn+** visits to the zone, and a new **annual record** for DAU on Qidian Reading
- Released **11** categories of Joy of Life-themed merchandise including:
  - a) Blind boxes which sold **200,000+** units
  - b) Premium collectible card series featuring **308** card designs, generating **RMB20 mn+** in GMV prior to the drama's release, setting a new **record high** for drama-themed collectible cards
  - c) Variety of accessories
- Organized a series of offline events, attracting a large number of fans and sparking a viral wave of social media activity



# IP Creation: Online Reading Business

## Dynamic Content Ecosystem, Continuously Enhanced by New Content and Emerging Talent

### In 1H24, we added:



~170,000 writers



~320,000 works of literature



~21.0 bn Chinese characters

### A steady stream of new high-quality literary works and writers:

Newly signed literary works with 50,000+ average subscribers per chapter: **+75% YoY**

Newly signed literary works with RMB2 mn+ in reading revenue: **+33% YoY**

**70%+** of newly added Platinum and Phenomenal Writers in 1H24 born in the 1990s

### Continuous enhancement of product operations:

- Building a robust user community
- Strengthening operations for flagship IP
- Amplifying with fan engagement



MPU grew 2.1% sequentially to 8.8 mn

### Continued overseas expansion:



~5,000 works translated from Chinese and ~650,000 original works created locally

## Constant Stream of High-Quality Animation Series



The Richest Man in Game  
(亏成首富从游戏开始)

The Charm of Soul Pets  
(幻宠师)

The King's Avatar  
(全职高手)

Start with a Mountain  
(开局一座山)

Battle Through the Heavens  
(斗破苍穹)

- Launched a number of new series and sequels to classic titles as well as new episodes for long-running annual animated series Battle Through the Heavens (斗破苍穹), which maintained **No.1** position on Tencent Video's annual bestseller list
- According to Guduo Data, **15** of the **top 20** most watched online animated series in 1H24 were adapted from China Literature's IPs
- Completed the acquisition 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 (狐妖小红娘) to our portfolio

## High-Quality Merchandise and Online Games

### Merchandise

- Unveiled a diverse array of trendy collectibles and merchandise based on popular IPs such as **Joy of Life (庆余年)**, **The King's Avatar (全职高手)**, **Lord of the Mysteries (诡秘之主)** and **Battle Through the Heavens (斗破苍穹)**, alongside the releases of the online content
- Expanded the scope and scale of our IP licensing for merchandise
- Released a collectible cards series based on the drama series **The Legend of Shen Li (与凤行)** and **Joy of Life 2 (庆余年第二季)** to great success. In 1H24, total GMV for our IP-based collectible cards reached **~RMB100 mn**



### Online Games

- Launched two titles based on our IPs **Soul Land (斗罗大陆)** and **Battle Through the Heavens (斗破苍穹)** in 1H24 which generated solid sales





## Exploring New Technologies and Emerging Business Opportunities

1

### Deploying AI capabilities across our diverse businesses to enhance ecosystem

- Refining “Smart Pen” Large Language Model (LLM) to boost writer productivity
- Expanding the number of translated works on overseas platforms using AI translation technology. In 1H24, WebNovel added **1,200+** AI-translated works in multiple languages including English, Spanish, Portuguese, German, French, and Indonesian. **~40%** of the **top 100** bestselling works on WebNovel are AI-translated
- Exploring ways to integrate AI technology into various IP content formats, including audiobooks, animation, videos, and merchandise

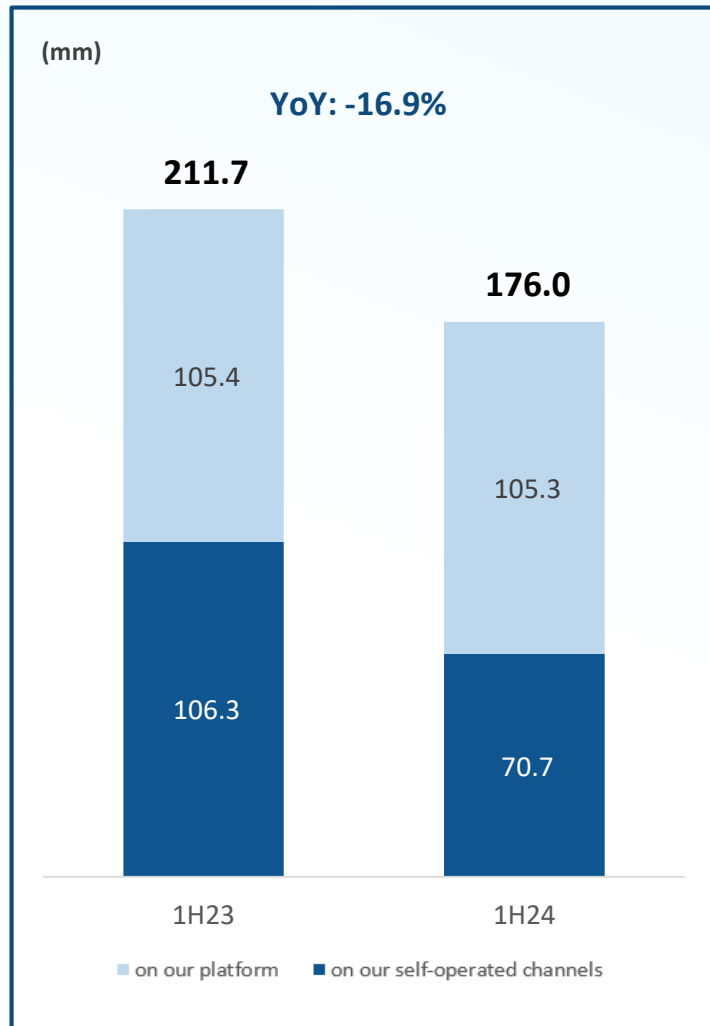
2

### Leveraging content strengths and extensive creator network to produce high-quality short-form drama adaptations

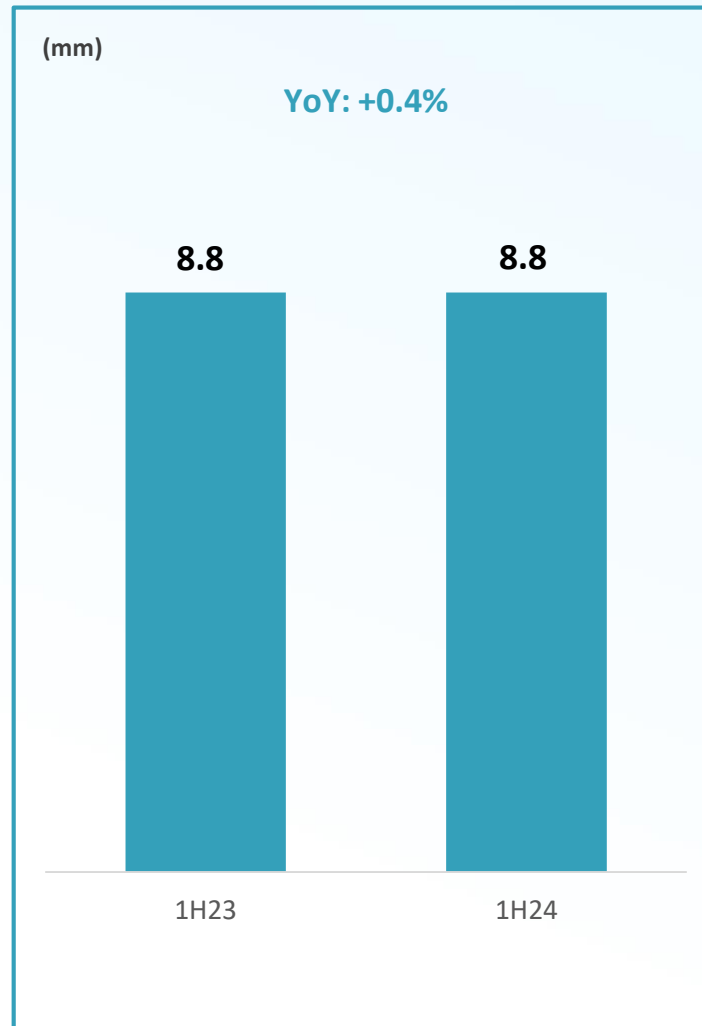
- Multiple successful launches in 1H24 with the best performing title grossing **RMB30 mn**
- Plans to release **100+** short-form dramas for the full year of 2024 and explore new innovative formats such as interactive short-form dramas

# Key Operating Metrics

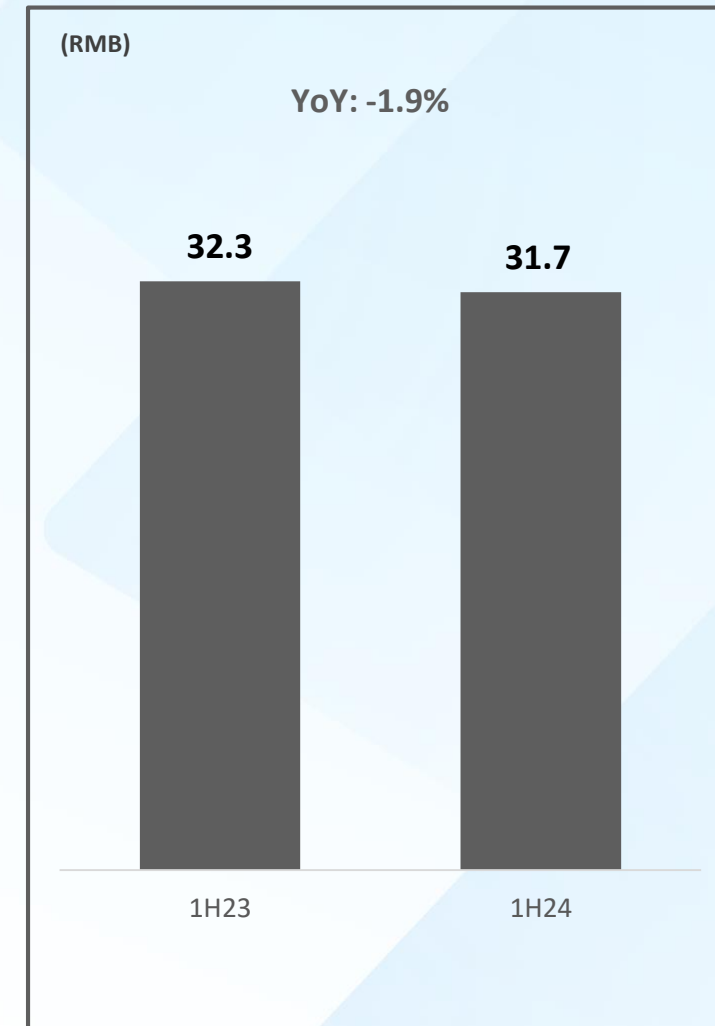
### MAUs (1)



### MPUs for Paid Reading (2)



### Monthly ARPU for Paid Reading (3)



Notes:

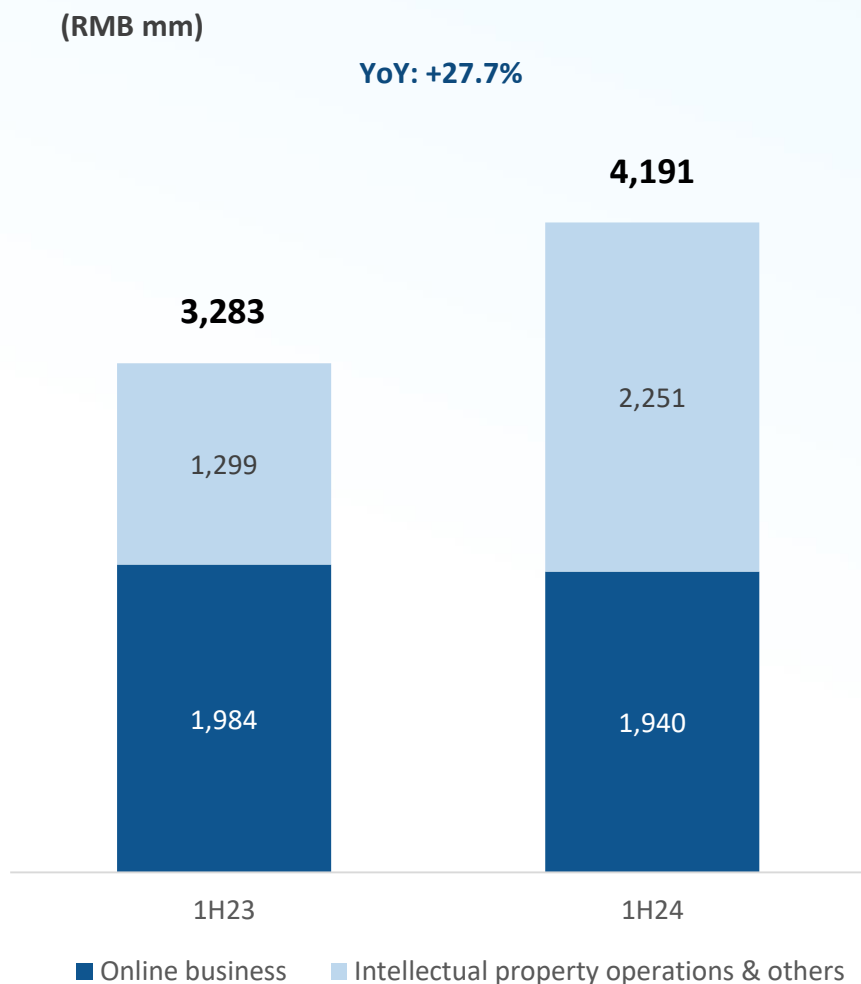
- (1) Average MAU is calculated as the average of MAUs for each calendar month during the respective year or period, on our platform and our self-operated channels on partner distribution platforms.
- (2) Average MPU is calculated as the average of MPUs for each calendar month during the respective year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

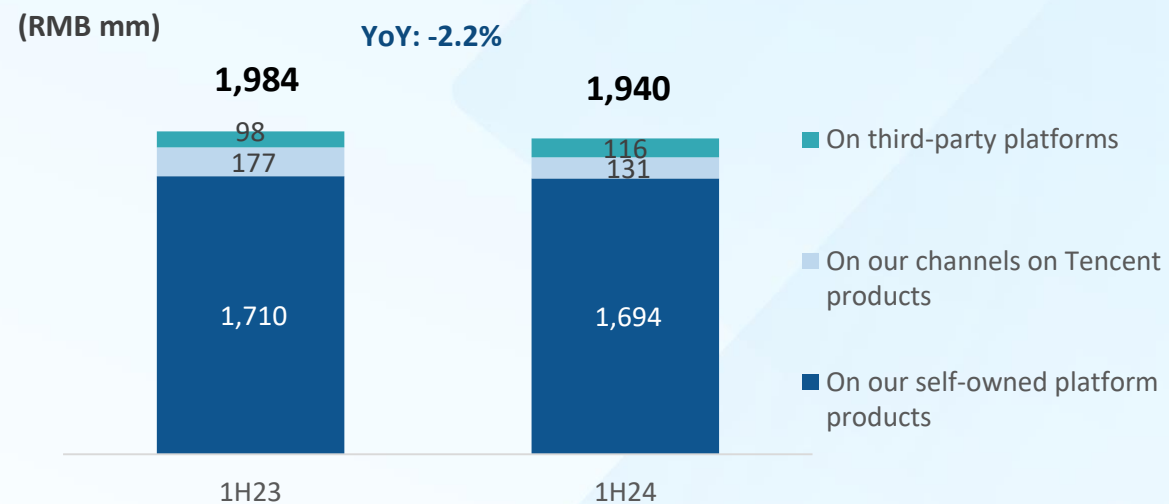
RMB'000	1H23	1H24	YoY
Revenues	3,283,026	4,190,933	27.7%
Cost of revenues	(1,678,264)	(2,107,703)	25.6%
<b>Gross profit</b>	<b>1,604,762</b>	<b>2,083,230</b>	<b>29.8%</b>
Interest income	80,137	90,582	13.0%
Other (losses)/gains, net	5,814	(3,724)	(164.1%)
Selling and marketing expenses	(822,147)	(1,158,882)	41.0%
General and administrative expenses	(534,509)	(544,789)	1.9%
Net provision for impairment losses on financial assets	(23,109)	(11,968)	(48.2%)
<b>Operating profit</b>	<b>310,948</b>	<b>454,449</b>	<b>46.1%</b>
Finance costs, net	(2,820)	(2,099)	(25.6%)
Share of net profit of associates and joint ventures	117,461	150,646	28.3%
Income tax expense	(49,610)	(99,064)	99.7%
<b>Net profit to shareholders</b>	<b>376,680</b>	<b>504,303</b>	<b>33.9%</b>
<b>Non-IFRS net profit to shareholders</b>	<b>603,119</b>	<b>702,061</b>	<b>16.4%</b>

# Financials: Revenue Breakdown

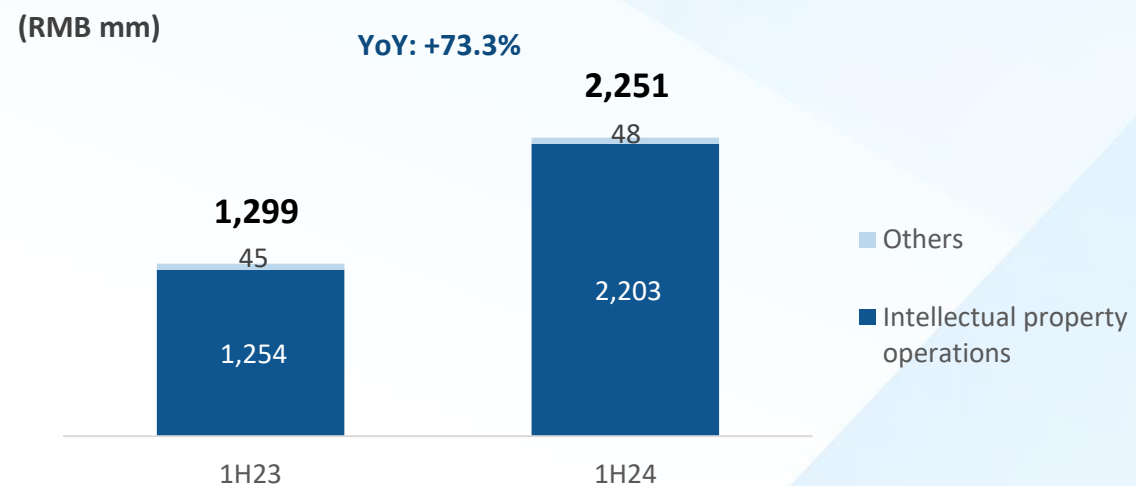
## Revenues by Segment <sup>(1)</sup>



## Online Business Revenues <sup>(1)</sup>



## Intellectual Property Operations & Others Revenues <sup>(1)</sup>

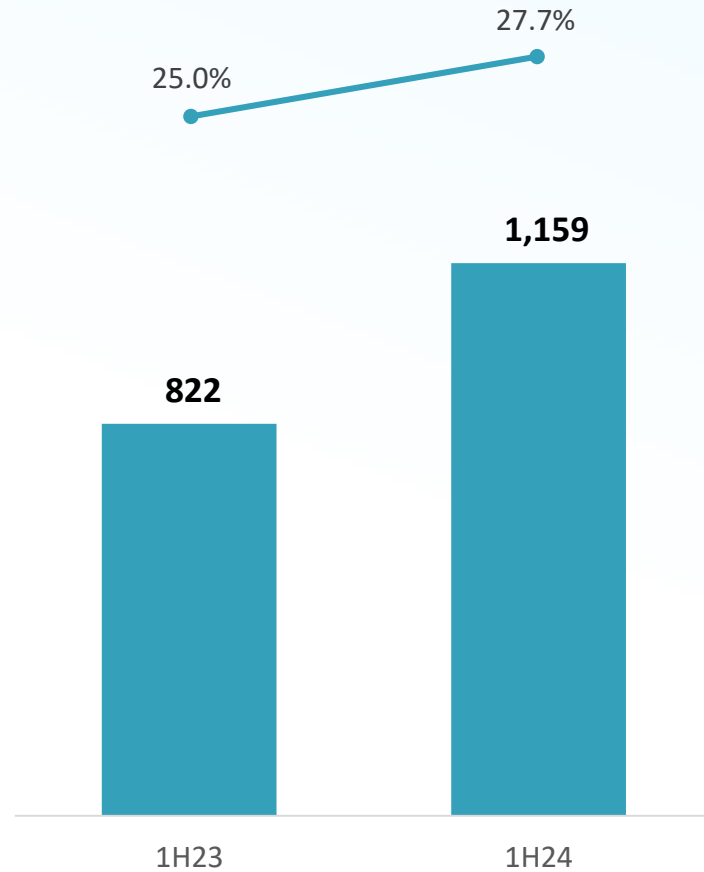


Note:

(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.

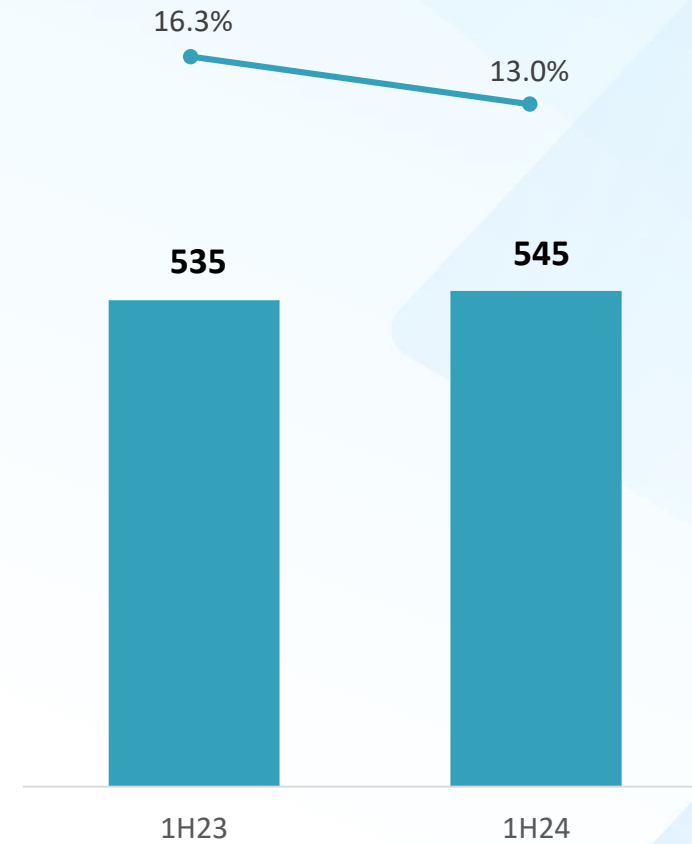
## Selling & Marketing Expenses

as % of total revenue, RMB mn



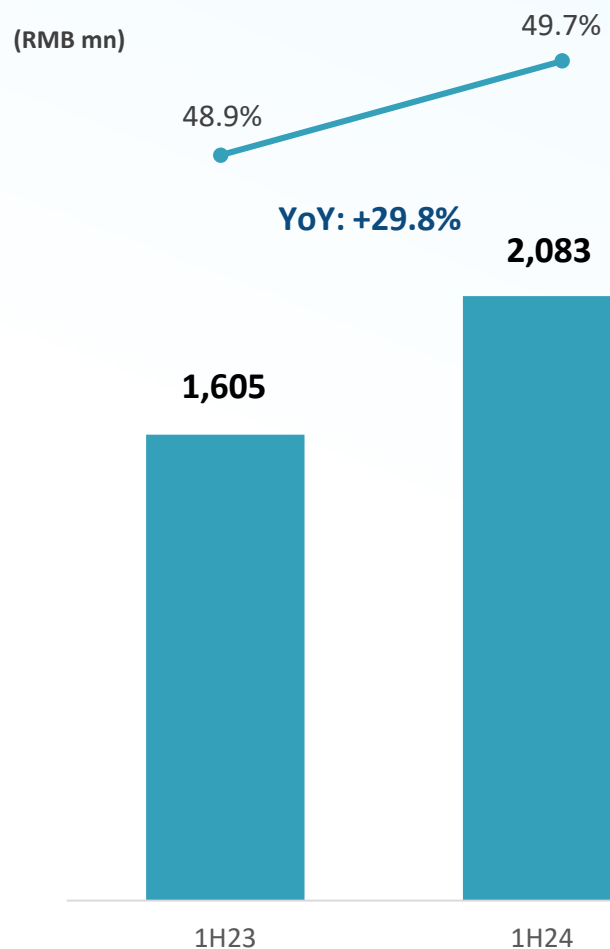
## General & Administrative Expenses

as % of total revenue, RMB mn

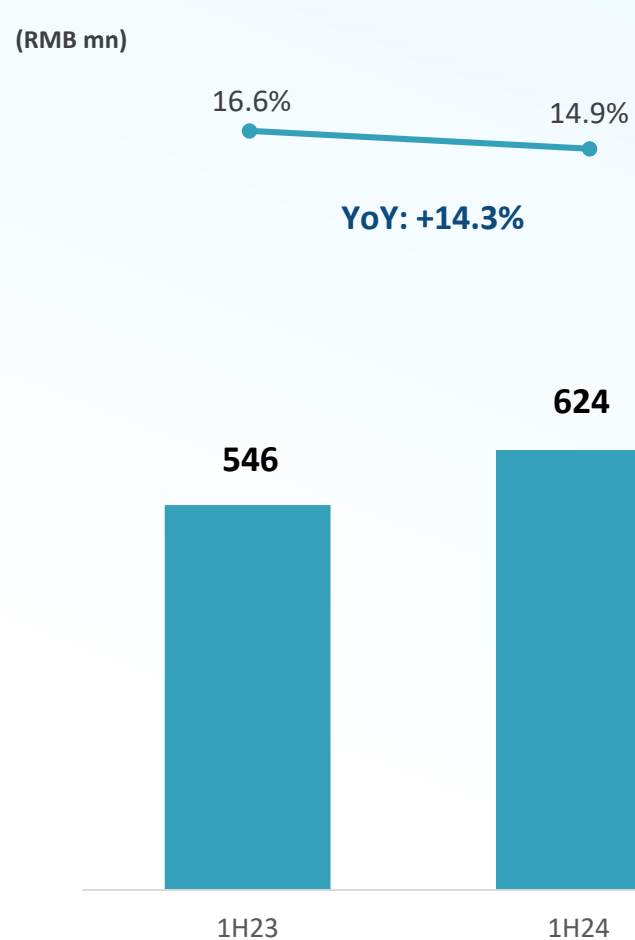


# Financials: Key Profitability Metrics

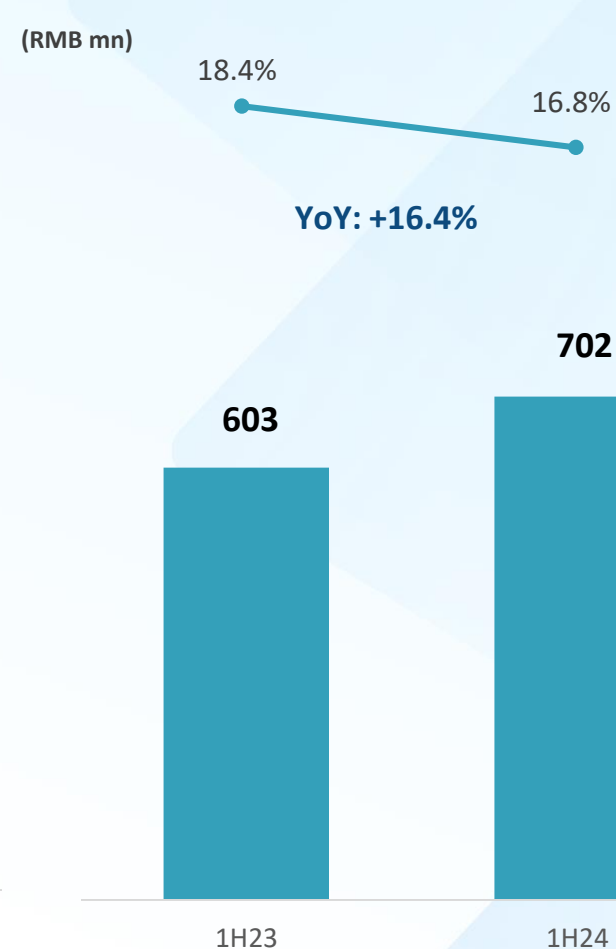
### Gross Profit and Gross Margin



### Non-IFRS Operating Profit and Operating Margin <sup>(1)</sup>



### Non-IFRS Net Profit to Shareholders and Net Profit to Shareholders Margin <sup>(1)</sup>



Note:  
(1) Figures under Non-IFRS measures.

# Financials: Non-IFRS Profitability

(RMB'000)	1H23	1H24	YoY
<b>EBITDA</b>	<b>372,213</b>	<b>501,518</b>	<b>34.7%</b>
<i>Margin %</i>	<i>11.3%</i>	<i>12.0%</i>	
<b>Adjusted EBITDA <sup>(1)</sup></b>	<b>471,354</b>	<b>587,619</b>	<b>24.7%</b>
<i>Margin %</i>	<i>14.4%</i>	<i>14.0%</i>	
<b>Operating profit</b>	<b>310,948</b>	<b>454,449</b>	<b>46.1%</b>
<i>Margin %</i>	<i>9.5%</i>	<i>10.8%</i>	
<b>Non-IFRS operating profit <sup>(2)</sup></b>	<b>545,848</b>	<b>624,174</b>	<b>14.3%</b>
<i>Margin %</i>	<i>16.6%</i>	<i>14.9%</i>	
<b>Net profit to shareholders</b>	<b>376,680</b>	<b>504,303</b>	<b>33.9%</b>
<i>Margin %</i>	<i>11.5%</i>	<i>12.0%</i>	
<b>Non-IFRS net profit to shareholders <sup>(3)</sup></b>	<b>603,119</b>	<b>702,061</b>	<b>16.4%</b>
<i>Margin %</i>	<i>18.4%</i>	<i>16.8%</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

