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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		Year-on-Year Change
	2018	2017	
	RMB'000	*RMB'000*	*%*
Total current assets	**3,155,381**	2,335,387	35.1
Total non-current assets	**1,059,452**	318,683	232.4
Total assets	**4,214,833**	2,654,070	58.8
Revenue	**3,860,593**	3,941,596	(2.1)
Cost of sales	**(2,555,182)**	(2,545,854)	0.4
Gross profit	**1,305,411**	1,395,742	(6.5)
Selling and marketing expenses	**(462,210)**	(344,154)	34.3
Research and development expenses	**(235,465)**	(193,242)	21.8
Profit/(loss) for the year attributable to the owners of the Company(1)	**1,102,611**	(239,412)	NA
Profit/(loss) for the year	**1,100,946**	(239,509)	NA

(1) A substantial portion of the Company's profit/(loss) for the years indicated comprised non-recurring fair value gain/(loss) of financial instruments with preferred rights.

OPERATIONAL HIGHLIGHTS

The following table sets forth the key operating data for the Company's live streaming platform:

	For the year ended 31 December		Year-on-Year
	2018	2017	**Change***
	(in thousands, except for percentages)		
Average monthly active users[(1)]	**25,487**	22,694	12.3%

Note:

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

[(1)] Key operating data is based on the Inke App and does not include the Company's new applications.

The shares of Inke Limited (the "**Company**") have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 12 July 2018 (the "**Listing Date**").

The board of directors (the "**Board**") of the Company is pleased to announce the consolidated annual results (the "**Annual Results**") of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018 (the "**Reporting Period**"). The Annual Results have been reviewed by the audit committee of the Company (the "**Audit Committee**").

BUSINESS REVIEW AND OUTLOOK

Overview

In 2018, the number of active mobile smart devices in China continued to rise. In particular, mobile internet activity in tier-3, tier-4 and lower-tier cities has been growing at an especially fast rate. With the growing adoption of the 4G network, the usage scenarios for mobile internet users has been experiencing rapid increase, accompanied by a large increase in overall usage time by users.

There has been intense competition within the mobile interactive entertainment industry, internally and externally. The mobile interactive entertainment industry has entered into a steady growth stage and is becoming more centralized. Further, the competition has intensified among the top players, and the competitive landscape of the industry has gradually stabilized. Facing intense competition, the Company continues to adhere to its mission "to make it easier to pursue happiness (讓快樂更簡單)" and its vision "to transform entertainment through video streaming (讓娛樂視頻化)." The Company maintained a fast pace in terms of product innovation and iteration and continued to steadily invest in research and development in order to provide its users with richer and better quality interactive entertainment experiences. In the past year, Inke App introduced features such as Multi-party Live Streaming Room, PK and Radio Broadcasting, and held major online and offline events such as Goddess Sakura, Rising Star and Amazing Voice.

Meanwhile, the Company remained committed to diversifying its product mix through innovation and continued to roll out or incubate new products based on user demands in different verticals and lower-tier cities, including Seed Video (種子視頻), which targets users in tier–3, tier–4 and lower-tier cities, and Yinpao (音泡), an online audio interactive product.The Company believes that through continuous product innovation and development, it will be able to achieve growth and have broader expansion capacity.

In 2018, the Company had a total revenue of RMB3,860.6 million, among which RMB3,729.1 million was generated from live-streaming, RMB121.7 million was generated from online advertising and RMB9.8 million was generated from other revenue sources. Compared with that of 2017, the Company's total revenue and live-streaming revenue decreased slightly by 2.1% and 4.9%, respectively, while online advertising revenue increased significantly by 442.2% in 2018, primarily due to the Company's innovative products. The Company's net profit and Adjusted Net Profit in 2018 was RMB1,100.9 million and RMB596.3 million, respectively. In 2018, the Company's average monthly active users amounted to 25.5 million, 12.3% higher than the average monthly active users in 2017.

As at 31 December 2018, the Company's current assets amounted to RMB3,155.4 million, among which cash and cash equivalents accounted for RMB849.6 million, term deposits that matures between three months and one year accounted for RMB836.3 and financial assets at fair value through profit and loss accounted for RMB937.0 million (which mainly represented RMB926.3 million in principle guaranteed structured deposits with a floating interest rate and short-term investments in wealth management products). As at 31 December 2018, the Company's non-current assets amounted to RMB1,059.5 million, among which term deposits that matures in over one year accounted for RMB500.0 million and financial assets at fair value through profit and loss accounted for RMB257.0 million (which mainly includes a RMB200.5 million investment in the long term wealth management products by a trust company).

In addition, the Company successfully completed its initial public offering on the Main Board of The Stock Exchange of Hong Kong Limited on 12 July 2018, reaching another milestone in the Company's quest to improve its capital, management level and competitive advantage, and establishing a strong foundation for the Company's future expansion and development.

Business Outlook for 2019

In 2019, the Group will continue its efforts to further solidify its leading position in the mobile interactive entertainment industry in China by continuing the following growth strategies:

- *Diversify business and product offerings.* The Group pursues "Live streaming +" and "interactive entertainment and socialisation" strategies to further diversify its business and product offerings to serve users' needs for entertainment. In particular, the Group plans to (i) bring popular recreational activities online in the form of mobile live streaming; and (ii) continue developing new stand-alone apps that have passed the initial product modelling stage, such as Seed Video and Yinpao, and create new products based on the different entertainment needs of users from different regions, such as lower-tier cities or overseas markets.

- *Expand user base and increase user retention*. The Group plans to continue to expand its user base and increase user retention through (i) enhancing the effectiveness of its sales and marketing team by attracting talent and conducting team training while further improving its sales and marketing strategy as well as the efficiency of its user acquisition channels; (ii) coordinated online and offline promotional activities, which would increase brand influence, coverage and user participation; (iii) elevating users' interactive and entertaining experiences by innovating new features and functions for its products and improving streamer-user relations; and (iv) further penetrating into tier–3 or lower-tier cities in China by relying on the Group's product matrix and establishing core strategies and capabilities.

- *Invest in technologies to optimize user experience*. The Group will continue to develop technologies to further explore user behaviors and demands. In particular, the Group plans to (i) invest in data transmission technology with lower latency, artificial intelligent technology and other technologies to prepare for the development and eventual adoption of the 5G technology and to provide users with best-in-class experience in mobile live streaming and more real-time interaction scenarios; and (ii) maintain technological advantages by continuous investments in research and development.

- *Explore opportunities for expansion to overseas markets*. The Group considers that the overseas mobile interactive entertainment markets, particularly in regions with large populations and that are experiencing rapid mobile technology and hardware development, present attractive opportunities. Therefore, the Group plans to explore overseas market opportunities and establish new product teams accordingly.

- *Seek strategic investment and acquisition opportunities*. With a healthy capital reserve, the Group plans to strengthen its ecosystem through selective strategic investment and acquisition in 2019. The Group will continue to pay close attention to players in the pan-entertainment industry with high growth potential and convincing synergies with its existing platform, while also look for investment and acquisition opportunities in overseas interactive entertainment markets.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table is a summary of the Group's consolidated statement of comprehensive income with line items in absolute amounts and as percentages of the Group's total revenue for the years indicated, together with the change (expressed in percentages) from the year ended 31 December 2017 to the year ended 31 December 2018:

	For the year ended 31 December				Year-on-Year Change
	2018		2017		
	RMB'000	*%*	*RMB'000*	*%*	*%*
	(In thousands, except for percentages and per share data)				
Consolidated Statement of Comprehensive Income					
Revenue	**3,860,593**	**100.0**	3,941,596	100.0	(2.1)
Cost of sales	**(2,555,182)**	**(66.2)**	(2,545,854)	(64.6)	0.4
Gross profit	**1,305,411**	**33.8**	1,395,742	35.4	(6.5)
Selling and marketing expenses	**(462,210)**	**(12.0)**	(344,154)	(8.7)	34.3
Administrative expenses	**(144,554)**	**(3.7)**	(95,963)	(2.4)	50.6
Research and development expenses	**(235,465)**	**(6.1)**	(193,242)	(4.9)	21.8
Other gains-net	**34,020**	**0.9**	37,585	1.0	(9.5)
Other income	**136,726**	**3.5**	71,214	1.8	92.0

	For the year ended 31 December				Year-on-Year Change
	2018		2017		
	RMB'000	*%*	*RMB'000*	*%*	*%*
	(In thousands, except for percentages and per share data)				
Operating profit	**633,928**	**16.4**	871,182	22.1	(27.2)
Finance income-net	**28,076**	**0.7**	10,599	0.3	164.9
Share of losses of investments accounted for using the equity method	**(3,083)**	**(0.1)**	(1,510)	–	104.2
Fair value gains/(losses) of financial instruments with preferred rights	**514,844**	**13.3**	(1,031,485)	(26.2)	–
Profit/(loss) before income tax	**1,173,765**	**30.4**	(151,214)	(3.8)	–
Income tax expense	**(72,819)**	**(1.9)**	(88,295)	(2.2)	(17.5)
Profit/(loss) for the year	**1,100,946**	**28.5**	(239,509)	(6.1)	–
Other comprehensive income/(loss)					
Items that may be subsequently reclassified to profit or loss:					
Currency translation differences	**32,334**	**0.8**	(686)	–	–
Other comprehensive income/(loss) for the year, net of tax	**32,334**	**0.8**	(686)	–	–
Profit/(loss) attributable to:					
— Owners of the Company	**1,102,611**	**28.6**	(239,412)	(6.1)	–
— Non-controlling interests	**(1,665)**	**–**	(97)	–	1,616.5
	1,100,946	**28.5**	(239,509)	(6.1)	–
Total comprehensive income/(loss) attributable to:					
— Owners of the Company	**1,134,945**	**29.4**	(240,098)	(6.1)	–
— Non-controlling interests	**(1,665)**	**–**	(97)	–	(1,616.5)
Total comprehensive income/(loss)	**1,133,280**	**29.4**	(240,195)	(6.1)	–
Earnings/(loss) per share attributable to the equity holders of the Company (expressed in RMB per share)					
— Basic earnings/(loss) per share	**0.78**		(0.29)		
— Diluted earnings/(loss) per share	**0.31**		(0.29)		

Revenue

The Group's revenue slightly decreased from RMB3,941.6 million in 2017 to RMB3,860.6 million in 2018, primarily attributable to the intensified competition in the live streaming industry in China. Among the RMB3,860.6 million of revenue in 2018, RMB3,729.1 million was generated from live-streaming and RMB121.7 million was generated from online advertising. Compared with that of 2017, the Company's total revenue and live-streaming revenue decreased slightly by 2.1% and 4.9%, respectively, while online advertising revenue increased significantly by 442.2% in 2018, primarily due to the Company's innovative products.

Cost of sales

The Group's cost of sales remained largely the same with a slight increase of 0.4% from RMB2,545.9 million in 2017 to RMB2,555.2 million in 2018. As a percentage of the Group's revenue, the Group's cost of sales increased from 64.6% in 2017 to 66.2% in 2018. The increase was primarily attributable to a slight decrease in revenue and 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 decreased by 6.5% from RMB1,395.7 million in 2017 to RMB1,305.4 million in 2018, and the Group's gross profit margin decreased from 35.4% in 2017 to 33.8% in 2018.

Selling and marketing expenses

The Group's selling and marketing expenses increased by 34.3% from RMB344.2 million in 2017 to RMB462.2 million in 2018, primarily due to the Company's efforts in marketing its new products. Specifically, the Company incurred selling and marketing expenses of RMB136.0 million in relation to the promotion of new products developed by the Company. As a percentage of the Group's revenue, selling and marketing expenses increased from 8.7% in 2017 to 12.0% in 2018.

Administrative expenses

The Group's administrative expenses increased by 50.6% from RMB96.0 million in 2017 to RMB144.6 million in 2018, primarily as a result of the listing expenses and share-based compensation expenses in connection with the Group's restricted share unit scheme. As a percentage of the Group's revenue, administrative expenses increased from 2.4% in 2017 to 3.7% in 2018.

Research and development expenses

The Group's research and development expenses increased by 21.8% from RMB193.2 million in 2017 to RMB235.5 million in 2018, primarily because the Company further enhanced its research and development efforts in order to develop additional functions and features to attract and retain paying users, and because of the increase in salaries and benefits paid to the Company's research and development personnel as a result of the increase in headcount and in average compensation of such personnel. As a percentage of the Group's revenue, research and development expenses increased from 4.9% in 2017 to 6.1% in 2018.

Other gains — net

The Group's other gains decreased by 9.5% from RMB37.6 million in 2017 to RMB34.0 million in 2018, primarily as a result of a decrease in the fair value gain of financial assets at fair value through profit and loss net by a decrease in provisions for claims and legal proceedings.

Other income

The Group's other income increased by 92.0% from RMB71.2 million in 2017 to RMB136.7 million in 2018, primarily due to an increase in government subsidies the Group received from local governments.

Operating profit

As a result of the foregoing, the Group's operating profit decreased by 27.2% from RMB871.2 million in 2017 to RMB633.9 million in 2018. As a percentage of the Group's revenue, the Group's operating profit decreased from 22.1% in 2017 to 16.4% in 2018.

Finance income-net

The Group's finance income-net increased by 164.9% from RMB10.6 million in 2017 to RMB28.1 million in 2018, primarily as a result of an increase in the income generated from the term deposits of the Group.

Share of loss of investments accounted for using the equity method

The Group's share of losses of investments accounted for using the equity method increased by 104.2% to approximately RMB3.1 million in 2018 from approximately RMB1.5 million in 2017.

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

The Group recorded fair value gains on financial instruments with preferred rights of approximately RMB514.8 million in 2018, as compared with the fair value loss on financial instruments with preferred rights of approximately RMB1,031.5 million the Group recorded in 2017, primarily due to a change in the valuation of these financial instruments.

Income tax expense

The Group's income tax expenses decreased by 17.5% from RMB88.3 million in 2017 to RMB72.8 million in 2018, primarily as a result of a decrease in net taxable profit in 2018.

Profit/(loss) for the year

As a result of the foregoing, the Group recorded a profit for the year of RMB1,100.9 million in 2018, as compared to a loss for the year of RMB239.5 million in 2017.

Non-IFRSs Measure

To supplement the Group's consolidated annual financial statements which is presented in accordance with the International Financial Reporting Standards ("IFRS"), the Group also uses Adjusted Net Profit as an additional financial measure. The Group's Adjusted Net Profit eliminates the effect of non-cash fair value gain/loss of financial instruments with preferred rights and share-based compensation expenses. The table below sets forth the reconciliation of Adjusted Net Profit for the years indicated:

	For the year ended 31 December	
	2018	2017
	(RMB'000)	
Profit/(loss) for the year	**1,100,946**	(239,509)
Add: non-cash fair value (gain)/loss of financial instruments with preferred rights[(1)]	**(514,844)**	1,031,485
Add: non-cash share-based compensation expenses[(2)]	**10,157**	–
Adjusted Net Profit[(3)]	**596,259**	791,976

(1) Represents changes in fair value of the financial instruments with preferred rights.

(2) Refers to share-based compensation benefits provided to certain employees via the employee share scheme.

(3) To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use Adjusted Net Profit as an additional financial measure. We present this financial measure because it is used by our management to evaluate our operating performance. We also believe that this non-IFRS measure provides useful information to investors and others in understanding and evaluating our results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies. Adjusted Net Profit is calculated using profit/(loss) for the year, and add back non-cash share-based compensation expenses and non-cash fair value gain/(loss) of financial instruments with preferred rights. The term of Adjusted Net Profit is not defined under IFRS. The use of Adjusted Net Profit has material limitations as an analytical tool, as it does not include all items that impact our net profit/loss for the year.

Liquidity and Capital Resources

For the year ended 31 December 2018, the Group financed its operations primarily through cash generated from the Group's operations. The Group intends to finance its expansion and business operations by internal resources and through organic and sustainable growth and the remaining net proceeds received from the global offering.

Cash and cash equivalents

As at 31 December 2018, the Group had cash and cash equivalents of RMB849.6 million (31 December 2017: RMB2,182.8 million), which primarily consisted of cash at banks. Out of the RMB849.6 million, approximately RMB414.8 million is denominated in Renminbi and approximately RMB434.8 million in denominated in other currencies (primarily US dollars). The Group currently does not hedge transactions undertaken in foreign currencies.

Structured Deposits and Wealth management Products

As at 31 December 2018, the Group had investments in short term wealth management products and structured deposits of RMB1,126.8 million in aggregate (31 December 2017: nil), which mainly represented RMB926.3 million in principle guaranteed structured deposits with a floating interest rate and short-term investments in wealth management products.

In addition to the short term investment in the structured deposits and wealth management products, the Group also invested RMB200.5 million in the long term wealth management products by a trust company on 5 July 2018. These long term wealth management products have relatively higher return and makes payment for investment income on a quarterly basis.

Subscriptions of short term structured deposits and wealth management products were made for treasury management purposes to maximize the return on the unutilized funds of the Company after taking into account, among others, the level of risk, return on investment, liquidity and the term to maturity. 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 structured deposits and wealth management products were considered to have relatively low risk and are also in line with the internal risk management, cash management and investment policies of the Group. In addition, the structured deposits and wealth management products were with a relatively short term of maturity or flexible redemption terms. In accordance with the relevant accounting standards, the structured deposits and wealth management products are accounted for as financial assets at fair value through profit and loss.

In view of the upside of earning a more attractive return than current saving or fixed deposit rate under the low interest rate trend, as well as a foregoing mixture of short term and long term investment, the directors of the Company are of the view that these financial products pose little risk to the Group and the terms and conditions of each of the subscriptions are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

Borrowings

As at 31 December 2018, the Group did not have any short-term or long-term bank borrowings and had no outstanding, utilized or unutilized banking facilities (31 December 2017: approximately RMB14.1 million in borrowings).

Gearing ratio

The Group's gearing ratio was zero since there was no interest-bearing debt as at 31 December 2018.

Capital expenditures

In 2018, the Group's capital expenditure amounted to approximately RMB10.9 million (2017: approximately RMB75.0 million), which was mainly used for the acquisition of property, 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 31 December 2018, there were no significant unrecorded contingent liabilities, guarantees or any litigation against the Group.

Significant investment, acquisition and disposal

Discloseable Transaction — Acquisition of Land Use Rights in Changsha, PRC

On 13 September 2018, Hunan Inke Property, an associate of the Company, successfully won the bid for the Auction of the land use rights of a piece of land located in Changsha for RMB490.2 million. The total budgeted development cost of the land is expected to be approximately RMB768.0 million, which is exclusive of the land acquisition cost. The Group will bear 51% of the acquisition cost and development cost. The remaining 49% of the costs will be borne by Changsha Longfor Real Estate Development Co., Ltd., a leading real estate developer in Changsha that the Group has partnered with to develop the land.

Discloseable Transaction — Subscription of Financial Products

On 20 November 2018 and 23 November 2018, Beijing Meelive Network Technology Co., Ltd.* (北京蜜萊塢網絡科技有限公司), a variable interest entity of Inke Limited, subscribed for three Financial Products from China Merchants Bank with an aggregate principal of RMB732.0 million. For details, please refer to the announcement dated 23 November 2018.

Save as the aforesaid, there was no other material acquisition and disposal of subsidiaries, associates or joint ventures by the Group during the Reporting Period.

Employees and staff costs

As at 31 December 2018, the Group had a total of 937 full time employees, mainly located in mainland China. In particular, 240 employees are responsible for the Group's business operations, 30 for sales and marketing, 150 for content monitoring, 33 for customer service, 364 for technology, research and development, and 120 for general and administrative functions.

Dividends

The Company did not declare or distribute any dividend to the shareholders of the Company for the year ended 31 December 2018.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Year ended 31 December	
		2018	2017
		RMB'000	*RMB'000*
Revenue	*3*	**3,860,593**	3,941,596
Cost of sales	*4*	**(2,555,182)**	(2,545,854)
Gross profit		**1,305,411**	1,395,742
Selling and marketing expenses	*4*	**(462,210)**	(344,154)
Administrative expenses	*4*	**(144,554)**	(95,963)
Research and development expenses	*4*	**(235,465)**	(193,242)
Other gains-net		**34,020**	37,585
Other income		**136,726**	71,214
Operating profit		**633,928**	871,182
Finance income — net		**28,076**	10,599
Share of loss of investments accounted for using the equity method		**(3,083)**	(1,510)
Fair value gain/(loss) of financial instruments with preferred rights		**514,844**	(1,031,485)
Profit/(loss) before income tax		**1,173,765**	(151,214)
Income tax expense	*5*	**(72,819)**	(88,295)
Profit/(loss) for the year		**1,100,946**	(239,509)

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Other comprehensive income/(loss)			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		**32,334**	(686)
Other comprehensive income/(loss) for the year, net of tax		**32,334**	(686)
Total comprehensive income/(loss)		**1,133,280**	(240,195)
Profit/(loss) attributable to:			
— Owners of the Company		**1,102,611**	(239,412)
— Non-controlling interests		**(1,665)**	(97)
		1,100,946	(239,509)
Total comprehensive income/(loss) attributable to:			
— Owners of the Company		**1,134,945**	(240,098)
— Non-controlling interests		**(1,665)**	(97)
		1,133,280	(240,195)
Earnings/(loss) per share attributable to ordinary equity holders of the Company (expressed in RMB per share)			
— Basic earnings/(loss) per share	*6*	**0.78**	(0.29)
— Diluted earnings/(loss) per share	*6*	**0.31**	(0.29)

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2018

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**27,876**	33,865
Intangible assets		**67,544**	62,562
Investments accounted for using the equity method		**197,488**	175,071
Financial asset at fair value through profit or loss		**256,988**	40,430
Deferred tax assets		**4,121**	1,320
Term deposits		**500,000**	–
Other receivables, deposits and other assets		**5,435**	5,435
Total non-current assets		**1,059,452**	318,683
Current assets			
Inventories		**1,496**	107
Accounts receivables	*8*	**53,007**	42,861
Financial assets at fair value through profit and loss		**937,040**	–
Cash and cash equivalents		**849,629**	2,182,777
Term deposits		**836,320**	–
Restricted cash		**28,386**	8,800
Other receivables, prepayment, deposits and other assets		**449,503**	100,842
Total current assets		**3,155,381**	2,335,387
Total assets		**4,214,833**	2,654,070
EQUITY			
Equity attributable to the shareholders of the Company			
Share capital		**13,623**	–
Other reserves		**4,113,873**	166,424
Accumulated deficits		**(653,343)**	(1,755,954)
		3,474,153	(1,589,530)
Non-controlling interests		**(1,299)**	366
Total equity		**3,472,854**	(1,589,164)

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
LIABILITIES			
Non-current liabilities			
Financial instruments with preferred rights	*9*	**–**	3,373,353
Deferred tax liabilities		**5,509**	1,750
Total non-current liabilities		**5,509**	3,375,103
Current liabilities			
Accounts payables	*11*	**513,933**	625,897
Other payables and accruals		**67,513**	113,034
Current income tax liabilities		**958**	2,713
Contract liabilities		**143,710**	85,468
Provisions		**8,800**	8,800
Borrowings		**–**	14,090
Other current liabilities		**1,556**	18,129
Total current liabilities		**736,470**	868,131
Total liabilities		**741,979**	4,243,234
Total equity and liabilities		**4,214,833**	2,654,070

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owner 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 31 December 2017	**–**	**166,424**	**(1,755,954)**	**(1,589,530)**	**366**	**(1,589,164)**
Comprehensive profit						
Profit/(loss) for the year	**–**	**–**	**1,102,611**	**1,102,611**	**(1,665)**	**1,100,946**
Currency translation differences	**–**	**32,334**	**–**	**32,334**	**–**	**32,334**
Total comprehensive profit for the year	**–**	**32,334**	**1,102,611**	**1,134,945**	**(1,665)**	**1,133,280**
Total transactions with owners in their capacity as owners						
Insurance of new ordinary shares	**2,304**	**1,137,911**	**–**	**1,140,215**	**–**	**1,140,215**
Conversion of preferred shares	**6**	**2,858,503**	**–**	**2,858,509**	**–**	**2,858,509**
Capitalisation issue	**11,313**	**(11,313)**	**–**	**–**	**–**	**–**
Share issuance costs	**–**	**(65,737)**	**–**	**(65,737)**	**–**	**(65,737)**
Share-based compensation expense	**–**	**10,157**	**–**	**10,157**	**–**	**10,157**
Acquisition of shares for employee share scheme	**–**	**(14,406)**		**(14,406)**	**–**	**(14,406)**
Total transactions with owners in their capacity as owners	**13,623**	**3,915,115**	**—**	**3,928,738**	**–**	**3,928,738**
Balance at 31 December 2018	**13,623**	**4,113,873**	**(653,343)**	**3,474,153**	**(1,299)**	**3,472,854**

	Attributable to the owner 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 31 December 2016	–	167,110	(1,516,542)	(1,349,432)	–	(1,349,432)
Comprehensive loss						
Loss for the year	–	–	(239,412)	(239,412)	(97)	(239,509)
Currency translation differences	–	(686)	–	(686)	–	(686)
Total comprehensive loss for the year	–	(686)	(239,412)	(240,098)	(97)	(240,195)
Total transactions with owners in their capacity as owners						
Business combination	–	–	–	–	463	463
Total transactions with owners in their capacity as owners	–	–	–	–	463	463
Balance at 31 December 2017	–	166,424	(1,755,954)	(1,589,530)	366	(1,589,164)

NOTES TO THE FINANCIAL STATEMENTS

1 General information

Inke Limited 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 Group is principally engaged in operating a live streaming platform and provision of advertising services (the "Listing Business") in the People's Republic of China (the "PRC" or "China").

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

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

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

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

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2 Summary of significant accounting policies

2.1 Basis of preparation

(i) Compliance with IFRS and HKCO

The consolidated financial statements of the Group has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS"), the disclosure requirements of the Hong Kong Companies Ordinance ("HKCO") Cap. 622 and the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(ii) Historical cost convention

The consolidated financial statements of the Group have been prepared under the historical cost convention, except that certain financial assets and financial liabilities that are carried at fair value.

2.2 Changes in accounting policies

(a) New and amended standards adopted by the Group

The International Accounting Standards Board ("IASB") has issued a number of new and revised IFRSs.

The following new and amended standards, and annual improvement have been adopted by the Group for the first time for the financial year beginning on 1 January 2018:

- IFRS 9 "Financial Instruments"

- IFRS 15 "Revenue from Contracts with Customers"

- Annual Improvement to IFRSs 2014–2016 cycle

- IFRIC-Int 22 "Foreign Currency Transactions and Advance Consideration"

Amendments to IFRS effective for the financial year beginning on 1 January 2018 do not have a material impact on the Group's consolidated financial statements other than IFRS 9 and IFRS 15.

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

(i) IFRS 15 "Revenue from Contracts with Customers"

The Group has adopted IFRS 15 from 1 January 2018 which resulted in changes in accounting policies. The Company has assessed the impact of adopting IFRS 15 on the financial statement and there are no adjustments to the amounts recognized in the financial statements.

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

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

(ii) IFRS 9 "Financial Instruments"

IFRS 9 replaces the provisions of International Accounting Standards ("IAS") 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 "Financial Instruments" from 1 January 2018 resulted in changes in accounting policies. The Company has assessed the impact of adopting IFRS 9 on the financial statements and there are no adjustments to the amounts recognized in the financial statements.

The Group has two types of financial assets that are subject to IFRS 9's new expected credit loss model:

- trade receivables, and

- other receivables.

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's accumulated losses and equity was immaterial.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

(b) New standards and amendments not yet adopted

A number of new standards and amendments to standards have been issued but not effective for annual period beginning on 1 January 2018, which have not been early adopted in preparing these consolidated financial statements

		Effective for annual periods beginning on or after
IFRS 16	"Leases"	1 January 2019
Interpretation 23	"Uncertainty over Income Tax Treatments"	1 January 2019
Amendments to IFRS 9	"Prepayment Features with Negative Compensation"	1 January 2019
Amendments to IAS 28	"Long-term Interests in Associates and Joint Ventures"	1 January 2019
Amendments to IAS 19	"Plan Amendment, Curtailment or Settlement"	1 January 2019
IFRS 17	"Insurance Contracts"	1 January 2021
Amendments to IFRS 10 and IAS 28	"Sale or contribution of assets between an investor and its associate or joint venture"	Date to be determined

The above new standards and interpretations does not have a material impact on the Group's consolidated financial statements other than IFRS 16.

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

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB37,516,000, among which RMB28,306,000 of leasing commitments is within one year. However, The Group anticipates that the initial adoption of IFRS 16 in the future will result in an increase in right-of-use assets and lease liabilities, which is unlikely to have material impact on the Group's financial position. The Group also anticipates that the net impact (as a result of the combination of the interest expenses arising from the lease liabilities and the amortization of the right-of-use assets as compared to the rental expense under existing standard) on the Group's financial performance will not be material.

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

3 Revenue

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Live streaming	**3,729,101**	3,919,000
Online advertising	**121,646**	22,435
Others	**9,846**	161
	3,860,593	3,941,596

4 Expenses by nature

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Streamer costs	**2,285,083**	2,212,688
Promotion and advertising expenses	**430,656**	323,397
Employee benefit expenses	**282,367**	227,823
Bandwidth and server custody costs	**90,588**	122,045
Outsourced development costs	**62,889**	55,645
Payment handling costs	**54,007**	97,341
Listing expenses	**30,727**	–
Taxes and surcharges	**29,447**	24,258
Travelling, entertainment and general office expenses	**26,206**	23,760
Content and copyright cost	**24,003**	24,407
Technical support and professional service fees	**20,163**	26,926
Operating lease rentals	**18,904**	20,475
Amortization of intangible assets	**16,189**	8,524
Depreciation of property, plant and equipment	**15,484**	9,463
Auditor's remuneration		
— Audit services	**6,000**	–
— Non-audit services	**391**	–
Other expenses	**4,307**	2,461
	3,397,411	3,179,213

5 Income tax expense

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current tax:		
Current tax on profits for the year	**74,060**	80,840
Total current tax expense	**74,060**	80,840
Deferred income tax:		
(Decrease)/increase in deferred tax assets	**(2,801)**	7,455
(Increase)/decrease in deferred tax liabilities	**1,560**	–
Total deferred tax (benefit)/expense	**(1,241)**	7,455
Income tax expense	**72,819**	88,295

6 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 shares held for employee share scheme (Note 10).

	Year ended 31 December	
	2018	2017
Profit/(loss) attributable to the ordinary equity holders of the Company (RMB'000)	**1,102,611**	(239,412)
Weighted average number of ordinary shares in issue (thousand shares)	**1,412,996**	839,914
Basic earnings/(loss) per share attributable to the ordinary equity holders of the Company (expressed in RMB per share)	**0.78**	(0.29)

(b) Diluted earnings/(loss) per share

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

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	Year ended 31 December	
	2018	2017
Profit/(loss) attributable to the ordinary equity holders of the Company (RMB'000)	**1,102,611**	(239,412)
Less: Fair value gain of financial instruments with preferred rights (RMB'000)	**(514,844)**	–
Net profit/(loss) used to determine diluted earnings/(loss) per share (RMB'000)	**587,767**	(239,412)
Weighted average number of ordinary shares in issue (thousand shares)	**1,412,996**	839,914
Add: Adjustment for conversion of preferred shares (thousand shares)	**461,778**	–
Add: Adjustment for RSUs granted to employees (thousand shares)	**569**	–
Weighted average number of ordinary shares for calculation of diluted earnings/(loss) per share (thousand shares)	**1,875,343**	839,914
Diluted earnings/(loss) per share (expressed in RMB per share)	**0.31**	(0.29)

(c) Information concerning the classification of securities

(i) Capitalization issue

On 12 July 2018, pursuant to the Initial Public Offering, each ordinary shares were subdivided into 1,000 shares ("capitalization issue"). The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for both years has been retrospectively adjusted for capitalization issue.

(ii) Assumed conversion of financial instruments with preferred rights

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The financial instruments with preferred rights are the only dilutive potential ordinary shares during the year ended at 31 December 2018. During the year ended 31 December 2017, the Group's financial instruments with preferred rights were anti-dilutive as the Group incurred loss. Accordingly, the diluted loss per share is the same as basic loss per share.

(iii) Restricted share unit scheme

As disclosed in Note 10, The Company granted 27,469,214 RSU under the RSU Scheme for the year ended 31 December 2018. The grant of RSU are dilutive potential ordinary shares and are included as potential ordinary shares in the determination of diluted earnings per share.

7 Dividends

No dividends have been paid or declared by the Company during each of the year ended 31 December 2018 and 2017.

8 Accounts receivables

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

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Accounts receivables		
— Up to 3 months	**52,610**	36,104
— 3 to 6 months	**130**	2,540
— 6 months to 1 year	**267**	4,217
	53,007	42,861

9 Financial instruments with preferred rights

On 12 July 2018, all financial instruments with preferred rights were automatically converted into ordinary shares upon the Initial Public Offering. The fair value of the financial instruments with preferred rights was changed to RMB2,858,509,000 on 12 July 2018 as determined based on the quoted market price of the ordinary shares on the date of conversion.

10 Share-based payments

Restricted Share Units ("RSUs")

Pursuant to a resolution passed by the Board of Directors of the Company on 18 November 2018, the Company set up a restricted share unit scheme ("RSU Scheme") with the objective to incentivize employees for their contribution to the Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company.

(a) Grant of the RSUs

On 18 November 2018, 27,469,214 RSUs under the RSU Scheme were granted to employees. The RSUs are vested only if the grantees remain employed by the Group. The RSU Scheme will be valid and effective for a period of ten years commencing from 18 November 2018, unless it is terminated earlier in accordance with the rules of RSU Scheme. There is no vested RSUs on 31 December 2018.

The 27,469,214 RSUs granted on 18 November 2018 are vested in five different ways as provided in respective grant letters:

(i) 50% on 1 February 2019, and 25% each on every six months from the first month after 1 February 2019.

(ii) 50% on 1 February 2019, and 25% each on every twelve months from the first month after 1 February 2019.

(iii) 25% on 1 February 2019, 25% on 1 August 2019, and 25% each on every twelve months from the first month after 1 August 2019.

(iv) 25% on 1 February 2019, and 25% each on every twelve months from the first month after 1 February 2019.

(v) 25% on 1 August 2019, and 25% each on every twelve months from the first month after 1 August 2019.

(b) Shares held for RSU Scheme

Pursuant to a resolution passed by the Board of Directors of the Company on 18 November 2018, the Company entered into a trust deed (the "Trust Deed") with Computershare Hong Kong Trustees Limited (the "RSU Trustee") to assist with the administration of the RSU Scheme. For the year ended 31 December 2018, the Group repurchased 7,400,000 ordinary shares at the cost of approximately RMB 14,406,000.The RSU Trustee held this shares for the benefit of eligible participants pursuant to the RSU Scheme and the Trust Deed

(c) Fair value of RSUs

The fair value of RSUs granted on 18 November 2018 was assessed to approximate to the market price of the grant date in the amount of HKD2.80 each (equivalent to RMB 53,287,583 in total).

A summary of RSU activities for the year ended 31 December 2018 is presented below:

Restricted Share Units	**Number of shares**	**Grant Date Fair Value** *RMB*
Unvested as of 1 January 2018	–	–
Granted	**27,469,214**	**1.94**
Vested	–	–
Forfeited	–	–
Unvested as of 31 December 2018	**27,469,214**	**1.94**

11 Accounts payables

At 31 December 2018, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date were as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
— Up to 3 months	**266,773**	329,889
— 3 to 6 months	**11,075**	37,545
— 6 months to 1 year	**13,976**	31,869
— Over 1 year	**222,109**	226,594
	513,933	625,897

OTHER INFORMATION

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

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

ANNUAL GENERAL MEETING

The Company plans to convene the annual general meeting of 2019 (the "**AGM**"). For details of the AGM, please refer to the Notice of AGM which will be published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.inke.cn) in due course.

FINAL DIVIDEND

The Board does not recommend any payment of annual dividend for the year ended 31 December 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance to safeguard the interests of its Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the code provisions of the Corporate Governance Code on the Stock Exchange (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The CG Code has been applicable to the Company with effect from Listing Date and was not applicable to the Company during the period from 1 January 2018 to 11 July 2018.

The Board is of the view that the Company has complied with all applicable code provisions of the CG Code since the Listing Date up till 31 December 2018, except for a deviation from the code provision A.2.1 of the CG Code that the roles of the chairman and chief executive should be separate and should not be performed by the same individual.

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code for securities transactions by the Directors. As the Shares were listed on the Stock Exchange on 12 July 2018, the Model Code was not applicable to the Company during the period from 1 January 2018 to 11 July 2018. Having made specific enquiry of all Directors, it is confirmed that all Directors have complied with the Model Code throughout the period from the Listing Date to the date of this announcement.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with the Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. As at the date of this announcement, the Audit Committee comprises two independent non-executive directors of the Company, Mr. David CUI and Dr. LI Hui, and one non-executive director of the Company, Mr. LIU Xiaosong. Mr. David CUI is the chairman of the Audit Committee.

The Audit Committee has reviewed and discussed the annual results for the year ended 31 December 2018. The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.inke.cn). The annual report will be dispatched to the shareholders of the Company and will be available on the website of the Stock Exchange and that of the Company in due course.

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

Hong Kong, 23 March 2019

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