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## Inkeverse Group Limited

映宇宙集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3700.HK)

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

#### FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Period- to-Period Change* %	For the year ended 31 December 2021 (audited)
	2022 (unaudited)	2021 (unaudited)		
	<i>(RMB in thousands, except for percentages)</i>			
Revenue	<b>4,061,114</b>	4,032,211	0.7	9,175,595
Cost of sales	<b>(2,333,104)</b>	(2,625,505)	(11.1)	(5,870,496)
Gross profit	<b>1,728,010</b>	1,406,706	22.8	3,305,099
Operating profit	<b>27,245</b>	125,858	(78.4)	457,010
(Loss)/profit for the period/ year	<b>(111,068)</b>	142,311	(178.0)	433,009
Non-IFRS				
Adjusted net profit**	<b>402,187</b>	160,347	150.8	482,456

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

\*\* *Non-IFRS adjusted net profit was calculated using (loss)/profit for the period/year eliminates the effects of non-cash share-based compensation expenses and impairment loss of goodwill.*

## OPERATIONAL HIGHLIGHTS

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

	<b>For the six months ended 30 June</b>		<b>Period- to-Period Change*</b>	For the year ended 31 December
	<b>2022</b>	2021	%	2021
Average monthly active users ("MAUs")** <i>(in thousands)</i>	<b>29,799</b>	46,428	(35.8)	42,802
Average monthly revenue per user ("ARPU")** <i>(in RMB)</i>	<b>22.7</b>	15.7	44.6	17.9

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

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

The board of directors (the "**Board**") of Inkeverse Group Limited (the "**Company**") is pleased to announce the unaudited interim condensed consolidated results (the "**Interim Results**") of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2022 (the "**Reporting Period**"). The Interim Results have been reviewed by PricewaterhouseCoopers, the auditor of the Company, and the audit committee of the Company (the "**Audit Committee**").

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS OVERVIEW AND OUTLOOK**

In the first half of 2022, the Group continued to develop in the interactive entertainment and social networking sector and enrich business scenarios to boost operating efficiency. Despite the impact of macroeconomic environment and pandemic resurgence in the short term, the Group refined its technologies through innovation. Through its strategy of profiting from diversified matrix, in the first half of 2022, the Group's total revenue amounted to approximately RMB4,061.1 million. The Group's net loss for the six months ended 30 June 2022 was approximately RMB111.1 million primarily due to impairment loss of goodwill. Excluding the impact of non-cash share-based compensation expenses and impairment loss of goodwill, the Group's adjusted net profit reached approximately RMB402.2 million, achieving a period-to-period growth of 150.8%. The stable and sound cash flow strongly supported further business expansion of the Group.

In the age of Web2.0, the Group has successfully developed various social networking products targeting different scenarios. Since the launch of social networking platform covering comprehensive scenarios in 2019, the Group has been devoting to connecting the online and offline platforms, social networking and entertainment platforms as well as the virtual and reality platforms. Entering the new age of Web3.0, leveraging on its extensive operating experiences and social networks, the Group continuously acquired new technologies. In June 2022, the Group upgraded its brand and renamed as Inkeverse Group Limited (映宇宙集团有限公司), announcing its entry to the metaverse market.

In the second half of 2022, the Group will focus on overseas pan-entertainment development with interactive entertainment and social networking sectors as its core. We will duplicate our operating experiences in other countries and regions to capture local needs and tap into more markets over the world. In addition, the Group will grasp the opportunities from diversified development and continue to enrich and upgrade metaverse elements in its products, rapidly adapt to the emerging field of Web3.0 and attempt to integrate frontier elements with social networking experience.

## **BUSINESS REVIEW**

### **1. Continuous development in live streaming**

So far, the development of live broadcasting ecology is no longer a tool in a single scenario, but a solid foundation for other business segments. As the most mature product of the Group, “Inke” APP continuously supports the verification and output of the core middle platform mechanism, and continues to expand more business opportunities. In the first half of 2022, the revenue from live streaming products accounted for 22.2% of the total revenue. At the same time, “Inke” APP also innovates the traditional live broadcast mode. In May 2022, it launched the immersive KTV function “Panoramic K Song”, integrating cool 3D space and virtual image to create diversified new scenes of live broadcast.

### **2. Refined operation in social networking**

The Group continuously refined its management of existing products and constantly polished its business model. We are actively exploring more sub-segments to quickly grasp the new market trend. On one hand, the Group continues to take social networking as the core, and build a multi-track and full-scene integration product matrix for groups of different circles, different ages, different regional cultures and different interests, and lay a solid foundation for the development of the Group with continuous product innovation and iteration. On the other hand, the Group has been proactively exploring the new ecology of social networking under metaverse and launched Yuanyuan World, a 3D virtual social networking product, in June 2022. In the first half of 2022, the revenue from social networking products accounted for 69.6% of the total revenue. The Company’s profitability has been further improved.

### **3. Increased dating match efficiency**

The Group continues to maintain market acuity, innovate dating model, constantly optimize the user matching strategy. With the rapid penetration of “cloud dating” model, we have fully improved the dating information asymmetry problem, and expanded the dating circle for single men and women. “Matchmaker” provides professional emotional guidance, creates tens of thousands of jobs for the lower market, and promotes more than 25 million matching datings. In May 2022, the Group launched the exclusive couple interaction metaverse product “Love Planet”, creating a new love social ecology. In the first half of 2022, the revenue of the dating products accounted for 5.5% of the total revenue. By reaching the male and female users of all regions and ages, and making both online and offline efforts, the satisfaction and influence of the dating brands were further enhanced.

#### **4. Rapid growth of middle platform value**

The value of the Group's middle platform system is also being released at an accelerated pace. In addition to increasing investment in the metaverse, Web3.0 and other cutting-edge technologies, the Group set up the efficient intelligent data delivery system for overseas market, upgraded overseas cloudy architecture, improved the service quality of major countries and regions globally by combining the use of HTTP3 technology, which provided a strong support for the Group to expand overseas business, and build metaverse ecology. In addition, the middle platform system has further improved process standardization, fluency of application, and system flexibility, to maximize profit margin and provide underlying support for the Group's efficient profitability.

### **BUSINESS OUTLOOK**

#### **1. Focus on the expansion of overseas market**

The Group has currently launched its reading product in Europe and the United States and the social networking product in Southeast Asia, which have initially proven the performance of its close-looped business model. In the second half of 2022, the Group will put more efforts in overseas expansion and focus on investing in more overseas countries and regions. Duplicating on its product matrix model, the Group will expand its user base in interactive entertainment and social networking markets including reading, social networking and live streaming, enrich the vertical application scenarios and develop localized operations to further increase its commercial value.

#### **2. Proactively explore the metaverse ecology**

Technologies and infrastructures relating to metaverse are still in their initial stage. The Group has always been eager to try newly-emerged things. In the second half of 2022, the Group will continue to explore in the field of Web3.0, construct more immersive interactive entertainment scenarios to break through the wall between virtual and reality and develop a whole new social networking ecology.

#### **3. Pay attention to upstream and downstream sectors**

The Group will pay attention to upstream and downstream sectors to explore potential fields of expansion that can create business synergy and fit the Group's characteristics. The Group will develop and analyze new growth opportunities over the world to create new growth momentum.

## **Financial Review**

### ***Revenue***

The Group's revenue for the six months ended 30 June 2022 amounted to approximately RMB4,061.1 million, representing an increase of 0.7% from approximately RMB4,032.2 million recorded for the corresponding period in 2021. Revenue from value-added services decreased by 0.2% to approximately RMB3,912.3 million for the six months ended 30 June 2022 from approximately RMB3,921.2 million for the corresponding period in 2021. The revenue remained basically stable.

### ***Cost of sales***

The Group's cost of sales decreased by 11.1% to approximately RMB2,333.1 million for the six months ended 30 June 2022 from approximately RMB2,625.5 million for the corresponding period in 2021. The Group's cost of sales as a percentage of revenue decreased to 57.4% for the six months ended 30 June 2022 from 65.1% for the corresponding period in 2021, primarily due to the optimization of the revenue-sharing structure and policies of products by the Group.

### ***Gross profit and gross profit margin***

As a result of the foregoing, the Group's gross profit increased by 22.8% to approximately RMB1,728.0 million for the six months ended 30 June 2022 from approximately RMB1,406.7 million for the corresponding period in 2021, and the Group's gross profit margin increased to 42.6% for the six months ended 30 June 2022 from 34.9% for the corresponding period in 2021, primarily due to the optimization of the revenue-sharing structure and the increase in revenue contributed by high margin products under revenue-sharing business model, resulting in higher gross profit margin.

### ***Selling and marketing expenses***

The Group's selling and marketing expenses decreased by 14.6% to approximately RMB864.5 million for the six months ended 30 June 2022 from approximately RMB1,012.2 million for the corresponding period in 2021, which was mainly due to the strategy of the Company to reduce costs and enhance efficiency in response to the impact caused by macro market condition.

### ***Administrative expenses***

The Group's administrative expenses increased by 561.0% to approximately RMB616.7 million for the six months ended 30 June 2022 from approximately RMB93.3 million for the corresponding period in 2021, which was mainly due to the provision of goodwill impairment. The goodwill impairment of RMB486.0 million was arose in the Social Network Technology Co., Ltd. because the management of the Company resolved to adjust the monetization strategy and to enhance the user experiences, resulting in an overall slowdown in future revenue and cashflow forecast.

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

The Group's research and development expenses decreased by 7.3% to approximately RMB188.2 million for the six months ended 30 June 2022 from approximately RMB202.9 million for the corresponding period in 2021. The decrease was primarily due to the decreases in labour cost of the research team and outsourced research and development fees.

### ***Other losses — net***

The Group recorded net other losses of approximately RMB37.9 million for the six months ended 30 June 2022, which was primarily loss incurred by current financial assets at fair value through profit or loss. In the corresponding period in 2021, the Group recorded net other losses of approximately RMB7.1 million. Please refer to sub-section headed "Financial assets at fair value through profit or loss" below for details.

### ***Finance income — net***

The Group recorded net finance income of approximately RMB5.2 million for the six months ended 30 June 2022, which was mainly due to interest from term deposits. In the corresponding period in 2021, the Group recorded net finance income of approximately RMB10.4 million.

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

The Group's share of loss of investments accounted for using the equity method was approximately RMB53.8 million for the six months ended 30 June 2022, primarily due to the loss from the investments in the associates and the joint ventures. The Group recorded share of profit of approximately RMB21.4 million for the corresponding period in 2021.

### ***Income tax expense***

The Group recorded income tax expense of approximately RMB89.7 million for the six months ended 30 June 2022 and income tax expense of approximately RMB15.3 million for the corresponding period in 2021. The increase of income tax expense was primarily due to the increase of taxable profits after considering non-deductible expenses which included mainly share-based compensation expenses and impairment loss of goodwill for the six months ended 30 June 2022.

### ***(Loss)/profit for the period***

As a result of the foregoing, the Group's loss for the period was approximately RMB111.1 million for the six months ended 30 June 2022. In comparison, the Group recorded an approximately RMB142.3 million profit for the corresponding period in 2021.

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

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

	<b>Unaudited</b>	
	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>(RMB’000)</b>	<b>(RMB’000)</b>
(Loss)/profit for the period	<b>(111,068)</b>	142,311
Add: non-cash share-based compensation expenses <sup>(1)</sup>	<b>27,278</b>	11,120
Add: impairment loss of goodwill	<b>485,977</b>	6,916
	<hr/>	<hr/>
Adjusted net profit <sup>(2)</sup>	<b><u>402,187</u></b>	<b><u>160,347</u></b>

#### *Notes:*

- <sup>(1)</sup> Refers to share-based compensation benefits provided to certain employees via the employee share scheme.
- <sup>(2)</sup> To supplement our unaudited interim condensed consolidated financial information which are presented in accordance with IFRS, we also use adjusted net profit as an additional financial measure. We present this financial measure because it is used by our management to evaluate our operating performance. We also believe that this non-IFRS measure provides useful data to investors and others in understanding and evaluating our results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies. Adjusted net profit is calculated using (loss)/profit for the period, and add back non-cash share-based compensation expenses and impairment loss of goodwill. The term of adjusted net profit is not defined under IFRS. The use of adjusted net profit has material limitations as an analytical tool, as it does not include all items that impact our net (loss)/profit for the period.



## **Liquidity and Capital Resources**

For the six months ended 30 June 2022, the Group financed its operations primarily through cash generated from the Group's operating activities. The Group intends to finance its expansion and business operations with internal resources and through its sustainable growth. As at 30 June 2022, the current ratio (the current assets to current liabilities ratio) of the Group was 4.0 and the gearing ratio (total debt to total equity ratio) was 0.3, as compared with 3.1 and 0.3 respectively as at 31 December 2021.

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

As at 30 June 2022, the Group had cash and cash equivalents of approximately RMB2,163.2 million (31 December 2021: approximately RMB1,993.3 million), which primarily consisted of cash at banks. Out of the RMB2,163.2 million, approximately RMB1,748.5 million is denominated in Renminbi and approximately RMB414.7 million is denominated in other currencies (primarily US dollars). The Group currently does not hedge transactions undertaken in foreign currencies.

As of 30 June 2022, the restricted cash balance was approximately RMB56.1 million (31 December 2021: approximately RMB0.6 million), which was mainly cash frozen by local authorities in connection with their investigations of certain users' behaviours of the Group's online platform. Subsequently, approximately RMB46.5 million was frozen by another local authority. Please refer to "Contingent liabilities and guarantees" in this announcement for details.

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

As of 30 June 2022, the Group had current and non-current financial assets at fair value through profit or loss of approximately RMB1,160.5 million (31 December 2021: approximately RMB972.8 million), mainly comprised (a) investments in wealth management products of approximately RMB1,063.8 million in aggregate (31 December 2021: approximately RMB891.3 million), (b) investments in financial instruments with preferred rights of approximately RMB96.7 million (31 December 2021: approximately RMB81.5 million).

	<b>Unaudited 30 June 2022 RMB'000</b>	<b>Audited 30 June 2021 RMB'000</b>
<b>Financial Assets</b>		
<b>Current</b>		
Investment in wealth management products <sup>(1)</sup>		
— Equity	123,772	155,431
— Fund	637,698	615,586
— Others	30,261	60,107
	<hr/>	<hr/>
<b>Subtotal</b>	<b>791,731</b>	<b>831,124</b>
<b>Non-Current</b>		
Investment in equity interests with preferred rights of certain private companies	96,730	81,507
Investment in wealth management products <sup>(1)</sup>		
— Fund	201,974	30,074
— Others	70,094	30,137
	<hr/>	<hr/>
<b>Subtotal</b>	<b>368,798</b>	<b>141,718</b>
	<hr/>	<hr/>
<b>Total</b>	<b>1,160,529</b>	<b>972,842</b>
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*Note:*

- <sup>(1)</sup> For the six months ended 30 June 2022, no single wealth management product of the Group accounted for more than 5% of total assets of the Group.

Subscriptions of wealth management products were made for treasury management purposes to maximize the return on the unutilized funds of the Company after taking into account, among others, the level of risk, return on investment, liquidity and the term to maturity. Generally, the Company had in the past selected financial products issued by commercial banks and other financial institutions. Prior to making an investment, the Company had also ensured that it would remain sufficient working capital for the Group's business needs, operating activities and capital expenditures even after making the investments in such financial products. The associated risk of these financial products were considered acceptable by the Group and are also in line with the internal risk management, cash management and investment policies of the Group. In accordance with the relevant accounting standards, these financial products were accounted for as financial assets at fair value through profit or loss.

In view of an upside of earning a more attractive return than current saving or fixed deposit rate under the low interest rate trend, as well as the manageable risk level and the flexible redemption terms or a relatively short term of maturity of the wealth management products, the directors of the company (the "**Directors**") are of the view that the risk exposure of these financial products to the Group is controllable and the terms and conditions of each of the subscriptions are fair and reasonable and are in the interests of the Company and its shareholders as a whole. The Company believes that the above investment strategies and directions would continue to generate stable income to the Group.

### ***Capital expenditures***

For the six months ended 30 June 2022, the Group's capital expenditures amounted to approximately RMB7.6 million (six months ended 30 June 2021: approximately RMB218.6 million), which was mainly used for the acquisition of equipment and intangible assets. The Group funded its capital expenditure by using the cash flow generated from its operations.

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

In connection with investigations initiated by local authorities on certain users' behaviours through online platforms operated by the Group, certain of the Group's bank balances of RMB50.5 million and RMB46.5 million were restricted in June 2022 and July 2022 respectively.

The management of the Company is of the view that the Group's business operations are in compliance with applicable rules and regulations in China, however, conclusion of the aforesaid investigations could take a long period of time. The Company, taking into consideration of opinions received from its legal counsel, is of view that as the investigations are still in early stage with related details not being accessible by the Group, it is not practicable to assess or estimate related possible financial effects. The Group has not recorded any provision as of 30 June 2022.

### ***Pledge of Assets***

As at 30 June 2022, the Group did not have any pledge or charge on assets.

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

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

## **Employees and Remuneration Policy**

As at 30 June 2022, the Group had a total of 2,465 full-time employees, mainly located in mainland China. In particular, 900 for technology, research and development.

Remuneration of the Group's employees includes basic salaries, allowances, bonus, share-based payment and other employee benefits, and is determined with reference to their experience, qualification and general market conditions. The emolument policy for the employees of the Group is set up by the Board on the basis of their merit, qualification and competence. The Group believes that we maintain a good working relationship with our employees, and we have not experienced any material labour disputes during the six months ended 30 June 2022.

## **Dividends**

The Board does not declare any payment of interim dividend for the six months ended 30 June 2022.

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

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
	<i>Notes</i>	<b>2022</b>	<b>2021</b>
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	5	<b>4,061,114</b>	4,032,211
Cost of sales	6	<b>(2,333,104)</b>	(2,625,505)
<b>Gross profit</b>		<b>1,728,010</b>	1,406,706
Selling and marketing expenses	6	<b>(864,475)</b>	(1,012,195)
Administrative expenses	6	<b>(616,671)</b>	(93,290)
Research and development expenses	6	<b>(188,199)</b>	(202,914)
Net impairment (loss)/gain on financial assets	6	<b>(25,170)</b>	239
Other income		<b>31,629</b>	34,446
Other losses — net		<b>(37,879)</b>	(7,134)
<b>Operating profit</b>		<b>27,245</b>	125,858
Finance income		<b>9,817</b>	15,342
Finance costs		<b>(4,644)</b>	(4,991)
Finance income — net		<b>5,173</b>	10,351
Share of (loss)/profit of investments accounted for using the equity method		<b>(53,793)</b>	21,404
<b>(Loss)/profit before income tax</b>		<b>(21,375)</b>	157,613
Income tax expense	7	<b>(89,693)</b>	(15,302)
<b>(Loss)/profit for the half-year</b>		<b><u>(111,068)</u></b>	<b><u>142,311</u></b>
<b>(Loss)/profit attributable to:</b>			
— The owners of the Company		<b>(109,915)</b>	123,076
— Non-controlling interests		<b>(1,153)</b>	19,235
		<b><u>(111,068)</u></b>	<b><u>142,311</u></b>

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

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
	<i>Notes</i>	<b>2022</b>	2021
		<i>RMB'000</i>	<i>RMB'000</i>
<b>Other comprehensive (loss)/income</b>			
Items that may be reclassified to profit or loss			
Currency translation differences		<u>(64)</u>	<u>5,733</u>
Items that will not be reclassified to profit or loss			
Currency translation differences		<u>41,847</u>	<u>(9,237)</u>
<b>Other comprehensive income/(loss) for the half-year, net of tax</b>		<u>41,783</u>	<u>(3,504)</u>
<b>Total comprehensive (loss)/income for the half-year, net of tax</b>		<u><u>(69,285)</u></u>	<u><u>138,807</u></u>
<b>Total comprehensive (loss)/income attributable to:</b>			
<b>to:</b>			
— The owners of the Company		<u>(68,132)</u>	119,572
— Non-controlling interests		<u>(1,153)</u>	<u>19,235</u>
		<u><u>(69,285)</u></u>	<u><u>138,807</u></u>
<b>(Loss)/earnings per share attributable to the shareholders of the Company (expressed in RMB per share)</b>			
— Basic (loss)/earnings per share	12	<u><u>(0.06)</u></u>	<u><u>0.07</u></u>
— Diluted (loss)/earnings per share	12	<u><u>(0.06)</u></u>	<u><u>0.07</u></u>

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

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June</b>	31 December
<i>Notes</i>	<b>2022</b>	2021
	<b>RMB'000</b>	<b>RMB'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	<b>25,939</b>	26,818
Investment properties	<b>204,050</b>	193,606
Intangible assets	<b>92,107</b>	590,402
Investments accounted for using the equity method	<b>461,858</b>	500,717
Financial assets at fair value through profit or loss	<b>368,798</b>	141,718
Deferred tax assets	<b>80,667</b>	71,063
Right-of-use assets	<b>157,851</b>	175,157
Loans, other receivables, prepayments, deposits and other assets	<b>24,313</b>	19,623
	<hr/>	<hr/>
<b>Total non-current assets</b>	<b>1,415,583</b>	1,719,104
<b>Current assets</b>		
Inventories	<b>12,092</b>	12,314
Trade receivables	<b>35,898</b>	63,499
Loans, other receivables, prepayments, deposits and other assets	<b>388,580</b>	548,433
Financial assets at fair value through profit or loss	<b>791,731</b>	831,124
Cash and cash equivalents	<b>2,163,185</b>	1,993,306
Term deposits	<b>20,000</b>	70,000
Restricted cash	<b>56,105</b>	612
	<hr/>	<hr/>
<b>Total current assets</b>	<b>3,467,591</b>	3,519,288
	<hr/>	<hr/>
<b>Total assets</b>	<b>4,883,174</b>	5,238,392
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## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

		Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
<b>EQUITY</b>			
<b>Equity attributable to the shareholders of the Company</b>			
Share capital		12,803	13,262
Other reserves		3,959,414	3,905,672
Accumulated (deficits)/profit		(99,039)	10,876
		3,873,178	3,929,810
<b>Non-controlling interests</b>		(5)	1,338
		3,873,173	3,931,148
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		132,998	150,784
Deferred tax liabilities		19,606	21,864
		152,604	172,648
<b>Current liabilities</b>			
Accounts payables	10	497,326	669,342
Other payables and accruals		163,173	283,190
Current income tax liabilities		41,983	16,479
Contract liabilities		117,573	128,281
Lease liabilities		32,242	32,040
Provisions		5,100	5,264
		857,397	1,134,596
<b>Total current liabilities</b>		857,397	1,134,596
<b>Total liabilities</b>		1,010,001	1,307,244
<b>Total equity and liabilities</b>		4,883,174	5,238,392

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owner of the Company				Non-controlling interests RMB'000	Total RMB'000
	Share capital RMB'000	Other reserves RMB'000	Accumulated deficits RMB'000	Sub-total RMB'000		
<b>Balance at 1 January 2021 (Audited)</b>	<u>13,262</u>	<u>3,906,228</u>	<u>(404,505)</u>	<u>3,514,985</u>	<u>28,568</u>	<u>3,543,553</u>
<b>Profit and other comprehensive income</b>						
Total profit and other comprehensive income	<u>—</u>	<u>(3,504)</u>	<u>123,076</u>	<u>119,572</u>	<u>19,235</u>	<u>138,807</u>
<b>Transactions with owners in their capacity as owners</b>						
Share-based compensation expense	<u>—</u>	<u>11,120</u>	<u>—</u>	<u>11,120</u>	<u>—</u>	<u>11,120</u>
Shares repurchased	<u>—</u>	<u>(3,627)</u>	<u>—</u>	<u>(3,627)</u>	<u>—</u>	<u>(3,627)</u>
Deconsolidation of a subsidiary	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(30,597)</u>	<u>(30,597)</u>
Dividend paid to non-controlling interests in subsidiaries	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(15,273)</u>	<u>(15,273)</u>
Acquisition of non-controlling interests in subsidiaries	<u>—</u>	<u>77</u>	<u>—</u>	<u>77</u>	<u>(485)</u>	<u>(408)</u>
Non-controlling interests on acquisition of subsidiaries	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,300</u>	<u>1,300</u>
<b>Total transactions with owners in their capacity as owners</b>	<u>—</u>	<u>7,570</u>	<u>—</u>	<u>7,570</u>	<u>(45,055)</u>	<u>(37,485)</u>
<b>Balance at 30 June 2021 (Unaudited)</b>	<u><u>13,262</u></u>	<u><u>3,910,294</u></u>	<u><u>(281,429)</u></u>	<u><u>3,642,127</u></u>	<u><u>2,748</u></u>	<u><u>3,644,875</u></u>
<b>Balance at 1 January 2022 (Audited)</b>	<u>13,262</u>	<u>3,905,672</u>	<u>10,876</u>	<u>3,929,810</u>	<u>1,338</u>	<u>3,931,148</u>
<b>Profit and other comprehensive income</b>						
Total (loss) and other comprehensive income	<u>—</u>	<u>41,783</u>	<u>(109,915)</u>	<u>(68,132)</u>	<u>(1,153)</u>	<u>(69,285)</u>
<b>Transactions with owners in their capacity as owners</b>						
Share-based compensation expense	<u>—</u>	<u>27,278</u>	<u>—</u>	<u>27,278</u>	<u>—</u>	<u>27,278</u>
Shares repurchased	<u>—</u>	<u>(15,778)</u>	<u>—</u>	<u>(15,778)</u>	<u>—</u>	<u>(15,778)</u>
Shares cancelled	<u>(459)</u>	<u>459</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Acquisition of non-controlling interests in a subsidiary	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(190)</u>	<u>(190)</u>
<b>Total transactions with owners in their capacity as owners</b>	<u>(459)</u>	<u>11,959</u>	<u>—</u>	<u>11,500</u>	<u>(190)</u>	<u>11,310</u>
<b>Balance at 30 June 2022 (Unaudited)</b>	<u><u>12,803</u></u>	<u><u>3,959,414</u></u>	<u><u>(99,039)</u></u>	<u><u>3,873,178</u></u>	<u><u>(5)</u></u>	<u><u>3,873,173</u></u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Cash flows from operating activities</b>		
Cash generated from operations	435,339	22,753
Interest received	13,597	5,857
Income tax paid	(68,225)	(21,060)
	<b>380,711</b>	<b>7,550</b>
<b>Cash flows from investing activities</b>		
Payments for intangible assets	(1,014)	(1,333)
Payments for property, plant and equipment	(5,843)	(13,644)
Payments for investment property	(724)	(203,594)
Payments for investments in associates and joint ventures	(14,336)	(59,000)
Payments for long-term deposits	—	(50,000)
Payments for investments in non-current financial assets at fair value through profit or loss	(298,807)	(61,000)
Payments for investments in current financial assets at fair value through profit or loss	(1,144,289)	(695,417)
Proceeds from disposal of investments in current financial assets at fair value through profit or loss	1,175,615	927,076
Proceeds from disposal of short-term deposits	50,000	—
Proceeds from disposal of non-current financial assets at fair value through profit or loss	50,761	—
Proceeds from disposal of property, plant and equipment and intangible assets	1,340	223
Loans to third parties	(1,807)	(7,284)
Loans to related parties	(32,039)	(157,733)
Repayment of loans from third parties	1,255	—
Repayment of loans from related parties	31,000	109,000
Net cash outflow due to disposal of subsidiaries	(2,069)	(21,530)
Dividends received	—	841
	<b>(190,957)</b>	<b>(233,395)</b>
<b>Net cash outflow from investing activities</b>	<b>(190,957)</b>	<b>(233,395)</b>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(CONTINUED)**

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Cash flows from financing activities</b>		
Acquisition of treasury shares	(15,778)	(3,627)
Capital contribution from non-controlling interests	—	1,300
Acquisition of non-controlling interests	—	(408)
Proceeds from borrowings	250	8,571
Repayments of borrowings	(3,680)	—
Dividends paid to non-controlling interests in subsidiaries	—	(15,273)
Payment of lease liabilities	(22,066)	(28,121)
	<u>(41,274)</u>	<u>(37,558)</u>
<b>Net cash outflow from financing activities</b>		
	<u>(41,274)</u>	<u>(37,558)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>148,480</b>	<b>(263,403)</b>
Effects of exchange rate changes on cash and cash equivalents	21,399	(3,323)
Cash and cash equivalents at beginning of period	1,993,306	1,360,333
	<u>1,993,306</u>	<u>1,360,333</u>
<b>Cash and cash equivalents at end of the period</b>	<b><u>2,163,185</u></b>	<b><u>1,093,607</u></b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1. General information

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

The Company and its subsidiaries (together referred as to the “**Group**”) are principally engaged in value added service business in People’s Republic of China (the “**PRC**” or “**China**”).

The Company is a limited liability company incorporated in the Cayman Islands. The address of the Company’s registered office is PO Box 309, Uglan House, Grand Cayman, KY1-1104, the Cayman Islands.

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

## 2. Basis of preparation of Interim Financial Information

This condensed consolidated interim financial information for the half-year reporting period ended 30 June 2022 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 2021 and any public announcements made by the Company during the interim reporting period.

## 3. Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax and the adoption of new and amended standards as set out below.

### (a) Income tax

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

**(b) New and amended standards adopted by the group**

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

**4. Estimates**

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

**5. Revenue**

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Value added service	<b>3,912,337</b>	3,921,204
Others	<b>148,777</b>	111,007
	<b><u>4,061,114</u></b>	<b><u>4,032,211</u></b>
	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Revenue recognised at a point in time	<b>4,007,621</b>	3,948,567
Revenue recognised over time	<b>53,493</b>	83,644
	<b><u>4,061,114</u></b>	<b><u>4,032,211</u></b>

## 6. Expenses by nature

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Revenue sharing to streamers	<b>2,072,599</b>	2,362,312
Promotion and advertising expenses	<b>836,394</b>	989,957
Impairment of goodwill	<b>485,977</b>	6,916
Employee benefit expenses	<b>388,240</b>	324,245
Outsourced development costs	<b>12,065</b>	10,318
Bandwidth and server custody costs	<b>63,941</b>	68,036
Payment handling costs	<b>38,806</b>	71,754
Technical support and professional service fees	<b>25,614</b>	19,949
Travelling, entertainment and general office expenses	<b>24,427</b>	21,963
Expected credit loss allowance	<b>25,170</b>	(239)
Depreciation of right-of-use assets	<b>17,881</b>	17,994
Amortization of intangible assets	<b>7,416</b>	18,586
Taxes and surcharges	<b>6,813</b>	10,546
Impairment of intangible assets	<b>5,902</b>	—
Depreciation of property, plant and equipment	<b>5,848</b>	4,791
Content and copyright costs	<b>3,020</b>	232
Expenses relating to short-term lease not included in lease liabilities	<b>3,197</b>	713
Other expenses	<b>4,309</b>	5,592
	<b><u>4,027,619</u></b>	<b><u>3,933,665</u></b>

## 7. Income tax expense

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Current income tax expense	<b>(101,765)</b>	(23,180)
Deferred income tax credit	<b>12,072</b>	7,878
<b>Income tax expense</b>	<b><u>(89,693)</u></b>	<b><u>(15,302)</u></b>

## 8. Dividends

No dividends have been paid or declared by the Company for each of the period ended 30 June 2022 and 2021.

## 9. Trade receivables

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

	<b>Unaudited 30 June 2022 RMB'000</b>	<b>Audited 31 December 2021 RMB'000</b>
Trade receivables		
— Up to 3 months	<b>36,018</b>	63,833
— 3 to 6 months	<b>510</b>	1,081
— 6 months to 1 year	<b>1,179</b>	451
— Over 1 year	<b>407</b>	892
Less: allowance for impairment of trade receivables	<u><b>(2,216)</b></u>	<u>(2,758)</u>
	<u><b>35,898</b></u>	<u>63,499</u>

As at 30 June 2022 and 31 December 2021, the carrying amount of trade receivables are primarily denominated in RMB and approximate to their fair values at each of the reporting dates.

## 10. Accounts payables

At 30 June 2022, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date was as follows:

	<b>Unaudited 30 June 2022 RMB'000</b>	<b>Audited 31 December 2021 RMB'000</b>
— Up to 3 months	<b>306,651</b>	499,141
— 3 to 6 months	<b>23,255</b>	24,902
— 6 months to 1 year	<b>33,344</b>	9,984
— Over 1 year	<u><b>134,076</b></u>	<u>135,315</u>
	<u><b>497,326</b></u>	<u>669,342</u>



## 11. Subsequent Events

In July 2022, bank balance of RMB46.5 million was frozen by a local authority in connection with their investigations of certain users' behaviors of the Group's online platform. Please refer to note 13 for details.

## 12. (Loss)/earnings per share

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

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

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

	Unaudited Six months ended 30 June	
	2022	2021
(Loss)/profit attributable to owners of the Company ( <i>RMB'000</i> )	(109,915)	123,076
Weighted average number of ordinary shares in issue ( <i>thousand shares</i> )	<u>1,857,624</u>	<u>1,869,020</u>
Basic (loss)/earnings per share attributable to the shareholders of the Company (expressed in RMB per share)	<u>(0.06)</u>	<u>0.07</u>

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

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

As the Group incurred losses for the period ended 30 June 2022, the potential ordinary shares were not included in the calculation of diluted loss per share, as the inclusion would be anti-dilutive. Accordingly, dilutive loss per share for the period ended 30 June 2022 is the same as basic loss per share.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
(Loss)/profit attributable to owners of the Company ( <i>RMB'000</i> )	<u>(109,915)</u>	<u>123,076</u>
Weighted average number of ordinary shares in issue ( <i>thousand shares</i> )	<b>1,857,624</b>	1,869,020
Add: Adjustment for RSUs granted to employees ( <i>thousand share</i> )	<u>—</u>	<u>18,824</u>
Weighted average number of ordinary shares for calculation of diluted (loss)/earnings per share ( <i>thousand shares</i> )	<u><b>1,857,624</b></u>	<u>1,887,844</u>
Diluted (loss)/earnings per share attributable to the shareholders of the Company (expressed in RMB per share)	<u><b>(0.06)</b></u>	<u>0.07</u>

### 13. Contingencies

In connection with investigations initiated by local authorities on certain users' behaviours through online platforms operated by the Group, certain of the Group's bank balances of RMB50.5 million and RMB46.5 million were restricted in June 2022 and July 2022 respectively.

The management of the Company is of the view that the Group's business operations are in compliance with applicable rules and regulations in China, however, conclusion of the aforesaid investigations could take a long period of time. The Group, taking into consideration of opinions received from its legal counsel, is of view that as the investigations are still in early stage with related details not being accessible by the Group, it is not practicable to assess or estimate related possible financial effects. The Group has not recorded any provision as of 30 June 2022.

## **OTHER INFORMATION**

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

During the six months ended 30 June 2022, the Company has repurchased a total of 863,000 shares of the Company on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) at an aggregate consideration of HK\$1,312,130. The highest price paid per share is HK\$1.56, and the lowest price paid per share is HK\$1.50.

### **SHARE OPTION SCHEME**

As at 30 June 2022, a total of 60 million share options have been granted under the share option scheme of the Company adopted on 23 June 2018 (the “**Share Option Scheme**”), all of which were not exercised yet. The remaining life of the Share Option Scheme is around 5 years and 10 months.

### **RESTRICTED SHARE UNIT SCHEME**

During the six months ended 30 June 2022, the trustee of the restricted share unit scheme has repurchased a total of 12,512,000 shares of the Company on the Stock Exchange.

### **THE 2022 RSU SCHEME**

The Company has adopted another restricted share unit scheme on 12 May 2022 (“**the 2022 RSU Scheme**”). Please refer to the announcement of the Company dated 12 May 2022 for further details of the 2022 RSU Scheme. During the six months ended 30 June 2022, no restricted share units were granted under the 2022 RSU Scheme.

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

References are made to the announcements of the Company dated 19 July 2022 and 8 August 2022. The English name of the Company has been changed from “Inke Limited” to “Inkeverse Group Limited” and the dual foreign name in Chinese of the Company has been changed from “映客互娱有限公司” to “映宇宙集团有限公司”. The stock short names of the Company for trading of the shares of the Company on the Stock Exchange have been changed from “INKE” to “INKEVERSE” in English and from “映客” to “映宇宙” in Chinese with effect from 9:00 a.m. on 12 August 2022. The Company has also adopted a new logo with effect from 5 July 2022, and the website of the Company has been changed from “www.inke.com” to “www.inkeverse.com” with effect from 15 June 2022.

In July 2022, bank balance of approximately RMB46.5 million was frozen by a local authority in connection with their investigations of certain users’ behaviours of the Group’s online platforms. Please refer to “Contingent liabilities and guarantees” in management discussion and analysis in this announcement for details.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

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

The Company has adopted the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as its own code of corporate governance. During the six months ended 30 June 2022, the Company has complied with all the applicable code provisions of the CG Code and adopted most of the best practices set out therein, except for a deviation from code provision C.2.1 which requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. FENG Yousheng (“**Mr. FENG**”) is the chairman and chief executive officer of the Company. With extensive experience in the internet industry, Mr. FENG is responsible for the overall strategic planning and general management of the Group and is instrumental to the Company’s growth and business expansion since its establishment in 2015. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently comprises two executive Directors (including Mr. FENG), one non-executive Director and three independent non-executive Directors and therefore has a fairly strong independent element in its composition.

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

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as a code of conduct of the Company for Directors’ securities transactions. Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2022.

## **AUDIT COMMITTEE**

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

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

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

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

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

This interim results announcement is published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and that of the Company ([www.inkeverse.com](http://www.inkeverse.com)). The interim report of the Company for the six months ended 30 June 2022 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  
**Inkeverse Group Limited**  
**FENG Yousheng**  
*Chairman and Executive Director*

Hong Kong, 28 August 2022

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