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Inke Limited
映客互娛有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3700)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

	For the year ended		Year-on-Year Change
	31 December		
	2020	2019	
	RMB'000	RMB'000	%
Revenue	4,949,440	3,268,573	51.4
Cost of sales	(3,752,305)	(2,379,080)	57.7
Gross profit	1,197,135	889,493	34.6
Operating profit	54,730	45,973	19.0
Profit for the year	203,204	52,781	285.0
Non-IFRSs			
Adjusted Net Profit*	220,724	71,462	208.9

* IFRS adjusted net profit was calculated using profit for the year eliminates the effects of non-cash share-based compensation expenses.

OPERATING HIGHLIGHTS

The following table sets forth the key operating data for the Company's major products:

	For the year ended		Year-on-Year
	31 December	2019	Change*
	2020		
<i>(in thousands, except for percentages)</i>			
Average monthly active users ("MAUs")**	36,470	29,808	22%

* Year-on year change represents a comparison between the current reporting period and the corresponding period last year.

** Average MAUs is based on the major products of the Group, including the Inke APP, Jimu APP and Duiyuan APP, etc.

The shares of Inke Limited ("**Inke**" or the "**Company**") have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 12 July 2018 (the "**Listing Date**").

The board of directors (the "**Board**") of the Company is pleased to announce the audited consolidated annual results (the "**Annual Results**") of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2020 (the "**Reporting Period**"). The Annual Results have been reviewed by the audit committee of the Company (the "**Audit Committee**").

In 2020, Inke continued the implementation of its strategy of “Interactive Social Networking”. The product portfolio of the Group was highly successful, in particular the innovative products. The operation results were very satisfactory: (1) the total revenue of the Group for the year was approximately RMB4.9 billion, representing a year-on-year increase of 51.4%, of which the total revenue of innovative products for the year was approximately RMB2.1 billion, representing 41.8% of the total revenue of the year; (2) the net profit of the Group for the year was approximately RMB0.2 billion, representing a year-on-year increase of 285%; and (3) the adjusted net profit of the Group for the year was approximately RMB0.22 billion, representing a year-on-year increase of 208.9%.

In 2021, the Group has a number of innovative products under development or ready for launch. The products will prove to be successful and drive the significant growth of our business.

BUSINESS REVIEW

2020 • Innovation

41.8% of the total revenue of the Group for the year was attributable to innovative products of the Group, reflecting the strong product innovation ability of Inke. The commercialization of Jimu (積目) APP, a social networking product highly popular among the generation Z, had made significant progress in 2020. The performance of the product demonstrated the long-term value of its users and its strong commercial value. Duiyuan (對緣) APP, a video-base dating APP, has evolved as one of the top dating APPs after a year of development and modification. A number of our audio social networking products also performed well in their respective niche markets. In the future, the product development team of Inke will continue to contribute to the development of the matrix of audio and video products to create higher values for the Group.

2020 • Solid Foundation

Inke APP is the foundation of the Group’s business. It maintained a stable and strong growth momentum. With a resilient business model, high profitability and sufficient capital reserve, Inke APP provides strong support to the development of the Group. On operation side, Inke APP has enhanced its social networking functions to improve the loyalty of users. On technology side, a lot of resources have been invested in AI, 5G, etc. which had achieved a major breakthrough in graphic integration, adding a new entertainment element in our social networking products.

BUSINESS OUTLOOK

2021 • Developing

The Group will continue to implement its strategy of “Interactive Social Networking” to enrich its product offering to cover more user groups and niche markets by building one of the most powerful interactive social networking platforms of all scenarios.

- **Marketing of pipeline products to expand product matrix.** We will promote the marketing of pipeline products and market trial of products under development. We will further explore different user groups to meet different demands of the vertical markets and to development products with long-term profitability. It is anticipated that the operating income of the Group will maintain its rapid growth due to the expansion of our product matrix.
- **Increasing its investment in existing products to expand the market share.** We will further invest in products with strong user base and operating income to increase its market coverage and penetration. We will enhance the competitiveness of our products in their respective niche markets. Our products will become the lead players in each of their respective niche markets, measured by market shares in terms of income and user base.
- **Continuing investment in research and development to stay ahead in technology advantage.** We will continue to closely monitor the technology development in China and overseas to stay abreast of the development of 5G, AI, audio and video interactive technology. We will continue to increase investment in technology to increase our technology reserve. We will provide users with wonderful product experience through technological innovation.
- **Identifying merger and acquisition opportunities in the upstream and downstream sectors of our business chain.** We constantly identify opportunities of merger and acquisition in the upstream and downstream sectors of our business chain. Our targets are products which can have synergy effects with our development and have significant user group with high potential of operating income. We will prudently consider investment, merger and acquisition opportunities which are in line with our strategy and will explore and incubate new projects with high value potential.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table is a summary of the Group's consolidated statement of comprehensive income with line items in absolute amounts and as percentages of the Group's total revenue for the periods indicated, together with the change (expressed in percentages) from the year ended 31 December 2019 to the year ended 31 December 2020:

	For the year ended 31 December				Year-on-
	2020		2019		Year
	RMB'000	%	RMB'000	%	Change
	(In thousands, except for percentages and per share data)				
Consolidated Statement of Comprehensive Income					
Revenue	4,949,440	100.0	3,268,573	100.0	51.4
Cost of sales	(3,752,305)	(75.8)	(2,379,080)	(72.8)	57.7
Gross profit	1,197,135	24.2	889,493	27.2	34.6
Selling and marketing expenses	(709,936)	(14.3)	(495,831)	(15.2)	43.2
Administrative expenses	(221,596)	(4.5)	(170,398)	(5.2)	30.0
Research and development expenses	(334,431)	(6.8)	(330,847)	(10.1)	1.1
Other gains — net	40,889	0.8	69,683	2.1	(41.3)
Other income	82,669	1.7	83,873	2.6	(1.4)
Operating profit	54,730	1.1	45,973	1.4	19.0
Finance income — net	10,721	0.2	32,923	1.0	(67.4)
Share of profit/(loss) of associates and joint ventures accounted for using the equity method	147,929	3.0	(18,172)	(0.6)	N/A
Profit before income tax	213,380	4.3	60,724	1.9	251.4
Income tax expense	(10,176)	(0.2)	(7,943)	(0.2)	28.1
Profit for the year	203,204	4.1	52,781	1.6	285.0

	For the year ended 31 December				Year-on-
	2020		2019		Year
	RMB'000	%	RMB'000	%	Change
	(In thousands, except for percentages and per share data)				
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss:					
Currency translation differences	27,276	0.6	25,666	0.8	6.3
Items that will not be subsequently reclassified to profit or loss					
Currency translation differences	(60,610)	(1.2)	—	—	N/A
Other comprehensive (loss)/income for the year, net of tax	(33,334)	(0.7)	25,666	0.8	N/A
Profit/(loss) attributable to:					
— Owners of the Company	193,906	3.9	54,932	1.7	253.0
— Non-controlling interests	9,298	0.2	(2,151)	(0.1)	N/A
	203,204	4.1	52,781	1.6	285.0
Total comprehensive income/(loss) attributable to:					
— Owners of the Company	160,572	3.2	80,598	2.5	99.2
— Non-controlling interests	9,298	0.2	(2,151)	(0.1)	N/A
	169,870	3.4	78,447	2.4	116.5
Earnings per share for profit attributable to the ordinary equity holders of the Company (expressed in RMB per share)					
— Basic earnings per share	0.10		0.03		
— Diluted earnings per share	0.10		0.03		

Revenue

The Group's revenue in 2020 amounted to approximately RMB4,949.4 million, representing an increase of 51.4% from approximately RMB3,268.6 million in 2019 primarily attributable to the rapid growth in revenue from innovative products. The Group will stick to its strategic plan of "interactive social networking" and actively expand innovative business to provide new impetus to its development, while steadily developing its existing business.

Cost of Sales

The Group's cost of sales increased by 57.7% to approximately RMB3,752.3 million in 2020 from approximately RMB2,379.1 million in 2019, mainly affected by the increase in the revenue. As a percentage of the Group's revenue, the Group's cost of sales increased from 72.8% in 2019 to 75.8% in 2020, primarily due to an increase in revenue sharing for products other than Inke APP in the interactive entertainment product matrix of the Group.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group's gross profit increased by 34.6% from approximately RMB889.5 million in 2019 to approximately RMB1,197.1 million in 2020, and the Group's gross profit margin decreased from 27.2% in 2019 to 24.2% in 2020.

Selling and Marketing Expenses

The Group's selling and marketing expenses increased by 43.2% from approximately RMB495.8 million in 2019 to approximately RMB709.9 million in 2020, primarily due to the Company's efforts in marketing its new products. As a percentage of the Group's revenue, selling and marketing expenses decreased from 15.2% in 2019 to 14.3% in 2020.

Administrative Expenses

The Group's administrative expenses increased by 30.0% from approximately RMB170.4 million in 2019 to approximately RMB221.6 million in 2020, primarily as a result of the increase in the labour costs of the Group. As a percentage of the Group's revenue, administrative expenses decreased from 5.2% in 2019 to 4.5% in 2020.

Research and Development Expenses

The Group's research and development expenses remained largely the same with a slight increase of 1.1% from approximately RMB330.8 million in 2019 to approximately RMB334.4 million in 2020. The increase was primarily because the Company increased its investment in creating a product matrix and its research and development investment in technologies and products. As a percentage of the Group's revenue, research and development expenses decreased from 10.1% in 2019 to 6.8% in 2020.

Other Gains – Net

The Group's other gains – net decreased by 41.3% from approximately RMB69.7 million in 2019 to approximately RMB40.9 million in 2020, primarily as a result of an increase in loss for claims and legal proceedings and the fair value loss of financial assets at fair value through profit or loss.

Other Income

The Group's other income remained largely the same with a slight decreased by 1.4% from approximately RMB83.9 million in 2019 to approximately RMB82.7 million in 2020, primarily due to an increase in tax based subsidies and a decrease in other government subsidies the Group received from local governments.

Operating Profit

As a result of the foregoing, the Group's operating profit increased by 19.0% from approximately RMB46.0 million in 2019 to approximately RMB54.7 million in 2020. As a percentage of the Group's revenue, the Group's operating profit decreased from 1.4% in 2019 to 1.1% in 2020.

Finance Income – net

The Group's finance income – net decreased by 67.4% from approximately RMB32.9 million in 2019 to approximately RMB10.7 million in 2020, primarily as a result of a decrease in the fixed term deposit.

Share of Profit/(Loss) of Associates and Joint Ventures Accounted for Using the Equity Method

The Group's share of profit of associates and joint ventures accounted for using the equity method is approximately RMB147.9 million in 2020. The profit mainly came from the investment income of the associates and the joint ventures of the Group. The Group's share of loss of associates and joint ventures accounted for using the equity method is approximately RMB18.2 million in 2019.

Income Tax Expense

The Group's income tax expenses increased by 28.1% from approximately RMB7.9 million in 2019 to approximately RMB10.2 million in 2020, primarily due to the increase in the profit before income tax in 2020.

Profit for the Year

As a result of the foregoing, the Group recorded a profit for the year of approximately RMB203.2 million in 2020, representing an increase of 285.0% from approximately RMB52.8 million in 2019.

Non-IFRSs Measure

To supplement the Group's consolidated annual financial statements which are presented in accordance with the International Financial Reporting Standards ("IFRS"), the Group also uses adjusted net profit ("Adjusted Net Profit") as an additional financial measure. The Group's Adjusted Net Profit eliminates the effect of non-cash share-based compensation expenses. The table below sets forth the reconciliation of Adjusted Net Profit for the years indicated:

	For the year ended	
	31 December	
	2020	2019
	(RMB'000)	(RMB'000)
Profit for the year	203,204	52,781
Add: non-cash share-based compensation expenses ⁽¹⁾	17,520	18,681
Adjusted Net Profit⁽²⁾	<u>220,724</u>	<u>71,462</u>

⁽¹⁾ Refers to share-based compensation benefits provided to certain employees via the employee share scheme.

⁽²⁾ To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use Adjusted Net Profit as an additional financial measure. We present this financial measure because it is used by our management to evaluate our operating performance. We also believe that this non-IFRS measure provides useful information to investors and others in understanding and evaluating our results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies. Adjusted Net Profit is calculated using profit for the year, and add back non-cash share-based compensation expenses. The term of Adjusted Net Profit is not defined under IFRS. The use of Adjusted Net Profit has material limitations as an analytical tool, as it does not include all items that impact our net profit for the year.

Liquidity and Capital Resources

For the year ended 31 December 2020, the Group financed its operations primarily through cash generated from the Group's operations. The Group intends to finance its expansion and business operations with internal resources and through organic and sustainable growth. As at 31 December 2020, the current ratio (the current assets to current liabilities ratio) of the Group was 3.4 and the gearing ratio (total debt to total equity ratio) was 0.3, as compared with 3.0 and 0.3 respectively as at 31 December 2019.

Cash and cash equivalents and restricted cash

As at 31 December 2020, the Group had cash and cash equivalents of approximately RMB1,360.3 million (31 December 2019: approximately RMB603.9 million), which primarily consisted of cash at banks. Out of the approximately RMB1,360.3 million, approximately RMB1,057.4 million is denominated in Renminbi and approximately RMB302.9 million is denominated in other currencies (primarily US dollars). The Group currently does not hedge transactions undertaken in foreign currencies.

As at 31 December 2020, bank balance of RMB14.4 million was frozen by the local regulators subject to resolutions of disputes with certain users of the Group's online platform. The Group has recognised a provision of RMB13.8 million related to these disputes.

Financial assets at fair value through profit or loss

As of 31 December 2020, the Group had current and non-current financial assets at fair value through profit or loss of approximately RMB1,210.1 million (31 December 2019: approximately RMB1,791.6 million), mainly comprised (a) investments in wealth management products and structured deposits of approximately RMB1,170 million (31 December 2019: approximately RMB1,712.1 million); and (b) investments in financial instruments with preferred rights of approximately RMB40.1 million (31 December 2019: approximately RMB79.4 million).

	Balance as at 31 December 2020 (RMB'000)	Balance as at 31 December 2019 (RMB'000)
Financial Assets		
Current		
Investments in structured deposits with floating interest rates	—	343,050
Investments in wealth management products ⁽¹⁾	<u>1,169,996</u>	<u>1,018,397</u>
Subtotal	<u>1,169,996</u>	<u>1,361,447</u>
Non-current		
Investments in equity interests with preferred rights of certain private companies	40,122	79,427
Investments in wealth management products ⁽¹⁾	<u>—</u>	<u>350,679</u>
Subtotal	<u>40,122</u>	<u>430,106</u>
Total	<u><u>1,210,118</u></u>	<u><u>1,791,553</u></u>

Notes:

- (1) As at 31 December 2020, the investments in wealth management products amounted to approximately RMB1,170.0 million. In particular, the following have been announced according to the related rules under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). On 19 June 2020 and 22 September 2020, Beijing Meelive Network Technology Co., Ltd. (北京蜜萊塢網絡科技有限公司) (“**Beijing Meelive**”) subscribed for three financial products with an aggregate principal amount of RMB288 million from China Merchant Bank Co., Ltd., (招商銀行股份有限公司). On 6 July 2020, Beijing Meelive subscribed for two financial products with an aggregate principal amount of RMB250 million from Bank of China Limited (中國銀行股份有限公司). On 22 September 2020, the Company has entered into a subscription agreement with New China Innovation Fund SPC (for and on behalf of New China Innovation Fund segregated Portfolio (“**Sub-Fund**”)) and New China Capital International Management Limited, pursuant to which the Company has committed to subscribe for the Class A Shares of the Sub-Fund for an aggregate amount of USD20.0 million. Please refer to the Company’s announcements dated 19 June 2020, 6 July 2020, and 22 September 2020 for further details.

Subscriptions of wealth management products were made for treasury management purposes to maximise the return on the unutilised funds of the Company after taking into account, among others, the level of risk, return on investment, liquidity and the term to maturity. Generally, the Company had in the past selected short-term financial products issued by reputable commercial banks that had relatively low associated risk. Prior to making an investment, the Company had also ensured that it would remain sufficient working capital for the Group's business needs, operating activities and capital expenditures even after making the investments in such financial products. These financial products were considered to have relatively low risk and are also in line with the internal risk management, cash management and investment policies of the Group. The Company had, in the past, entirely recovered the principal and received the expected returns upon the redemption or maturity of similar financial products. In addition, these financial products were with flexible redemption terms or a relatively short term of maturity. In accordance with the relevant accounting standards, these financial products are accounted for as financial assets at fair value through profit or loss.

In view of an upside of earning a more attractive return than current saving or fixed deposit rate under the low interest rate trend, as well as the low risk nature and the flexible redemption terms or a relatively short term of maturity of the wealth management products, the directors of the Company (the “**Directors**”) are of the view that these financial products pose little risk to the Group and the terms and conditions of each of the subscriptions are fair and reasonable and are in the interests of the Company and its shareholders as a whole. The Company believes that the above investment strategies and directions would continue to generate stable income to the Group.

Capital expenditures

In 2020, the Group's capital expenditure amounted to approximately RMB8.0 million (2019: approximately RMB11.7 million), which was mainly used for the acquisition of property, equipment, leasehold improvements and intangible assets. The Group funded its capital expenditure by using the cash flow generated from its operations.

Contingent liabilities and guarantees

As at 31 December 2020, the Group did not have any significant unrecorded contingent liabilities, guarantees or any litigation against the Group except for that disclosed in the cash and cash equivalents and restricted cash section.

Pledge of Assets

As at 31 December 2020, the Group did not pledge any assets.

Foreign exchange risk management

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The functional currency of the Company is USD and the functional currency of subsidiaries operated in the PRC is Renminbi. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and tries to minimise these exposures through natural hedges, wherever possible, and may enter into forward foreign exchange contracts, when necessary.

Employees and remuneration policies

As at 31 December 2020, the Group had a total of 1,627 full time employees, mainly located in mainland China. In particular, 337 employees are responsible for the Group's business operations, 20 for sales and marketing, 200 for content monitoring, 65 for customer service, 865 for technology, research and development, and 140 for general and administrative functions.

Remuneration of the Group's employees includes basic salaries, allowances, bonus, share-based payment and other employee benefits, and is determined with reference to their experience, qualification and general market conditions. The emolument policy for the employees of the Group is set up by the Board on the basis of their merit, qualification and competence. The Group believes that we maintain a good working relationship with our employees, and we have not experienced any material labour disputes during the year ended 31 December 2020.

Contractual Arrangements

Please refer to the section headed "Contractual Arrangements" in the prospectus of the Company dated 28 June 2018 (the "**Prospectus**"). For the year ended 31 December 2020, the Board has reviewed the overall performance of the contractual arrangements and confirmed that the Group has complied with the contractual arrangements in all material respects.

On 15 March 2019, the National People's Congress approved the Foreign Investment Law, which has come into effect on 1 January 2020 and replaced the trio of existing laws regulating foreign investment in the PRC, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The Foreign Investment Law has unified the corporate legal requirements for both foreign and domestic investments and by way of having a Negative List.

The Negative List, which has been issued by the State Council, refers to special administrative measures for access of foreign investment in specific fields in the PRC. A foreign investor shall not invest in any field prohibited from foreign investment under the Negative List. A foreign investor shall meet the investment conditions stipulated under the Negative List for any restricted fields under the Negative List.

A foreign investor who invests in a foreign-invested value-added telecommunications enterprise operating value-added telecommunications businesses in the PRC must demonstrate a good track record and experience in operating value-added telecommunications businesses (the “**Qualification Requirement**”). Moreover, foreign investors that meet these requirements must obtain approvals from the Ministry of Industry and Information Technology of the People’s Republic of China and the Ministry of Commerce of the People’s Republic of China, or their authorised local counterparts, which retain considerable discretion in granting approvals, for the commencement of that investor’s value-added telecommunications businesses in the PRC.

There have been no updates to the Foreign Investment Law and the Group’s compliance with the Foreign Investment Law and the implementation rules in relation to the Qualification Requirement since the Listing Date and up to the date of this announcement.

Please also refer to the section headed “Contractual Arrangements” in the Prospectus for the Group’s efforts and actions undertaken to comply with the Qualification Requirement.

Further details of the contractual arrangements, please refer to the annual report of the Company to be published in due course.

Dividends

The Company does not recommend any payment of final dividend for the year ended 31 December 2020.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

		Year ended 31 December	
		2020	2019
	Notes	RMB'000	RMB'000
Revenue	4	4,949,440	3,268,573
Cost of sales	5	(3,752,305)	(2,379,080)
Gross profit		1,197,135	889,493
Selling and marketing expenses	5	(709,936)	(495,831)
Administrative expenses	5	(221,596)	(170,398)
Research and development expenses	5	(334,431)	(330,847)
Other gains — net		40,889	69,683
Other income		82,669	83,873
Operating profit		54,730	45,973
Finance income — net		10,721	32,923
Share of net profit/(loss) of associates and joint ventures accounted for using the equity method		147,929	(18,172)
Profit before income tax		213,380	60,724
Income tax expense	6	(10,176)	(7,943)
Profit for the year		203,204	52,781
Other comprehensive income/(loss)			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		27,276	25,666
Items that will not be subsequently reclassified to profit or loss:			
Currency translation differences		(60,610)	—
Other comprehensive (loss)/income for the year, net of tax		(33,334)	25,666
Total comprehensive income		169,870	78,447

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR
THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

		Year ended 31 December	
		2020	2019
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit/(loss) attributable to:			
— Owners of the Company		193,906	54,932
— Non-controlling interests		9,298	(2,151)
		<u> </u>	<u> </u>
Profit for the year		<u>203,204</u>	<u>52,781</u>
Total comprehensive income/(loss) attributable to:			
— Owners of the Company		160,572	80,598
— Non-controlling interests		9,298	(2,151)
		<u> </u>	<u> </u>
Total comprehensive income		<u>169,870</u>	<u>78,447</u>
Earnings per share (expressed in RMB per share)			
Basic earnings per share	7	<u>0.10</u>	<u>0.03</u>
Diluted earnings per share	7	<u>0.10</u>	<u>0.03</u>

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2020

	<i>Notes</i>	As of 31 December	
		2020	2019
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		14,657	19,277
Intangible assets		676,108	634,556
Investments accounted for using the equity method		395,225	242,546
Financial assets at fair value through profit or loss		40,122	430,106
Deferred tax assets		60,547	53,109
Right-of-use assets		150,832	145,785
Term deposits		47,000	397,000
Other receivables, deposits and other assets		29,376	119,061
Total non-current assets		1,413,867	2,041,440
Current assets			
Inventories		11,522	1,249
Trade receivables	9	53,774	20,489
Financial assets at fair value through profit or loss		1,169,996	1,361,447
Cash and cash equivalents		1,360,333	603,932
Term deposits		350,000	184,756
Restricted cash		14,377	39,418
Other receivables, prepayment, deposits and other assets		295,750	209,108
Total current assets		3,255,752	2,420,399
Total assets		4,669,619	4,461,839

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2020 (CONTINUED)

		As of 31 December	
		2020	2019
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
EQUITY			
Equity attributable to the shareholders of the Company			
Share capital		13,262	13,351
Other reserves		3,906,228	4,050,234
Accumulated deficits		(404,505)	(598,411)
		3,514,985	3,465,174
Non-controlling interests		28,568	(3,450)
Total equity		3,543,553	3,461,724
LIABILITIES			
Non-current liabilities			
Lease liabilities		125,910	127,958
Deferred tax liabilities		26,787	27,676
Other payables and accruals		3,137	36,004
Total non-current liabilities		155,834	191,638
Current liabilities			
Accounts payables	11	638,794	512,052
Other payables and accruals		147,312	138,328
Current income tax liabilities		16,017	5,998
Contract liabilities		120,730	113,045
Provisions		14,061	13,059
Lease liabilities		33,318	25,773
Other current liabilities		—	222
Total current liabilities		970,232	808,477
Total liabilities		1,126,066	1,000,115
Total equity and liabilities		4,669,619	4,461,839

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owner of the Company				Non-	
	Share	Other	Retained	Sub-total	controlling	Total
	capital	reserves	earnings		interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 31 December 2019	13,351	4,050,234	(598,411)	3,465,174	(3,450)	3,461,724
Comprehensive income						
Profit for the year	—	—	193,906	193,906	9,298	203,204
Currency translation differences	—	(33,334)	—	(33,334)	—	(33,334)
Total comprehensive income for the year	—	(33,334)	193,906	160,572	9,298	169,870
Total transactions with owners in their capacity as owners						
Share-based compensation expense	—	16,080	—	16,080	—	16,080
Shares repurchased	—	(123,357)	—	(123,357)	—	(123,357)
Cancellation of shares	(89)	89	—	—	—	—
Non-controlling interests on acquisition of subsidiaries	—	—	—	—	18,236	18,236
Capital injection from non-controlling interest	—	—	—	—	1,000	1,000
Acquisition of non-controlling interests in a subsidiary	—	(3,484)	—	(3,484)	3,484	—
Total transactions with owners in their capacity as owners	(89)	(110,672)	—	(110,761)	22,720	(88,041)
Balance at 31 December 2020	13,262	3,906,228	(404,505)	3,514,985	28,568	3,543,553

	Attributable to the owner of the Company				Non-controlling interests	Total
	Share capital	Other reserves	Retained earnings	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 31 December 2018	13,623	4,113,873	(653,343)	3,474,153	(1,299)	3,472,854
Comprehensive income						
Profit for the year	—	—	54,932	54,932	(2,151)	52,781
Currency translation differences	—	25,666	—	25,666	—	25,666
Total comprehensive income for the year	—	25,666	54,932	80,598	(2,151)	78,447
Total transactions with owners in their capacity as owners						
Share-based compensation expense	—	20,121	—	20,121	—	20,121
Shares repurchased	—	(109,698)	—	(109,698)	—	(109,698)
Cancellation of shares	(272)	272	—	—	—	—
Total transactions with owners in their capacity as owners	(272)	(89,305)	—	(89,577)	—	(89,577)
Balance at 31 December 2019	<u>13,351</u>	<u>4,050,234</u>	<u>(598,411)</u>	<u>3,465,174</u>	<u>(3,450)</u>	<u>3,461,724</u>

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Inke Limited (the “**Company**”) and its subsidiaries (together referred as to the “**Group**”) are principally engaged in operating live streaming platforms, social networking platforms and provision of advertising services in the People’s Republic of China (the “**PRC**” or “**China**”).

The company is a limited liability company incorporated in the Cayman Islands. The address of the Company’s registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, the Cayman Islands.

The company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited.

These financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated.

2. Basis of preparation

(a) *Compliance with IFRS and HKCO*

The consolidated financial statements of the Group has been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRS**”), the disclosure requirements of the Hong Kong Companies Ordinance (“**HKCO**”) Cap. 622 and the Rules Governing the Listing Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the Group’s annual report.

(b) *Historical cost convention*

The consolidated financial statements of the Group have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss.

(c) *New and amended standards adopted by the Group*

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material — amendments to IAS 1 and IAS 8
- Definition of a business — amendments to IFRS 3
- Interest Rate Benchmark Reform — amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting

The Group also elected to adopt the following amendments early:

- Annual improvements to IFRS Standards 2018–2020 Cycle
- Covid-19-Related Rent Concessions — amendments to IFRS 16 and Interest Rate Benchmark Reform — amendments to IFRS 9, IAS 39 and IFRS 7

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

(d) *New standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. Changes in accounting policies

The Group has early adopted Amendment to IFRS 16 — Covid-19-Related Rent Concessions retrospectively from 1 January 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: a. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b. any reduction in lease payments affects only payments due on or before 30 June 2021; and c. there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions totalling RMB304,000 have been accounted for as negative variable lease payments and recognised in administrative expenses in the statement of profit or loss for the year ended 31 December 2020, with a corresponding adjustment to the lease liability. There is no impact on the opening balance of equity at 1 January 2020.

4. Revenue

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Value-added services (formerly known as live streaming)	4,837,082	3,176,404
Others	112,358	92,169
	<u>4,949,440</u>	<u>3,268,573</u>

5. Expenses by nature

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Streamer costs	3,407,402	2,115,431
Promotion and advertising expenses	682,998	466,145
Employee benefit expenses	460,194	419,725
Bandwidth and server custody costs	94,301	91,823
Payment handling costs	98,079	46,790
Outsourced development costs	39,310	41,329
Travelling, entertainment and general office expenses	34,254	37,770
Technical support and professional service fees	36,794	33,690
Depreciation of right-of-use assets	30,105	26,792
Depreciation of property, plant and equipment	10,524	17,743
Amortization of intangible assets	36,372	17,061
Taxes and surcharges	19,051	15,023
Impairment of intangible assets	—	13,110
Impairment of goodwill	14,147	10,334
Content and copyright cost	333	9,763
Auditor's remuneration		
— Audit services	6,000	6,000
— Non-audit services	556	1,297
Expenses relating to short-term lease and variable lease payments not included in lease liabilities	699	3,477
Expected credit loss allowance	44,420	—
Other expenses	2,729	2,853
	<u>5,018,268</u>	<u>3,376,156</u>

6. Income tax expense

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Current tax		
Current tax on profits for the year	<u>25,634</u>	<u>58,220</u>
Total current tax expense	<u>25,634</u>	<u>58,220</u>
Deferred income tax		
(Increase) in deferred tax assets	(7,438)	(48,988)
(Decrease) in deferred tax liabilities	<u>(8,020)</u>	<u>(1,289)</u>
Total deferred tax (benefit)	<u>(15,458)</u>	<u>(50,277)</u>
Income tax expense	<u>10,176</u>	<u>7,943</u>

7. Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, excluding shares held for employee share scheme.

	Year ended 31 December	
	2020	2019
Profit attributable to the ordinary equity holders of the Company (RMB'000)	193,906	54,932
Weighted average number of ordinary shares in issue (thousand shares)	<u>1,924,260</u>	<u>2,027,478</u>
Basic earnings per share attributable to the ordinary equity holders of the Company (expressed in RMB per share)	<u>0.10</u>	<u>0.03</u>

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	Year ended 31 December	
	2020	2019
Profit attributable to the ordinary equity holders of the Company (<i>RMB'000</i>)	<u>193,906</u>	<u>54,932</u>
Weighted average number of ordinary shares in issue (<i>thousand shares</i>)	1,924,260	2,027,478
Add: Adjustment for RSUs granted to employees (<i>thousand shares</i>)	<u>12,958</u>	<u>10,548</u>
Weighted average number of ordinary shares for calculation of diluted earnings per share (<i>thousand shares</i>)	<u>1,937,218</u>	<u>2,038,026</u>
Diluted earnings per share (<i>expressed in RMB per share</i>)	<u>0.10</u>	<u>0.03</u>

Restricted share unit scheme (“RSU Scheme”)

The RSUs granted under the RSU Scheme are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The RSUs have not been included in the determination of basic earnings per share.

8. Dividends

No dividends have been paid or declared by the Company during each of the year ended 31 December 2020 and 2019.

9. Trade receivables

Majority of the Group's debtors are granted with credit periods ranged from 1 to 3 months. An aging analysis of trade receivables based on invoice date is as follows:

	As of 31 December	
	2020	2019
	RMB'000	RMB'000
Trade receivables		
— Up to 3 months	52,874	17,777
— 3 to 6 months	1,573	923
— 6 months to 1 year	1,116	1,184
— Over 1 year	99	605
	55,662	20,489
Less: allowance for impairment of trade receivable	(1,888)	—
	53,774	20,489

10. Share-based payments

Restricted Share Units (“RSUs”)

Pursuant to a resolution passed by the Board of Directors of the Company on 18 November 2018, the Company set up a restricted share unit scheme (“**RSU Scheme**”) with the objective to incentivize employees for their contribution to the Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company.

(a) Grant of the RSUs in 2020

On 22 January 2020, 2,504,200 RSUs under the RSU Scheme were granted to employees of the Group.

On 17 September 2020, 18,220,000 RSUs under the RSU Scheme were granted to employees of the Group.

The RSUs will be equity settled if service conditions are satisfied.

(b) *Shares held for RSU Scheme*

Pursuant to a resolution passed by the Board of Directors of the Company on 18 November 2018, the Company entered into a trust deed (the “**Trust Deed**”) with Computershare Hong Kong Trustees Limited (the “**RSU Trustee**”) to assist with the administration of the RSU Scheme. For the years ended 31 December 2020 and 2019, the Group repurchased 73,934,000 and 26,909,000 ordinary shares at the cost of approximately RMB73,718,000 and RMB42,902,000. The RSU Trustee held these shares for the benefit of eligible participants pursuant to the RSU Scheme and the Trust Deed.

(c) *Fair value of RSUs*

The fair value of RSUs granted on 18 November 2018 was assessed to approximate to the market price of the grant date in the amount of HK\$2.19 each (equivalent to RMB53,288,000 in total).

The fair value of RSUs granted on 3 June 2019 was assessed to approximate to the market price of the grant date at the amount of HK\$1.64 each (equivalent to RMB5,759,000 in total).

The fair value of RSUs granted on 22 January 2020 was assessed to approximate to the market price of the grant date at the amount of HK\$1.37 each (equivalent to RMB3,041,000 in total).

The fair value of RSUs granted on 17 September 2020 was assessed to approximate to the market price of the grant date at the amount of HK\$1.17 each (equivalent to RMB18,615,000 in total).

A summary of RSU activities for the year ended 31 December 2020 and 2019 is presented below:

Restricted Share Units	Number of shares	
	2020	2019
As at 1 January	11,032,121	27,469,214
Granted during the year	20,724,200	4,000,000
Vested during the year	(4,375,512)	(15,639,369)
Forfeited during the year	(1,657,247)	(4,797,724)
As at 31 December	<u>25,723,562</u>	<u>11,032,121</u>

11. Accounts payables

At 31 December 2020, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date was as follows:

	As of 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
— Up to 3 months	476,259	285,554
— 3 to 6 months	8,072	11,817
— 6 months to 1 year	5,864	8,781
— Over 1 year	148,599	205,900
	<u>638,794</u>	<u>512,052</u>

OTHER INFORMATION

FINAL DIVIDEND

The Board does not recommend any payment of annual dividend for the year ended 31 December 2020.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2020, the Company has repurchased a total of 49,178,000 shares of the Company on the Stock Exchange at an aggregate consideration of HK\$54,074,160 (of which 13,308,000 repurchased shares of the Company have been cancelled as at the date of this announcement). The highest price paid per share is HK\$1.37 and the lowest price paid per share is HK\$0.96.

Save as disclosed above, during the year ended 31 December 2020, neither the Company nor its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

RESTRICTED SHARE UNIT SCHEME

During the year ended 31 December 2020, the trustee of the Restricted Share Unit Scheme has purchased a total of 73,934,000 shares of the Company on the Stock Exchange.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

With the shares of the Company listed on the Stock Exchange on 12 July 2018, the net proceeds from the global offering (following full exercise of the over-allotment option) were approximately HK\$1,229 million (the “**IPO Proceeds**”).

As of 31 December 2020, the IPO proceeds had all been used up. The Company had used (i) approximately HK\$245.8 million to develop its new products; (ii) approximately HK\$368.7 million to market and promote new products; (iii) approximately HK\$245.8 million to develop technology, research and development capabilities; (iv) approximately HK\$245.8 million for strategic investments; and (v) approximately HK\$122.9 million to replenish its general working capital. All uses are consistent with the intended uses of the IPO Proceeds.

RESTRUCTURING AND SIGNIFICANT INVESTMENTS

During the year ended 31 December 2020, the Group has established two new VIE structures, by entering into two sets of contractual agreement for the purpose of different live streaming market focuses. The operation and purpose of the new VIE structures were considered to be the same as the existing VIE structures of the Group. Since the new VIE structures were reproduced from the existing VIE structures of the Group as provided under the condition (d) of the waiver granted by the Stock Exchange to the Company on 26 June 2018 (the “**IPO Waiver**”), the Stock Exchange has confirmed that the transactions contemplated under the new VIE structures would continue to be exempted from strict compliance with (i) the independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules, (ii) the requirement of setting an annual cap for the respective fees payable to the relevant wholly foreign-owned enterprises under the new contractual agreements, and (iii) the requirement of limiting the term of the new contractual agreements to three years or less, subject to the same conditions of the IPO Waiver. Please refer to the announcement of the Company dated 25 September 2020 for further details.

Save as disclosed above, there were no other restructuring and significant investments during the year ended 31 December 2020.

ANNUAL GENERAL MEETING

The Company will convene the annual general meeting of 2021 (the “**AGM**”). For details of the AGM, please refer to the notice of AGM which will be published on the website of the Stock Exchange (www.hkexnews.hk) and the Company’s website (www.inke.com) in due course.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of its shareholders and to enhance corporate value and accountability.

The Company has adopted the Corporate Governance Code and the Corporate Governance Report (the “**CG Code**”) contained in Appendix 14 to the Listing Rules as its own code of corporate governance. During the year ended 31 December 2020, the Company has complied with all the applicable code provisions of the CG Code and adopted most of the best practices set out therein, except for a deviation from the code provision A.2.1 which requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Feng Yousheng (“**Mr. Feng**”) is the chairman and chief executive officer of the Company. With extensive experience in the internet industry, Mr. Feng is responsible for the overall strategic planning and general management of the Group and is instrumental to the Company’s growth and business expansion since its establishment in 2015. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently comprises two executive Directors (including Mr. Feng), one non-executive Director and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

The Board will continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this results announcement, at least 25% of the Company’s total number of issued shares were held by the public.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set forth in Appendix 10 to the Listing Rules as a code of conduct of the Company for Directors' securities transactions. Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2020.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Company's independent auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year.

The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on this results announcement.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. As at the date of this announcement, the Audit Committee comprises two independent non-executive Directors, Mr. David CUI and Dr. LI Hui, and one non-executive Director, Mr. LIU Xiaosong. Mr. David CUI is the chairman of the Audit Committee.

The Audit Committee has reviewed and discussed the annual results of the Group for the year ended 31 December 2020.

IMPORTANT EVENTS OCCURRED SINCE THE END OF THE REPORTING PERIOD

There have been no other important events affecting the Group since the end of the Reporting Period.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.inke.com). The annual report of the Company for the year ended 31 December 2020 will be dispatched to the shareholders of the Company and will be available on the website of the Stock Exchange and that of the Company in due course in accordance with Rule 13.46 of the Listing Rules.

By order of the Board of
Inke Limited
FENG Yousheng
Chairman and Executive Director

Hong Kong, 30 March 2021

As the date of this announcement, the executive Directors are Mr. FENG Yousheng and Mr. HOU Guangling; the non-executive Director is Mr. LIU Xiaosong; and the independent non-executive Directors are Mr. David CUI, Mr. DU Yongbo and Dr. LI Hui.