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Inke Limited
映客互娱有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3700)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

	For the year ended		Year-on-Year Change %
	31 December 2021 <i>RMB'000</i>	2020 <i>RMB'000</i>	
Revenue	9,175,595	4,949,440	85.4
Cost of sales	(5,870,496)	(3,752,305)	56.5
Gross profit	3,305,099	1,197,135	176.1
Operating profit	457,010	54,730	735.0
Profit for the year	433,009	203,204	113.1
Non-IFRS			
Adjusted Net Profit*	466,540	220,724	111.4

* 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 Group's major products:

	For the year ended 31 December		Year-on-Year
	2021	2020	Change*
			%
Average monthly active users ("MAUs")** (<i>in thousands</i>)	42,802	36,470	17.4
Average monthly revenue per user ("ARPU")** (<i>in RMB</i>)	17.9	11.3	58.4

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

** Average MAUs and ARPU are based on the major products of the Group.

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 2021 (the "**Reporting Period**"). The Annual Results have been reviewed by the audit committee of the Company (the "**Audit Committee**").

In 2021, the Group's performance maintained strong growth, and its revenue in 2021 was RMB9,175.6 million, increased by 85.4% as compared with the same period last year. Since the adoption of the strategy of developing a matrix of products, the Group has successfully transformed its product offering from a single product to a matrix of products covering live streaming, dating, social networking and so on, to drive the growth in results. Revenue from social networking products amounted to RMB5,743.9 million, accounting for 62.6% of our total income. Various social networking products for vertical target groups have been put into commercialization. The revenue from live streaming products and dating products amounted to RMB2,563.2 million and RMB614.1 million, respectively, accounting for 27.9% and 6.7% of our total income, respectively. Based on the understanding of the post-epidemic era, the Group continued to explore a new social networking model that is more in line with the needs of its users. The upgrade and optimization of the middle platform system have continued to provide fundamental supports for the Group in product development and operation, and the success rate of product innovation have further enhanced. The Group is dedicated to becoming the most influential new social networking platform by developing and launching new products for live streaming, dating and social networking.

In 2022, the Group will continue to focus on developing the matrix of products with more user scenarios in order to offer a more immersive interaction experience. The Group will also expand its business coverage to include the new social mode of deep integration of online and offline, as well as overseas market with enormous growth potential. The Group will continue to maintain diversified, sustainable and healthy business development by enriching its business monetization models to foster the third growth curve of its revenue.

BUSINESS REVIEW

1. Active and healthy live streaming ecology with continuous business expansion

In 2021, as the industry standardization continued to improve and the video and audio technologies further optimized, the influence of online live streaming became increasingly powerful. Capitalizing on the efficient technology iteration and a wide variety of interesting operating models, Inke APP, the core product of the Group, has kept steady in the scale of users and income since its launch in 2015, laying a solid foundation for the product development of the Group. The Group strived to build an ecology with healthy and sustainable contents and streamers and spread positive energy to the society through strengthening content review and promoting public welfare activities, so as to improve the quality of its brand and establish quality channels for the transmission of values. The incubation and operation of new and old IPs have been refined, and the incubation of streamers and growth system were further improved.

In addition, capitalized on its leading audio and video-based technologies and based on the live streaming business, the Group continued to expand and launch new products in respect of social networking and dating with innovative models for segmented user groups, which has further broadened the room of growth for the Group.

2. Rapid expansion of social networking product matrix to precisely meet segmented needs

In 2021, the Group has developed a matrix of diversified social networking products targeting different user groups and markets to satisfy the social networking and interactive demands of users through multiple dimensions. Geographical coverage of the product matrix further expanded from first-and second-tier cities to lower tiers cities and the target audience included the trendy Generation Z users, white-collar elites as well as energetic young people in towns. The Group created excellent experience for users with different preferences and at different age groups in various scenarios and offered them interaction and companionship with refined and interesting models. In 2021, the revenue from social networking product matrix was approximately RMB5,743.9 million and accounted for 62.6% of the total revenue, driving the strong growth momentum of the Group's rapid development.

3. Upgraded and innovative dating products with comprehensive dating and social networking scenarios

In the segment of match dating, the Group's "Duiyuan (對緣)" APP maintained its leading position in the online dating industry with its professional and diversified product portfolio and user services. The number of active matchmakers was over 10,000, facilitated more than 20 million dating match during the year. In 2021, through continuous exploration of users' needs, the Group launched "Super Like (超級喜歡)", a new product targeting the new generation of urban youths, and extended its business to offline market by opening the first offline outlet in Beijing in September 2021. Users can match and select their dating partners through the online APP, and gain understanding of each other through playing icebreaking games and chatting at the outlets. The close-looped social networking platform covering comprehensive scenarios has enhanced the seamless connection and genuineness of online and offline models, resulting in constant growth in both revenue and user base of the Group's dating products.

4. Continuous upgrade of the middle platform system with increasing success rate of innovation

In 2021, the Group adhered to the concept of "constructing an ecosystem for win-win cooperation" and further upgraded its middle platform system. With the multi-platform interconnection function, the implementation of business scenarios and integration had been carried out for the middle platform to improve its ability to quickly respond to new business and the efficiency of traffic delivery and accelerate the circulation and reuse of resources, thereby solving the problem of data silos. Through integrating module of certain common parts, the time from product development to launch has been significantly shortened by half. Meanwhile, the Group put great efforts in enhancing the cloud capabilities of its middle platform, consolidating its underlying system and improving the quality and stability. The commercialization capabilities of products and business were proven in a short period of time. The efficiency outpaced industry average and the success rate of product innovation further increased. As the middle platform system continued to upgrade, the product cycle from initiation to commercialization was greatly shortened. The Group will continue to optimize and upgrade its middle platform system and set up middle platforms covering various regions, products and business lines to streamline the operation processes, maximize efficiency and optimize benefits.

BUSINESS OUTLOOK

In 2022, the Group will continue to implement its product matrix strategy, and diversify its product portfolio to cover more segmented groups and markets through its product matrix. By expanding more user scenarios, further iterating new technologies, extending business coverage and developing overseas markets, the Group will create the most influential new entertainment platform for all scenarios.

1. Focusing on the expansion of overseas market for new development

The Group will keep abreast of the development trend of overseas markets and expand into overseas market by leveraging on its industry-leading technology research and development ability and innovative business model. The Group is committed to meeting the interactive and social networking needs of different user groups in overseas market with its wide range of product offerings. The Group will also improve its overseas social network to further increase its commercial value.

2. Adhering to its product matrix strategy and in-depth layout of market segments

In view of the bright prospect and huge potential of social networking market in China, the Group will continue to adhere to its product matrix strategy and explore more segmented markets, and accurately focus on the core demands of users in different target groups. The Group will also continue to enrich and optimize its product portfolio and launch innovative products to market.

3. Upgrading its middle platform system to ensure efficient business growth

The Group will continue to increase its investments in research and development and pay attention to the cutting-edge development of domestic and overseas technologies to expand the reserve of cutting-edge communication, AI and audio and video interactive technologies. In addition, it will accelerate the upgrade and iteration of the middle platform system to provide strong support for product innovation and efficient business growth.

4. Seeking opportunities in upstream and downstream sectors and further extending business coverage

With sufficient cash reserves, the Group pays close attention to opportunities in the domestic and overseas upstream and downstream sectors related to its business chain. The Group strives to seek products and opportunities which can have synergy effects with its development and have significant user group with high profit potential in an effort to extend its business coverage.

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 2020 to the year ended 31 December 2021:

	For the year ended 31 December				Year-on-Year
	2021		2020		Change
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>%</i>
Consolidated Statement of Comprehensive Income					
Revenue	9,175,595	100.0	4,949,440	100.0	85.4
Cost of sales	<u>(5,870,496)</u>	<u>(64.0)</u>	<u>(3,752,305)</u>	<u>(75.8)</u>	<u>56.5</u>
Gross profit	3,305,099	36.0	1,197,135	24.2	176.1
Selling and marketing expenses	<u>(2,214,404)</u>	<u>(24.1)</u>	<u>(709,936)</u>	<u>(14.3)</u>	<u>211.9</u>
Administrative expenses	<u>(241,171)</u>	<u>(2.6)</u>	<u>(177,176)</u>	<u>(3.6)</u>	<u>36.1</u>
Research and development expenses	<u>(415,952)</u>	<u>(4.5)</u>	<u>(334,431)</u>	<u>(6.8)</u>	<u>24.4</u>
Net impairment losses on financial assets	<u>(8,379)</u>	<u>(0.1)</u>	<u>(44,420)</u>	<u>(0.9)</u>	<u>(81.1)</u>
Other (losses)/gains — net	<u>(44,491)</u>	<u>(0.5)</u>	<u>40,889</u>	<u>0.8</u>	<u>(209.9)</u>
Other income	<u>76,758</u>	<u>0.8</u>	<u>82,669</u>	<u>1.7</u>	<u>(7.2)</u>
Operating profit	457,010	5.0	54,730	1.1	735.0
Finance income	<u>26,619</u>	<u>0.3</u>	<u>23,368</u>	<u>0.5</u>	<u>13.9</u>
Finance costs	<u>(9,878)</u>	<u>(0.1)</u>	<u>(12,647)</u>	<u>(0.3)</u>	<u>(21.9)</u>
Finance income — net	<u>16,741</u>	<u>0.2</u>	<u>10,721</u>	<u>0.2</u>	<u>56.2</u>
Share of (loss)/profit of associates and joint ventures accounted for using the equity method	<u>(429)</u>	<u>(0.0)</u>	<u>147,929</u>	<u>3.0</u>	<u>(100.3)</u>
Profit before income tax	473,322	5.2	213,380	4.3	121.8
Income tax expense	<u>(40,313)</u>	<u>(0.4)</u>	<u>(10,176)</u>	<u>(0.2)</u>	<u>296.2</u>
Profit for the year	433,009	4.7	203,204	4.1	113.1

	For the year ended 31 December		Year-on-Year		Change
	2021		2020		
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	%
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss:					
Currency translation differences	11,181	0.1	27,276	0.6	(59.0)
Items that will not be subsequently reclassified to profit or loss:					
Currency translation differences	(20,368)	(0.2)	(60,610)	(1.2)	(66.4)
Other comprehensive loss for the year, net of tax	(9,187)	(0.1)	(33,334)	(0.7)	(72.4)
Profit attributable to:					
— Owners of the Company	415,381	4.5	193,906	3.9	114.2
— Non-controlling interests	17,628	0.2	9,298	0.2	89.6
	<u>433,009</u>	<u>4.7</u>	<u>203,204</u>	<u>4.1</u>	<u>113.1</u>
Total comprehensive income attributable to:					
— Owners of the Company	406,194	4.4	160,572	3.2	153.0
— Non-controlling interests	17,628	0.2	9,298	0.2	89.6
	<u>423,822</u>	<u>4.6</u>	<u>169,870</u>	<u>3.4</u>	<u>149.5</u>
Earnings per share for profit attributable to the ordinary equity holders of the Company (expressed in RMB per share)					
— Basic earnings per share	0.22		0.10		
— Diluted earnings per share	0.22		0.10		

Revenue

The Group's revenue in 2021 amounted to approximately RMB9,175.6 million, representing an increase of 85.4% from approximately RMB4,949.4 million in 2020, primarily because the Group has been committed to the development strategy of product matrix, which accurately matched the needs of its users. The rapid growth and successful commercialization of the product matrix resulted in the significant increase in the revenue and profit of the Group.

Cost of Sales

The Group's cost of sales increased by 56.5% to approximately RMB5,870.5 million in 2021 from approximately RMB3,752.3 million in 2020, mainly attributable to the increase in the revenue. The Group's cost of sales as a percentage of revenue decreased to 64.0% in 2021 from 75.8% for the corresponding period in 2020, primarily due to the stabilising in revenue sharing policies of the new products launched by the Group, resulting in a decrease in the ratio of the revenue sharing cost in 2021.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group's gross profit increased by 176.1% from approximately RMB1,197.1 million in 2020 to approximately RMB3,305.1 million in 2021, and the Group's gross profit margin increased from 24.2% in 2020 to 36.0% in 2021.

Selling and Marketing Expenses

The Group's selling and marketing expenses increased by 211.9% from approximately RMB709.9 million in 2020 to approximately RMB2,214.4 million in 2021, primarily due to the Group's launch of a majority of its new products. Selling and marketing expenses as a percentage of the Group's revenue increased from 14.3% in 2020 to 24.1% in 2021.

Administrative Expenses

The Group's administrative expenses increased by 36.1% from approximately RMB177.2 million in 2020 to approximately RMB241.2 million in 2021, primarily as a result of the increase in labour cost. Administrative expenses as a percentage of the Group's revenue decreased from 3.6% in 2020 to 2.6% in 2021.

Research and Development Expenses

The Group's research and development expenses increased by 24.4% from approximately RMB334.4 million in 2020 to approximately RMB416.0 million in 2021. The increase was primarily because of the research and development on increased investment in product matrix by the Group. As a percentage of the Group's revenue, the Group's research and development expenses decreased from 6.8% in 2020 to 4.5% in 2021.

Impairment losses on financial assets

Impairment losses on financial assets of the Group decreased from RMB44.4 million in 2020 to RMB8.4 million in 2021, mainly due to the credit impairment losses on other receivables and long-term receivables.

Other (losses)/gains — net

The Group's other (losses)/gains — net turned around from a net gain of approximately RMB40.9 million in 2020 to a net loss of approximately RMB44.9 million in 2021, primarily as a result of the decrease in fair value gains on financial assets at fair value through profit or loss.

Other Income

The Group's other income decreased by 7.2% from approximately RMB82.7 million in 2020 to approximately RMB76.8 million in 2021, primarily due to a decrease in non-deferred government subsidies.

Operating Profit

As a result of the foregoing, the Group's operating profit increased by 735.0% from approximately RMB54.7 million in 2020 to approximately RMB457.0 million in 2021. As a percentage of the Group's revenue, the Group's operating profit increased from 1.1% in 2020 to 5.0% in 2021.

Finance Income — net

The Group's finance income — net increased by 56.2% from approximately RMB10.7 million in 2020 to approximately RMB16.7 million in 2021. The finance income of RMB26.6 million was primarily as a result of previously subscribed term-deposits that have been matured during the year and an increase in the cash balance at banks, and the finance cost was RMB9.9 million.

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

The Group's share of loss of associates and joint ventures accounted for using the equity method was approximately RMB0.4 million in 2021 and the share of profit was approximately RMB147.9 million in 2020. The loss mainly came from the investment loss of the joint ventures of the Group.

Income Tax Expense

The Group's income tax expenses increased by 296.2% from approximately RMB10.2 million in 2020 to approximately RMB40.3 million in 2021, primarily due to the increase in the Group's profit before income tax in 2021.

Profit for the Year

As a result of the foregoing, the Group recorded a profit for the year of approximately RMB433.0 million in 2021, representing an increase of 113.1% from approximately RMB203.2 million in 2020.

Non-IFRS 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	
	2021	2020
	RMB'000	RMB'000
Profit for the year	433,009	203,204
Add: non-cash share-based compensation expenses ⁽¹⁾	33,531	17,520
Adjusted Net Profit⁽²⁾	<u>466,540</u>	<u>220,724</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 2021, 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 sustainable growth. As at 31 December 2021, the current ratio (the current assets to current liabilities ratio) of the Group was 3.1 and the gearing ratio (total debt to total equity ratio) was 0.3, as compared with 3.4 and 0.3 respectively as at 31 December 2020.

Cash and cash equivalents and restricted cash

As at 31 December 2021, the Group had cash and cash equivalents of approximately RMB1,993.3 million (31 December 2020: approximately RMB1,360.3 million), which primarily consisted of cash at banks. Approximately RMB1,536.5 million is denominated in Renminbi and approximately RMB456.8 million is denominated in other currencies (primarily US dollars). The Group currently does not hedge transactions in foreign currencies.

As at 31 December 2021, bank balance of RMB0.6 million was frozen by the local regulators subject to resolutions of disputes with certain users of the Group's online platform.

Financial assets at fair value through profit or loss

As of 31 December 2021, the Group had current and non-current financial assets at fair value through profit or loss of approximately RMB972.8 million (31 December 2020: approximately RMB1,210.1 million), mainly comprised (a) investments in wealth management products of approximately RMB891.3 million (31 December 2020: approximately RMB1,170 million); and (b) investments in financial instruments with preferred rights of approximately RMB81.5 million (31 December 2020: approximately RMB40.1 million).

	Balance as at 31 December 2021 RMB'000	Balance as at 31 December 2020 RMB'000
Financial Assets		
Current		
Investments in wealth management products ⁽¹⁾		
— Equity	155,431	46,790
— Funds	615,586	607,186
— Others	60,107	516,020
	<hr/>	<hr/>
Subtotal	831,124	1,169,996
	<hr/>	<hr/>
Non-current		
Investments in equity interests with preferred rights of certain private companies	81,507	40,122
Investments in wealth management products ⁽¹⁾		
— Funds	30,074	—
— Others	30,137	—
	<hr/>	<hr/>
Subtotal	141,718	40,122
	<hr/>	<hr/>
Total	972,842	1,210,118
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (1) As at 31 December 2021, the investments in wealth management products amounted to approximately RMB891.3 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 (the “**Listing Rules**”). On 22 September, 2020, the Company entered into a subscription agreement with New China Innovation Fund SPC (for and on behalf of the New China Innovation Fund Segregated Portfolio (the “**Sub-Fund**”)) and New China Capital International Management Limited, pursuant to which the Company committed to subscribe for Class A Shares of the Sub-Fund for an aggregate amount of USD20.0 million. The subscription was not yet matured as at 31 December 2021. The Group subscribed for financial products issued by China Merchants Bank in the aggregated principal amount of RMB228.5 million, as disclosed on 23 August 2021. Please refer to the Company’s announcements dated 22 September 2020 and 23 August 2021 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. 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. 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 were accounted for as financial assets at fair value through profit or loss.

In view of the benefit 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 2021, the Group's capital expenditures amounted to approximately RMB227.7 million (2020: approximately RMB8.0 million), which were mainly used for the acquisition of property, equipment, leasehold improvements, investment properties and intangible assets. The Group funded its capital expenditures by using the cash flow generated from its operations.

Contingent liabilities and guarantees

As at 31 December 2021, 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 2021, 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 2021, the Group had a total of 2,297 full time employees, mainly located in mainland China. In particular, 371 employees are responsible for the Group's business operations, 68 for sales and marketing, 435 for content monitoring, 225 for customer service, 893 for technology, research and development, and 305 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 did not experience any material labour disputes during the year ended 31 December 2021.

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 2021, 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**”).

The Negative List, which has been issued by the State Council, refers to special administrative measures for access to 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.

Please 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.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Year ended 31 December	
		2021 RMB'000	2020 RMB'000
Revenue	3	9,175,595	4,949,440
Cost of sales	4	(5,870,496)	(3,752,305)
Gross profit		3,305,099	1,197,135
Selling and marketing expenses	4	(2,214,404)	(709,936)
Administrative expenses	4	(241,171)	(177,176)
Research and development expenses	4	(415,952)	(334,431)
Net impairment losses on financial assets	4	(8,379)	(44,420)
Other income		76,758	82,669
Other (losses)/gains — net		(44,941)	40,889
Operating profit		457,010	54,730
Finance income		26,619	23,368
Finance costs		(9,878)	(12,647)
Finance income — net		16,741	10,721
Share of net (loss)/profit of associates and joint ventures accounted for using the equity method		(429)	147,929
Profit before income tax		473,322	213,380
Income tax expense	5	(40,313)	(10,176)
Profit for the year		433,009	203,204
Other comprehensive income/(loss)			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		11,181	27,276
Items that will not be subsequently reclassified to profit or loss:			
Currency translation differences		(20,368)	(60,610)
Other comprehensive loss for the year, net of tax		(9,187)	(33,334)
Total comprehensive income		423,822	169,870

		Year ended 31 December	
		2021	2020
	<i>Notes</i>	RMB'000	RMB'000
Profit attributable to:			
— Owners of the Company		415,381	193,906
— Non-controlling interests		17,628	9,298
		<u> </u>	<u> </u>
Profit for the year		<u>433,009</u>	<u>203,204</u>
Total comprehensive income attributable to:			
— Owners of the Company		406,194	160,572
— Non-controlling interests		17,628	9,298
		<u> </u>	<u> </u>
Total comprehensive income		<u>423,822</u>	<u>169,870</u>
Earnings per share for profit attributable to the ordinary equity holders of the Company: (expressed in RMB per share)			
Basic earnings per share	6	<u>0.22</u>	<u>0.10</u>
Diluted earnings per share	6	<u>0.22</u>	<u>0.10</u>

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2021

	<i>Notes</i>	As of 31 December	
		2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		26,818	14,657
Investment properties		193,606	—
Right-of-use assets		175,157	150,832
Intangible assets		590,402	676,108
Deferred tax assets		71,063	60,547
Investments accounted for using the equity method		500,717	395,225
Financial assets at fair value through profit or loss		141,718	40,122
Term deposits		—	47,000
Other receivables, deposits and other assets		19,623	29,376
		1,719,104	1,413,867
Total non-current assets			
Current assets			
Inventories		12,314	11,522
Other receivables, prepayment, deposits and other assets		548,433	295,750
Trade receivables	8	63,499	53,774
Financial assets at fair value through profit or loss		831,124	1,169,996
Restricted cash		612	14,377
Term deposits		70,000	350,000
Cash and cash equivalents		1,993,306	1,360,333
		3,519,288	3,255,752
Total current assets			
		5,238,392	4,669,619
Total assets			

		As of 31 December	
		2021	2020
	<i>Notes</i>	RMB'000	RMB'000
EQUITY			
Equity attributable to the shareholders of the Company			
Share capital		13,262	13,262
Other reserves		3,905,672	3,906,228
Accumulated profit/(deficits)		10,876	(404,505)
		3,929,810	3,514,985
Non-controlling interests		1,338	28,568
		3,931,148	3,543,553
LIABILITIES			
Non-current liabilities			
Lease liabilities		150,784	125,910
Deferred tax liabilities		21,864	26,787
Other payables and accruals		—	3,137
		172,648	155,834
Current liabilities			
Accounts payables	10	669,342	638,794
Other payables and accruals		283,190	147,312
Contract liabilities		128,281	120,730
Current income tax liabilities		16,479	16,017
Lease liabilities		32,040	33,318
Provisions		5,264	14,061
		1,134,596	970,232
Total current liabilities		1,307,244	1,126,066
Total liabilities		1,307,244	1,126,066
Total equity and liabilities		5,238,392	4,669,619

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owner of the Company				Non- controlling interests	Total
	Share capital	Other reserves	Retained earnings	Sub-total		
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at 31 December 2020	<u>13,262</u>	<u>3,906,228</u>	<u>(404,505)</u>	<u>3,514,985</u>	<u>28,568</u>	<u>3,543,553</u>
Comprehensive income						
Profit for the year	—	—	415,381	415,381	17,628	433,009
Currency translation differences	—	(9,187)	—	(9,187)	—	(9,187)
Total comprehensive income for the year	<u>—</u>	<u>(9,187)</u>	<u>415,381</u>	<u>406,194</u>	<u>17,628</u>	<u>423,822</u>
Total transactions with owners in their capacity as owners						
Share-based compensation expense	9	33,531	—	33,531	—	33,531
Shares repurchased		(24,977)	—	(24,977)	—	(24,977)
Deconsolidation of a subsidiary		—	—	—	(30,597)	(30,597)
Dividend paid to non-controlling interests in subsidiaries		—	—	—	(15,273)	(15,273)
Non-controlling interests on acquisition of subsidiaries		—	—	—	1,497	1,497
Acquisition of non-controlling interests in a subsidiary		77	—	77	(485)	(408)
Total transactions with owners in their capacity as owners		<u>8,631</u>	<u>—</u>	<u>8,631</u>	<u>(44,858)</u>	<u>(36,227)</u>
Balance at 31 December 2021	<u><u>13,262</u></u>	<u><u>3,905,672</u></u>	<u><u>10,876</u></u>	<u><u>3,929,810</u></u>	<u><u>1,338</u></u>	<u><u>3,931,148</u></u>

	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 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>
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	<u>—</u>	<u>(33,334)</u>	<u>193,906</u>	<u>160,572</u>	<u>9,298</u>	<u>169,870</u>
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	<u>(89)</u>	<u>(110,672)</u>	<u>—</u>	<u>(110,761)</u>	<u>22,720</u>	<u>(88,041)</u>
Balance at 31 December 2020	<u><u>13,262</u></u>	<u><u>3,906,228</u></u>	<u><u>(404,505)</u></u>	<u><u>3,514,985</u></u>	<u><u>28,568</u></u>	<u><u>3,543,553</u></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 value added service business 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, Uglund House, Grand Cayman, KY1-1104, the Cayman Islands.

The Company has its 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 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 Annual report of the Group.

(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 and investment properties.

(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 2021:

- Interest Rate Benchmark Reform-Phase 2 — amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The Group also elected to adopt the following amendments early:

- Annual improvements to IFRS Standards 2018–2020 Cycle
- Covid-19-Related Rent Concessions beyond 30 June 2021.

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

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

The following new/amended standards and annual improvements have been published (which may be applicable to the Group) but not mandatory for reporting periods ended on 31 December 2021 and have not been early adopted by the Group:

	New standards, amendments and annual improvements	Effective for annual periods beginning on or after
Amendments to IFRS 3	Update reference to the Conceptual Framework	1 January 2022
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IAS 37	Onerous Contracts — Costs of Fulfilling a Contract	1 January 2022
Annual Improvements	Annual Improvements to IFRS Standards 2018–2020	1 January 2022
IFRS 17	Insurance Contracts	1 January 2023

4. Expenses by nature

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue sharing to streamers	5,203,058	3,407,402
Promotion and advertising expenses	2,167,507	682,998
Employee benefit expenses	857,871	460,194
Bandwidth and server custody costs	133,619	94,301
Payment handling costs	97,139	98,079
Outsourced development costs	79,529	39,310
Travelling, entertainment and general office expenses	49,437	34,254
Technical support and professional service fees	38,249	36,794
Depreciation of right-of-use assets	35,903	30,105
Amortization of intangible assets	26,172	36,372
Taxes and surcharges	18,071	19,051
Impairment of goodwill	15,916	14,147
Depreciation of property, plant and equipment	9,760	10,524
Expected credit loss allowance	8,379	44,420
Auditor's remuneration		
— Audit services	6,000	6,000
— Non-audit services	536	556
Expenses relating to short-term lease and lease payment not included in lease liabilities	1,971	699
Other expenses	1,285	3,062
	<u>8,750,402</u>	<u>5,018,268</u>

5. Income tax expense

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax		
Current tax on profits for the year	<u>55,752</u>	<u>25,634</u>
Total current tax expense	<u>55,752</u>	<u>25,634</u>
Deferred income tax		
Increase in deferred tax assets	(10,516)	(7,438)
Decrease in deferred tax liabilities	<u>(4,923)</u>	<u>(8,020)</u>
Total deferred tax benefit	<u>(15,439)</u>	<u>(15,458)</u>
Income tax expense	<u>40,313</u>	<u>10,176</u>

6. 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	
	2021	2020
Profit attributable to the shareholders of the Company (<i>RMB'000</i>)	415,381	193,906
Weighted average number of ordinary shares in issue (<i>thousand shares</i>)	<u>1,866,475</u>	<u>1,924,260</u>
Basic earnings per share attributable to the shareholders of the Company (<i>expressed in RMB per share</i>)	<u>0.22</u>	<u>0.10</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	
	2021	2020
Profit attributable to the shareholders of the Company (<i>RMB'000</i>)	<u>415,381</u>	<u>193,906</u>
Weighted average number of ordinary shares in issue (<i>thousand shares</i>)	1,866,475	1,924,260
Add: Adjustment for RSUs granted to employees (<i>thousand shares</i>)	<u>10,444</u>	<u>12,958</u>
Weighted average number of ordinary shares for calculation of diluted earnings per share (<i>thousand shares</i>)	<u>1,876,919</u>	<u>1,937,218</u>
Diluted earnings per share (<i>expressed in RMB per share</i>)	<u>0.22</u>	<u>0.10</u>

The Company granted 11,451,626 RSU under the RSU Scheme for the year ended 31 December 2021. The grant of RSU are dilutive potential ordinary shares and are included as potential ordinary shares in the determination of diluted earnings per share.

(c) Information concerning the classification of options

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 year ended 31 December 2021. These options could potentially dilute basic earnings per share in the future.

7. Dividends

No dividends have been paid or declared by the Company during each of the year ended 31 December 2021 and 2020.

8. 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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables		
— Up to 3 months	63,833	52,874
— 3 to 6 months	1,081	1,573
— 6 months to 1 year	451	1,116
— Over 1 year	892	99
	66,257	55,662
Less: allowance for impairment of trade receivables	(2,758)	(1,888)
	63,499	53,774

9. Share-based payments

Share-based compensation was recognised in costs and expenses for the year ended 31 December 2021 and 2020 are as follows:

	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
Cost of sales	3,729	3,159
Administrative expenses	21,046	5,141
Selling and marketing expenses	604	1,098
Research and development expenses	8,152	8,122
	<u>33,531</u>	<u>17,520</u>

10. Accounts payables

At 31 December 2021, 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	
	2021 RMB'000	2020 RMB'000
— Up to 3 months	499,141	476,259
— 3 to 6 months	24,902	8,072
— 6 months to 1 year	9,984	5,864
— Over 1 year	135,315	148,599
	<u>669,342</u>	<u>638,794</u>

OTHER INFORMATION

FINAL DIVIDEND

The Board does not recommend any payment of final dividend for the year ended 31 December 2021.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2021, the Company has repurchased a total of 18,558,000 shares of the Company on the Stock Exchange at an aggregate consideration of HK\$30,093,040. The highest price paid per share is HK\$2.11 and the lowest price paid per share is HK\$1.03.

Save as disclosed above, during the year ended 31 December 2021, 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 2021, the trustee of the Restricted Share Unit Scheme of the Company did not purchase any shares of the Company on the Stock Exchange.

ANNUAL GENERAL MEETING

The Company will convene the annual general meeting of 2022 (the "AGM"). For details of the AGM, please refer to the notice of the 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 (the "CG Code") contained in Appendix 14 to the Listing Rules as its own code of corporate governance. During the year ended 31 December 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 the code provision C.2.1 (previous 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 2021.

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 2021 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 2021.

IMPORTANT EVENTS OCCURRED SINCE THE END OF THE REPORTING PERIOD

After the Coronavirus Disease 2019 (“**COVID-19**”) outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC. The Group prioritises the health and safety of its employees, and has taken various preventative and quarantine measures across the Group soon after the COVID-19 outbreak. As of the date of this announcement, the Group was not aware of any material adverse effects on the financial position and operating results of the Group. The Group will continue to closely monitor the development of the COVID-19 outbreak and take appropriate counter-measures if any adverse impact is arising.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT 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 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 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, 27 March 2022

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.