Inke Limited
映客互娛有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3700)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Year-on-Year Change*	For the year ended 31 December
	2018	2017	(%)	2017
	(unaudited)	*(unaudited)*		*(audited)*
	(RMB in thousands, except for percentages)			
Revenue	**2,281,186**	**1,934,657**	17.9	3,941,596
Cost of sales	**(1,500,768)**	**(1,261,115)**	19.0	(2,545,854)
Gross profit	**780,418**	**673,542**	15.9	1,395,742
Operating profit	**467,419**	**366,657**	27.5	871,182
Profit/(Loss) for the period/year	**958,392**	**(179,644)**	633.5	(239,509)
Non-IFRS				
Adjusted net profit**	**409,320**	**336,099**	21.8	791,976

* Year-on-Year 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 and add back non-cash fair value loss of financial instruments with preferred rights or deduct non-cash fair value gain of financial instruments with preferred rights.

OPERATIONAL HIGHLIGHTS

The following table sets forth the major operating data of the Group.

	For the three months ended			Year-on-Year Change*	Quarter-on-Quarter Change**
	30 June 2018	31 March 2018	30 June 2017	%	%
	(in thousands, except for percentages)				
Average monthly active users	**26,383**	**25,254**	**20,302**	30.0	4.5
Quarterly paying users	**1,984**	**1,871**	**2,490**	(20.3)	6.0

* Year-on-Year Change % represents a comparison between the second quarter of 2018 and the corresponding period last year.

** Quarter-on-Quarter Change % represents a comparison between the second quarter of 2018 and the immediately preceding quarter.

The board of directors (the "**Board**") of Inke Limited (the "**Company**") is pleased to announce the unaudited consolidated results (the "**Interim Results**") of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2018 (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**").

BUSINESS OVERVIEW AND OUTLOOK

Business Review

In the six months ended 30 June 2018, the Group continued its robust growth record. The Group's revenue and gross profit for the six months ended 30 June 2018 were RMB2,281.2 million and RMB780.4 million, representing an increase of approximately 17.9% and 15.9%, respectively as compared with the corresponding period of last year, primarily due to the introduction of the "PK" feature in September 2017. The Group's average monthly active users amounted to 26.4 million for the three months ended 30 June 2018, representing growths of 4.5% and 30.0%, respectively, as compared with the three months ended 31 March 2018 and the corresponding period of last year. The Group's quarterly paying users amounted to 2.0 million for the three months ended 30 June 2018, representing a growth of 6.0% as compared with the three months ended 31 March 2018 and a decrease of 20.3% as compared with the corresponding period of last year.

In addition, the Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 12 July 2018 (the "**Listing Date**"), marking a milestone for the Group in improving its capital strength and corporate governance as well as enhancing its competitive edge, which laid a solid foundation for the Group's future development.

Industry Review

In recent years, driven by factors including the upgrades in entertainment consumptions and the transformation of lifestyles of young Chinese consumers, mobile culture and entertainment spending in China has witnessed rapid growth, as evidenced by a CAGR of 36.9% in mobile culture and entertainment spending of Chinese consumers from RMB39.3 billion in 2012 to RMB189.2 billion in 2017. The market size of mobile video-based entertainment in China amounted to RMB46.4 billion in 2017. China's mobile live streaming market has also grown rapidly in recent years, with the mobile live streaming monthly active user base increased from 5.6 million in 2012 to 176.0 million in 2017 at a CAGR of 99.3%. The mobile live streaming market size grew from RMB105.7 million in 2012 to RMB25.7 billion in 2017 at a CAGR of 200.0%.

By the major type of streaming content of the platforms, mobile live streaming platforms can be largely categorized into pan-entertainment live streaming platforms, game live streaming platforms and others. Game live streaming platforms typically rely heavily on a small number of top game streamers, and pay significant upfront sign on fees to and share a higher percentage of revenue with them as compared to pan-entertainment live streaming platforms, which typically have lower entry barriers for streamers and offer richer streaming contents.

Business Outlook

During the second half of 2018, the Group will continue its efforts to further solidify its leading position in the mobile live streaming industry in China by continue the following growth strategies:

- Diversify business and product offerings. The Group pursues a "Live streaming +" strategy to further diversify its business and product offerings to serve users' needs for entertainment. In particular, the Group plans to (i) bring popular recreational activities online in the form of mobile live streaming; (ii) launch new stand-alone applications based on deep user insights, and to build a product matrix with strong synergies; and (iii) to selectively provide streamers with training programs and help the popular streamers to gain more public recognition by offering access to entertainment events and cooperating with other participants in the entertainment industry.

- Expand user base. The Group plans to continue to expand its user base through (i) effective and targeted sales and marketing efforts that broaden its user acquisition channels, including placing online and offline advertisements, sponsoring popular events, and holding its signature annual events such as Sakura Girl and Mr. Inke; (ii) attracting additional streamers by nurturing the Group's large and robust streamer pool and improving the trainings and data insights for the Group's streamers; and (iii) solidifying the Group's presence among tier-1 and tier-2 city users and further penetrating into lower-tier cities in China by developing additional engaging features and functions, as well as new stand-alone applications.

- Invest in technologies to optimize user experience. The Group will continue to develop technologies to further explore user behaviors and demands. In particular, the Group plans to (i) invest in data transmission, augmented reality and other technologies to provide users with best-in-class experience in mobile live streaming and real-time interactions; (ii) invest in the development of online advertising system; (iii) maintain technological advantages by continuous investments in research and development; and (iv) protect core intellectual properties by a combination of copyrights and trade secrets.

- Strengthen monetization capability. The Group plans to (i) offer more features and functions to increase users' willingness to spend on the Group's platform, based on its understanding of the users' evolving spiritual needs; (ii) further introduce additional value-added services with potentially higher profitability, such as additional subscription-based services or premium products; (iii) continue expanding the Group's advertising business by further leveraging its large user base and user insights; and (iv) further utilize the Group's big data analytics capabilities to effectively serve advertisers and introduce innovative advertising solutions.

- Seek strategic investment and acquisition opportunities. The Group plans to strengthen its ecosystem through selective strategic investment and acquisition in the future. The Group will continue to pay close attention to players in the pan-entertainment industry with high growth potential and convincing synergies with its existing platform, and to explore strategic investment, collaboration and integration opportunities.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

The Group's revenue for the six months ended 30 June 2018 amounted to approximately RMB2,281.2 million, representing an increase of 17.9% from approximately RMB1,934.7 million recorded in the corresponding period in 2017. The increase in revenue was primarily driven by the introduction of the "PK" feature in September 2017. The PK feature enables two streamers to connect their showrooms together and compete against each other to see who receives the most virtual items from viewers. PK provides incentive for streamers to generate high quality content in order to win and also gives opportunities to viewers to show their support for their favorite streamers. As a result, the total value of virtual items given has greatly increased since the launch of PK.

Cost of sales

The Group's cost of sales increased by 19.0% to approximately RMB1,500.8 million in the six months ended 30 June 2018 from approximately RMB1,261.1 million in the corresponding period in 2017, primarily due to the growth in the Group's scale of operations. As a percentage of revenue, the Group's cost of sales increased to 65.8% in the six months ended 30 June 2018 from 65.2%, primarily due to an increase in revenue sharing with the Group's streamers.

Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit increased by 15.9% to approximately RMB780.4 million for the six months ended 30 June 2018 from approximately RMB673.5 million for the corresponding period in 2017, and the Group's gross profit margin decreased to 34.2% for the six months ended 30 June 2018 from 34.8% for the corresponding period in 2017, primarily due to an increase in revenue sharing with the Group's streamers.

Selling and marketing expenses

The Group's selling and marketing expenses increased by 21.0% to approximately RMB259.3 million for the six months ended 30 June 2018 from approximately RMB214.3 million for the corresponding period in 2017, which was mainly attributable to a major marketing campaign in the first quarter of 2018.

Administrative expenses

The Group's administrative expenses increased by 75.6% to approximately RMB77.1 million for the six months ended 30 June 2018 from approximately RMB43.9 million for the corresponding period in 2017. The increase was mainly due to the listing expenses of RMB24.1 million the Group incurred for the six months ended 30 June 2018 as well as an increase in taxes and surcharges, which was primarily caused by the establishment of the Huai'an office.

Research and development expenses

The Group's research and development expenses increased by 29.3% to approximately RMB85.2 million for the six months ended 30 June 2018 from approximately RMB65.9 million for the corresponding period in 2017. The increase was in line with the growth of the Group's operational scale and its continuous effort in improving its services via research and development activities.

Other gains/(losses) — net

The Group recorded net other gains of approximately RMB23.5 million for the six months ended 30 June 2018, which primarily consisted of income from investment in structured deposits and wealth management products. In the corresponding period in 2017, the Group recorded net other losses of approximately RMB3.9 million.

Finance income/(cost) — net

The Group recorded net finance income of approximately RMB5.4 million for the six months ended 30 June 2018. The Group recorded net finance income of approximately RMB5.3 million for the corresponding period in 2017.

Share of losses of investments accounted for using the equity method

The Group's share of losses of investments accounted for using the equity method increased by 342.9% to approximately RMB9.3 million for the six months ended 30 June 2018 from approximately RMB2.1 million for the corresponding period in 2017.

Fair value gains/(losses) of financial instruments with preferred rights

The Group recorded fair value gains on financial instruments with preferred rights of approximately RMB549.1 million for the six months ended 30 June 2018, as compared with the fair value loss on financial instruments with preferred rights of approximately RMB515.7 million the Group recorded for the corresponding period in 2017, primarily due to a change in the valuation of these financial instruments.

Income tax expense

The Group's income tax expense increased by approximately 60.8% to approximately RMB54.2 million for the six months ended 30 June 2018 from approximately RMB33.7 million for the corresponding period in 2017, primarily due to increases in the Group's taxable income and the establishment of Huai'an Inke.

Loss for the period/year

As a result of the foregoing, the Group's profit for the period was RMB958.4 million for the six months ended 30 June 2018. In comparison, the Group recorded a RMB179.6 million loss for the corresponding period in 2017.

Non-IFRS Measure — Adjusted net profit

To supplement the Group's combined consolidated interim financial information which is presented in accordance with the International Accounting Standard ("**IAS**"), the Group also uses adjusted net profit as an additional financial measure. The Group's adjusted net profit eliminates the effect of non-cash fair value gain/loss of financial instruments with preferred rights. The table below sets forth the reconciliation of adjusted net profit for the periods indicated:

	Unaudited For the six months ended 30 June	
	2018	2017
	(RMB in thousands)	
Profit/(loss) for the period	**958,392**	(179,644)
Deduct/add: non-cash fair value gain/(loss) of financial instruments with preferred rights	**(549,072)**	515,743
Adjusted net profit	**409,320**	336,099

Liquidity and Capital Resources

For the six months ended 30 June 2018, the Group financed its operations primarily through cash generated from the Group's operating activities. The Group intends to finance its expansion and business operations with internal resources and through organic and sustainable growth.

Cash and cash equivalents

As at 30 June 2018, the Group had cash and cash equivalents of approximately RMB790.3 million (31 December 2017: approximately RMB2,182.8 million), which primarily consisted of cash at bank. Out of the RMB790.3 million, approximately RMB782.1 million is denominated in Renminbi and approximately RMB8.2 million is denominated in other currencies (primarily US dollars). The Group currently does not hedge transactions undertaken in foreign currencies.

Structured deposits and wealth management products

As of 30 June 2018, the Group had investments in structured deposits and wealth management products of RMB1,748.7 million in aggregate (31 December 2017: nil), which mainly represented principal guaranteed structured deposits with floating interest rate at China Merchants Bank ("招商銀行") and short-term investments in wealth management products issued by Zhejiang E-Commerce Bank Co. Ltd ("浙江網商銀行").

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

In view of an upside of earning a more attractive return than current saving or fixed deposit rate under the low interest rate trend, as well as the low risk nature and the relatively short term of maturity or flexible redemption terms of the structured deposits and wealth management products, the directors of the Company 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 Group and its shareholders as a whole.

Borrowings

During the six months ended 30 June 2018, the Group did not have any short-term or long-term bank borrowings and had no outstanding, utilized or unutilized banking facilities.

Capital expenditures

For the six months ended 30 June 2018, the Group's capital expenditure amounted to approximately RMB2.9 million (six months ended 30 June 2017: approximately RMB34.3 million), which was mainly used for the acquisition of property, plant, equipment and intangible assets. The Group funded its capital expenditure by using the cash flow generated from its operations. The capital expenditure for the six months ended 30 June 2017 was significantly higher due to the renovation expenditure and license acquisition expenditure of RMB18.5 million and RMB13.9 million, respectively.

Contingent liabilities and guarantees

As at 30 June 2018, the Group did not have any significant unrecorded contingent liabilities, guarantees or any litigation against the Group.

Material acquisitions and future plans for major investment

During the six months ended 30 June 2018, the Group has not conducted any material acquisitions or disposals. In addition, the Group currently has no specific plan for major investment or acquisition for major capital assets or other business. However, the Group will continue to identify new opportunities for business development.

Employees and Staff Costs

As at 30 June 2018, the Group had a total of 728 full time employees, mainly located in mainland China. In particular, 155 employees are responsible for the Group's business operations, 46 for sales and marketing, 153 for content monitoring, 37 for customer service, 252 for technology, research and development, and 85 for general and administrative functions.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Unaudited	
		Six months ended 30 June	
	Note	**2018**	2017
		RMB'000	*RMB'000*
Revenue	*4*	**2,281,186**	1,934,657
Cost of sales	*5*	**(1,500,768)**	(1,261,115)
Gross profit		**780,418**	673,542
Selling and marketing expenses	*5*	**(259,292)**	(214,324)
Administrative expenses	*5*	**(77,066)**	(43,901)
Research and development expenses	*5*	**(85,224)**	(65,888)
Other gains/(losses)-net		**23,528**	(3,849)
Other income		**85,055**	21,077
Operating profit		**467,419**	366,657
Finance income		**5,434**	5,696
Finance costs		**–**	(423)
Finance income — net		**5,434**	5,273
Share of losses of investments accounted for using the equity method		**(9,333)**	(2,092)
Fair value gains/(losses) of financial instruments with preferred rights	*10*	**549,072**	(515,743)
Profit/(loss) before income tax		**1,012,592**	(145,905)
Income tax expense	*6*	**(54,200)**	(33,739)
Profit/(loss) for the period		**958,392**	(179,644)
Profit/(loss) attributable to:			
— The owners of the Company		**959,125**	(179,644)
— Non-controlling interests		**(733)**	–
		958,392	(179,644)
Earnings/(loss) per share attributable to the equity holders of the Company (expressed in RMB per share)			
— Basic earnings/(loss) per share	*7*	**1.14**	(0.21)
— Diluted earnings/(loss) per share	*7*	**0.24**	(0.21)

		Unaudited Six months ended 30 June	
	Note	**2018** ***RMB'000***	2017 *RMB'000*
Profit/(loss) for the period		**958,392**	(179,644)
Other comprehensive income/(loss)		**—**	—
Total comprehensive income/(loss) for the period, net of tax		**958,392**	(179,644)
Total comprehensive income/(loss) attributable to:			
— The owners of the Company		**959,125**	(179,644)
— Non-controlling interests		**(733)**	–
		958,392	(179,644)

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

	Note	**Unaudited 30 June 2018** *RMB'000*	Audited 31 December 2017 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**28,593**	33,865
Intangible assets		**55,445**	62,562
Investments accounted for using the equity method		**165,738**	175,071
Financial assets at fair value through profit and loss		**63,077**	40,430
Deferred income tax assets		**3,285**	1,320
Loans, other receivables, prepayments, deposits and other assets		**5,435**	5,435
Total non-current assets		**321,573**	318,683
Current assets			
Inventories		**857**	107
Accounts receivables	*9*	**32,219**	42,861
Loans, other receivables, prepayments, deposits and other assets		**145,082**	100,842
Financial assets at fair value through profit and loss		**1,748,690**	–
Cash and cash equivalents		**790,336**	2,182,777
Restricted cash		**8,800**	8,800
Total current assets		**2,725,984**	2,335,387
Total assets		**3,047,557**	2,654,070

	Note	**Unaudited 30 June 2018** *RMB'000*	Audited 31 December 2017 *RMB'000*
EQUITY			
Equity attributable to the shareholders of the Company			
Share capital		**6**	–
Other reserves		**166,424**	166,424
Accumulated deficits		**(796,829)**	(1,755,954)
		(630,399)	(1,589,530)
Non-controlling interests		**(367)**	366
Total deficit		**(630,766)**	(1,589,164)

	Note	Unaudited 30 June 2018 *RMB'000*	Audited 31 December 2017 *RMB'000*
LIABILITIES			
Non-current liabilities			
Financial instruments with preferred rights	*10*	**2,824,281**	3,373,353
Deferred tax liabilities		**1,575**	1,750
Total non-current liabilities		**2,825,856**	3,375,103
Current liabilities			
Accounts payables	*11*	**609,032**	625,897
Other payables and accruals		**93,810**	113,034
Current income tax liabilities		**4,593**	2,713
Deferred revenue		**–**	103,597
Contract liabilities		**126,840**	–
Provisions		**8,800**	8,800
Borrowings		**–**	14,090
Other current liabilities		**9,392**	–
Total current liabilities		**852,467**	868,131
Total liabilities		**3,678,323**	4,243,234
Total equity and liabilities		**3,047,557**	2,654,070

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the owner of the Company					
	Share capital *RMB'000*	Other reserves *RMB'000*	Accumulated deficits *RMB'000*	Sub-total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
Balance at 1 January 2017 (Audited)	–	167,110	(1,516,542)	(1,349,432)	–	(1,349,432)
Comprehensive loss						
Loss and total comprehensive loss for the period	–	–	(179,644)	(179,644)	–	(179,644)
Balance at 30 June 2017 (Unaudited)	–	167,110	(1,696,186)	(1,529,076)	–	(1,529,076)
Balance at 1 January 2018 (Audited)	**–**	**166,424**	**(1,755,954)**	**(1,589,530)**	**366**	**(1,589,164)**
Comprehensive income						
Profit and total comprehensive income for the period	**–**	**–**	**959,125**	**959,125**	**(733)**	**958,392**
Transactions with owners in their capacity as owners						
Issuance of ordinary shares	**6**	**–**	**–**	**6**	**–**	**6**
Balance at 30 June 2018 (Unaudited)	**6**	**166,424**	**(796,829)**	**(630,399)**	**(367)**	**(630,766)**

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Unaudited Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Cash flows from operating activities		
Cash generated from operations	**432,168**	406,669
Interests paid	**(1,480)**	–
Interests received	**5,434**	5,696
Income tax paid	**(54,460)**	(123,968)
Net cash generated from operating activities	**381,662**	288,397
Cash flows from investing activities		
Payments for intangible assets	**(739)**	(13,972)
Payments for property, plant and equipment	**(2,166)**	(20,273)
Payments for investments in associates and joint ventures	**–**	(39,316)
Payments for investments in non-current financial assets at fair value through profit and loss	**(28,000)**	–
Payments for investments in structured deposit and wealth management products	**(2,951,680)**	(900,000)
Proceeds from disposal of investments in structured deposit and wealth management products	**1,221,152**	710,060
Proceeds from disposal of non-current financial assets at fair value through profit and loss	**12,420**	–
Loans to third parties	**(22,000)**	(16,000)
Loans to a related party	**(5,000)**	–
Repayment from third parties	**16,000**	–
Net cash used in investing activities	**(1,760,013)**	(279,501)

	Unaudited Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Cash flows from financing activities		
Repayment to third parties	**(14,090)**	–
Proceeds from issuance of financial instruments with preferred rights	**–**	50,000
Capital injection from owners	**–**	890
Net cash (used in)/generated from financing activities	**(14,090)**	50,890
Net (decrease)/increase in cash and cash equivalents	**(1,392,441)**	59,786
Cash and cash equivalents at beginning of period	**2,182,777**	1,410,880
Cash and cash equivalents at end of period	**790,336**	1,470,666

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information, reorganization and basis of presentation

Inke Limited (the "Company") was incorporated in the Cayman Islands on 24 November 2017 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, the Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together referred to as the "Group") are principally engaged in operating a live streaming platform and provision of advertising services (the "Listing Business") in the People's Republic of China (the "PRC" or "China").

Mr. Feng Yousheng ("Mr. Feng"), Ms. Liao Jieming and Mr. Hou Guangling are the founders of the Group.

Prior to the incorporation of the Company and the completion of the reorganization (the "Reorganization"), the Listing Business was principally carried out by Beijing Meelive Network Technology Co., Ltd. and its subsidiaries. In the preparation of the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing"), the Reorganization was completed on 14 February 2018.

The Company's initial public offering of its shares ("Initial Public Offering") on the Main Board of The Stock Exchange of Hong Kong Limited was completed on 12 July 2018 with issuance of 302,340,000 new shares with nominal value of US$0.001 each at an offering price of HK$3.85 per share.

On 26 July 2018, the Company issued additional 45,351,000 new shares with nominal value of US$0.001 each pursuant to the full exercise of over-allotment Option of the Initial Public Offering at a price of HK$3.85 per share (the "Offer Price").

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

2 Basis of presentation

This condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with International Accounting Standard 34 ("IAS"), "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the financial information of the Group for the year ended 31 December 2017 presented in the Appendix I Accountant's Report ("the Accountant's Report") to the prospectus of the Company as issued on 28 June 2018 (the "Prospectus") which has been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

3 Changes in accounting policies

The accounting policies applied are consistent with those of the financial statements for the year ended 31 December 2017, as described in the Accountant's Report except for the adoption of new and amended standards as set out below. The comparative information is not restated. The condensed consolidated interim financial information has been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss and associates measured at fair value through profit or loss which are carried at fair value.

The following new and amended standards, and annual improvement are mandatory for the first time for the Group's financial year beginning on 1 January 2018 and are applicable for the Group:

- IFRS 9 "Financial Instruments"
- IFRS 15 "Revenue from Contracts with Customers"
- Annual Improvement to IFRSs 2014–2016 cycle
- IFRIC-Int 22, "Foreign Currency Transactions and Advance Consideration"

Amendments to IFRS effective for the financial year beginning on 1 January 2018 do not have a material impact on the Group's condensed consolidated interim financial information other than IFRS 9 and IFRS 15, details of which are set out in Note 3.2(a) and 3.2(b), respectively.

3.1 Impact on the financial statements

The Group adopted IFRS 9 and IFRS 15 from 1 January 2018 using the modified retrospective approach which means that the cumulative impact of the adoption, if any, will be recognized in accumulated deficits as of 1 January 2018 and the comparatives will not be restated. Based on the Group's assessment, the accumulated deficits as of 1 January 2018 were not adjusted upon the adoption of IFRS 9 and IFRS 15.

Virtual currency sold but not yet consumed by the purchaser and deferred government grant were previously presented together in deferred revenue but are now presented separately in contract liabilities and other current liabilities to reflect the terminology of IFRS 15 and their different nature. The impact on the Group's balance sheet as at 1 January 2018 is as follows:

	At 31 December 2017	IFRS 15	At 1 January 2018
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities	–	85,468	85,468
Deferred revenue	103,597	(103,597)	–
Other current liabilities	–	18,129	18,129
Total liabilities	103,597	–	103,597

The Group applies the IFRS 9 simplified approach to measure expected credit loss which uses a lifetime expected loss allowance for all trade receivables and contracts assets. In view of the sound collection history of receivables, management believes that the credit risk inherent in the Group's outstanding trade receivable balances due from them is not significant. Based on the Group's assessment, there is no impact on the financial information upon adopting the expected credit loss approach.

3.2 Summary of significant accounting policies

(a) IFRS 9 "Financial Instruments" — Accounting policies applied from 1 January 2018

Investments and other financial assets

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial assets at its fair value plus, in the case of a financial assets not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial assets is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVTPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognized in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

(b) IFRS 15 Revenue from Contracts with Customers- Accounting policies applied from 1 January 2018

The Group mainly generates revenue from live streaming and online advertising. Revenue from live streaming is generated from the Company's mobile live streaming platform. Online advertising revenue is primarily generated from sales of advertising on the Company's mobile live streaming platform. The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

(i) Live streaming

The Group operates the Company's mobile live streaming platform and provides an internet infrastructure to enable the streamers and users to interact through the platform. The Group operates a virtual currency system, under which the users can use the virtual currency to purchase consumable virtual items to present to the streamers to show support or enhance communication and virtual services to increase the invisibility of their profile and messages. The platform is open to all users and streamers for free. The Group generates revenue from the sale of virtual currencies which can be used to purchase virtual items and services on the platform. In order to attract user traffic to the platform, the Group shares revenues with the streamers in accordance with the streamer agreements with the Group.

The Group concluded that it is the primary obligor to fulfil all obligations related to the sales of virtual items and virtual services on the platform and has latitude in establishing price. Accordingly, the Group records revenue on a gross basis and the portion shared with individual streamers and the streamer agents that managed streamers ("streamer costs") are accounted for as cost of revenues.

Upon the sales of virtual currency, the Group typically has an implied obligation to provide the services which enable the virtual currency to be usable in the platform. Virtual currency sold but not yet consumed by the purchaser is recorded as "contract liabilities" and are recognized as revenues based on the weighted average unit price of virtual currencies and the quantities of virtual currencies redeemed for virtual items which are consumed simultaneously. The weighted average unit price of virtual currencies is calculated on a monthly basis as the contract liabilities at the beginning of the month plus proceeds received during the month divided by the corresponding quantity of virtual currencies. For those virtual items or services that will be extinguished shortly after consumption, the user will not continue to be benefited from the virtual items or services and the Group does not have further obligations to the user after the consumption. Therefore, revenue is recognized immediately when the consumable virtual items or services are consumed. The Group also provides other value-added services that enable special privileges and abilities to the purchasers over an extended period of time. Revenue is recognized ratably over the beneficial period. The Group's revenue from durable virtual services is insignificant for all the periods presented.

(ii) Advertising revenue

The Group primarily generates advertising revenues from sales of various forms of advertisements and provision of promotion campaigns on the live streaming platform by way of advertisement display or integrated promotion activities in shows and programs on the live streaming platform. Advertisements on the Group's platform are generally charged on the basis of duration, the Group recognizes revenue ratably over the period that the advertising is provided where collectability is reasonably assured.

(iii) Contract assets and contract liabilities

The excess of the cumulative revenue recognized over the cumulative consideration received and due from the contracted customer is recognized as a contract asset on the consolidated balance sheet. The contract assets are transferred to receivables when the rights to the consideration become unconditional. On the contrary, the excess of the cumulative consideration received from the contracted customer over the cumulative revenue recognized as a contract liability. The contract asset and the contract liability are classified as current and non-current portions based on their respective recovery or settlement periods. As at 30 June 2018, the Group did not have contract assets.

(c) Impact of standards issued but not yet applied by the Group

(i) IFRS 16 Leases

IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB32,064,000. However, The Group anticipates that the initial adoption of IFRS 16 in the future will result in an increase in right-of-use assets and lease liabilities, which is unlikely to have material impact on the Group's financial position. The Group also anticipates that the net impact (as a result of the combination of the interest expenses arising from the lease liabilities and the amortization of the right-of-use assets as compared to the rental expense under existing standard) on the Group's financial performance will not be material.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

4 Revenue

The Group's operations and main revenue streams are those described in the last annual financial statements for the year ended 31 December 2017, as described in the Accountant's Report. The Group's revenue is derived from contracts with customers.

The nature and effect of initially applying IFRS 15 on the Group's interim financial statements are disclosed in Note 3.

In the following table, revenue is disaggregated by major products and service lines.

	Unaudited Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Live streaming	**2,227,798**	1,932,765
Online advertising	**47,840**	1,887
Others	**5,548**	5
	2,281,186	1,934,657

5 Expenses by nature

	Unaudited Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Streamer costs	**1,365,197**	1,093,554
Promotion and advertising expenses	**242,511**	205,390
Employee benefit expenses	**124,488**	97,545
Bandwidth and server custody costs	**49,820**	65,884
Technical support and professional service fees	**9,822**	13,680
Payment handling costs	**29,801**	53,635
Taxes and surcharges	**16,939**	10,523
Outsourced development costs	**12,054**	8,126
Content and copyright cost	**9,706**	7,810
Travelling, entertainment and general office expenses	**10,156**	11,983
Operating lease rentals	**8,379**	12,346
Amortization of intangible assets	**7,856**	946
Depreciation of property, plant and equipment	**7,438**	3,167
Listing expenses	**24,049**	–
Auditor's remuneration	**1,500**	–
Other expenses	**2,634**	639
	1,922,350	1,585,228

6 Income tax expenses

	Unaudited Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Current tax	**56,340**	35,058
Deferred income tax	**(2,140)**	(1,319)
Income tax expense	**54,200**	33,739

The Group is not subject to taxation in the Cayman Islands. Hong Kong's income tax rate is 16.5%. The companies established and operated in the PRC are subject to PRC Enterprise Income Tax ("**EIT**") at a rate of 25%, and certain Group's subsidiaries established in the PRC and PRC Operating Entities are entitled to preferential EIT rates of 15% and 0%.

7 Earnings/(loss) per share

(a) Basic

Basic earnings per share is calculated by dividing the profit/(loss) of the Group attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the periods.

	Unaudited Six months ended 30 June	
	2018	2017
Profit/(loss) attributable to owners of the Company (RMB'000)	**959,125**	(179,644)
Weighted average number of ordinary shares in issue (thousands)	**839,914**	839,914

Pursuant to the Initial Public Offering, each ordinary shares were subdivided into 1,000 shares ("capitalization issue"). The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for both periods has been retrospectively adjusted.

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The financial instrument with preferred rights are the only dilutive potential ordinary shares as at June 30 2018. During the period ended June 30 2017, the Group's financial instrument with preferred rights were anti-dilutive and the diluted loss per share is the same as basic loss per share.

	Unaudited Six months ended 30 June	
	2018	2017
Earnings (RMB'000) —		
Profit/(loss) for the period	**959,125**	(179,644)
Adjustment for fair value gain of financial instruments with preferred rights	**(549,072)**	–
Profit/(loss) used to determine diluted earnings per share	**410,053**	(179,644)
Weighted average number of ordinary shares (thousands) —		
Weighted average number of ordinary shares in issue for basic earnings per share	**839,914**	839,914
Adjustments for:		
Assumed conversion of financial instruments with preferred rights and after the capitalization issue	**873,310**	–
Weighted average number of ordinary shares for diluted earnings per share	**1,713,224**	839,914

8 Dividends

No dividends have been paid or declared by the Company during each of the period ended 30 June 2017 and 2018.

9 Accounts receivables

The Group allows a credit period of 30 to 120 days to its customers. At 30 June 2018, the aging analysis of trade receivables (net of allowance for doubtful debts) based on transaction date were as follows:

	Unaudited	Audited
	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
Accounts receivables		
— Up to 3 months	**26,576**	36,104
— 3 to 6 months	**14**	2,540
— 6 months to 1 year	**5,572**	4,217
— 1 to 2 years	**57**	–
	32,219	42,861

As at 31 December 2017 and 30 June 2018, the carrying amounts of accounts receivables are primarily denominated in RMB and approximate to their fair values at each of the reporting dates.

10 Financial instruments with preferred rights

The offering price of the Company's shares upon Initial Public Offering have been used to estimate the fair value of the financial instruments with preferred rights as at 30 June 2018. Changes in fair value of financial instruments with preferred rights were recorded in "fair value loss/gain of financial instruments with preferred rights".

11 Accounts payables

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

	Unaudited	Audited
	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
— Up to 3 months	**283,981**	329,889
— 3 to 6 months	**57,349**	37,545
— 6 months to 1 year	**33,796**	31,869
— 1 to 2 years	**233,906**	226,594
	609,032	625,897

OTHER INFORMATION

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2018.

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

As the shares of the Company were not yet listed on the Stock Exchange as at 30 June 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the Reporting Period.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

With the shares of the Company listed on the Stock Exchange on 12 July 2018, the net proceeds from the Global Offering (following full exercise of the Over-allotment Option) was approximately HK$1,229 million, which will be utilized for the purposes as set out in the Prospectus.

EVENTS AFTER THE REPORTING PERIOD

The Company was successfully listed on the Main Board of the Stock Exchange on 12 July 2018. On 12 July 2018, 302,340,000 shares of the Company were issued at the Offer Price by way of the global offering. On 19 July 2018, the Over-allotment Option had been fully exercised by the joint global coordinators (for themselves and on behalf of the international underwriters) to require the Company to allot and issue 45,351,000 additional shares of the Company at the Offer Price. All the above shares of the Company when issued rank pari passu with other shares of the Company in issue in all respects.

Upon the Listing, all the financial instruments with preferred rights of the Company were derecognized.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As the Shares were not listed on the Stock Exchange as at 30 June 2018, the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**") was not applicable to the Company during the Reporting Period.

After the Listing, the Company has complied with the applicable code provisions of the Code as set forth in the Corporate Governance Code, except for a deviation from the code provision A.2.1 which requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Feng 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 2004. 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 three 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 Corporate Governance Code and maintaining a high standard of corporate governance practices of the Company.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

As the Company was not yet listed on the Stock Exchange during the Reporting Period, the provisions under the Listing Rules in relation to the compliance with the Model Code by the Directors were not applicable to the Company during the Period.

After the Listing, 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 its code of conduct regarding directors' securities transactions. All directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code since the Listing Date up to the date of this interim results announcement.

AUDIT COMMITTEE

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

The Audit Committee has reviewed and discussed the unaudited interim results for the six months ended 30 June 2018. The Audit Committee has reviewed the Company's unaudited condensed consolidated interim results for the Reporting Period, and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made. The interim results for the Reporting Period is unaudited, but has been reviewed by the Auditor, in accordance with International Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity", issued by the International Auditing and Assurance Standards Board.

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

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the website of the Stock Exchange (http://www.hkexnews.hk) and that of the Company (http://www.inke.cn/). The interim report of the Company for the six months ended 30 June 2018 will be dispatched to the shareholders of the Company and will be available on the website of the Stock Exchange and that of the Company in due course.

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

Hong Kong, 25 August 2018

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