

Who We Are

China Literature operates a leading online literature platform in China as measured by the scale and quality of writers, readers and literary content offerings.



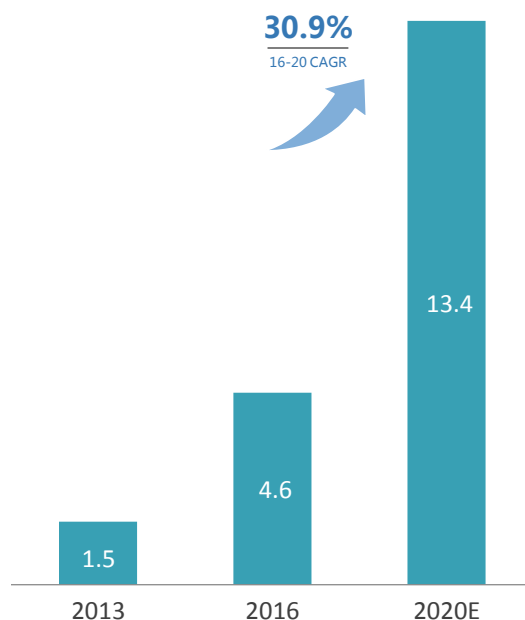
#1 In terms of

Writers	6.4 mm Writers⁽¹⁾ 88.3% of online literature writers in China ⁽³⁾
User Base	191.8 mm MAUs⁽²⁾ 93.5% of MAUs are mobile ⁽¹⁾
Content Library	9.6 mm Literary works⁽³⁾ 72.0% of online literature titles in China ⁽³⁾
User Engagement	1 h / day spent on QQ Reading⁽⁴⁾ QQ Reading ranked #1 ⁽⁴⁾ in terms of average daily time spent per DAU

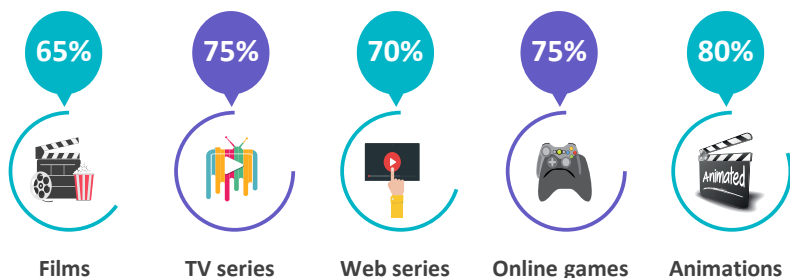
Massive and Expanding Addressable Market

Online Literature in China

(Market size ⁽¹⁾: RMB bn)



Our Content Adaptation Market Share⁽⁵⁾

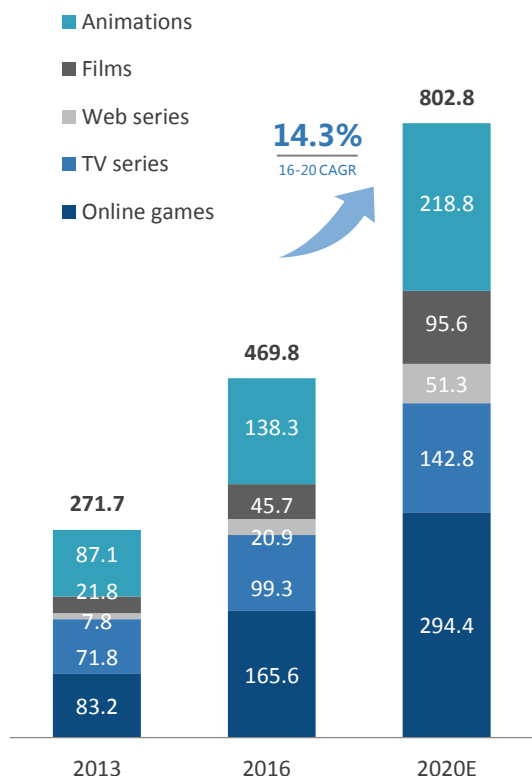


Sources: Frost & Sullivan Report, Company Filings

- Notes:
- (1) As of June 30, 2017
 - (2) MAUs of Company's platform products and self-operated channels on Tencent products, in June 2017
 - (3) As of December 31, 2016
 - (4) Among mobile online literature products in China in 1Q2017
 - (5) % of top 20 within each entertainment format; ranking for films, TV series, web series, online games and animations in terms of total box office, ratings, views, cumulative downloads and search ranking on Baidu respectively in 2016

Entertainment Industry in China

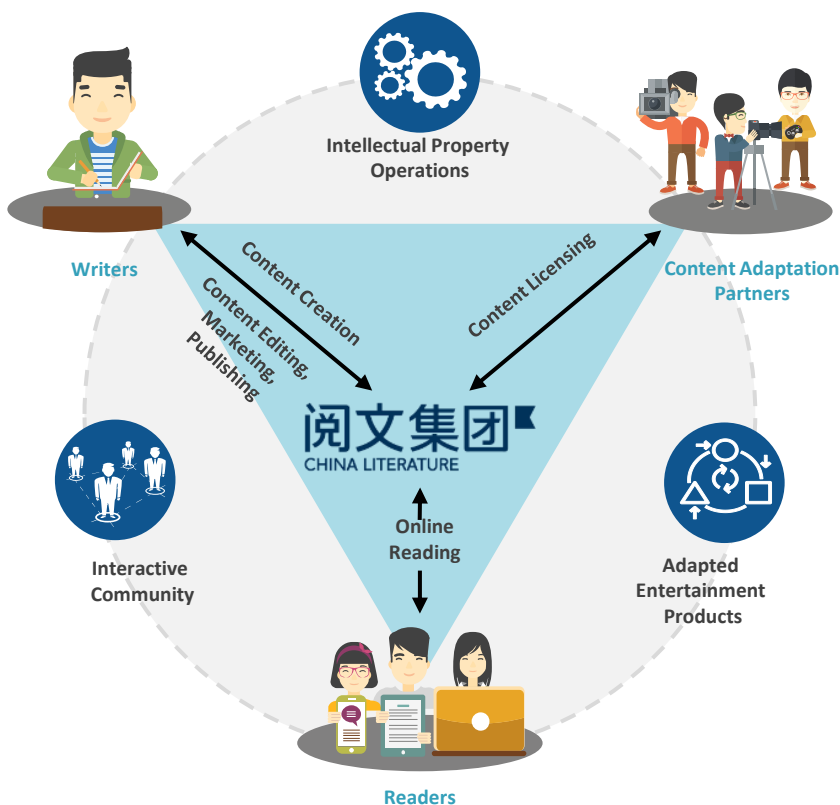
(Market size ⁽²⁾: RMB bn)



Source: Frost & Sullivan Report.

- Notes:
- (1) Market size in terms of revenues from online paid reading through purchase of online paid premium content by readers
 - (2) Market size in terms of revenues of each respective entertainment industry

Our Ecosystem and Participants



Multi-layer Distribution Channels

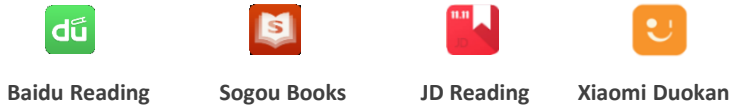
Reader Reach

4 Entertainment Market



...And Beyond

3 Third-party Partners



2 Self-operated Channels on Tencent Products



1 Self-owned Platform



+192mm MAU⁽²⁾

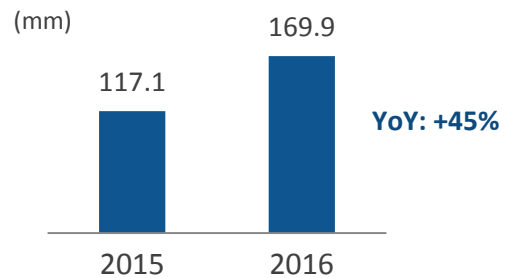
+88mm MAU⁽¹⁾

Notes:
(1) Average MAUs of China Literature's self-owned platform products during six months ended June 2017
(2) Average MAUs of China Literature's self-operated platform products and self-operated channels on Tencent products during six months ended June 2017

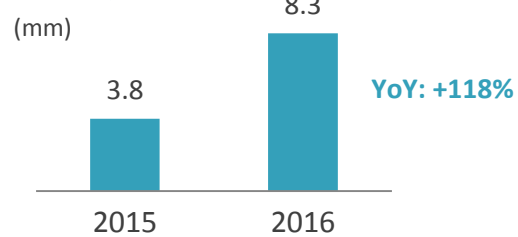
1. Self-owned platform composed of QQ Reading, which serves as content aggregator, and other branded mobile apps and websites nurturing customized literature experiences
2. Exclusive literary content distribution access to a host of Tencent products
3. Content distribution relationships with leading Internet companies
4. Successful adaptation fuels interest in original literary titles and in turn brings new users to our platform

Key Operating Metrics

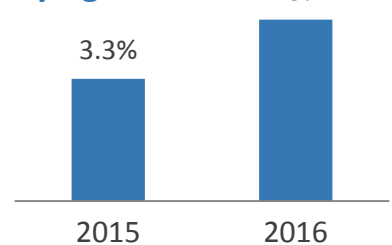
Average MAUs⁽¹⁾



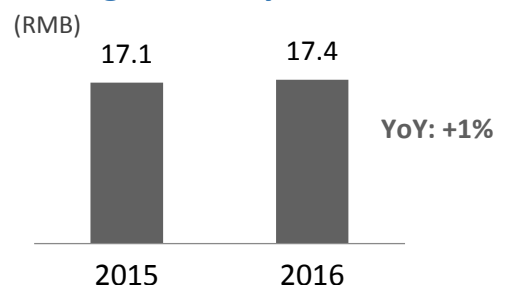
Average MPUs⁽²⁾



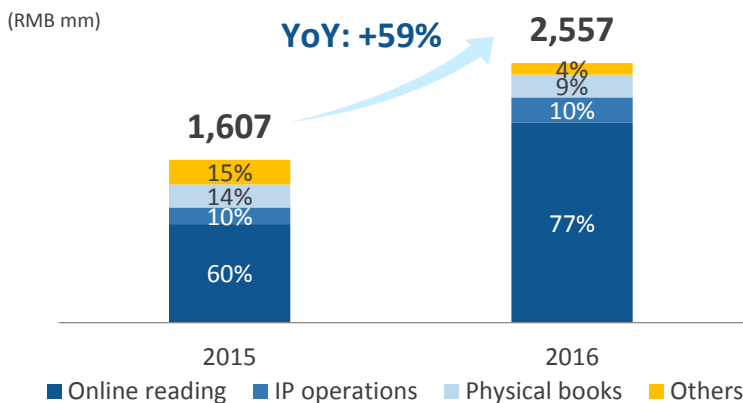
Paying Ratio⁽³⁾



Average Monthly ARPU⁽⁴⁾



Financials: Revenue Breakdown



Financials: Profitability

GAAP measures (RMB mm)	FY2015	FY2016	1H2017
Operating profit	(308)	33	222
Net profit (loss)	(354)	30	213

Non-GAAP measures (RMB mm)	FY2015	FY2016	1H2017
Adjusted EBITDA ⁽¹⁾	51	184	348
Adjusted operating profit ⁽²⁾	(29)	118	322
Adjusted net profit (loss) ⁽³⁾	(94)	81	303

Notes:
(1) Adjusted EBITDA is defined as EBITDA (which is profit from operations adding back other gain/(loss), depreciation and amortization expenses) for the year adjusted by adding share-based compensation

(2) Adjusted operating profit/(loss) is defined as profit/(loss) from operations for the year adjusted by adding back share-based compensation, net gain from investee companies, amortization of intangible assets resulting from acquisitions, net gain/(loss) from convertible bonds and impairment provision for intangible assets

(3) Adjusted net profit/(loss) is defined as net profit/(loss) for the year adjusted by adding back share-based compensation, net gain from investee companies, amortization of intangible assets resulting from acquisitions, net gain/(loss) from convertible bonds, impairment provision for intangible assets and tax effects

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) Paying ratio is calculated as average MPUs / average MAUs for the respective year or period

(4) 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