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 2020

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Period-to-Period Change*	For the year ended 31 December
	2020	2019		2019
	(unaudited)	(unaudited)	(%)	(audited)
	(RMB in thousands, except for percentages)			
Revenue	**2,202,636**	1,485,571	48.3	3,268,573
Cost of sales	**(1,718,395)**	(1,054,794)	62.9	(2,379,080)
Gross profit	**484,241**	430,777	12.4	889,493
Operating profit/(loss)	**52,270**	(66,485)	N/A	45,973
Profit/(loss) for the period/year	**73,231**	(27,547)	N/A	52,781
Non-IFRS Adjusted net profit/(loss)**	**82,647**	(10,917)	N/A	71,462

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

** Non-IFRS adjusted net profit/(loss) was calculated using profit/(loss) for the period/year eliminates the effects of non-cash fair value gain/(loss) of financial instruments with preferred rights and share-based compensation expenses.

OPERATIONAL HIGHLIGHTS

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

	For the six months ended		**Period-to-Period Change***
	30 June 2020	30 June 2019	(%)
	(in thousands, except for percentages)		
Average monthly active users**	**32,974**	29,526	11.68%

* Period-on-Period Change % represents a comparison between the first half of 2020 and the corresponding period last year.

** Average MAU in the first half year of 2020 is based on the products of the Group, including Inke and Yinpao, etc. Average MAU in the corresponding period last year was based on the Inke App.

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 2020 (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 for the First Half of 2020

In the first half of 2020, the Group maintained the stable growth of Inke APP while accelerating the research and development and commercialization of innovative products. The business model of several products has been proved effective and drove the rapid growth of operating income. The strategy of establishing a product matrix for "interactive social networking" has been implemented steadily. The Group's revenue for the first half of 2020 recorded a growth of 24% as compared with approximately RMB1,783 million generated in the second half of 2019 and 48% as compared with the corresponding period in 2019. Revenue from Inke App for the Reporting Period was approximately RMB1,387 million, accounting for 62.95% of the revenue for the Reporting Period. Revenue from innovative products for the Reporting Period was approximately RMB807 million, accounting for 36.63% of the revenue for the Reporting Period.

Since the global outbreak of the pandemic, peoples' daily lives have been changed significantly and online interactive social networking has seen a tremendous boost in demand but has developed into various small segments. Products targeting the lower-tier markets and the demand for vertical interactive social networking of user bases with different characteristics have brought us huge business opportunities and potential for development. In addition, the surge of the demand for online entertainment stimulated the integration of online audio and video technologies with various industries and scenarios, which generated multifarious new functions and applications. The Group has been focusing on and exploring market segments and interactive social needs of users, also insisted on innovation and steadily accelerated the establishment of interactive social networking product matrix by leveraging on its extensive experience in the industry, commercialization capabilities and technologies advantages, so as to promote the sustainable and rapid growth in operating income amid the competition in the rapidly developing and changing market.

Based on the demand for interactive social networking of its users, the Group has put great efforts in innovating the contents and interactive functions of Inke APP, so as to improve users' experiences constantly. In June 2020, the Group entered into an exclusive strategic cooperation agreement with Asia Television ("**ATV**"), pursuant to which the Inke APP will become the exclusive online competition platform for Miss Asia Pageant 2020. The Group aimed to gain strong presence in Asia-Pacific region and speed up its internationalization process through broadcasting ATV Miss Asia Pageant 2020.

In addition, leveraging on its extensive experience in products, operation and commercialization, the Group has developed a wide range of innovative interactive social networking products, including video and audio social networking products. The business model of these products has been proved effective by the market in a short period of time, which drove the rapid growth of revenue and became important engines for sustainable revenue growth of the Group.

Jimu (積目) APP and other social networking products have been growing rapidly and built up strong competitiveness in their respective segments. The commercialization of Jimu APP commenced in December 2019. In the first half of 2020, the social algorithms and matching strategies of Jimu APP were optimized to improve the accuracy of matching of users and retention. The community functions of Jimu APP were also innovated so as to realize the accurate matching between users, users and places as well as users and interests.

Business Outlook

Looking forward, the Group will adhere to the core strategy of interactive social networking. Continue effort will be made to expand product layout in different market segments and vertical target groups in order to achieve sustainable and rapid growth of operating income. Through refining governance structure and management system and other measures, the Group will enhance its operation efficiency to facilitate its long-term and stable development. The Group will adopt the following strategies to achieve growth:

- **Increasing its investments in existing products**: For the products with proven business models, the Company will continue to increase its investments. The Company will further improve the position of its products in market segments and industries and expand product coverage and penetration, in order to achieve continuous growth in both revenue and user base and provide stable and continuous cash flows and new traffic base to the Group.

- **Continuously expanding the interactive social networking product matrix:** The Group will keep abreast of the interactive social networking needs of different people to diversify its product offering and continue to expand its product matrix. Through the formulation of product matrix, the Group strives to establish an interactive social networking platform with a broader coverage of users and markets. Leveraging on its extensive experience in commercialization, the Group will prove business models of products rapidly to achieve a sustainable and rapid growth of revenues.

- **Continuously identifying investment, merger and acquisition opportunities:** The Group will closely follow new needs of interactive social networking in the vertical markets and target groups, focus on new opportunities in the upstream and downstream of the industrial chain, identify products that can generate synergy for its development and have a sizeable user base or revenue scale, and prudently seek the opportunities for investment and acquisition in line with the strategic plan of the Group.

- **Keeping abreast of new technology development:** Through continuous technology investments and innovation, the Group will establish a new interactive social networking ecosystem. By keeping up with the development trend of new technologies including 5G and AI. The Group will continue to build up its reserves for new technologies to maintain its first-mover advantages in order to provide users with more fluent and immersive product experiences.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

The Group's revenue for the six months ended 30 June 2020 amounted to approximately RMB2,202.6 million, representing an increase of 48.3% from approximately RMB1,485.6 million recorded for the corresponding period in 2019. Live streaming revenue increased by 53.5% to approximately RMB2,165.1 million for the six months ended 30 June 2020 from approximately RMB1,410.2 million for the corresponding period in 2019. The increase in revenue was primarily caused by the rapid growth in revenue from innovative products. The Group will stick to its strategic plan of "interactive social networking" and actively expand innovative business to provide new impetus to its development, while steadily developing its existing business.

Cost of sales

The Group's cost of sales increased by 62.9% to approximately RMB1,718.4 million for the six months ended 30 June 2020 from approximately RMB1,054.8 million for the corresponding period in 2019, mainly affected by the increase in the revenue. The Group's cost of sales percentage of revenue increased to 78.0% for the six months ended 30 June 2020 from 71.0% for the corresponding period in 2019, 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 12.4% to approximately RMB484.2 million for the six months ended 30 June 2020 from approximately RMB430.8 million for the corresponding period in 2019, and the Group's gross profit margin decreased to 22.0% for the six months ended 30 June 2020 from 29.0% for the corresponding period in 2019, primarily due to an increase in revenue sharing with the Group's streamers.

Selling and marketing expenses

The Group's selling and marketing expenses decreased by 19.8% to approximately RMB257.0 million for the six months ended 30 June 2020 from approximately RMB320.6 million for the corresponding period in 2019, which was mainly affected by the spread of COVID-19. Due to the pandemic, people are spending more time at home hence the Company reduced the outdoor advertising.

Administrative expenses

The Group's administrative expenses decreased by 28.8% to approximately RMB67.2 million for the six months ended 30 June 2020 from approximately RMB94.4 million for the corresponding period in 2019, which was mainly due to the impairment charges of certain subsidiaries for the six months ended 30 June 2019.

Research and development expenses

The Group's research and development expenses increased by 5.3% to approximately RMB161.1 million for the six months ended 30 June 2020 from approximately RMB153.0 million for the corresponding period in 2019. The increase was in line with the rapid development of cutting-edge technologies such as 5G and AI, the Company increased its research and development investment in technologies and products and developed the next generation of interactive entertainment scenarios in advance to provide enriched interactive entertainment experiences for its users.

Other gains — net

The Group recorded net other gains of approximately RMB22.2 million for the six months ended 30 June 2020, which primarily consisted of income from investment in wealth management products and investment in non-current financial assets at fair value through profit and loss. In the corresponding period in 2019, the Group recorded net other gains of approximately RMB33.5 million. Please refer to sub-section headed "— Liquidity and Capital Resources — Financial assets at fair value through profit or loss" below for details.

Finance income — net

The Group recorded net finance income of approximately RMB4.0 million for the six months ended 30 June 2020, which was mainly due to the decrease of the fixed term deposit. In the corresponding period in 2019, the Group recorded net finance income of approximately RMB22.9 million.

Share of profit of investments accounted for using the equity method

The Group's share of profit of investments accounted for using the equity method increased to approximately RMB22.4 million for the six months ended 30 June 2020 primarily due to the profit from the investments in an associate and a joint venture. The Group recorded profits of approximately RMB14.4 million for the corresponding period in 2019.

Income tax expense/(credit)

The Group's recorded income tax expense of approximately RMB5.4 million for the six months ended 30 June 2020 and income tax credit of approximately RMB1.6 million for the corresponding period in 2019, primarily due to increases of the profit before income tax for the six months ended 30 June 2020.

Profit/(loss) for the period

As a result of the foregoing, the Group's profit for the period was approximately RMB73.2 million for the six months ended 30 June 2020. In comparison, the Group recorded an approximately RMB27.5 million loss for the corresponding period in 2019.

Non-IFRS Measure — Adjusted net profit/(loss)

To supplement the Group's condensed consolidated interim financial information which is presented in accordance with the International Accounting Standard 34 ("**IAS**"), "Interim financial reporting", the Group also uses adjusted net profit/(loss) as an additional financial measure. The Group's adjusted net profit/(loss) eliminates the effect of non-cash share based compensation expenses. The table below sets forth the reconciliation of adjusted net profit/(loss) for the periods indicated:

	Unaudited For the six months ended 30 June	
	2020	2019
	(RMB in thousands)	
Profit/(loss) for the period	**73,231**	(27,547)
Add: non-cash share based compensation expenses	**9,416**	16,630
Adjusted net profit/(loss)	**82,647**	(10,917)

Liquidity and Capital Resources

For the six months ended 30 June 2020, the Group financed its operations primarily through cash generated from the Group's operating activities. The Group intends to finance its expansion and business operations with internal resources and through organic and sustainable growth.

Cash and cash equivalents and restricted cash

As at 30 June 2020, the Group had cash and cash equivalents of approximately RMB780.8 million (31 December 2019: approximately RMB603.9 million), which primarily consisted of cash at bank. Out of the RMB780.8 million, approximately RMB622.3 million is denominated in Renminbi and approximately RMB158.5 million is denominated in other currencies (primarily US dollars). The Group currently does not hedge transactions undertaken in foreign currencies.

As at 30 June 2020, the restricted cash balance was approximately RMB26.4 million (31 December 2019: RMB39.4 million), of which approximately RMB26.3 million was restricted due to the cooperation with local authorities in relation to investigation of certain end consumers of the Group's platform. The Group, based on the external lawyer's legal opinion, believed that the Company is a bona fide third party and it is not probable that an outflow of resources embodying economic benefits will be required to settle any obligations, as such no provisions have been made by the Group as at 30 June 2020.

Financial assets at fair value through profit or loss

As of 30 June 2020, the Group had current and non-current financial assets at fair value through profit or loss of approximately RMB1,742.2 million (31 December 2019: RMB1,791.6 million), mainly comprised (a) investments in wealth management products and structured deposits of approximately RMB1,690.1 million in aggregate (31 December 2019: RMB1,712.1 million), which mainly represented approximately RMB1,448.8 million in short-term non-principal guaranteed wealth products and approximately RMB241.3 million in principal guaranteed structured deposits with a floating interest rate, (b) investments in financial instruments with preferred rights of approximately RMB52.1 million (31 December 2019: RMB79.4 million).

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

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

Capital expenditures

For the six months ended 30 June 2020, the Group's capital expenditure amounted to approximately RMB2.6 million (six months ended 30 June 2019: approximately RMB3.5 million), which was mainly used for the acquisition of property, plant, equipment and intangible assets. The Group funded its capital expenditure by using the cash flow generated from its operations.

Contingent liabilities and guarantees

As at 30 June 2020, the Group did not have any significant unrecorded contingent liabilities, guarantees or any litigation against the Group.

Pledge of Assets

As at 30 June 2020, the Group did not pledge any assets.

Foreign exchange risk management

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

Employees and Staff Costs

As at 30 June 2020, the Group had a total of 1,383 full-time employees, mainly located in mainland China. In particular, 288 employees are responsible for the Group's business operations, 32 for sales and marketing, 166 for content monitoring, 70 for customer service, 697 for technology, research and development, and 130 for general and administrative functions.

FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

		Unaudited	
		Six months ended 30 June	
	Notes	**2020**	2019
		RMB'000	*RMB'000*
Revenue	5	**2,202,636**	1,485,571
Cost of sales	6	**(1,718,395)**	(1,054,794)
Gross profit		**484,241**	430,777
Selling and marketing expenses	6	**(256,964)**	(320,585)
Administrative expenses	6	**(67,249)**	(94,400)
Research and development expenses	6	**(161,116)**	(153,033)
Other gains — net		**22,165**	33,546
Other income		**31,193**	37,210
Operating profit/(loss)		**52,270**	(66,485)
Finance income — net		**3,965**	22,874
Share of profit of investments accounted for using the equity method		**22,432**	14,420
Profit/(loss) before income tax		**78,667**	(29,191)
Income tax (expense)/credit	7	**(5,436)**	1,644
Profit/(loss) for the half-year		**73,231**	(27,547)
Profit/(loss) attributable to:			
— The owners of the Company		**73,265**	(26,344)
— Non-controlling interests		**(34)**	(1,203)
		73,231	(27,547)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences		**7,102**	1,687
Total comprehensive income/(loss) for the half-year, net of tax		**80,333**	(25,860)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS) (CONTINUED)

		Unaudited Six months ended 30 June	
	Notes	**2020**	2019
		RMB'000	*RMB'000*
Total comprehensive income/(loss) attributable to:			
— The owners of the Company		**80,367**	(24,657)
— Non-controlling interests		**(34)**	(1,203)
		80,333	(25,860)
Earnings/(loss) per share attributable to the equity holders of the company (expressed in RMB per share)			
— Basic earnings/(loss) per share	8	**0.04**	(0.01)
— Diluted earnings/(loss) per share	8	**0.04**	(0.01)

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

	Notes	**Unaudited 30 June 2020** *RMB'000*	Audited 31 December 2019 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**13,997**	19,277
Intangible assets		**622,185**	634,556
Investments accounted for using the equity method		**264,978**	242,546
Financial assets at fair value through profit or loss		**52,121**	430,106
Deferred tax assets		**51,748**	53,109
Term deposits		**397,000**	397,000
Right-of-use assets		**133,100**	145,785
Loans, other receivables, prepayments, deposits and other assets		**25,367**	119,061
Total non-current assets		**1,560,496**	2,041,440
Current assets			
Inventories		**856**	1,249
Accounts receivables	10	**34,917**	20,489
Loans, other receivables, prepayments, deposits and other assets		**277,036**	209,108
Financial assets at fair value through profit or loss		**1,690,144**	1,361,447
Cash and cash equivalents		**780,821**	603,932
Term deposits		**—**	184,756
Restricted cash		**26,369**	39,418
Total current assets		**2,810,143**	2,420,399
Total assets		**4,370,639**	4,461,839

	Notes	Unaudited 30 June 2020 *RMB'000*	Audited 31 December 2019 *RMB'000*
EQUITY			
Equity attributable to the shareholders of the Company			
Share capital		**13,262**	13,351
Other reserves		**3,979,158**	4,050,234
Accumulated deficits		**(525,146)**	(598,411)
		3,467,274	3,465,174
Non-controlling interests		**—**	(3,450)
Total equity		**3,467,274**	3,461,724
LIABILITIES			
Non-current liabilities			
Lease liabilities		**112,293**	127,958
Deferred tax liabilities		**26,567**	27,676
Other payables and accruals		**25,868**	36,004
Total non-current liabilities		**164,728**	191,638
Current liabilities			
Accounts payables	11	**484,710**	512,052
Other payables and accruals		**115,005**	138,328
Current income tax liabilities		**701**	5,998
Contract liabilities		**111,228**	113,045
Lease liabilities		**26,829**	25,773
Provisions		**164**	13,059
Other current liabilities		**—**	222
Total current liabilities		**738,637**	808,477
Total liabilities		**903,365**	1,000,115
Total equity and liabilities		**4,370,639**	4,461,839

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the owners of the Company					
	Share capital	**Other reserves**	**Accumulated deficits**	**Sub-total**	**Non-controlling interests**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2019 (Audited)	13,623	4,113,873	(653,343)	3,474,153	(1,299)	3,472,854
Loss and other comprehensive income						
Total loss and other comprehensive income	—	1,687	(26,344)	(24,657)	(1,203)	(25,860)
Transactions with owners in their capacity as owners						
Share-based compensation expense	—	16,630	—	16,630	—	16,630
Shares repurchased	—	(58,570)	—	(58,570)	—	(58,570)
Total transactions with owners in their capacity as owners	—	(41,940)	—	(41,940)	—	(41,940)
Balance at 30 June 2019 (Unaudited)	13,623	4,073,620	(679,687)	3,407,556	(2,502)	3,405,054
Balance at 1 January 2020 (Audited)	**13,351**	**4,050,234**	**(598,411)**	**3,465,174**	**(3,450)**	**3,461,724**
Profit and other comprehensive income						
Total profit and other comprehensive income	**—**	**7,102**	**73,265**	**80,367**	**(34)**	**80,333**
Transactions with owners in their capacity as owners						
Share-based compensation expense	**—**	**7,976**	**—**	**7,976**	**—**	**7,976**
Shares repurchased	**—**	**(78,739)**	**—**	**(78,739)**	**—**	**(78,739)**
Shares cancelled	**(89)**	**89**	**—**	**—**	**—**	**—**
Acquisition of non-controlling interests in a subsidiary	**—**	**(7,504)**	**—**	**(7,504)**	**3,484**	**(4,020)**
Total transactions with owners in their capacity as owners	**(89)**	**(78,178)**	**—**	**(78,267)**	**3,484**	**(74,783)**
Balance at 30 June 2020 (Unaudited)	**13,262**	**3,979,158**	**(525,146)**	**3,467,274**	**—**	**3,467,274**

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Unaudited Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Cash flows from operating activities		
Cash generated from/(used in) operations	**1,387**	(9,115)
Interest received	**6,774**	24,817
Income tax paid	**(23,128)**	(9,633)
Net cash (used in)/generated from operating activities	**(14,967)**	6,069
Cash flows from investing activities		
Payments for intangible assets	**(634)**	(713)
Payments for property, plant and equipment	**(1,933)**	(2,753)
Payments for acquisition of a subsidiary	**(10,094)**	—
Payments for investments in associates and joint ventures	**—**	(53,030)
Payments for long-term deposits	**—**	(247,000)
Payments for short-term deposits	**—**	(1,253,017)
Payments for investments in non-current financial assets at fair value through profit or loss	**(2,977)**	(164,971)
Payments for investments in current financial assets at fair value through profit or loss	**(1,418,590)**	(1,157,910)
Proceeds from disposal of investments in current financial assets at fair value through profit or loss	**1,277,867**	1,066,300
Proceeds from disposal of long-term deposits	**—**	200,000
Proceeds from disposal of short-term deposits	**184,756**	1,710,446
Proceeds from disposal of non-current financial assets at fair value through profit or loss	**213,607**	14,045
Proceeds from disposal of property, plant and equipment and intangible assets	**497**	163
Loans to third parties	**(16,600)**	(25,392)
Proceeds from third parties	**—**	6,000
Loans to related parties	**(23,100)**	(27,617)
Proceeds from related parties	**86,100**	5,000
Net cash out flow due to disposal of a subsidiary, net of consideration received	**—**	(25,839)
Other	**—**	31
Net cash generated from investing activities	**288,899**	43,743

	Unaudited Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Cash flows from financing activities		
Acquisition of treasury shares*	**(78,739)**	(58,570)
Payment of lease liabilities	**(21,261)**	(16,323)
Net cash used in financing activities	**(100,000)**	(74,893)
Net increase/(decrease) in cash and cash equivalents	**173,932**	(25,081)
Effects of exchange rate changes on cash and cash equivalents	**2,957**	1,608
Cash and cash equivalents at beginning of period	**603,932**	849,629
Cash and cash equivalents at end of period	**780,821**	826,156

* During the six months ended 30 June 2020, the Company repurchased 40,924,000 shares and the restricted share unit scheme purchased 40,463,000 shares from the market. The total cost is RMB78,739,000.

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1. General information

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

The Company is an investment holding company. The Company and its subsidiaries (together referred as to the "**Group**") are principally engaged in operating live streaming platforms in the People's Republic of China (the "**PRC**" or "**China**").

The condensed consolidated interim financial information comprises the condensed consolidated balance sheets as at 30 June 2020, the condensed consolidated comprehensive income for the six months ended 30 June 2020, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months ended 30 June 2020, and a summary of significant accounting policies and other explanatory notes (the "**Interim Financial Information**"). The Interim Financial Information is presented in Renminbi ("**RMB**"), unless otherwise stated.

2. Basis of preparation of Interim Financial Information

This condensed consolidated Interim Financial Information for the six months ended 30 June 2020 has been prepared in accordance with International Accounting Standard 34 ("**IAS**"), "Interim financial reporting". The Interim Financial Information does not include all the notes of the type normally included in an annual financial report. Accordingly, this Interim Financial Information is to be read in conjunction with the annual report for the year ended 31 December 2019 and any public announcements made by the Company during the interim reporting period.

3. Changes in accounting policies

The accounting policies applied are consistent with those described in the annual financial statements for the year ended 31 December 2019, as described in those annual financial statements except for: (1) the adoption of amendments to IFRSs which become effective for the current reporting period; and (2) the early adoption of amendment to IFRS 16 on COVID-19-Related Rent Concessions for the current reporting period.

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

(a) New and amended standards adopted by the Group

The Group has applied the following amendments to standards which become applicable for the current reporting period:

Amendments to IAS 1 and IAS 8	*Definition of Material*
Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 7 and IFRS 9	*Interest Rate Benchmark Reform*

The Group also elected to adopt the following amendment early:

Amendment to IFRS 16	*COVID-19-Related Rent Concessions*

Except for amendment to IFRS 16 on COVID-19-Related Rent Concessions, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

Amendment to IFRS 16 on COVID-19-Related Rent Concessions provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as they would if they were not lease modifications.

The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments due on or before 30 June 2021; and

- there is no substantive change to other terms and conditions of the lease.

Amendment to IFRS 16 on COVID-19-Related Rent Concessions is mandatory for annual reporting periods beginning on or after 1 June 2020. The Group has elected to early adopt amendment to IFRS 16 on COVID-19-Related Rent Concessions for the current reporting period as permitted by this amendment.

The Group has applied the practical expedient to all rent concessions that meet the above conditions in respect of lease arrangements for which lease liabilities are recognised. During the six months ended 30 June 2020, an amount of RMB212,000 is recognised in profit or loss as variable lease payments to reflect changes in lease liabilities that arise from rent concessions.

4. Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income and expense.

The outbreak of COVID-19 has developed rapidly in 2020 and significantly impacted entities and economic activities in varying scales globally. While there have been more immediate and pronounced disruptions in certain industries, its impact on the live streaming industry has been rather modest during the current reporting period. 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 2019.

In particular, some estimates, however, will continue to be affected by the ongoing COVID-19 outbreak. The severity, magnitude and duration, as well as the economic consequences of the COVID-19 pandemic, are uncertain, rapidly changing and it is currently impossible to predict. As a result, our accounting estimates and assumptions may change over time in response to how market conditions develop. In addition, actual results may differ from these estimates and assumptions.

5. Revenue

	Unaudited Six months ended 30 June **2020** ***RMB'000***	 2019 *RMB'000*
Live streaming	**2,165,085**	1,410,184
Online advertising	**1,114**	70,350
Others	**36,437**	5,037
	2,202,636	1,485,571

6. Expenses by nature

	Unaudited Six months ended 30 June **2020** ***RMB'000***	 2019 *RMB'000*
Streamer costs	**1,571,921**	909,399
Promotion and advertising expenses	**245,732**	308,807
Employee benefit expenses	**207,445**	203,159
Bandwidth and server custody costs	**44,631**	49,038
Payment handling costs	**34,285**	25,150
Outsourced development costs	**21,202**	20,212
Technical support and professional service fees	**18,306**	17,332
Depreciation of right-of-use assets	**15,650**	12,052
Amortization of intangible assets	**13,005**	7,269
Depreciation of property, plant and equipment	**5,817**	8,636
Travelling, entertainment and general office expenses	**15,193**	18,655
Taxes and surcharges	**8,276**	6,917
Expenses relating to short-term lease and variable lease payments not included in lease liabilities	**1,247**	2,024
Content and copyright costs	**166**	9,597
Impairment of intangible assets	**—**	12,730
Impairment of goodwill	**—**	10,334
Other expenses	**848**	1,501
	2,203,724	1,622,812

7. Income tax (expense)/credit

	Unaudited Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Current tax	**(5,184)**	(56,649)
Deferred income tax	**(252)**	58,293
Income tax (expense)/credit	**(5,436)**	1,644

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,
- by the weighted average number of ordinary shares outstanding during the financial year, excluding treasury shares.

	Unaudited Six months ended 30 June	
	2020	2019
Profit/(loss) attributable to owners of the Company (RMB'000)	**73,265**	(26,344)
Weighted average number of ordinary shares in issue (thousands)	**1,957,291**	2,048,650
Basic earnings/(loss) per share attributable to the ordinary equity holders of the Company (expressed in RMB per share)	**0.04**	(0.01)

(b) Diluted earnings per share

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

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

	Unaudited Six months ended 30 June	
	2020	2019
Earnings/(loss) *(RMB'000)*		
Profit/(loss) for the period	**73,265**	(26,344)
Profit/(loss) used to determine diluted earnings/(loss) per share	**73,265**	(26,344)
Weighted average number of ordinary shares (thousands)		
Weighted average number of ordinary shares in issue for basic earnings per share	**1,957,291**	2,048,650
Adjustments for:		
Restricted share units	**6,235**	—
Weighted average number of ordinary shares for diluted earnings per share	**1,963,526**	2,048,650
Diluted earnings/(loss) per share (expressed in RMB per share)	**0.04**	(0.01)

9. Dividends

No dividends have been paid or declared by the Company for each of the period ended 30 June 2020 and 2019.

10. Accounts receivables

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

	Unaudited 30 June 2020 *RMB'000*	Audited 31 December 2019 *RMB'000*
Accounts receivables		
— Up to 3 months	**22,887**	17,777
— 3 to 6 months	**11,105**	923
— 6 months to 1 year	**353**	1,184
— 1 to 2 years	**572**	605
	34,917	20,489

As at 30 June 2020 and 31 December 2019, the carrying amount of accounts receivables are primarily denominated in RMB and approximate to their fair values at each of the reporting dates.

(b) As of 30 June 2020, accounts receivables of RMB1,666,000 were past due but not impaired (31 December 2019: RMB5,193,000). These relate to a number of independent customers. No impairment provision was considered necessary against these balances after the management had performed assessment on their credit quality with reference to historical counterparty default rates.

11. Accounts payables

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

	Unaudited 30 June 2020 *RMB'000*	Audited 31 December 2019 *RMB'000*
— Up to 3 months	**278,584**	285,554
— 3 to 6 months	**14,477**	11,817
— 6 months to 1 year	**9,546**	8,781
— Over 1 year	**182,103**	205,900
	484,710	512,052

OTHER INFORMATION

INTERIM DIVIDEND

The Board does not declare any payment of interim dividend for the six months ended 30 June 2020.

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

During the six months ended 30 June 2020, the Company has repurchased a total of 40,924,000 shares from The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") at an aggregate consideration of HK$44,851,180. 13,308,000 repurchased shares have been cancelled on 15 January 2020. The highest price paid per share is HK$1.37, and the lowest price paid per share is HK$0.96.

Except as disclosed above, during the six months ended 30 June 2020, neither the Company nor its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

RESTRICTED SHARE UNIT SCHEME

During the six months ended 30 June 2020, the trustee of the restricted share unit scheme has purchased a total of 40,463,000 shares on the Stock Exchange.

USE OF PROCEEDS FROM LISTING

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 (the "**IPO Proceeds**").

As of 30 June 2020, the Company had used approximately HKD130.0 million to develop its new products, approximately HKD93.6 million to market and promote new products, approximately HKD39.9 million to develop technology, research and development capabilities, and approximately HKD56.4 million to replenish its general working capital. All uses are consistent with the intended uses of the IPO Proceeds.

The Company does not intend to change the purpose of the IPO proceeds as set out in the Prospectus and will gradually utilize the residual amount of the IPO proceeds in accordance with their intended purpose.

EVENTS AFTER THE REPORTING PERIOD

In early 2020, there was an outbreak of an infectious respiratory disease named "COVID-19" by the World Health Organization, which is caused by a novel coronavirus, in the world. The PRC government has implemented various contingency measures and actions to prevent the spread of COVID-19 such as an extension of the Chinese New Year holiday, as well as travel and work restrictions in certain provinces and municipalities. In view of the outbreak of COVID-19, we are currently taking necessary precautions to safeguard our employees. Due to the pandemic, people are spending more time at home, and the demand for online entertainment has surged, creating new opportunities for the online interactive entertainment industry. We remain positive about the Group's prospects. We are closely monitoring the development of the outbreak and evaluating its impact on the operation and financial position of the Group.

Save as the above, there were no significant events after 30 June 2020 and up to the date of this announcement.

SUFFICIENCY OF PUBLIC FLOAT

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company has adopted the Corporate Governance Code and the Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code of corporate governance. During the six months ended 30 June 2020, the Company has complied with all the code provisions of the CG Code and adopted most of the best practices set out therein, except for a deviation from the code provision A.2.1 which requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Feng Yousheng ("**Mr. Feng**") is the chairman and chief executive officer of the Company. With extensive experience in the internet industry, Mr. Feng is responsible for the overall strategic planning and general management of the Group and is instrumental to the Company's growth and business expansion since its establishment in 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 two executive Directors (including Mr. Feng), one non-executive Director and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

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

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**") set forth in Appendix 10 to the Listing Rules as a code of conduct of the Company for Directors' securities transactions. Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2020.

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 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 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 are unaudited, but have been reviewed by the Auditor in accordance with International Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the International Auditing and Assurance Standards Board.

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

There has been no 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 2020 will be dispatched to the shareholders of the Company and will be available on the website of the Stock Exchange and that of the Company in due course.

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

Hong Kong, 26 August 2020

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