阅文集团
CHINA LITERATURE

China Literature Announces 2019 Interim Results

Hong Kong, August 12, 2019 – China Literature Limited ("China Literature" or "the Company", stock code: 0772), a leading online literature platform in China, today announced the unaudited consolidated results for the six months ended June 30, 2019.

Results Highlights [1]

- Total revenues increased 30.1% year-over-year to RMB2,971.0 million (USD432.2 million).
- Gross profit increased 35.5% year-over-year to RMB1,621.2 million (USD235.8 million). Gross margin increased from 52.4% in the first half of 2018 to 54.6%.
- Operating profit was RMB527.7 million (USD76.8 million), compared to RMB603.9 million in the first half of 2018. Operating margin was 17.8%, compared to 26.5% in the first half of 2018.
- Net profit attributable to equity holders of the Company was RMB392.7 million (USD57.1 million), compared to RMB505.8 million in the first half of 2018. Net profit attributable to equity holders of the Company as a percentage of revenues was 13.2%, compared to 22.2% in the first half of 2018.
- Basic earnings per share were RMB0.39. Diluted earnings per share were RMB0.39.
- On a non-GAAP basis:
  - Operating profit was RMB517.1 million (USD75.2 million), compared to RMB552.1 million in the first half of 2018.
  - Net profit attributable to equity holders of the Company was RMB390.0 million (USD56.7 million), compared to RMB483.5 million in the first half of 2018.
  - Basic earnings per share were RMB0.39. Diluted earnings per share were RMB0.39.

Mr. Wu Wenhui, Co-Chief Executive Officer of China Literature stated, "During the first half of 2019, we achieved several major milestones that helped us reinforce our leading position in China's online literature space. We expanded content offerings, improved operational efficiency and enhanced user communities. To further expand our addressable market, we released free-to-read content through reading channels on Tencent's *Mobile QQ* and *QQ Browser* platforms, and launched our own free reading App *Feidu*. The integration of New Classics Media has created synergies across our business by strengthening our in-house drama production capabilities and allowing us to adapt our massive intellectual property ('IP') library to other formats. Our IP-centric monetization model now includes online reading, TV and film production, animation co-production, and online game operations. We have many projects in the pipeline that will adapt our highly-sought after IP into various formats. We are confident this will support our long-term growth and create value for our downstream partners."

Financial Review [2][3]

Revenues increased 30.1% year-over-year to RMB2,971.0 million (USD432.2 million).

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1. Figures stated in USD are based on USD1 to RMB6.8747.
2. Certain figures included in this press release 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.
3. Effective as of December 31, 2018, we changed our financial disclosure to report our business in two separate segments: (i) online business, which primarily reflects revenues from online paid reading, online advertising and distribution of third-party online games on our platform, and (ii) intellectual property operations and others, which primarily reflects the production and distribution of TV, web and animated series, films, licensing of IP rights for adaptation, operation of self-operated online games and the sales of physical books. See "Segment Information" in this press release.

Revenues from online business were RMB1,662.5 million (USD241.8 million) in the first half of 2019, compared to RMB1,879.2 million in the first half of 2018. Online business revenues from our self-owned platform products were RMB985.3 million (USD143.3 million), compared to RMB1,096.5 million in the first half of 2018, mainly due to a decline in the number of paying users as we strengthened the review of our paid content during the first half of 2019. Online business revenues from our self-operated channels on Tencent products were RMB431.4 million (USD62.7 million), decreasing from RMB499.7 million in the first half of 2018, primarily due to the continued decline in paid reading revenues from our self-operated channels on certain Tencent products, partially offset by the contribution of online advertising revenues generated from the free-to-read model that we introduced in the first half of 2019 on these Tencent products. Online business revenues from third-party platforms were RMB245.8 million (USD35.7 million), compared to RMB283.0 million in the first half of 2018, as we suspended cooperation with certain third-party platforms during the first half of 2019.

Revenues from IP operations and others increased 224.1% year-over-year to RMB1,308.5 million (USD190.3 million) in the first half of 2019. Revenues from IP operations increased by 280.3% year-over-year to RMB1,215.0 million (USD176.7 million), primarily due to (i) the contribution of RMB659.6 million (USD95.9 million) in IP operation revenues generated by New Classics Media ("NCM") during the first half of 2019 as we acquired its business in October 2018, and (ii) an increase in revenues from IP-related self-operated online games, co-produced animations and co-invested TV and web series, reflecting our increasing participation in the IP adaptation businesses. Revenues from others, which mainly include revenues from the sales of physical books, were RMB93.4 million (USD13.6 million) in the first half of 2019, compared to RMB84.2 million in the first half of 2018.

Cost of revenues increased by 24.2% year-over-year to RMB1,349.8 million (USD196.3 million) in the first half of 2019, mainly due to greater production costs of TV, web and animated series and films, which increased from RMB23.3 million in the first half of 2018 to RMB359.7 million (USD52.3 million) in the first half of 2019 along with the rapid increase in revenues, as well as an increase in distribution costs related to self-operated online games as revenue increased. These increases were partially offset by a decrease in content costs in accordance with the decline of revenues generated by literary titles with revenue-sharing arrangements.

Gross profit increased 35.5% year-over-year to RMB1,621.2 million (USD235.8 million). Gross margin increased from 52.4% in the first half of 2018 to 54.6% in the first half of 2019.

Interest income increased 0.8% year-over-year to RMB85.6 million (USD12.4 million), reflecting higher interest income from bank deposits.

Other gains, net were RMB269.6 million (USD39.2 million), compared to RMB184.5 million in the first half of 2018. Our other gains in the first half of 2019 mainly consisted of (i) a fair value gain of RMB194.1 million (USD28.2 million) due to a change in the fair value of consideration liabilities related to the acquisition of NCM, and (ii) government subsidies of RMB50.2 million (USD7.3 million).

Selling and marketing expenses increased 85.2% year-over-year to RMB976.7 million (USD142.1 million). The increase was primarily due to (i) greater marketing expenses to promote free-to-read content and our self-operated mobile game, and (ii) the consolidation of selling and marketing expenses for films and drama series produced by NCM since we acquired its business in October 2018. As a percentage of revenues, our selling and marketing expenses increased to 32.9% in the first half of 2019 from 23.1% in the first half of 2018.

General and administrative expenses increased 41.8% year-over-year to RMB473.4 million (USD68.9 million), primarily due to (i) an increase in employee benefit expenses resulting from increased headcount and salary for our employees, (ii) an increase in outsourcing expenses for developing online games, and (iii) the consolidation of NCM's business since October 2018. As a percentage of revenues, general and administrative expenses increased to 15.9% in the first half of 2019 from 14.6% in the first half of 2018.

Net reversal of/(provision for) impairment losses on financial assets was in relation to the reversal of provision for doubtful receivables. In the first half of 2019, we reversed a provision for doubtful receivables of RMB1.5 million (USD0.2 million) on a net basis as a result of the collection of these receivables which were impaired in prior periods.

Operating profit were RMB527.7 million (USD76.8 million) in the first half of 2019, compared to RMB603.9 million in the first half of 2018. Operating margin was 17.8% in the first half of 2019, compared to 26.5% in the first half of 2018.

Profit attributable to equity holders of the Company was RMB392.7 million (USD57.1 million) in the first half of 2019, compared to RMB505.8 million in the first half of 2018. Its proportion of revenues was 13.2% in the first half of 2019, compared to 22.2% in the first half of 2018.

Key Operating Information

- Average MAUs on our self-owned platform products and self-operated channels increased by 1.7% year-over-year from 213.5 million to 217.1 million in the first half of 2019, among which (i) MAUs on our self-owned platform products increased 8.7% year-over-year from 106.3 million to 115.6 million, driven by user growth from our existing paid reading products, as well as the initial user contribution from our free-to-read product Feidu which was launched during the second quarter of 2019; and (ii) MAUs on our self-operated channels on Tencent products decreased 5.3% year-over-year from 107.2 million to 101.5 million, primarily due to the user allocation strategy for certain Tencent products was changed and less online paid reading content was promoted starting from the second half of 2017. The impact was partially offset by the introduction of free-to-read content attracting new users during the first half of 2019, and MAUs on our self-operated channels remained stable on a six-month basis compared to 101.4 million in the second half of 2018.
- Average MPUs on our self-owned platform products and self-operated channels decreased by 9.3% year-over-year from 10.7 million to 9.7 million in the first half of 2019, mainly due to (i) the strengthened review of paid content, resulting in a decrease in paying users for our self-owned platform products during the first half of 2019, and (ii) the continued decline of paying users from our self-operated channels on certain Tencent products. As a result of the foregoing, the paying ratio decreased from 5.0% in the first half of 2018 to 4.5% in the first half of 2019.
- Monthly ARPU decreased from RMB24.4 in the first half of 2018 to RMB22.5 in the first half of 2019, primarily due to the continued ARPU decline from our self-operated channels on Tencent products during the first half of 2019.

Other Key Financial Information

- EBITDA was RMB266.8 million (USD38.8 million) in the first half of 2019, compared to RMB415.4 million in the first half of 2018. Adjusted EBITDA was RMB427.9 million (USD62.2 million) in the first half of 2019, compared to RMB491.2 million in the first half of 2018.
- As of June 30, 2019, the Company had net cash of RMB4,892.3 million (USD711.6 million).
- On October 31, 2018, the Company acquired 100% of the equity interest in NCM which is primarily engaged in the production and distribution of TV series, web series and films in China. NCM, on a standalone basis, recorded RMB664.3 million (USD96.6 million) in revenues and RMB95.5 million (USD13.9 million) in net profit in the first half of 2019.

Business Review and Outlook

1. Online Business

Strengthened Leadership Position

During the first half of 2019, we strengthened our content offering and expanded the number of high-quality literary works and writers on our platform. As of June 30, 2019, our library featured 7.8 million writers and 11.7 million works of literature, including 11.1 million original literary works written by writers on our platform, 380,000 works sourced from third-party platforms, and 230,000 e-books. In terms of Chinese characters, a standard measure of literary output in the Chinese-reading world, around 20 billion individual Chinese characters were added to our platform over the past six months. According to Baidu's search ranking in June 2019, 17 out of the top 20 online literary works were created on our platform.

In addition to diversifying the number of genres available on our platform, we have also been promoting short-form content, which typically is a quarter to one-third of the length of our long-form content. Whether in short- or long-form, content quality is of the utmost importance, and we believe our short-form content maintains the level of quality for which we are recognized. Traffic for our short-form content increased significantly during the first half of 2019 and we expect it to continue growing as we bring new writers onboard and develop new genres.

We continued to incubate literary works based on realistic and contemporary urban themes in order to meet growing interest from market. These literary works and their writers are increasingly being recognized for their creativity. During the first half of 2019, 25 of our literary works received recommendations and honors from the State Administration of Press, Publication, Radio, Film and Television, and from the China Writers Association at the national and regional levels. In April 2019, our novel *A Love Letter to Mr. Mole (写给鼹鼠先生的情书)* was included in the 2018 China Great Book List, the most authoritative book recommendation list in China and the first time for online literary work to be included in the list. In May 2019, our novel *Airline of the Country (大国航空)* was selected by the China Writers Association for its celebration of the 70th anniversary of the founding of the People's Republic of China.

Our success also relies on the operational efficiency of the services we aggregate on our China Literature platform, which are evolving into a healthy ecosystem. For example, we operate curation systems where we attract, train, serve and motivate writers to produce high-quality works; we use algorithms to deliver personalized recommendations to each user accessing our platform; we utilize data-driven marketing systems that support the promotion of our top-ranked literary works across the internet; and we possess an active user community that promotes direct linkage between a successful writer and his/her fans. Together these services supported our platform health during the first half of 2019. For example, a hit novel *The Sacred Ruins (圣墟)* has attained over 10 million fans on our platform, and 13 works have each collected over one million user comments, compared to 2 works that had done so during 2018.

Introduction of Free-to-Read Model

To broaden our appeal and cater to price-sensitive users, we introduced a free-to-read model during the first half of 2019, allowing our users to read content for free while we monetize through advertising. The free-to-read model complements our current subscription model by serving the needs of users who are price-sensitive but tolerate advertisements on their reading page. We began distributing free content on Tencent's *Mobile QQ* and *QQ Browser* platforms in the first quarter of 2019, and through our independent free-to-read App *Feidu* in the second quarter of 2019.

We believe we enjoy several competitive advantages in this emerging market. For example, most of our competitors rely on sourcing content from third parties, which limits the scale and quality of their content offerings, whereas we source free-to-read content from both selected works from our in-house library and our external partners' libraries. In addition, we operate sophisticated recommendation algorithms to operate content in an effective way.

We believe the launch of the free-to-read model will also enhance the total return-on-investment of our content library, and generate higher life-time value from our users. Under the subscription model, viewership for titles in our library is unevenly distributed; many titles are not able to generate meaningful revenues shortly after their debuts. Putting these titles back on the shelf under our free-to-read channel gives them another opportunity for exposure and collect revenues from advertisers. This is why we believe the free-to-read model is an important initiative and will improve monetization over existing IP.

In short, the roll out of our free-to-read model alongside our existing paid content model allows us to offer a greater breadth of content and serve a broader range of users. In long term, it may also provide us with the opportunity to convert a subset of free users into paying customers as they increasingly engage with our platform online.

2. IP Operations

Integration of NCM

Since its acquisition in October 2018, NCM has been working with us to select our literary works for adaptation in-house. NCM is also reviewing our IP portfolio to identify content suitable for licensing to downstream partners. With its extensive experience in drama series and films production, NCM seeks to elevate the value of IP by identifying not only the most popular literature, but also less-popular literature which it believes will be suited for licensing and adaptation. At the same time, NCM is continuing to develop original content outside the China Literature platform.

During the first half of 2019, NCM demonstrated its ongoing ability to develop top-tier content. *Memories of Peking (芝麻胡同)* was aired and ranked the first in terms of viewership during its specific broadcast time slot on Beijing TV and the fourth on Shanghai Dragon TV. Two dramas in the pipeline, *The Best Partner (精英律师)* and *Last Romance (流金岁月)*, were included in the 2018-2022 Top Hundred Key TV Series, a recommendation list published by the State Administration of Press, Publication, Radio, Film and Television. In addition, a drama series, *Awakening of Insects (惊蛰)*, was one of the titles recommended for airing on TV to celebrate the 70th anniversary of the founding of the People’s Republic of China.

Looking ahead, NCM will continue to focus on producing high-quality drama series and films, which should ultimately amplify the franchise value of the China Literature platform, and create significant benefits for our entire content ecosystem. We believe a hit show should enhance the loyalty of our users, generate returns for our business partners, and reflect China’s broader development trends.

Proprietary IP Operation

We have made progress in licensing our IP for adaption into other formats such as film, TV series, animations and mobile games. Around 70 literary works were licensed to third-party partners for adaptation during the first half of 2019. Our IP-centric monetization model allows us to prolong the lifecycle of our IP and monetize it efficiently across various different formats. For example, *The King's Avatar (全职高手)*, was originally released as a novel on our platform in 2011. We released an animated version of the story in 2017 which gained wide-spread popularity, prompting us to add more episodes in 2018. In July 2019, a live-action web series was launched and received over 300 million views within three days. In August 2019, we will release an animated movie based on the IP. In addition, we have licensed game adaptation rights of this IP to Tencent, which is currently developing an online game.

We believe our IP is in high demand regardless of the format and there are many ahead to adapt our IP portfolio and release more of its latent value. Looking forward, we will seek to increase our participation in adapting our IP content to other formats, which we aspire to ultimately represent a significant portion of the entertainment market in China.

3. International Expansion

WebNovel, our foreign language website and mobile platform, generated around 18 million visits during the first half of 2019, and offered more than 400 original literary works translated from Chinese and nearly 50,000 original literary works in local languages.

During the first half of 2019, we formed a strategic partnership with Transsion, a leading smart device manufacturer and mobile internet service provider in overseas emerging markets, to expand into Africa’s huge untapped online literature market. We also entered into a strategic partnership with Singapore Telecommunications Limited, a leading communications technology group in Asia, to jointly develop online literary services and content platforms in Southeast Asia.

4. Outlook

We will continue to focus on developing a healthy ecosystem by building a more engaging platform, attracting more users and writers. We will explore innovative monetization models and deepen our involvement along the value chain, to unlock the value of our IP and generate long-term sustainable growth.

Segment Information

Effective as of December 31, 2018, we changed our financial disclosure to report our business in two separate segments: (i) online business, which primarily reflects revenues from online paid reading, online advertising and distribution of third-party online games on our platform, and (ii) IP operations and others, which primarily reflects the production and distribution of TV, web and animated series, films, licensing of IP rights for adaptation, operation of self-operated online games and the sales of physical books. This change in reporting better reflects our business development. We retrospectively revised our prior period consolidated statements of income to conform to the current period's presentation. This change in segment reporting does not affect our consolidated balance sheets or consolidated statements of cash flows.

About China Literature Limited

China Literature Limited is a pioneer in the online literature market and operates China's leading online literature platform. The Company owns nine major branded products. Among these, QQ Reading, a unified mobile content aggregation and distribution platform, is the flagship product. Other branded products focus on individual genres and their respective fan bases. China Literature's shareholder and strategic partner, Tencent, provides the Company with exclusive content distribution access via its suite of leading mobile and Internet products, including Mobile QQ, QQ Browser, Tencent News, Weixin Reading and Tencent Video. The Company also has distribution beyond the Tencent platforms by pre-installing Apps on handsets partners such as OPPO, Huawei and VIVO, as well as licensing content to third-party partners such as Baidu, Sogou, JD.com and Xiaomi Duokan. China Literature monetizes its vast and proprietary content library through online paid reading and content adaptations for a variety of entertainment formats. China Literature's diverse and high-quality content library is a significant competitive advantage that lies at the core of its business model. In 2018, China Literature further expanded its content capabilities downstream by acquiring New Classics Media, a renowned TV series, web series and film production company in China. For more information, please visit http://ir.yuewen.com/.

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Non-GAAP Financial Measures

To supplement the consolidated financial statements of the Company prepared in accordance with IFRS, several non-GAAP measures, which are adjusted EBITDA, operating profit, operating margin, profit for the period, net margin, profit attributable to equity holders of the Company, basic EPS and diluted EPS, as additional financial measures, have been presented in this press release for the convenience of readers. These unaudited non-GAAP financial measures should be considered in addition to, not as a substitute for, measures of the Company's financial performance prepared in accordance with IFRS. In addition, these non-GAAP financial measures may be defined differently from similar terms used by other companies.

The Company's management believes that the presentation of non-GAAP measures when shown in conjunction with the corresponding IFRS measures provides useful information to investors and management regarding financial and business trends relating to its financial condition and results of operations. The Company's management also believes that the non-GAAP measures are appropriate for evaluating the Company's operation performances. From time to time in the future, there may be other items that the Company may exclude in reviewing its financial results.

Forward-Looking Statements

This press release 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 press release. 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 our other public disclosure documents on our corporate website.

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CONSOLIDATED INCOME STATEMENT

	Six months ended June 30,			
	2019		**2018**	
	(RMB in million, unless specified)			
Revenues				
Online business		1,662.5		1,879.2
Intellectual property operations and others		1,308.5		403.7
		2,971.0		**2,282.9**
Cost of revenues		(1,349.8)		(1,086.4)
Gross profit		**1,621.2**		**1,196.5**
Gross margin	***54.6%***		***52.4%***	
Interest income		85.6		84.9
Other gains, net		269.6		184.5
Selling and marketing expenses		(976.7)		(527.3)
General and administrative expenses		(473.4)		(333.9)
Net reversal of/(provision for) impairment losses on financial assets		1.5		(0.8)
Operating profit		**527.7**		**603.9**
Operating margin	***17.8%***		***26.5%***	
Finance costs		(93.5)		(48.6)
Share of profit of associates and joint ventures		82.5		51.0
Profit before income tax		**516.7**		**606.2**
Income tax expense		(123.5)		(101.9)
Profit for the period		**393.2**		**504.3**
Net margin	***13.2%***		***22.1%***	
Profit/(loss) attributable to:				
Equity holders of the Company		392.7		505.8
Non-controlling interests		0.5		(1.5)
		393.2		**504.3**
Earnings per share				
(in RMB per share)				
- Basic earnings per share		0.39		0.58
- Diluted earnings per share		0.39		0.57

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended June 30,	
	2019	2018
	(RMB in million)	
Profit for the period	**393.2**	**504.3**
Other comprehensive income/(loss):		
Items that may be subsequently reclassified to profit or loss		
Share of other comprehensive loss of an associate	(0.4)	-
Currency translation differences	(18.1)	90.1
Total comprehensive income for the period	**374.7**	**594.4**
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	374.2	595.9
Non-controlling interests	0.5	(1.5)
	374.7	**594.4**

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SEGMENT INFORMATION

	Six months ended June 30,	
	2019	2018
	(RMB in million, except percentages)	
Revenues		
Online business	1,662.5	1,879.2
Intellectual property operations and others	1,308.5	403.7
Total revenues	**2,971.0**	**2,282.9**
Cost of revenues		
Online business	(703.3)	(802.1)
Intellectual property operations and others	(646.5)	(284.3)
Total cost of revenues	**(1,349.8)**	**(1,086.4)**
Gross profit		
Online business	959.2	1,077.1
Intellectual property operations and others	662.0	119.4
Total gross profit	**1,621.2**	**1,196.5**
Gross margin		
Online business	57.7%	57.3%
Intellectual property operations and others	50.6%	29.6%
Total gross margin	**54.6%**	**52.4%**

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of	
	June 30, 2019	December 31, 2018
	(RMB in million)	
ASSETS		
Non-current assets		
Property, plant and equipment	41.2	47.7
Right-of-use assets	125.0	-
Intangible assets	12,147.8	12,141.2
Investments in associates and joint ventures	869.2	680.9
Financial assets at fair value through profit or loss	435.0	444.1
Deferred income tax assets	129.6	95.6
Prepayments, deposits and other assets	158.3	147.5
	13,906.1	**13,557.0**
Current assets		
Inventories	875.5	129.7
Television series and film rights	2,501.9	2,857.1
Financial assets at fair value through profit or loss	-	26.8
Trade and notes receivables	1,617.0	1,830.4
Prepayments, deposits and other assets	821.0	609.9
Term deposits	839.0	481.6
Cash and cash equivalents	5,672.4	8,342.2
	12,326.8	**14,277.6**
Total assets	**26,232.9**	**27,834.6**
EQUITY		
Capital and reserves attributable to the equity holders of the Company		
Share capital	0.6	0.6
Treasury shares	(6.3)	-
Shares held for RSU scheme	(0.0)	(0.0)
Share premium	16,405.0	16,456.6
Other reserves	950.6	898.2
Retained earnings	1,440.9	1,048.1
	18,790.9	**18,403.5**
Non-controlling interests	**0.1**	**11.6**
Total equity	**18,791.0**	**18,415.0**

	As of	
	June 30, 2019	December 31, 2018
	(RMB in million)	
LIABILITIES		
Non-current liabilities		
Borrowings	-	380.0
Lease liabilities	57.2	-
Deferred income tax liabilities	435.5	449.8
Deferred revenue	34.6	39.3
Financial liabilities at fair value through profit or loss	639.0	1,954.2
	1,166.4	**2,823.3**
Current liabilities		
Borrowings	919.1	1,385.4
Lease liabilities	65.3	-
Trade payables	1,161.0	1,131.1
Other payables and accruals	1,868.9	1,818.2
Deferred revenue	972.8	1,005.3
Current income tax liabilities	166.1	65.4
Financial liabilities at fair value through profit or loss	1,122.5	1,191.0
	6,275.6	**6,596.3**
Total liabilities	**7,441.9**	**9,419.6**
Total equity and liabilities	**26,232.9**	**27,834.6**

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RECONCILIATION OF OPERATING PROFIT TO EBITDA AND ADJUSTED EBITDA

	Six months ended June 30,	
	2019	2018
	(RMB in million)	
Reconciliation of operating profit to EBITDA and adjusted EBITDA:		
Operating profit	527.7	603.9
Adjustments:		
Interest income	(85.6)	(84.9)
Other gains, net	(269.6)	(184.5)
Depreciation of property, plant and equipment	11.0	7.3
Amortization of intangible assets	83.3	73.7
EBITDA	**266.8**	**415.4**
Adjustments:		
Share-based compensation	71.6	75.7
Expenditure related to acquisition	89.4	-
Adjusted EBITDA	**427.9**	**491.2**

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RECONCILIATIONS OF IFRS TO NON-GAAP RESULTS

	Unaudited six months ended June 30, 2019					
		Adjustments				
	As reported	Share-based compensation	Net (gain) from investment and acquisition[1]	Amortization of intangible assets[2]	Tax effects	Non-GAAP
	(RMB in million, unless specified)					
Operating profit	527.7	71.6	(146.0)	63.7	-	517.1
Profit for the period	393.2	71.6	(125.1)	63.7	(13.0)	390.5
Profit attributable to equity holders of the Company	392.7	71.6	(125.1)	63.7	(13.0)	390.0
EPS (RMB per share)						
- basic	0.39					0.39
- diluted	0.39					0.39
Operating margin	17.8%					17.4%
Net margin	13.2%					13.1%

	Unaudited six months ended June 30, 2018					
		Adjustments				
	As reported	Share-based compensation	Net (gain) from investment and acquisition[1]	Amortization of intangible assets[2]	Tax effects	Non-GAAP
	(RMB in million, unless specified)					
Operating profit	603.9	75.7	(153.9)	26.4	-	552.1
Profit for the period	504.3	75.7	(153.9)	26.4	29.7	482.2
Profit attributable to equity holders of the Company	505.8	75.7	(153.9)	26.2	29.7	483.5
EPS (RMB per share)						
- basic	0.58					0.55
- diluted	0.57					0.54
Operating margin	26.5%					24.2%
Net margin	22.1%					21.1%

Notes:

(1) During the six months ended June 30, 2019, this item includes fair value gains on financial assets at fair value through profit or loss, and net gain related to acquisition of New Classics Media of RMB144.1 million. During the six months ended June 30, 2018, this item includes fair value gain on financial assets at fair value through profit or loss and gain on deemed disposal of a subsidiary.

(2) Represents amortization of intangible assets and TV series and film rights resulting from acquisitions.