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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Period- to-Period Change*	For the year ended 31 December
	2021 (unaudited)	2020 (unaudited)	%	2020 (audited)
<i>(RMB in thousands, except for percentages)</i>				
Revenue	4,032,211	2,202,636	83.1	4,949,440
Cost of sales	(2,625,505)	(1,718,395)	52.8	(3,752,305)
Gross profit	1,406,706	484,241	190.5	1,197,135
Operating profit	125,858	52,270	140.8	54,730
Profit for the period/year	142,311	73,231	94.3	203,204
Non-IFRS				
Adjusted net profit**	153,431	82,647	85.6	220,724

* Period-to-Period Change represents a comparison between the current reporting period and the corresponding period last year.

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

OPERATIONAL HIGHLIGHTS

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

	For the six months ended 30 June		Period- to-Period Change*	For the year ended 31 December
	2021	2020	%	2020
<i>(in thousands, except for percentages)</i>				
Average monthly active users ("MAUs")**	46,428	32,974	40.8	36,470
* Period-to-Period Change represents a comparison between the first half of 2021 and the corresponding period last year.				
** Average MAUs is based on the major products of the Group.				

The board of directors (the "**Board**") of Inke Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results (the "**Interim Results**") of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2021 (the "**Reporting Period**"). The Interim Results have been reviewed by PricewaterhouseCoopers, the auditor of the Company, and the audit committee of the Company (the "**Audit Committee**").

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND OUTLOOK

In the first half of 2021, we continued to adhere to our strategy of developing a matrix of social networking products. Our social networking products grew rapidly with significantly improved results: (1) the revenue of the Group for the first half of 2021 was approximately RMB4,032.2 million, representing a Period-to-Period increase of 83.1% as compared to approximately RMB2,202.6 million for the corresponding period of 2020; the revenue from our social networking product matrix for the first half of 2021 was approximately RMB2,690.7 million, accounting for 66.7% of the total income for the first half of 2021; and (2) the net profit of the Group for the first half of 2021 was approximately RMB142.3 million, representing a Period-to-Period increase of 94.3% as compared to approximately RMB73.2 million for the corresponding period of 2020.

Since the adoption of the strategy of developing a matrix of social networking products, the Group has successfully transformed its product offering from a single product to a matrix of products to drive the growth in results. Our advanced technology and well-established team are our core competitiveness. We will further increase investment in the middle platform system to boost the future development of the Company. In the first half of 2021, we continued to repurchase shares, reflecting our confidence in our long-term growth. We maintained a strong level of net cash for further development opportunities.

Business Review for the First Half of 2021

I. Developing a social networking product matrix to satisfy the rapidly growing personalized needs of users

In the internet age, users have strong personalized needs for social networking products in terms of contents, forms and experience. Through in-depth study of various user groups profiles, our product development team introduced dozens of social networking products in the forms of audio, video and others for different user groups, to cater for the needs of users of different regions, ages and interests for dating, making friends, communicating, and sharing. Such as Duiyuan (對緣) APP, a dating APP, has established a good reputation in the industry and recorded more than one million rounds of online dating per month. Jimu (積目) APP, an emerging social networking product among the post-95 generation, has always been a top-ranked interest-based social networking platform.

Leveraging on our advanced technologies and commercialization capabilities, we introduced a wide range of social networking products rapidly and maintained the rapid growth of our operating income. In the first half of 2021, revenue from social networking products amounted to approximately RMB2,690.7 million, accounting for 66.7% of the income for the Reporting Period. In addition, Inke APP, maintained its strong vitality and stable growth in both revenue and number of users through technology upgrade, innovative operation and improvement in users experience. It continued to generate stable cash flows and user base to the Group.

II. Middle platform system becoming the cornerstone of the replicable and sustainable business model in our Company

As a technology-based company, our “OPENSEA” middle platform system has developed optimized modules by integrating the common elements of our products in general operation through abstract selection, which significantly enhanced our capability and efficiency from product research and development to commercialization:

- professional outsourcing services enable efficient research and development, the “OPENSEA” middle platform connects with various function providers of projects to promote and coordinate rapid interaction among all parties through gear shifting to streamline transition process to achieve low-cost integration of general capabilities.
- standardized procedures to reduce management cost, self-serviced and semi-automatic project setting of business and enhanced accessibility of the middle platform to enable fast access to the whole process of business to middle platform, and to cover all business scenarios of professional audio and video interaction which are readily compatible to new business.
- accurate selection of users under our growth model which allows smart introduction of products and rapid user acquisition by using our precise user profiles and intelligent digital operation.

The mature development of our “OPENSEA” middle platform system allows efficient new product development, verification, accurate acquisition of users and commercialization, which provides important support to the implementation of strategies and ensures the rapid new product development to satisfy market demand.

III. Online and offline integration creating new model of social networking scenario

In view of the expansion of the user base of our social networking product matrix and containment of the pandemic, we opened the first online and offline integrated bar in Changsha in July 2021 to meet users’ needs of offline social networking scenarios. In addition to cross diversion of online and offline traffic through business operation, we also created unique offline interactive games and new consumption functions. We expect to replicate the individual store business model in the near future and to establish comprehensive online and offline social networking scenario to foster new growth curve of the Group with new model of social networking scenario.

Business Outlook

We will adhere to the core strategy of social networking product matrix by capitalizing on our advanced technology. Continuous effort will be made to expand product layout in different market segments and vertical target groups. We will promote our growth with our social networking products, maintain stable operation of live streaming business and explore new business model in order to achieve sustainable and rapid growth of operating income and become one of the most influential social networking platforms of all scenarios.

- ***Continuously expanding the social networking product matrix***

We will continuously develop new products to meet the social networking needs of different groups. Through the formulation of product matrix, we strive to establish a social networking platform with a broader coverage of users and markets and achieve a sustainable and rapid growth of revenues.

- ***Exploring new social networking scenarios***

We will create new social networking scenarios to cover online and offline users and to improve our traffic acquisition efficiency. We will keep abreast of the trend of Generation Z users and create a social networking platform of all scenarios so as to gain new momentum for business growth.

- ***Seeking opportunities in upstream and downstream sectors***

We constantly pay close attention to opportunities in the domestic and overseas upstream and downstream sectors related to our business chain. Our targets are products and opportunities which can have synergy effects with our development and have significant user group with high potential of operating income.

- ***Further strengthening our technology capabilities***

We will continue to invest in technology and innovation to strengthen our “OPENSEA” middle platform. Efforts will be made in the research and development of various scenarios for diversified social networking and development of technologies for management and accurate traffic acquisition. We will keep abreast of the development of new technologies such as 5G and AI and continue to capitalize our technology advantages to maintain our leading position, whereby fostering our strategic development.

Financial Review

Revenue

The Group's revenue for the six months ended 30 June 2021 amounted to approximately RMB4,032.2 million, representing an increase of 83.1% from approximately RMB2,202.6 million recorded for the corresponding period in 2020. Revenue from value-added services increased by 81.1% to approximately RMB3,921.2 million for the six months ended 30 June 2021 from approximately RMB2,165.1 million for the corresponding period in 2020. The increase in revenue was primarily caused by the launch of social networking products from the product pipeline of the Group which facilitated the sustainable and rapid growth in revenue.

Cost of sales

The Group's cost of sales increased by 52.8% to approximately RMB2,625.5 million for the six months ended 30 June 2021 from approximately RMB1,718.4 million for the corresponding period in 2020, mainly affected by the increase in the revenue. The Group's cost of sales as a percentage of revenue decreased to 65.1% from 78.0% for the corresponding period in 2020, primarily due to the stabilising revenue sharing policies of the new products launched by the Company, resulting in a decrease the ratio of the revenue sharing cost.

Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit increased by 190.5% to approximately RMB1,406.7 million for the six months ended 30 June 2021 from approximately RMB484.2 million for the corresponding period in 2020, and the Group's gross profit margin increased to 34.9% for the six months ended 30 June 2021 from 22.0% for the corresponding period in 2020, primarily due to the stabilising revenue sharing policies of the new products launched by the Company, resulting in a higher gross profit margin.

Selling and marketing expenses

The Group's selling and marketing expenses increased by 293.9% to approximately RMB1,012.2 million for the six months ended 30 June 2021 from approximately RMB257.0 million for the corresponding period in 2020, which was mainly due to the increase in investment of the Group for developing social networking product matrix.

Administrative expenses

The Group's administrative expenses increased by 38.4% to approximately RMB93.1 million for the six months ended 30 June 2021 from approximately RMB67.2 million for the corresponding period in 2020, which was mainly due to the increase in labour cost.

Research and development expenses

The Group's research and development expenses increased by 25.9% to approximately RMB202.9 million for the six months ended 30 June 2021 from approximately RMB161.1 million for the corresponding period in 2020. The increase was primarily due to the increase in investment of research and development arising from the increase of investment of social networking product matrix by the Company.

Other (losses)/gains — net

The Group recorded net other losses of approximately RMB7.1 million for the six months ended 30 June 2021, which was primarily loss incurred by current financial assets at fair value through profit or loss. In the corresponding period in 2020, the Group recorded net other gains of approximately RMB22.2 million. Please refer to sub-section headed “— Liquidity and Capital Resources — Financial assets at fair value through profit or loss” below for details.

Finance income — net

The Group recorded net finance income of approximately RMB10.4 million for the six months ended 30 June 2021, which was mainly due to the interest from time deposit. In the corresponding period in 2020, the Group recorded net finance income of approximately RMB4.0 million.

Share of profit of investments accounted for using the equity method

The Group's share of profit of investments accounted for using the equity method was approximately RMB21.4 million for the six months ended 30 June 2021, primarily due to the profit from the investments in the associates and the joint ventures. The Group recorded profits of approximately RMB22.4 million for the corresponding period in 2020.

Income tax expense

The Group's recorded income tax expense of approximately RMB15.3 million for the six months ended 30 June 2021 and income tax expense of approximately RMB5.4 million for the corresponding period in 2020, primarily due to increase in profit before income tax for the six months ended 30 June 2021.

Profit for the period

As a result of the foregoing, the Group's profit for the period was approximately RMB142.3 million for the six months ended 30 June 2021. In comparison, the Group recorded an approximately RMB73.2 million profit for the corresponding period in 2020.

Non-IFRS Measure — Adjusted net profit

To supplement the Group's unaudited condensed consolidated interim financial information which is presented in accordance with the International Accounting Standard 34 ("IAS"), "Interim financial reporting", the Group also uses 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 periods indicated:

	Unaudited	
	For the six months ended	
	30 June	
	2021	2020
	<i>(RMB'000)</i>	
Profit for the period	142,311	73,231
Add: non-cash share-based compensation expenses ¹	11,120	9,416
Adjusted net profit ²	<u>153,431</u>	<u>82,647</u>

- (1) Refers to share-based compensation benefits provided to certain employees via the employee share scheme.
- (2) To supplement our unaudited condensed consolidated interim financial information 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 data 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 period, 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 period.

Liquidity and Capital Resources

For the six months ended 30 June 2021, the Group financed its operations primarily through cash generated from the Group's operating activities. The Group intends to finance its expansion and business operations with internal resources and through organic and sustainable growth.

Cash and cash equivalents and restricted cash

As at 30 June 2021, the Group had cash and cash equivalents of approximately RMB1,093.6 million (31 December 2020: approximately RMB1,360.3 million), which primarily consisted of cash at banks. Out of the RMB1,093.6 million, approximately RMB982.3 million is denominated in Renminbi and approximately RMB111.3 million is denominated in other currencies (primarily US dollars). The Group currently does not hedge transactions undertaken in foreign currencies.

As at 30 June 2021, the restricted cash balance was approximately RMB5.6 million (31 December 2020: approximately RMB14.4 million), which was mainly cash frozen by local regulators subject to resolutions of disputes with certain users of the Group's online platform. The Group has recognised a provision of RMB5.0 million related to the disputes.

Financial assets at fair value through profit or loss

As of 30 June 2021, the Group had current and non-current financial assets at fair value through profit or loss of approximately RMB1,087.2 million (31 December 2020: approximately RMB1,210.1 million), mainly comprised (a) investments in wealth management products and structured deposits of approximately RMB1,008.0 million in aggregate (31 December 2020: approximately RMB1,170.0 million), (b) investments in financial instruments with preferred rights of approximately RMB79.2 million (31 December 2020: approximately RMB40.1 million).

	Balance as at 30 June 2021 (unaudited) (RMB'000)	Balances as at 31 December 2020 (audited) (RMB'000)
Financial Assets		
Current		
Investments in structured deposits with floating interest rates	100,041	—
Investments in wealth management products ⁽¹⁾	812,717	1,169,996
Subtotal	<u>912,758</u>	<u>1,169,996</u>
Non-current		
Investments in equity interests with preferred rights of certain private companies	79,172	40,122
Investments in wealth management products ⁽¹⁾	95,287	—
Subtotal	<u>174,459</u>	<u>40,122</u>
Total	<u>1,087,217</u>	<u>1,210,118</u>

- (1) For the six months ended 30 June 2021, no single wealth management product of the Group accounted for more than 5% of total assets of the Group.

Subscriptions of wealth management products were made for treasury management purposes to maximize the return on the unutilized 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 there remains sufficient working capital for the Group's business needs, operating activities and capital expenditures even after making the investments in such financial products. The 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, totally recovered the principal and received the expected returns upon the redemption or maturity of similar financial products. In addition, the financial products were with flexible redemption terms or a relatively short term of maturity. In accordance with the relevant accounting standards, the financial products are accounted for as financial assets at fair value through profit and 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.

Capital expenditures

For the six months ended 30 June 2021, the Group's capital expenditures amounted to approximately RMB218.6 million (six months ended 30 June 2020: approximately RMB2.6 million), which was mainly used for the acquisition of property, plant, equipment and intangible assets. The Group funded its capital expenditure by using the cash flow generated from its operations.

Contingent liabilities and guarantees

Except for those disclosed in the sub-section headed “Cash and cash equivalents and restricted cash” above, as at 30 June 2021, the Group did not have any significant unrecorded contingent liabilities, guarantees or any litigation against the Group.

Pledge of Assets

As at 30 June 2021, the Group did not have any pledge or charge on 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 RMB. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and tries to minimize these exposures through natural hedges, wherever possible, and may enter into forward foreign exchange contracts, when necessary.

Employees and Remuneration Policy

As at 30 June 2021, the Group had a total of 2,022 full-time employees, mainly located in mainland China. In particular, 350 employees are responsible for the Group's business operations, 143 for sales and marketing, 372 for content monitoring, 115 for customer service, 821 for technology, research and development, and 221 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 six months ended 30 June 2021.

Dividends

The Board does not declare any payment of interim dividend for the six months ended 30 June 2021.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
	<i>Notes</i>	2021	2020
		RMB'000	RMB'000
Revenue	5	4,032,211	2,202,636
Cost of sales	6	(2,625,505)	(1,718,395)
Gross profit		1,406,706	484,241
Selling and marketing expenses	6	(1,012,195)	(256,964)
Administrative expenses	6	(93,051)	(67,249)
Research and development expenses	6	(202,914)	(161,116)
Other (losses)/gains — net		(7,134)	22,165
Other income		34,446	31,193
Operating profit		125,858	52,270
Finance income — net		10,351	3,965
Share of profit of investments accounted for using the equity method		21,404	22,432
Profit before income tax		157,613	78,667
Income tax expense	7	(15,302)	(5,436)
Profit for the half-year		142,311	73,231
Profit attributable to:			
— The owners of the Company		123,076	73,265
— Non-controlling interests		19,235	(34)
		142,311	73,231

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

		Unaudited	
		Six months ended 30 June	
	<i>Notes</i>	2021	2020
		RMB'000	RMB'000
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences		<u>5,733</u>	<u>121,246</u>
Items that will not be reclassified to profit or loss			
Currency translation differences		<u>(9,237)</u>	<u>(114,144)</u>
Other comprehensive (loss)/income for the half-year, net of tax		<u>(3,504)</u>	<u>7,102</u>
Total comprehensive income for the half-year, net of tax		<u>138,807</u>	<u>80,333</u>
Total comprehensive income/(loss) attributable to:			
— The owners of the Company		119,572	80,367
— Non-controlling interests		<u>19,235</u>	<u>(34)</u>
		<u>138,807</u>	<u>80,333</u>
Earnings per share attributable to the shareholders of the Company (expressed in RMB per share)			
— Basic earnings per share	8	0.07	0.04
— Diluted earnings per share	8	<u>0.07</u>	<u>0.04</u>

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		23,333	14,657
Investment properties		150,461	—
Intangible assets		605,476	676,108
Investments accounted for using the equity method		545,965	395,225
Financial assets at fair value through profit or loss		174,459	40,122
Deferred tax assets		64,784	60,547
Term deposits		50,000	47,000
Right-of-use assets		177,493	150,832
Loans, other receivables, prepayments, deposits and other assets		86,240	29,376
Total non-current assets		1,878,211	1,413,867
Current assets			
Inventories		11,718	11,522
Trade receivables	10	29,467	53,774
Loans, other receivables, prepayments, deposits and other assets		449,410	295,750
Financial assets at fair value through profit or loss		912,758	1,169,996
Cash and cash equivalents		1,093,607	1,360,333
Term deposits		397,000	350,000
Restricted cash		5,610	14,377
Total current assets		2,899,570	3,255,752
Total assets		4,777,781	4,669,619

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

		Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
	<i>Notes</i>		
EQUITY			
Equity attributable to the shareholders of the Company			
Share capital		13,262	13,262
Other reserves		3,910,294	3,906,228
Accumulated deficits		(281,429)	(404,505)
		<u>3,642,127</u>	<u>3,514,985</u>
Non-controlling interests		2,748	28,568
		<u>3,644,875</u>	<u>3,543,553</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities		151,717	125,910
Deferred tax liabilities		23,146	26,787
Other payables and accruals		3,188	3,137
		<u>178,051</u>	<u>155,834</u>
Current liabilities			
Accounts payables	11	568,135	638,794
Other payables and accruals		216,668	147,312
Current income tax liabilities		16,524	16,017
Contract liabilities		119,975	120,730
Lease liabilities		28,389	33,318
Provisions		5,164	14,061
		<u>954,855</u>	<u>970,232</u>
Total current liabilities		<u>954,855</u>	<u>970,232</u>
Total liabilities		<u>1,132,906</u>	<u>1,126,066</u>
Total equity and liabilities		<u>4,777,781</u>	<u>4,669,619</u>

The above interim condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owner of the Company				Non-controlling interests	Total
	Share capital RMB'000	Other reserves RMB'000	Accumulated deficits RMB'000	Sub-total RMB'000	RMB'000	RMB'000
Balance at 1 January 2020 (Audited)	13,351	4,050,234	(598,411)	3,465,174	(3,450)	3,461,724
Profit and other comprehensive income						
Total profit and other comprehensive income	—	7,102	73,265	80,367	(34)	80,333
Transactions with owners in their capacity as owners						
Share-based compensation expense	—	7,976	—	7,976	—	7,976
Shares repurchased	—	(78,739)	—	(78,739)	—	(78,739)
Shares cancelled	(89)	89	—	—	—	—
Acquisition of non-controlling interests in a subsidiary	—	(7,504)	—	(7,504)	3,484	(4,020)
Total transactions with owners in their capacity as owners	(89)	(78,178)	—	(78,267)	3,484	(74,783)
Balance at 30 June 2020 (Unaudited)	13,262	3,979,158	(525,146)	3,467,274	—	3,467,274
Balance at 1 January 2021 (Audited)	13,262	3,906,228	(404,505)	3,514,985	28,568	3,543,553
Profit and other comprehensive income						
Total profit and other comprehensive income	—	(3,504)	123,076	119,572	19,235	138,807
Transactions with owners in their capacity as owners						
Share-based compensation expense	—	11,120	—	11,120	—	11,120
Shares repurchased	—	(3,627)	—	(3,627)	—	(3,627)
Deconsolidation of a subsidiary	—	—	—	—	(30,597)	(30,597)
Dividend paid to non-controlling interests in subsidiaries	—	—	—	—	(15,273)	(15,273)
Acquisition of non-controlling interests in subsidiaries	—	77	—	77	(485)	(408)
Non-controlling interests on acquisition of subsidiaries	—	—	—	—	1,300	1,300
Total transactions with owners in their capacity as owners	—	7,570	—	7,570	(45,055)	(37,485)
Balance at 30 June 2021 (Unaudited)	13,262	3,910,294	(281,429)	3,642,127	2,748	3,644,875

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	22,753	1,387
Interest received	5,857	6,774
Income tax paid	(21,060)	(23,128)
Net cash generated from/(used in) operating activities	7,550	(14,967)
Cash flows from investing activities		
Payments for intangible assets	(1,333)	(634)
Payments for property, plant and equipment	(13,644)	(1,933)
Payments for investment property	(203,594)	—
Payments for acquisition of a subsidiary	—	(10,094)
Payments for investments in associates and joint ventures	(59,000)	—
Payments for long-term deposits	(50,000)	—
Payments for investments in non-current financial assets at fair value through profit or loss	(61,000)	(2,977)
Payments for investments in current financial assets at fair value through profit or loss	(695,417)	(1,418,590)
Proceeds from disposal of investments in current financial assets at fair value through profit or loss	927,076	1,277,867
Proceeds from disposal of short-term deposits	—	184,756
Proceeds from disposal of non-current financial assets at fair value through profit or loss	—	213,607
Proceeds from disposal of property, plant and equipment and intangible assets	223	497
Loans to third parties	(7,284)	(16,600)
Loans to related parties	(157,733)	(23,100)
Repayment of loans from related parties	109,000	86,100
Net cash out flow due to disposal of a subsidiary	(21,530)	—
Dividends received	841	—
Net cash (used in)/generated from investing activities	(233,395)	288,899

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Cash flows from financing activities		
Acquisition of treasury shares	(3,627)	(78,739)
Capital contribution from non-controlling interests	1,300	—
Acquisition of non-controlling interests	(408)	—
Proceeds from borrowing	8,571	—
Dividends paid to non-controlling interests in subsidiaries	(15,273)	—
Payment of lease liabilities	(28,121)	(21,261)
Net cash used in financing activities	(37,558)	(100,000)
Net (decrease)/increase in cash and cash equivalents	(263,403)	173,932
Effects of exchange rate changes on cash and cash equivalents	(3,323)	2,957
Cash and cash equivalents at beginning of period	1,360,333	603,932
Cash and cash equivalents at end of the period	1,093,607	780,821

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. General information

Inke Limited (the “**Company**”) was incorporated in the Cayman Islands on 24 November 2017 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of 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 is an investment holding company. 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 condensed consolidated interim financial information comprises the condensed consolidated balance sheet as at 30 June 2021, the condensed consolidated statement of comprehensive income for the six months ended 30 June 2021, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months ended 30 June 2021, and a summary of significant accounting policies and other explanatory notes (the “**Interim Financial Information**”). The Interim Financial Information is presented in Renminbi (“**RMB**”), unless otherwise stated.

2. Basis of preparation of Interim Financial Information

This condensed consolidated interim financial information for the half-year reporting period ended 30 June 2021 has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”. The interim financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim financial information is to be read in conjunction with the annual report for the year ended 31 December 2020 and any public announcements made by the Company during the interim reporting period.

3. Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The income taxes for the interim period are accrued using the tax rates would be applicable to the expected total annual assessable profits.

(a) Income tax

Income tax expense is recognized based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year.

4. Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

5. Revenue

	Unaudited	
	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Value added service		
(formerly known as "live streaming")	3,921,204	2,165,085
Others	111,007	37,551
	<u>4,032,211</u>	<u>2,202,636</u>

6. Expenses by nature

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Streamer costs	2,362,312	1,571,921
Promotion and advertising expenses	989,957	245,732
Employee benefit expenses	324,245	207,445
Payment handling costs	71,754	34,285
Bandwidth and server custody costs	68,036	44,631
Travelling, entertainment and general office expenses	21,963	15,193
Technical support and professional service fees	19,949	18,306
Amortization of intangible assets	18,586	13,005
Depreciation of right-of-use assets	17,994	15,650
Taxes and surcharges	10,546	8,276
Outsourced development costs	10,318	21,202
Impairment of goodwill	6,916	—
Depreciation of property, plant and equipment	4,791	5,817
Expenses relating to short-term lease not included in lease liabilities	713	1,247
Content and copyright costs	232	166
Other expenses	5,353	848
	3,933,665	2,203,724

7. Income tax expense

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Current tax	(23,180)	(5,184)
Deferred income tax	7,878	(252)
Income tax expense	(15,302)	(5,436)

8. 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 treasury shares.

	Unaudited	
	Six months ended 30 June	
	2021	2020
Profit attributable to owners of the Company (RMB'000)	<u>123,076</u>	<u>73,265</u>
Weighted average number of ordinary shares in issue (thousand shares)	<u>1,869,020</u>	<u>1,957,291</u>
Basic earnings per share attributable to the ordinary equity holders of the Company (expressed in RMB per share)	<u><u>0.07</u></u>	<u><u>0.04</u></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.

	Unaudited	
	Six months ended 30 June	
	2021	2020
Earnings (<i>RMB'000</i>)		
Profit for the period	<u>123,076</u>	<u>73,265</u>
Profit used to determine diluted earnings per share	<u>123,076</u>	<u>73,265</u>
Weighted average number of ordinary shares (thousand shares)		
Weighted average number of ordinary shares in issue for basic earnings per share	1,869,020	1,957,291
Adjustments for:		
Restricted share units	<u>18,824</u>	<u>6,235</u>
Weighted average number of ordinary shares for diluted earnings per share	<u>1,887,844</u>	<u>1,963,526</u>
Diluted earnings per share (expressed in RMB per share)	<u>0.07</u>	<u>0.04</u>

The 10,000,000 options granted on 28 May 2021 and the 50,000,000 options granted on 29 June 2021 are not included in the calculation of diluted earnings per share because they are antidilutive for the six months ended 30 June 2021. These options could potentially dilute basic earnings per share in the future.

9. Dividends

No dividends have been paid or declared by the Company for each of the periods ended 30 June 2021 and 2020.

10. Trade receivables

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

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Trade receivables		
— Up to 3 months	28,884	52,874
— 3 to 6 months	81	1,573
— 6 months to 1 year	970	1,116
— Over 1 year	166	99
Less: allowance for impairment of trade receivables	(634)	(1,888)
	<u>29,467</u>	<u>53,774</u>

As at 30 June 2021 and 31 December 2020, the carrying amount of trade receivables are primarily denominated in RMB and approximate to their fair values at each of the reporting dates.

11. Accounts payables

Aging analysis of the accounts payables at the end of each reporting period are as follows:

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
— Up to 3 months	400,462	476,259
— 3 to 6 months	20,670	8,072
— 6 months to 1 year	17,712	5,864
— Over 1 year	129,291	148,599
	<u>568,135</u>	<u>638,794</u>

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2021, the Company has repurchased a total of 2,538,000 shares of the Company on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) at an aggregate consideration of HK\$4,364,460. The highest price paid per share is HK\$2.11, and the lowest price paid per share is HK\$1.03.

Except as disclosed above, during the six months ended 30 June 2021, neither the Company nor its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

SHARE OPTION SCHEME

As at 30 June 2021, a total of 60 million share options have been granted under the share option scheme of the Company adopted on 23 June 2018 (the “**Share Option Scheme**”), all of which were not exercised yet. The remaining life of the Share Option Scheme is around 6 years and 10 months.

RESTRICTED SHARE UNIT SCHEME

During the six months ended 30 June 2021, the trustee of the restricted share unit scheme has not purchased any share of the Company on the Stock Exchange.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

With the shares of the Company listed on the Main Board of 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 30 June 2021, the IPO Proceeds had been all 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.

Intended use of the IPO proceeds	Amount of the Proceeds for each intended use <i>HK\$'million</i>	Amount of the utilised Proceeds as at 30 June 2021 <i>HK\$'million</i>
Diversify our product and content offerings	245.8	245.8
Marketing initiatives	368.7	368.7
Technology, research and development capabilities	245.8	245.8
Strategic investment and acquisition opportunities	245.8	245.8
General working capital	122.9	122.9
	<hr/>	<hr/>
Total	<u>1,229.0</u>	<u>1,229.0</u>

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after 30 June 2021 and up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group 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 Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as its own code of corporate governance. During the six months ended 30 June 2021, 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 code provision A.2.1 which requires that the roles of chairman and chief executive should be separated 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 independent 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.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out 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 six months ended 30 June 2021.

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 unaudited condensed consolidated interim results of the Company for the Reporting Period, and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made. The interim results for the Reporting Period are unaudited, but have been reviewed by the Auditor in accordance with International Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the International Auditing and Assurance Standards Board.

CHANGE IN DIRECTORS' BIOGRAPHICAL DETAILS UNDER RULE 13.51B (1) OF THE LISTING RULES

There has been no change in the Directors' biographical details which are required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and that of the Company (<http://www.inke.cn/>). The interim report of the Company for the six months ended 30 June 2021 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.

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

Hong Kong, 29 August 2021

As at 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.