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## Inkeverse Group Limited

映宇宙集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3700)

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

#### FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Period- to-Period Change* %	For the year ended 31 December 2022 (audited)
	2023 (unaudited)	2022 (unaudited)		
	<i>(RMB in thousands, except for percentages)</i>			
Revenue	<b>3,126,091</b>	4,061,114	(23.0)	6,319,321
Cost of sales	<b>(1,795,505)</b>	(2,333,104)	(23.0)	(3,772,829)
Gross profit	<b>1,330,586</b>	1,728,010	(23.0)	2,546,492
Operating profit	<b>201,967</b>	27,245	641.3	(46,987)
Profit/(loss) for the period/year	<b>192,584</b>	(111,068)	273.4	(168,459)
Non-IFRS adjusted net profit**	<b>205,734</b>	402,187	(48.8)	387,679

\* *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/(loss) for the period/year eliminates the effects of non-cash share-based compensation expenses and impairment loss of goodwill.*

## OPERATIONAL HIGHLIGHTS

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

	<b>For the six months ended 30 June</b>		<b>Period- to-Period Change*</b>	For the year ended 31 December
	<b>2023</b>	2022	%	2022
Average monthly active users ("MAUs")** (in thousands)	<b>28,094</b>	29,799	(5.7)	26,712
Average monthly revenue per user ("ARPU")** (in RMB)	<b>18.5</b>	22.7	(18.5)	19.7

\* *Period-to-Period 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 board (the "**Board**") of directors (the "**Director(s)**") of Inkeverse Group Limited (the "**Company**") is pleased to announce the unaudited interim condensed consolidated results (the "**Interim Results**") of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2023 (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 2023, in the face of the complex and changing economic environment and intensifying industry competition, the Group on one hand maintained deep cultivation in the pan-entertainment field and continuously improved the user experience, and on the other hand focused on product innovation and delivery of premium content in order to develop growth momentum in new markets and businesses.

As the consumption potential of users further unfolds, the Group will maintain a proactive and prudent approach. While polishing the business models of existing products, the Group will also capture the trend of technological advancements, continue to expand its business boundaries and further explore diverse development opportunities worldwide to create long-term value for its shareholders and collaborative partners.

## BUSINESS REVIEW

### **1. Continuous enhancement of live streaming and social networking ecosystems and explore diverse application scenarios**

The Group further optimized the ecosystem of the “Inke APP” live streaming platform by optimizing the operational strategies, enhancing the efficiency of product iterations and enriching social scenarios and gameplay to realise the further improvement in the profit margin of live streaming business. In the interactive social networking sector, the Group continued to explore diverse application scenarios, expanded the social product matrix and deeply explored the needs of users in more vertical sub-segments, leading to a substantial enhancement in user stickiness. Furthermore, the Group kept exploring cutting-edge technologies, refined algorithmic models, upgraded underlying strategies and strengthened compliance review in order to cultivate a healthier and greener full-scene social networking platform for users.

## **2. Enhanced potential of dating match brand through synergistic online and offline initiatives**

The Group continuously broadened the business layout of the dating match business by optimizing and refining the online products while accelerating the expansion of offline outlets by highlighting the high-quality features of online social networking sector. Concurrently, in order to strengthen user rights protection, improve the precision of dating match, the Group further consolidated the trust based advantage. The Group's "Super Like" (超級喜歡), catering to the post-90s single youths, offered users with a one-stop solution encompassing both online and offline dating services. By hosting a multitude of large-scale dating events, the Group not only enhanced its brand influence but also actively fulfilled its corporate social responsibility. As numbers of offline activities are progressively initiated, the Group will continue to expand the core operational cities of its offline outlets in order to further enhance the development potential of its brand and extend the reach to a broader spectrum of users.

## **3. Increased investment in playlet and other innovative business, and continued growth in revenue scale**

The Group has maintained its focus on product innovation in the pan-entertainment field and continuously invested in the development of high-quality content services. Several projects in the Group's innovation matrix have achieved preliminary commercial success since 2022. Take "Premium Playlet Project" as an example, with its in-depth understanding of the interactive entertainment industry and keen market insights, the Group started to deploy its business in the playlet market in the second half of 2022. Leveraging its mature and efficient middle and back stage systems, the Group streamlined industry chains and launched various products quickly. With the rapid growth in the volume of playlet market and the scale of user base so far this year, the Group's products have ranked top in the industry by virtue of its first-mover advantage and substantial promotion and investment capacity, and the overall revenue scale has continued to grow.

## **BUSINESS OUTLOOK**

### **1. Explore new overseas opportunities and accelerate business model validation**

The social networking business is experiencing rapid growth worldwide, with audio and video social interactions emerging as a fundamental necessity for global internet users. With infrastructure like mobile payments continuing to develop, the overseas market presents increasingly extensive room for development. Leveraging the business experience accumulated over years in the audio and video social networking sector, the Group will focus on its core social business and expedite the validation of business models. Moreover, the Group is committed to propelling the localization of products in overseas markets, aiming to expand the user base, enhance product penetration, and strengthen the development in overseas markets.

### **2. Capture the trend of technological advancements and promote the transformation of the pan-entertainment industry**

Along with the upsurge of AI large models, numbers of innovative applications based on AIGC technology continues to emerge, bringing an entirely new business trend for the social and pan-entertainment sector. The Group will proactively pursue technological innovation through strategic collaborations with industry-leading enterprises, with focus on the development of interactive socializing, AI-powered music, AI-scripted content, AI-driven operations, live streaming of digital spokesmen and the metaverse, in order to diversify the spectrum of interactive entertainment scenarios. Furthermore, the Group will further establish vertical models based on industry data to support the AI-driven transformation of live streaming, social networking and other sectors, and push forward the upgrade and application of AIGC technology, striving to promote the transformation of the pan-entertainment industry empowered by technologies.

### **3. Synergize upstream and downstream resources to unearth long-term value of the Group**

The Group will maintain its market insights and closely monitor the development trend of the internet industry. Adhering to the principle of long-term vision, it seeks to integrate both upstream and downstream resources and continuously expanding its business boundaries. By integrating corporate social responsibility with product services, the Group aims to drive sustainable innovation and unearth its long-term value.

## FINANCIAL REVIEW

### *Revenue*

The Group's revenue for the Reporting Period amounted to approximately RMB3,126.1 million, representing a decrease of 23.0% from approximately RMB4,061.1 million recorded for the corresponding period in 2022, primarily because of the impact of the external environment and market competition on the Group since last year, the Group's revenue declined period-to-period. After the innovative projects actively invested in the development have been preliminarily commercially verified and a certain revenue scale has been achieved, the Group's revenue has rebounded, with revenue rising 38.4% quarter-on-quarter during the Reporting Period.

### *Cost of sales*

The Group's cost of sales decreased by 23.0% to approximately RMB1,795.5 million for the Reporting Period from approximately RMB2,333.1 million for the corresponding period in 2022, mainly attributable to the decrease in the revenue.

### *Gross profit and gross profit margin*

The Group's gross profit decreased by 23.0% to approximately RMB1,330.6 million for the Reporting Period from approximately RMB1,728.0 million for the corresponding period in 2022. The Group's gross profit margin for the Reporting Period was unchanged from 42.6% for the corresponding period in 2022.

### *Selling and marketing expenses*

The Group's selling and marketing expenses increased by 11.3% to approximately RMB962.0 million for the Reporting Period from approximately RMB864.5 million for the corresponding period in 2022, which was mainly due to the fact that the Group actively created innovative product matrix and intensifies the marketing efforts, resulting in an increase in selling and marketing expenses.

### *Administrative expenses*

The Group's administrative expenses decreased by 83.8% to approximately RMB100.1 million for the Reporting Period from approximately RMB616.7 million for the corresponding period in 2022, which was mainly due to the fact that there was no impact of the provision for impairment of goodwill on the Group during the Reporting Period. If excluding the above impact, the Group's administrative expenses remain stable as compared to the corresponding period in 2022.

### ***Research and development expenses***

The Group's research and development expenses decreased by 24.3% to approximately RMB142.5 million for the Reporting Period from approximately RMB188.2 million for the corresponding period in 2022, mainly due to the Group's continuous adjustment to its operational strategy for the optimization of its staff structure and a decrease in staff costs.

### ***Other gains/(losses) — net***

The Group recorded net other gains of approximately RMB66.2 million for the Reporting Period, representing an increase of 274.7% as compared with the net other losses of approximately RMB 37.9 million recorded in the corresponding period in 2022, which was primarily gains incurred by an increase in the gain of financial assets at fair value through profit or loss.

### ***Finance income — net***

The Group recorded net finance income of approximately RMB11.2 million for the Reporting Period, representing an increase of 116.1% as compared to approximately RMB5.2 million for the corresponding period in 2022, mainly due to the increase in deposit interest income during the Reporting Period resulted from the Group's adjustment to its fund allocation strategy.

### ***Share of profit/(loss) of investments accounted for using the equity method***

The Group's share of profit of investments accounted for using the equity method was approximately RMB14.2 million for the Reporting Period, representing an increase of 126.3% from a share of loss of investments accounted for using the equity method of approximately RMB53.8 million for the corresponding period in 2022, primarily due to the profit from the investments in the associates and the joint ventures.

### ***Income tax (expense)***

The Group recorded income tax expense of approximately RMB34.7 million for the Reporting Period, representing a decrease of 61.3% as compared to approximately RMB89.7 million for the corresponding period in 2022. The decrease in income tax expense was primarily due to the period-to-period decrease in net operating profit.

### ***Profit/(loss) for the period***

The Group recorded profit of approximately RMB192.6 million for the Reporting Period, which reflected a turnaround from loss to profit when compared with the loss of approximately RMB111.1 million for the corresponding period in 2022.

## *Non-IFRS Measure — Adjusted net profit*

To supplement the Group’s unaudited interim condensed consolidated financial information which is presented in accordance with the International Accounting Standard 34, “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:

	<b>Unaudited</b>	
	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB’000</b>	<b>RMB’000</b>
Profit/(loss) for the period	<b>192,584</b>	(111,068)
Add: non-cash share-based compensation expenses <sup>(1)</sup>	<b>13,150</b>	27,278
Add: impairment loss of goodwill	<b>—</b>	485,977
	<hr/>	<hr/>
Adjusted net profit <sup>(2)</sup>	<b><u>205,734</u></b>	<b><u>402,187</u></b>

### *Notes:*

- <sup>(1)</sup> Refers to share-based compensation benefits provided to certain employees via the employee share scheme.
- <sup>(2)</sup> To supplement our unaudited interim condensed consolidated financial information which are presented in accordance with the International Financial Reporting Standards (“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/(loss) for the period, and add back non-cash share-based compensation expenses and impairment loss of goodwill. 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/(loss) for the period.

## **Liquidity and Capital Resources**

For the Reporting Period, 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 its sustainable growth. As at 30 June 2023, the current ratio (the current assets to current liabilities ratio) of the Group was 4.7, and the gearing ratio (total liabilities to total equity ratio) was 0.2, as compared with 4.6 and 0.2, respectively, as at 31 December 2022.

### ***Cash and cash equivalents and restricted cash***

As at 30 June 2023, the Group had cash and cash equivalents of approximately RMB1,717.5 million (31 December 2022: approximately RMB1,634.7 million), which primarily consisted of cash at banks. Out of approximately RMB1,717.5 million, approximately RMB1,565.8 million is denominated in Renminbi and approximately RMB151.7 million is denominated in other currencies (primarily US dollars). The Group independently adjusts its foreign currency holdings to ensure the smooth development of overseas business.

As of 30 June 2023, approximately RMB72.9 million of the restricted cash balance (31 December 2022: approximately RMB59.8 million) was mainly cash frozen by local authorities in connection with relevant investigations. Subsequent to balance sheet date, approximately RMB26.1 million was further released. The Company expects that the above funds would likely be released upon the completion of the investigation of relevant cases.

### *Financial assets at fair value through profit or loss*

As of 30 June 2023, the Group had current and non-current financial assets at fair value through profit or loss of approximately RMB1,468.3 million (31 December 2022: approximately RMB1,477.8 million), mainly comprised (a) investments in wealth management products of approximately RMB1,305.5 million in aggregate (31 December 2022: approximately RMB1,322.5 million); and (b) investments in financial instruments with preferred rights of approximately RMB162.8 million (31 December 2022: approximately RMB155.4 million).

	<b>Unaudited 30 June 2023 RMB'000</b>	<b>Audited 31 December 2022 RMB'000</b>
<b>Financial Assets</b>		
<b>Current</b>		
Investment in wealth management products <sup>(1)</sup>		
— Equity	<b>166,020</b>	103,515
— Fund	<b>1,069,433</b>	1,148,284
— Others	<b>70,000</b>	—
<b>Subtotal</b>	<b>1,305,453</b>	1,251,799
<b>Non-Current</b>		
Investment in equity interests with preferred rights of certain private companies	<b>162,841</b>	155,367
Investment in wealth management products <sup>(1)</sup>		
— Others	—	70,682
<b>Subtotal</b>	<b>162,841</b>	226,049
<b>Total</b>	<b>1,468,294</b>	1,477,848

*Note:*

- <sup>(1)</sup> For the Reporting Period, 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 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 financial products issued by commercial banks and other financial institutions. Prior to making an investment, the Company had also ensured that it would remain sufficient working capital for the Group's business needs, operating activities and capital expenditures even after making the investments in such financial products. The associated risk of these financial products were considered acceptable by the Group and are also in line with the internal risk management, cash management and investment policies of the Group. 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 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 manageable risk level and the flexible redemption terms or a relatively short term of maturity of the wealth management products, the Directors are of the view that the risk exposure of these financial products to the Group is controllable, 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***

For the Reporting Period, the Group's capital expenditures amounted to approximately RMB20.3 million (six months ended 30 June 2022: approximately RMB7.6 million), which was mainly used for purchase of equipment and intangible assets. The Group funded its capital expenditure by using the cash flow generated from its operations.

### ***Contingent liabilities and guarantees***

In connection with investigations initiated by local authorities on certain users' behaviours through online platforms operated by the Group, the Group's certain bank balances of approximately RMB72.9 million were restricted as of 30 June 2023. Subsequent to balance sheet date, approximately RMB26.1 million was further released.

The management of the Company taking into consideration of all available information and opinions received from its legal counsel, is of the view that the Group's business operations are in compliance with applicable rules and regulations in the People's Republic of China (the "PRC"). As of the date of this announcement, the Group has not received any subpoena to represent as a defendant in a lawsuit related to the aforesaid investigations. Therefore, the Group considered opinions received from its legal counsel and determined it is more likely that no present obligation exists as a result of such investigation. As at the date of this announcement, as the investigations are still ongoing with related details not being accessible by the Company, it is not practicable to assess or estimate the possible financial impact, therefore the Group has not made any provision in this matter.

### ***Pledge of assets***

As of 30 June 2023, the Group did not have any pledge or charge on assets.

### ***Foreign exchange risk management***

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The functional currency of the Company is US Dollars 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 minimise these exposures through natural hedges, wherever possible, and may enter into forward foreign exchange contracts, when necessary.

### **Employees and Remuneration Policy**

As of 30 June 2023, the Group had a total of 1,552 full-time employees, mainly located in the PRC. In particular, 538 full-time employees for technology, research and development.

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 Reporting Period.

### **Dividends**

The Board does not declare any payment of interim dividend for the Reporting Period.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME/(LOSS)**

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
	<i>Notes</i>	<b>2023</b>	<b>2022</b>
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	5	<b>3,126,091</b>	4,061,114
Cost of sales	6	<b>(1,795,505)</b>	(2,333,104)
<b>Gross profit</b>		<b>1,330,586</b>	1,728,010
Selling and marketing expenses	6	<b>(961,999)</b>	(864,475)
Administrative expenses	6	<b>(100,097)</b>	(616,671)
Research and development expenses	6	<b>(142,541)</b>	(188,199)
Net impairment losses on financial assets	6	<b>(4,571)</b>	(25,170)
Other income		<b>14,411</b>	31,629
Other gains/(losses) — net		<b>66,178</b>	(37,879)
<b>Operating profit</b>		<b>201,967</b>	27,245
Finance income		<b>12,131</b>	9,817
Finance costs		<b>(954)</b>	(4,644)
Finance income — net		<b>11,177</b>	5,173
Share of profit/(loss) of investments accounted for using the equity method		<b>14,151</b>	(53,793)
<b>Profit/(loss) before income tax</b>		<b>227,295</b>	(21,375)
Income tax (expense)	7	<b>(34,711)</b>	(89,693)
<b>Profit/(loss) for the half-year</b>		<b><u>192,584</u></b>	<b><u>(111,068)</u></b>
<b>Profit/(loss) attributable to:</b>			
— The owners of the Company		<b>190,349</b>	(109,915)
— Non-controlling interests		<b>2,235</b>	(1,153)
		<b><u>192,584</u></b>	<b><u>(111,068)</u></b>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME/(LOSS) (CONTINUED)**

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
	<i>Notes</i>	<b>2023</b>	2022
		<i>RMB'000</i>	<i>RMB'000</i>
<b>Other comprehensive income/(loss)</b>			
Items that may be reclassified to profit or loss:			
Currency translation differences		<b>589</b>	(64)
Items that will not be reclassified to profit or loss:			
Currency translation differences		<b>33,611</b>	41,847
		<hr/>	<hr/>
<b>Other comprehensive income for the half-year, net of tax</b>		<b>34,200</b>	41,783
		<hr/>	<hr/>
<b>Total comprehensive income/(loss) for the half- year, net of tax</b>		<b>226,784</b>	(69,285)
		<hr/> <hr/>	<hr/> <hr/>
<b>Total comprehensive income/(loss) attributable to:</b>			
— The owners of the Company		<b>224,549</b>	(68,132)
— Non-controlling interests		<b>2,235</b>	(1,153)
		<hr/>	<hr/>
		<b>226,784</b>	(69,285)
		<hr/> <hr/>	<hr/> <hr/>
<b>Earnings/(loss) per share attributable to the shareholders of the Company (expressed in RMB per share):</b>			
— Basic earnings/(loss) per share	<i>8(a)</i>	<b>0.10</b>	(0.06)
		<hr/> <hr/>	<hr/> <hr/>
— Diluted earnings/(loss) per share	<i>8(b)</i>	<b>0.10</b>	(0.06)
		<hr/> <hr/>	<hr/> <hr/>

*The above interim condensed consolidated statement of comprehensive income/(loss) should be read in conjunction with the accompanying notes.*

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	<b>Unaudited 30 June 2023 RMB'000</b>	Audited 31 December 2022 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		24,118	26,379
Investment properties		227,535	210,609
Intangible assets		66,029	62,779
Investments accounted for using the equity method		492,817	475,614
Financial assets at fair value through profit or loss		162,841	226,049
Deferred tax assets		63,848	68,881
Right-of-use assets		36,603	48,836
Loans, other receivables, prepayments, deposits and other assets		10,658	28,700
<b>Total non-current assets</b>		<b>1,084,449</b>	1,147,847
<b>Current assets</b>			
Inventories		11,870	14,070
Trade receivables	<i>10</i>	58,066	64,059
Loans, other receivables, prepayments, deposits and other assets		545,616	487,728
Financial assets at fair value through profit or loss		1,305,453	1,251,799
Cash and cash equivalents		1,717,485	1,634,708
Term deposits		144,516	—
Restricted cash		92,248	60,403
<b>Total current assets</b>		<b>3,875,254</b>	3,512,767
<b>Total assets</b>		<b>4,959,703</b>	4,660,614

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

	<i>Note</i>	<b>Unaudited 30 June 2023 RMB'000</b>	Audited 31 December 2022 RMB'000
<b>EQUITY</b>			
<b>Equity attributable to the shareholders of the Company</b>			
Share capital		12,803	12,803
Other reserves		4,040,171	3,996,074
Accumulated profit/(deficits)		35,124	(155,225)
<b>Non-controlling interests</b>		<b>4,088,098</b>	3,853,652
		<b>6,498</b>	(1,210)
<b>Total equity</b>		<b>4,094,596</b>	3,852,442
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		10,060	21,121
Deferred tax liabilities		28,582	24,737
<b>Total non-current liabilities</b>		<b>38,642</b>	45,858
<b>Current liabilities</b>			
Accounts payables	<i>11</i>	463,182	444,680
Other payables and accruals		145,513	145,055
Current income tax liabilities		34,522	33,758
Contract liabilities		160,023	119,912
Lease liabilities		21,964	18,809
Provisions		1,261	100
<b>Total current liabilities</b>		<b>826,465</b>	762,314
<b>Total liabilities</b>		<b>865,107</b>	808,172
<b>Total equity and liabilities</b>		<b>4,959,703</b>	4,660,614

*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 RMB'000	Total RMB'000
	Share capital RMB'000	Other reserves RMB'000	Accumulated deficits RMB'000	Sub-total RMB'000		
<b>Balance at 1 January 2022 (Audited)</b>	<u>13,262</u>	<u>3,905,672</u>	<u>10,876</u>	<u>3,929,810</u>	<u>1,338</u>	<u>3,931,148</u>
<b>Profit and other comprehensive income</b>						
Total (loss) and other comprehensive income	<u>—</u>	<u>41,783</u>	<u>(109,915)</u>	<u>(68,132)</u>	<u>(1,153)</u>	<u>(69,285)</u>
<b>Transactions with owners in their capacity as owners</b>						
Share-based compensation expenses	<u>—</u>	<u>27,278</u>	<u>—</u>	<u>27,278</u>	<u>—</u>	<u>27,278</u>
Shares repurchased	<u>—</u>	<u>(15,778)</u>	<u>—</u>	<u>(15,778)</u>	<u>—</u>	<u>(15,778)</u>
Shares cancelled	<u>(459)</u>	<u>459</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Acquisition of non-controlling interests in a subsidiary	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(190)</u>	<u>(190)</u>
<b>Total transactions with owners in their capacity as owners</b>	<u>(459)</u>	<u>11,959</u>	<u>—</u>	<u>11,500</u>	<u>(190)</u>	<u>11,310</u>
<b>Balance at 30 June 2022 (Unaudited)</b>	<u><u>12,803</u></u>	<u><u>3,959,414</u></u>	<u><u>(99,039)</u></u>	<u><u>3,873,178</u></u>	<u><u>(5)</u></u>	<u><u>3,873,173</u></u>
<b>Balance at 1 January 2023 (Audited)</b>	<u>12,803</u>	<u>3,996,074</u>	<u>(155,225)</u>	<u>3,853,652</u>	<u>(1,210)</u>	<u>3,852,442</u>
<b>Profit and other comprehensive income</b>						
Total profit and other comprehensive income	<u>—</u>	<u>34,200</u>	<u>190,349</u>	<u>224,549</u>	<u>2,235</u>	<u>226,784</u>
<b>Transactions with owners in their capacity as owners</b>						
Share-based compensation expenses	<u>—</u>	<u>13,150</u>	<u>—</u>	<u>13,150</u>	<u>—</u>	<u>13,150</u>
Shares repurchased	<u>—</u>	<u>(530)</u>	<u>—</u>	<u>(530)</u>	<u>—</u>	<u>(530)</u>
Capital injection from non-controlling interests	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,750</u>	<u>3,750</u>
Acquisition of non-controlling interests in a subsidiary	<u>—</u>	<u>(2,723)</u>	<u>—</u>	<u>(2,723)</u>	<u>1,723</u>	<u>(1,000)</u>
<b>Total transactions with owners in their capacity as owners</b>	<u>—</u>	<u>9,897</u>	<u>—</u>	<u>9,897</u>	<u>5,473</u>	<u>15,370</u>
<b>Balance at 30 June 2023 (Unaudited)</b>	<u><u>12,803</u></u>	<u><u>4,040,171</u></u>	<u><u>35,124</u></u>	<u><u>4,088,098</u></u>	<u><u>6,498</u></u>	<u><u>4,094,596</u></u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1. General information

In June 2022, Inke Limited changed its corporate name from Inke Limited to Inkeverse Group Limited (the “**Company**”).

The Company and its subsidiaries (together referred as to the “**Group**”) are principally engaged in value-added service and entertainment content service through operating the matrix of online platforms and providing an internet infrastructure to enable the users to interact through the platforms 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’s shares was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

This interim condensed consolidated financial information is presented in Renminbi (“**RMB**”), unless otherwise stated.

## 2. Basis of preparation of interim condensed consolidated financial information

This interim condensed consolidated financial information for the half-year reporting period ended 30 June 2023 has been prepared in accordance with International Accounting Standard (“**IAS**”) 34, “Interim Financial Reporting”.

The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim condensed consolidated financial information is to be read in conjunction with the Company’s annual report for the year ended 31 December 2022 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, except for the estimation of income tax and the adoption of new and amended standards as set out below.

#### (a) Income tax

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

#### (b) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

### 4. Estimates

The preparation of interim condensed consolidated 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 expenses. Actual results may differ from these estimates.

In preparing this interim condensed consolidated 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 2022.

### 5. Revenue

	Unaudited	
	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Value-added service	2,314,679	3,912,337
Content service	472,199	—
Others	339,213	148,777
	<u>3,126,091</u>	<u>4,061,114</u>

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Revenue recognised at a point in time	<b>3,073,508</b>	4,007,621
Revenue recognised over time	<b>52,583</b>	53,493
	<b><u>3,126,091</u></b>	<u>4,061,114</u>

## 6. Expenses by nature

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Revenue sharing to streamers	<b>1,366,849</b>	2,072,599
Promotion and advertising expenses	<b>940,119</b>	836,394
Employee benefit expenses	<b>330,010</b>	388,240
Cost of goods sold	<b>102,504</b>	2,035
Bandwidth and server custody costs	<b>57,283</b>	63,941
Payment handling costs	<b>46,035</b>	38,806
Content and copyright costs	<b>36,030</b>	3,020
Technical support and professional service fees	<b>38,083</b>	25,614
Travelling, entertainment and general office expenses	<b>25,489</b>	24,427
Amortization of intangible assets	<b>21,037</b>	7,416
Depreciation of right-of-use assets	<b>11,952</b>	17,881
Other expenses	<b>7,973</b>	2,274
Taxes and surcharges	<b>6,106</b>	6,813
Depreciation of property, plant and equipment	<b>5,463</b>	5,848
Expected credit loss allowance	<b>4,571</b>	25,170
Outsourced development costs	<b>4,436</b>	12,065
Expenses relating to short-term lease not included in lease liabilities	<b>773</b>	3,197
Impairment of intangible assets	<b>—</b>	5,902
Impairment of goodwill	<b>—</b>	485,977
	<b><u>3,004,713</u></b>	<u>4,027,619</u>

## 7. Income tax (expense)

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Current income tax (expense)	(29,064)	(101,765)
Deferred income tax (expense)/credit	(5,647)	12,072
<b>Income tax (expense)</b>	<b>(34,711)</b>	<b>(89,693)</b>

## 8. Earnings/(loss) per share

### (a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing:

- the profit/(loss) attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year, excluding treasury shares.

	Unaudited	
	Six months ended 30 June	
	2023	2022
Profit/(loss) attributable to owners of the Company (RMB'000)	190,349	(109,915)
Weighted average number of ordinary shares in issue (thousand shares)	1,841,205	1,857,624
Basic earnings/(loss) per share attributable to the shareholders of the Company (expressed in RMB per share)	0.10	(0.06)

**(b) Diluted earnings/(loss) per share**

Diluted earnings/(loss) per share adjusts the figures used in the determination of basic earnings/(loss) 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.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
Profit/(loss) attributable to owners of the Company ( <i>RMB'000</i> )	<u><b>190,349</b></u>	<u>(109,915)</u>
Weighted average number of ordinary shares in issue ( <i>thousand shares</i> )	<b>1,841,205</b>	1,857,624
Add: Adjustment for restricted share units granted to employees ( <i>thousand shares</i> )	<u><b>16,429</b></u>	<u>—</u>
Weighted average number of ordinary shares for calculation of diluted earnings/(loss) per share ( <i>thousand shares</i> )	<u><b>1,857,634</b></u>	<u>1,857,624</u>
Diluted earnings/(loss) per share attributable to the shareholders of the Company ( <i>expressed in RMB per share</i> )	<u><b>0.10</b></u>	<u>(0.06)</u>

**9. Dividends**

No dividends have been paid or declared by the Company for each of the period ended 30 June 2023 and 2022.

## 10. Trade receivables

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

	<b>Unaudited</b> <b>30 June</b> <b>2023</b> <i>RMB'000</i>	Audited 31 December 2022 <i>RMB'000</i>
Trade receivables		
— Up to 3 months	<b>51,102</b>	62,782
— 3 to 6 months	<b>4,555</b>	2,736
— 6 months to 1 year	<b>6,644</b>	658
— Over 1 year	<b>547</b>	290
	<b>62,848</b>	66,466
Less: allowance for impairment of trade receivables	<b>(4,782)</b>	(2,407)
	<b><u>58,066</u></b>	<b><u>64,059</u></b>

As at 30 June 2023 and 31 December 2022, 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

An ageing analysis of the accounts payables based on invoice date at the end of each reporting period is as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2023</b> <i>RMB'000</i>	Audited 31 December 2022 <i>RMB'000</i>
— Up to 3 months	<b>298,048</b>	285,735
— 3 to 6 months	<b>11,080</b>	23,065
— 6 months to 1 year	<b>23,330</b>	7,523
— Over 1 year	<b>130,724</b>	128,357
	<hr/> <b>463,182</b> <hr/>	<hr/> 444,680 <hr/>

## 12. Events after the Reporting Period

Except as disclosed elsewhere in this announcement, there are no any material subsequent events undertaken by the Group after 30 June 2023 and up to the date of this results announcement.

## **OTHER INFORMATION**

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

### **EVENTS AFTER THE REPORTING PERIOD**

Except as disclosed elsewhere in this announcement, there are no any material subsequent events undertaken by the Group after 30 June 2023 and up to the date of this results 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 (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code of corporate governance. During the Reporting Period, the Company has complied with all the applicable code provisions of the CG Code and adopted most of the recommended best practices set out therein, except for a deviation from code provision C.2.1 of the CG Code 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 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 Reporting Period.

## **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 interim condensed consolidated 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 condensed consolidated financial information for the Reporting Period are unaudited, but have been reviewed by the auditor of the Company 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.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This interim results announcement is published on the website of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and that of the Company ([www.inkeverse.com](http://www.inkeverse.com)). The interim report of the Company for the six months ended 30 June 2023 will be dispatched to the shareholders of the Company and will be available on the website of The Stock Exchange of Hong Kong Limited and that of the Company, respectively, in due course.

By order of the Board  
**Inkeverse Group Limited**  
**FENG Yousheng**  
*Chairman and Executive Director*

Hong Kong, 25 August 2023

*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.*