2018 ANNUAL REPORT

Inke Limited
映客互娛有限公司

Incorporated in the Cayman Islands with limited liability

Stock Code：3700

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. FENG Yousheng *(Chairman and Chief Executive Officer)*
Ms. LIAO Jieming
Mr. HOU Guangling

Non-Executive Director

Mr. LIU Xiaosong

Independent Non-Executive Directors

Mr. David CUI
Mr. DU Yongbo
Dr. LI Hui

AUDIT COMMITTEE

Mr. David CUI *(Chairman)*
Mr. LIU Xiaosong
Dr. LI Hui

NOMINATION COMMITTEE

Mr. FENG Yousheng *(Chairman)*
Mr. DU Yongbo
Dr. LI Hui

REMUNERATION COMMITTEE

Mr. DU Yongbo *(Chairman)*
Mr. LIU Xiaosong
Mr. David CUI

JOINT COMPANY SECRETARIES

Mr. WONG Yu Kit
Mr. XIAO Liming

AUTHORIZED REPRESENTATIVES

Ms. LIAO Jieming
Mr. WONG Yu Kit

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central
Hong Kong

COMPLIANCE ADVISOR

Guotai Junan Capital Limited
27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

COMPANY'S WEBSITE

https://www.inke.cn

STOCK CODE

3700

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Zone C, Block A, Greenland Center
Area 4, Wangjing East Garden
Chaoyang District
Beijing, 100102
PRC

REGISTERED OFFICE IN THE CAYMAN ISLANDS

The offices of Maples Corporate Services Limited
PO Box 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall, Cricket Square
Grand Cayman KY1-1102
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th floor, Sunlight Tower
248 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKS

China Merchants Bank, Shouti Branch
China Merchants Bank, Wanda Branch

Financial Highlights

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December			Period from 31 March to 31 December
	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**3,860,593**	3,941,596	4,334,859	28,702
Cost of sales	**(2,555,182)**	(2,545,854)	(2,697,865)	(14,859)
Gross profit	**1,305,411**	1,395,742	1,636,994	13,843
Selling and marketing expenses	**(462,210)**	(344,154)	(721,778)	(10,009)
Administrative expenses	**(144,554)**	(95,963)	(227,314)	(1,793)
Research and development expenses	**(235,465)**	(193,242)	(198,524)	(133)
Operating profit	**633,928**	871,182	493,901	1,903
Fair value gain/(loss) of financial instruments with preferred rights	**514,844**	(1,031,485)	(1,856,809)	(50,876)
Profit/(loss) for the year	**1,100,946**	(239,509)	(1,467,126)	(49,416)

CONSOLIDATED BALANCE SHEET

	As at 31 December			
	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Assets:				
Non-current assets	**1,059,452**	318,683	190,185	5,078
Current assets	**3,155,381**	2,335,387	1,678,083	126,527
Total assets	**4,214,833**	2,654,070	1,868,268	131,605
Liabilities:				
Non-current liabilities	**5,509**	3,375,103	2,355,958	171,245
Current liabilities	**736,470**	868,131	861,742	21,851
Total liabilities	**741,979**	4,243,234	3,217,700	193,096
Net current assets	**2,418,911**	1,467,256	816,341	104,676
Net assets/(liabilities)	**3,472,854**	(1,589,164)	(1,349,432)	(61,491)
Share capital	**13,623**	—	—	—
Other reserves	**4,113,873**	166,424	167,110	(12,075)
Accumulated deficits	**(653,343)**	(1,755,954)	(1,516,542)	(49,416)
Non-controlling interests	**(1,299)**	366	—	—
Total equity	**3,472,854**	(1,589,164)	(1,349,432)	(61,491)

* The data of 2016 and 2015 are extracted from the Company's prospectus upon listing on the Main Board of The Hong Kong Stock Exchange.

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of Inke Limited (the "Company" or "Inke"), I am pleased to present the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2018 (the "Reporting Period"). As part of my first chairman's statement, I would first like to thank the Shareholders for placing their trust in the Company, and also thank the Company's employees and professional advisors, whose strenuous efforts were invaluable to the Company's successful listing on the main board of the Stock Exchange of Hong Kong Limited ("the Stock Exchange") on 12 July 2018, which symbolizes the beginning of a new chapter for the Company.

BUSINESS REVIEW

The Company is one of the leading mobile live streaming platforms in China. Since its establishment, the Company has been committed to satisfying its users' demand for a wide range of entertainment content. For this purpose, the Company has continuously made improvements to its Inke products by developing more features, functions and new standalone apps. Meanwhile, the Company has enhanced its product content creation and refined the operation of its vertical channels. Aside from traditional channels such as music and dancing, the Company also added new channels, including, among others, radio, social and outdoor channels. Each channel offers its own original programs, which includes titles such as Yinlang Zhanji (音浪戰紀), Qipa Jiadao (奇葩駕到) and World Traveler (世界旅人). Relying on its large streamer base, the Company gradually created an entertainment ecosystem with a wide variety of contents in order to satisfy the broad entertainment demands of its users. In addition, the Company continued to hold offline and online large scale events, including Goddess Sakura, Rising Star and Amazing Voice. The purpose of these events is to connect online and offline user interaction and form an influential interactive entertainment brand. The Company has also put forth effort in interactive entertainment innovation. In the past year, the Company rolled out or incubated a number of new products to improve its product mix, including, among others, Seed Video (種子視頻), which is a video product that targets users in tier-3, tier-4 and lower-tier cities, Yinpao (音泡), which is an online audio interactive product, and Bujiu (不就), which is an audio social product. Further, the Company was also the first in China's live streaming industry to create live streaming + variety show and live streaming + mini dramas, and to vertically integrate the entertainment supply chain through its online + offline strategy.

In 2018, the Company's total revenue amounted to 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. 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. The Company's assets increased by 58.8% to RMB4,214.8 million from RMB2,654.1 million in 2017. The Company's net profit and adjusted net profit in 2018 was RMB1,100.9 million and RMB596.3 million, respectively.

BUSINESS OUTLOOK

With the development of commercial 5G in China, the live streaming industry is expected to experience a major wave of innovation. As a pioneer in the interactive entertainment industry, the Company will continue to steadily invest in product development and innovation. In particular, the Company will seek to elevate users' experience and increase participation by creating new interactive entertainment modes through the use of 5G and VR technologies. The Company also plans to penetrate the international market by leveraging its extensive experience and leading technology in the interactive entertainment industry as well as its knowledge on the usage habits and culture of overseas users to develop a new product specifically for overseas markets within a short period of time. Meanwhile, the Company will actively look for investment and acquisition opportunities in interactive entertainment businesses in China or overseas.

APPRECIATION

On behalf of everyone at Inke, I would like to express my sincere gratitude to all of our users. I would also like to thank all our employees and management team for their hard work and contributions, as well as the Shareholders and professional teams for their continued support and trust.

FENG Yousheng
Chairman and Executive Director
Hong Kong, 23 March 2019

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 the Company 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 derived from 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 million 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.

Major Operating Data of the Group's Live Streaming Platform

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

	For the year ended 31 December	
	2018	**2017**
	(in thousands)	
Average monthly active users	**25,487**	22,694

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	%	%
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
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)	—	—

	For the year ended 31 December				Year-on-Year Change
	2018		2017		
	RMB'000	%	RMB'000	%	%
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 derived from 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 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. 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 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 received by the Group.

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	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 its consolidated financial statements which are presented in accordance with IFRS, the Company also uses Adjusted Net Profit as an additional financial measure. The Company presents this financial measure because it is used by its management to evaluate its operating performance. The Company also believes that this non-IFRS measure provides useful information to investors and others in understanding and evaluating its results of operations in the same manner as its management and in comparing financial results across accounting periods and to those of its 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 the Company's 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 is denominated in other currencies (primarily US dollars). The Group currently does not hedge transactions undertaken in foreign currencies.

Structured Deposits and Wealth management Products

As at 31 December 2018, the Group had investments in 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 product by a trust company on 5 July 2018. This long term wealth management product has relatively higher returns and makes payments 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 investment in such financial product. 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 relatively short terms 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 (the "Directors") are of the view that these financial products pose little risk to the Group and the terms and conditions of each of the subscriptions are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

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.

Capital Commitments

The Group did not have any capital commitment as at 31 December 2018.

FUNDING AND TREASURY POLICY

The Group adopts a stable, conservative approach in its finance and treasury policy, aiming to maintain an optimal financial position, the most economic finance costs, and minimal financial risks. The Group regularly reviews its funding requirements to maintain adequate financial resources in order to support its current business operations as well as its future investments and expansion plans.

FOREIGN EXCHANGE RISK

For details regarding the Group's foreign exchange risk, see note 3 to the consolidated financial statements in this annual report.

CONTINGENT LIABILITIES AND GUARANTEES

As at 31 December 2018, there were no significant unrecorded contingent liabilities, guarantees or any litigation against the Group.

CHARGE ON GROUP'S ASSETS

As at 31 December 2018, there was no charge or pledge on the Group's assets.

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 Merchant 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.

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. FENG Yousheng (奉佑生), age 41, is a Founder, the Chairman and the Chief Executive Officer of the Group and an executive Director of the Company. Mr. Feng is primarily responsible for formulating and implementing the overall development strategies and business plans of the Group and overseeing the overall development and operations of the Group. He was appointed as a Director on 24 November 2017. In addition, Mr. Feng currently holds the position of director or other managing positions in several subsidiaries of the Company and Beijing Meelive. Specifically, he is the chief executive officer, director and chairman of Beijing Meelive, an executive director of Hunan Inke, a manager of Hunan Enjoy, an executive director of Beijing Inke Cheese, and an executive director of Guangdong Inke. Mr. Feng has also been an executive director and manager of Beijing Yingzhi Consulting Limited (北京映知諮詢有限公司) since July 2016. Prior to joining the Group, Mr. Feng has served several senior management and supervisory positions in different companies. Mr. Feng started his career as a clerk of the local government of Shaibeitan Township (永州金洞林場曬北灘瑤族鄉政府) from January 1998 to July 2001. He then started his career in the Internet industry, serving as an engineer in Guangdong Dadicom Chain Services Limited (廣東大地通訊連鎖服務有限公司) from August 2001 to June 2004. Afterwards, he served as the chief inspector of Shenzhen Huadong Feitian Network Development Co., Ltd. (深圳市華動飛天網路技術開發有限公司) from July 2004 to December 2010. From December 2010 to March 2015, he also served as the senior vice president of Beijing Caiyun Online Technologies Co., Ltd (北京彩雲在線技術開發有限公司) Mr. Feng has over 17 years of experience in the internet technology industry. Mr. Feng graduated from Hunan Chemical Engineering School (湖南省化學工業學校) chemical technology major in June 1997, and by taking online courses, he graduated from China University of Geosciences (中國地質大學) in July 2017 with a junior college degree in computer application technology.

Ms. LIAO Jieming (廖潔鳴), age 38, is a Founder of the Group and an executive Director and Chief Operating Officer of the Company. Ms. Liao is primarily responsible for overseeing and managing the overall operations of the Group. She was appointed as a Director on 9 March 2018. She currently holds the position of a director or other positions in the Company's subsidiaries, subsidiaries of Beijing Meelive. She is a co-founder, an executive director and manager of Beijing Meelive, and has been an executive director of Shanghai Meelive since June 2016, the manager of Beijing Inke since July 2016 and an executive director of Hunan Enjoy since April 2017, and an executive director and general manager of Hunan Tiantianxiangshang since July 2017. She also served as a managing partner of Inke Yuanda from June 2016 to June 2017, and subsequently serves as a managing partner of Inke Huanzhong since June 2017. Prior to joining the Group, Ms. Liao worked as a senior fashion editor at Trends Magazine Office (時尚雜誌社) Bride Editorial Department from February 2008 to February 2012. She then worked at the products department of Sina Technology (China) Co., Ltd. (新浪科技 (中國) 有限公司) as an editor from February 2012 to September 2012. From September 2013 to May 2014, Ms. Liao served as a senior editor at Trends Health Magazine Office (時尚健康雜誌社). Ms. Liao then worked at Duomi Online (formerly known as Beijing Caiyun Online Technologies Co., Ltd) as the director for operations since June 2014 to March 2015. Ms. Liao graduated from Tianjin Polytechnic University (天津工業大學) with a bachelor's degree in mechanical engineering and automation and a master's degree in artistic design in July 2003 and March 2007 respectively.

Mr. HOU Guangling (侯廣凌), age 34, is a Founder of the Group and an executive Director and Chief Technology Officer of the Company. Mr. Hou is primarily responsible for overseeing and managing the overall technology development of the Group. He was appointed as a Director on 9 March 2018. In addition, Mr. Hou currently holds other positions in certain subsidiaries of the Company. In particular, he is a co-founder and an executive director of Beijing Meelive, a manager of Guangdong Inke and a non-executive director of Beijing Qingliu Dingdian Technology Limited (北京清流鼎點科技有限公司) since December 2016. He served as a managing partner of Inke Huanzhong from June 2016 to June 2017, and subsequently serves as a managing director of Inke Changqing since June 2017. Prior to joining the Group. Mr. Hou worked at Duomi Online (formerly known as Beijing Caiyun Online Technologies Co., Ltd) as the director for research and development from July 2010 to February 2013. He then served as the director for research and development of Beijing Huanwu Yuedong Internet Technology Co., Ltd. (北京歡舞悦動網路科技有限公司) from March 2013 to August 2015. Mr. Hou has over seven years of experience in the internet technology industry. Mr. Hou earned a bachelor of engineering in electronic and information engineering from North University of China (中北大學) in July 2006. In addition, Mr. Hou earned a master of engineering in embedded systems engineering from Peking University (北京大學) in July 2010.

Non-executive Directors

Mr. LIU Xiaosong (劉曉松), aged 53, joined the Board as a non-executive Director on 9 March 2018 and is responsible for providing strategic advice and guidance on the business development of the Group. Mr. Liu has over 25 years of management experience and diversified experience in the internet technology, media and telecommunications industry. Mr. Liu currently serves as and has been serving as the chairman of A8 New Media Group Limited (A8新媒體集團有限公司, which shares are listed on the Main Board of the Stock Exchange under stock code 800) since October 2007. He is the chairman of Duomi Online, the Group's Angel Investor. He is one of the co-founders of Tencent Holdings Limited (a company listed on the Main Board of the Stock Exchange under stock code 700). Prior to serving as the chairman of A8 New Media Group Limited, Mr. Liu worked at China Electric Power Research Institute (中國電力科學研究院) as an engineer from September 1987 to October 1991. Subsequently, he served as a general manager of Shenzhen Xinlide Electronics Limited (深圳市信力德電子有限公司) from April 1994 to May 2000. Mr. Liu graduated from Hunan University (湖南大學) in July 1984 with a bachelor's degree in electrical engineering. In addition, Mr. Liu obtained his master's degree in engineering from China Electric Power Research Institute in September 1987. In 1991, Mr. Liu had studied at Tsinghua University for doctoral studies in electrical engineering.

Independent Non-executive Directors

Mr. David CUI (崔大偉), age 50, was appointed as the Company's independent non-executive Director on 23 June 2018, and is responsible for supervising and providing independent advice and judgment to the Board. Mr. Cui has extensive experience in public accounting and financial management. Mr. Cui currently serves as the chief financial officer of Huami Corporation (a company listed on the New York Stock Exchange (NYSE: HMI)) since August 2017. From August 2015 to April 2017, Mr. Cui is the chief financial officer of China Digital Video Holdings Limited, a company listed on the Hong Kong Stock Exchange with stock code 8280. During the period from January 1996 to August 2013, Mr. Cui worked in various roles including the chief financial officer in iKang Healthcare Group, Inc., a company listed on the NASDAQ (NASDAQ: KANG); an audit senior manager of Deloitte Touche Tohmatsu, Shanghai; the financial reporting manager of Symantec Corporation, California; an audit manager of Ernst & Young LLP, California; a senior auditor in the Audit and Advisory Services practice of Health Net, Inc., California, a company listed on the New York Stock Exchange (NYSE: HNT); and worked at various public accounting firms in Canada and the United States. Mr. Cui obtained his bachelor's degree in business administration from Simon Fraser University, Canada in September 1997. He became a Chartered Accountant in Canada in February 2000 and a licensed Certified Public Accountant in the United States in July 2005.

Mr. DU Yongbo (杜永波), age 48, was appointed as the Company's independent non-executive Director on 23 June 2018, and is responsible for supervising and providing independent advice and judgment to the Board. He has over 16 years of experience in investment banking and investment management in the technology, media and telecom industry. Mr. Du currently serves as an executive director of China Renaissance Holdings Limited since August 2011 and as the managing director of Shanghai HuaSheng Youge Equity Investment Management Limited (上海華晟優格股權投資管理有限公司) since January 2016. Mr. Du also served as an executive director of China Renaissance Pan-Asia Investment Consulting (Beijing) Limited (華興泛亞投資顧問 (北京) 有限公司) from April 2006 to December 2015. Prior to joining the China Renaissance Group, Mr. Du served as the procurement manager of Samsung Electronics Huizhou Co., Ltd. (惠州三星電子有限公司) from July 1993 to January 1995. He then served as the vice-general manager of the planning department of a subsidiary of Legend Group now known as Lenovo Group (聯想集團) in Beijing from April 1995 to October 1998 and as the general manager of a software development entity within Lenovo Group from November 1998 to October 1999. Subsequently, he served as the director of investment projects of Lenovo Group from January 2002 to May 2006. Mr. Du graduated from Tsinghua University (清華大學) in July 1993 with dual bachelor's degrees, one in utilization of nuclear energy and thermal energy from the Department of Engineering Physics, and the other in mechanical engineering from the Department of Precision Instruments & Mechanics. In addition, Mr. Du completed the courses of the Tsinghua University and the Chinese University of Hong Kong MBA Program in July 2006 and December 2006, respectively.

Dr. LI Hui (李琿), age 52, was appointed as the Company's independent non-executive Director on 23 June 2018, and is responsible for supervising and providing independent advice and judgment to the Board. Dr. Li has over 17 years of working experience in high-tech industry in both US and China. Dr. Li currently serves as a Senior Director of Product Management at LinkedIn Corp., where he first joined in April 2012 as the Chief Representative of LinkedIn Representative Office in China. Prior to working at LinkedIn, Dr. Li served as a Product Manager at Google Shanghai office and then as a Senior Manager of New Business Development from November 2007 to February 2012. Prior to Google, he was a Director of Research and Development at Universal Scientific Industrial (Shanghai) Co., Ltd (環旭電子股份有限公司) from November 2003 to November 2007. Prior to that, Dr. Li served as a Software Engineer at Apple Inc. in Cupertino USA from April 2001 to March 2003. Dr. Li holds six patents. Dr. Li graduated from Fudan University (復旦大學) in July 1989 with a bachelor's degree in Electronic Engineering. Dr. Li received from the University of California, Santa Barbara a master's degree and a Ph.D. in Electrical and Computer Engineering in June 1991 and December 1993, respectively.

SENIOR MANAGEMENT

Mr. JIANG Gupeng (姜谷鵬), age 42, is the Chief Strategy Officer of the Group. Mr. Jiang joined the Group in March 2016 and is responsible for developing, communicating, executing, and sustaining corporate strategic initiatives. In addition, Mr. Jiang currently holds the position of director or other managing positions in the Company's subsidiaries. He has been serving as the chief financial officer of Beijing Meelive from March 2016 to March 2018, an executive director and manager of Ningbo Inke since May 2016, a non-executive director of Miaoa (Beijing) Technology Limited (秒啊 (北京) 科技有限公司) since April 2017 and the chairman of Hunan Inke Property since June 2018. Mr. Jiang has over nine years of experience in corporate management. Prior to joining the Group, Mr. Jiang worked as a clerk at Beijing Municipal Commission of Urban Planning (北京市規劃委員會) from July 2003 to July 2004. He then served as a manager of Beijing Doric Realty Investment Consulting Co., Ltd. (北京大信創業房地產投資顧問有限公司) from August 2004 to March 2009. He served as an executive director and manager of Beijing Dapeng Shidian Technology Limited (北京大鵬视点科技有限公司) from April 2009 to December 2011. Mr. Jiang then consecutively served as a vice president and a director of China Renaissance Pan-Asia Investment Consulting (Beijing) Limited (華興泛亞投資顧問 (北京) 有限公司) from January 2012 to December 2015, and then served as the director of Shanghai HuaSheng Youge Equity Investment Management Limited (上海華晟優格股權投資管理有限公司) from January 2016 to March 2016. Mr. Jiang also served as a managing partner of Inke Changqing from June 2016 to June 2017 and the chairman of Beijing Yingwu Technology Limited (北京映舞科技有限公司) September 2016 to February 2018. Mr. Jiang graduated from Tsinghua University with a bachelor's degree in architecture in July 2000 with a master's degree of engineering from Tsinghua University in July 2004.

JOINT COMPANY SECRETARIES

Mr. XIAO Liming (肖力銘), age 32, was appointed as one of the Company's joint company secretaries on 11 March 2018 with effect upon Listing and as acting chief financial officer of the Company with effect from 18 February 2019. Prior to joining the Group, Mr. Xiao served as a senior associate of BOC International Securities Co. Ltd. (中銀國際證券股份有限公司) from August 2010 to April 2014. From May 2014 to July 2015, he also served as a senior manager of China Renaissance Pan-Asia Investment Consulting (Beijing) Limited (華興泛亞投資顧問 (北京) 有限公司). Mr. Xiao then worked at Chengdu Long Mobile Technology Limited (DragonestGames) (成都龍淵網路科技有限公司) as a vice-president from August 2015 to November 2016. Mr. Xiao graduated from the University of Warwick in November 2009 with a master's degree of Science in Finance.

Mr. WONG Yu Kit (黃儒傑), is another joint company secretary of the Company and was appointed on 29 May 2018 and with effect upon Listing. Mr. Wong is an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited and has about 10 years of experience in the corporate services field. Mr. Wong obtained a bachelor's degree in the Business Administration and Management from the University of Huddersfield and a master's degree in corporate governance from the Open University of Hong Kong. Mr. Wong is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

Report of Directors

The Directors are pleased to present this annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the operations of mobile live streaming platforms in the People's Republic of China (the "PRC") and are considered to be engaged in the provision of value-added telecommunications services, internet cultural services, online audio and video program services and talent agency services. A list of the Company's subsidiaries, together with their places of incorporation, principal activities and particulars of their issued shares/paid up capital, is set out in note 12 to the consolidated financial statements in this annual report.

BUSINESS REVIEW

Overview and Performance of the Year

A review of the business of the Group during the year, a discussion and analysis on the Group's future business development and the financial and operational key performance indicators employed by the Directors in measuring the performance of the Group's business are set out in the section headed "Management Discussion and Analysis" on pages 11 to 17 of this annual report.

Environmental Policies and Performance

The Group is not subject to any significant health, safety or environmental risks. The Group does not operate any production facilities or transportation, as it engages third parties to transport its solution products. The Group has taken measures to promote environmental-friendliness of the workplace by encouraging paper recycling culture, water conservation measures and energy-saving culture within the Group to reduce the impact of operations on the environment and natural resources.

To the best knowledge of the Group, during the year ended 31 December 2018, the Group has complied with the relevant environmental and occupational health and safety laws and regulations and it did not have any incidents or complaints which had a material and adverse effect on its business, financial condition or results of operations during the Reporting Period.

Compliance with Relevant Laws and Regulations

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year under review, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

Key Relationship with Stakeholders

The Group recognizes that various stakeholders including employees, customers, suppliers and shareholders. The Group strives to achieve corporate sustainability through engaging, collaborating, and cultivating strong relationship with them.

The remuneration of employees of the Group will be based on their performance, experience and the prevailing market remuneration. The total remuneration of employees includes basic salaries and discretionary bonus. Moreover, the Group has also adopted a share option scheme and RSU scheme. The remuneration policy of the Directors is reviewed and determined by the remuneration committee having regard to the Directors' experience, responsibilities, workload and time devoted to the Group and performance of the Group.

The Company's major suppliers include streamers and streamer agents. The Company does not rely on any particular streamer or streamer agent, as the Company motivates each of its users to perform as streamer and establish a large and robust streamer base. On average, the Company has two years of business dealings with its major suppliers. All of the Company's five largest suppliers are independent third parties.

The Company's main customers are its users, who buy virtual items and other services the Company offers and interact with other users. Revenues generated from the Company's top five customers for live streaming business accounted for approximately 2.3% of its total revenues for 2018.

The principal goal of the Group is to maximize the return to the shareholders of the Company. The Group will focus on its core business for achieving sustainable profit growth and rewarding the shareholders with dividend payouts taking into account the business development needs and financial health of the Group.

During the year under review, there were no material and significant dispute between the Group and its suppliers, customers and/or other stakeholders.

Key Risks and Uncertainties and Risk Management

The business operations and results of the Group may be affected by various factors, some of which are external causes and some are inherent to the business. The Board is aware that the Group is exposed to various risks and the principal risks and uncertainties are summarized below:

- having a limited operating history in a new and dynamic industry, which makes it difficult to evaluate the Group's business and future prospects;
- uncertainty as to the Group's ability to acquire new users and retain existing users in cost efficient manners;
- uncertainty as to user misconduct and misuse of the Group's platform;
- uncertainty as to negative publicity involving the Group, its users, contents on its platform, its management, its social networking platform or its business model;

- operating in a highly competitive market;
- uncertainty as to the Group's relatively new business model;
- uncertainty as to the successfulness of the Group's monetization strategies;
- uncertainty related to the regulation and censorship of information disseminated over the internet in China; and
- uncertainty related to the regulation of the live streaming industry and internet industry in China.

The Company believes that risk management is essential to the Group's efficient and effective operation. The Company's management assists the Board in evaluating material risk exposure arising internally and externally from the Group's business, including operational risks, financial risks, regulatory risks, etc. and proactively setting up appropriate risk management and internal control mechanism which is embedded in daily operation management.

Events after Reporting Period

There have been no significant events that have an effect on the Group subsequent to the financial year ended 31 December 2018.

Outlook for 2019

In 2019, the Group will continue its efforts to further solidify its leading position in the mobile live streaming industry in China by continuing the growth strategies set out in pages 9 and 10 of this annual report.

DIRECTORS

The Directors during the Reporting Period and up to the date of this Directors' Report were:

Executive Directors

Mr. FENG Yousheng *(Chairman and Chief Executive Officer)*
Ms. LIAO Jieming
Mr. HOU Guangling

Non-Executive Director

Mr. LIU Xiaosong

Independent non-executive Directors

Mr. David CUI
Mr. DU Yongbo
Dr. LI Hui

Biographies of the Directors and Senior Management

The biographical details of the Directors and the senior management of the Company are set out in the section headed "Directors and Senior Management" on pages 18 to 21 of this annual report.

Service Contracts of the Directors

Each of the Company's executive Directors has entered into a service contract with the Company on 23 June 2018, and the Company's non-executive director and independent non-executive Directors have signed letters of appointments with the Company. The service contracts with each of the executive Directors and the letter of appointment with the non-executive director are for an initial fixed term of three years commencing from 23 June 2018. The letters of appointment with each of the independent non-executive Directors of the Company are for an initial fixed term of three years commencing from their respective appointment dates. The service contracts and letters of appointment may be terminated in accordance with the respective terms thereof. The service contracts may be renewed in accordance with the Company's articles of association and the applicable Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

All Directors are subject to retirement by rotation and re-election at annual general meeting, and will continue thereafter until terminated in accordance with the terms of the service agreement/letter of appointment.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with the Company or any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

In accordance with Article 16.2 of the Articles, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting. Accordingly, Ms. LIAO Jieming, Mr. HOU Guangling and Mr. LIU Xiaosong, who was appointed as a Director on 9 March 2018 will retire from office at the AGM and, being eligible, offer himself for re-election.

In accordance with Article 16.3 of the Articles, the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election. Accordingly, Mr. FENG Yousheng, Mr. David CUI, Mr. DU Yongbo and Dr. LI Hui will retire from office at the AGM and, being eligible, offer themselves for re-election.

Remuneration of the Directors and Five Highest Paid Individuals

Details of the Directors' remuneration and the five highest paid individuals in the Group are set out in note 39 to the consolidated financial statements in this annual report.

Independence of Independent Non-Executive Directors

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent in accordance with the guidelines set out in the Listing Rules.

Employees and Remuneration Policies

The Directors believe that effective talent management is the foundation for the Group's successful long-term development. The Group greatly values its employees and will continue to attract, cultivate and retain talent. The remuneration package of the Group's employees includes salary, bonuses and other cash subsidies. In general, the Group determine employee salaries based on each employee's qualifications, experience, position and seniority. The Group has designed an annual review system to assess the performance of its employees, which forms the basis of the determinations on salary raises, bonuses and promotion. The Directors believe the salaries and benefits that the Group's employees receive are competitive with market standards in each geographic location where the Group conducts business. In addition, the Company has adopted the Share Option Scheme and restricted share unit scheme which provides incentive to better motivate its employees.

SHARE INCENTIVE SCHEMES

Share option scheme

The Company conditionally adopted a share option scheme on 23 June 2018 (the "Share Option Scheme"). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules and other rules and regulations.

Further details of the Share Option Scheme are set forth in the section headed "Statutory and General Information — D. Share Incentive Schemes — 1. Share Option Scheme" in Appendix IV to the prospectus of the Company dated 28 June 2018 (the "Prospectus").

For the year ended 31 December 2018, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

Restricted Share Unit Scheme

On 23 June 2018, a restricted share unit scheme (the "RSU Scheme") of the Company was approved and adopted by the Board. The purpose of the RSU Scheme is to incentivize Directors, senior management and 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.

Persons eligible to receive restricted share units (the "RSUs") under the RSU Scheme are existing employees, Directors (whether executive or non-executive, but excluding independent non-executive Directors) or officers of the Company or any of its subsidiaries ("RSU Eligible Persons"). The Board selects the RSU Eligible Persons to receive RSUs under the RSU Scheme at its discretion.

Further details of the RSU Scheme are set forth in the section headed "Statutory and General Information — D. Share Incentive Schemes — 2. RSU Scheme" in Appendix IV to the Prospectus.

Pursuant to RSU Scheme, existing Shares have been purchased by the RSU trustee from the market out of cash contributed by the Group and be held in trust for the relevant RSU Eligible Persons until such Shares are vested with the relevant RSU Eligible Persons in accordance with the provisions of the scheme. The RSU Scheme shall be subject to the administration of the Board in accordance with the scheme rules and the trust deed.

On 18 November 2018, the Board resolved to grant a total of not more than 27,469,214 ordinary shares to RSU Eligible Persons. The RSUs represent approximately 1.33% of the total issued shares of the Company as at the date of this annual report. Subject to the acceptance of grant of the RSUs by the RSU Eligible Persons and the terms and conditions of the RSU Scheme, the RSUs will be vested in full in by 2022 according to the respective vesting schedule for the grant.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Saved as disclosed in this annual report, as at 31 December 2018, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the business of the Group.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, there was no transaction, arrangement or contract of significance subsisted in which a Director or an entity connected with a Director was materially interested, whether directly or indirectly, during or at the end of the Reporting Period.

CONTINUING CONNECTED TRANSACTIONS

As disclosed in the Prospectus, the following transactions of the Group constituted continuing connected transactions for the Group for the year ended 31 December 2018. All capitalized terms used in this section shall have the same meaning defined in the Prospectus, unless otherwise specified. These continuing connected transactions also constituted related party transactions of the Group as disclosed in note 38 to the consolidated financial statements.

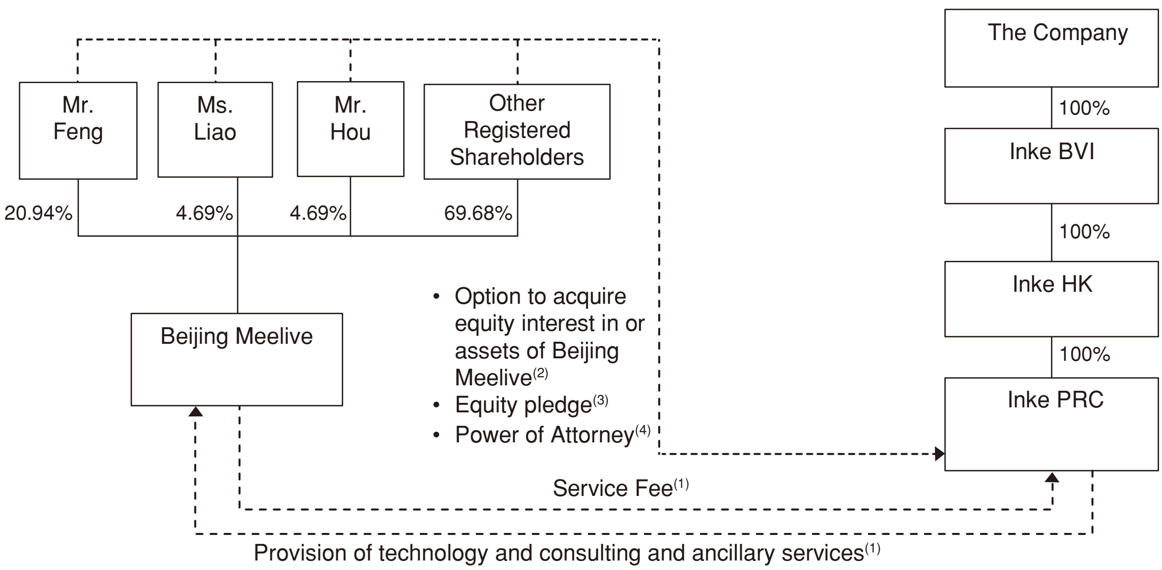
Non-Exempt Continuing Connected Transactions

Contractual Arrangements

The Group primarily engages in the operations of mobile live streaming platforms (the "Principal Business") and is considered to be engaged in the provision of value-added telecommunications services, internet cultural services, online audio and video program services and talent agency services. Beijing Meelive and its subsidiaries hold the relevant licenses required for carrying out the above services and operating the aforementioned businesses. Pursuant to applicable PRC laws and regulations, foreign investors are prohibited from holding equity interest in an entity engaging in internet cultural activities and online audio and video program streaming services and are restricted to conduct value-added telecommunications services and talent agency services. Accordingly, the Group cannot acquire equity interest in Beijing Meelive and its subsidiaries, which conducts the Principal Business and the platform support services which operate through, and are closely related to and interdependent on the operation of, the Group's mobile live streaming platforms and holds the assets and certain licenses, approvals and permits required for the operation of the Principal Business.

As a result of the foregoing, the Company, through its wholly-owned subsidiary, Inke PRC, entered into a series of contractual arrangements with each of Beijing Meelive and its Registered Shareholders to assert management control over the operations of its Principal Business conducted through Beijing Meelive and its subsidiaries, and to enjoy all economic benefits of Beijing Meelive and its subsidiaries. The agreements underlying such contractual arrangements with Beijing Meelive and its Registered Shareholders include: (i) Exclusive Consulting and Service Agreement, (ii) Exclusive Call Option Agreement and (iii) Equity Pledge Agreement (the "Contractual Arrangements"). Moreover, each of the Registered Shareholders of Beijing Meelive had also executed an irrevocable Power of Attorney appointing Inke PRC as his/her/its proxy to exercise on his/her/its behalf of shareholder rights in Beijing Meelive.

The following simplified diagram illustrates the flow of economic benefits from Beijing Meelive to the Group stipulated under the Contractual Arrangements:



Notes:

(1) Please refer to the section headed "Exclusive Consulting and Service Agreement" below.

(2) Please refer to the section headed "Exclusive Call Option Agreement" below.

(3) Please refer to the section headed "Equity Pledge Agreement" below.

(4) Please refer to the section headed "Powers of Attorney" below.

(5) Shareholdings of the other Registered Shareholders are as follows: Duomi Online as to 14.59%, Xizang Kunnuo as to 10.23%, Inke Changqing as to 7.79%, Inke Yuanda as to 5.06%, Inke Huanzhong as to 5.06%, Zihui Juxin as to 6.38%, Xiamen Shengyuan as to 6.12%, Jiaxing Guangxin as to 3.00%, GSR Zhaohua as to 2.43%, Jiaxing Guangmei as to 2.03%, Jiaxing Guanglian as to 0.78%, Ningbo Anhe as to 1.27%, Ningbo Qingzheng as to 1.27%, Changxing Shengju as to 0.91%, Shenzhen Tencent as to 0.91%, Shunya International as to 0.74% and Chiyu Investment as to 1.09%.

A Brief description of the major terms of the structured contracts under the Contractual Arrangements are as follows:

(a) Exclusive Consulting and Service Agreement

Inke PRC and Beijing Meelive entered into an Exclusive Consulting and Service Agreement on 14 February 2018, pursuant to which Beijing Meelive agreed to engage Inke PRC as its exclusive consultant and service provider. The advices and services which Inke PRC shall provide to Beijing Meelive include, but are not limited to, (i) market research and consulting services for marketing, (ii) short-and/or medium-term market development and planning services, (iii)management related consulting services and assistance, assist Beijing Meelive in introducing advanced management philosophy and management model, (iv) website construction, maintenance and overall security services, (v) development and research services for business related software and hardware, (vi) technical development, technical consulting, and technology transfer and promotion; (vii) other technical services, (viii) public relations services, (ix) sales agency services, (x) management consulting services and assistance on Beijing Meelive's labor and employment system, including but not limited to the organizing the training and evaluation on administrative, management and other personnel, assisting the establishment of an integrated human resources management system and achieve good human resource allocation, (xi) consulting services on Beijing Meelive's administrative management, internal review supervision and asset management according to Beijing Meelive's needs, and (xii) other service areas. In addition, Inke PRC shall have the exclusive and proprietary rights to all intellectual properties arising from and developed during and as a result of the performance of the consulting and advisory services. Inke PRC shall have the exclusive and proprietary rights to use all such intellectual properties which Inke PRC, Beijing Meelive or any of its subsidiaries (as the case may be) has developed during the term of the Exclusive Consulting and Service Agreement.

Pursuant to the Exclusive Consulting and Service Agreement and subject to compliance with applicable PRC laws, Beijing Meelive shall pay to Inke PRC a service fee that equals to the consolidated profit before taxation of Beijing Meelive and its subsidiaries, including all profits attributable to Beijing Meelive, but without taking into account the service fee payable under the agreement and after offsetting the prior-year loss (if any), and deducting such amounts as required for working capital, expenses and tax of Beijing Meelive and its subsidiaries in any given year. Inke PRC is also entitled to adjust the service fee payable by Beijing Meelive based on the actual technical consulting services provided, and the business conditions and development needs of Beijing Meelive. The service fee shall be payable within 10 working days after receiving the service fee bill, which should be sent out by Inke PRC within 30 days of the commencement of any quarter for the services provided in the preceding quarter.

It is also stipulated in the Exclusive Consulting and Service Agreement that Inke PRC shall enjoy all economic benefits of, and bear all risks arising from, the conduct of the Principal Business by Beijing Meelive and its subsidiaries. Regardless of whether Beijing Meelive incurs significant operating loss, Inke PRC shall have discretion to provide financial support to Beijing Meelive, to the extent permitted under PRC laws, to ensure that Beijing Meelive could meet its daily operating cash flow requirements and/or for the purpose of offsetting any operating loss incurred. In the event that Beijing Meelive incurs any operating loss or experiences serious difficulties in its operations, Inke PRC shall have the right to request Beijing Meelive to cease its operations, and Beijing Meelive shall unconditionally accept the requests of Inke PRC. On the other hand, pursuant to the Exclusive Consulting and Service Agreement, without the prior written consent from Inke PRC, Beijing Meelive shall not accept the same or similar consulting and services provided by any other third parties during the term of the agreement.

Beijing Meelive shall procure each of its subsidiaries to strictly comply with the terms of each of the Exclusive Consulting and Service Agreement as if it were a party to such agreements.

The Exclusive Consulting and Service Agreement has an initial term of ten (10) years and may be automatically extended at the discretion of Inke PRC. The Exclusive Consulting and Service Agreement may be terminated by Inke PRC by giving Beijing Meelive 30 days' prior written notice of termination or shall be terminated upon the transfer of the entire equity interests in and/or the transfer of all assets of Beijing Meelive to Inke PRC or its designated person(s) pursuant to Exclusive Call Option Agreement. Beijing Meelive is not contractually entitled to terminate the Exclusive Consulting and Service Agreement with Inke PRC.

The Directors consider that the above arrangement will ensure the economic benefits generated from the operations of Beijing Meelive to flow to Inke PRC and hence, the Group as a whole. As of the Latest Practicable Date, Inke PRC has deployed appropriate facilities and personnel to oversee the operation and management of Beijing Meelive, drive the key business decision-making processes and provide overall business advices and consulting services as required to be provided to Beijing Meelive and its subsidiaries pursuant to the Exclusive Consulting and Service Agreement, whilst Beijing Meelive and its subsidiaries are mainly responsible for the operations of the mobile live streaming platforms and to hold all operating assets for the purpose of operating the Principal Business to ensure compliance with relevant PRC laws and regulations with respect to the restriction on foreign investment in entity operating mobile live streaming platforms and the conditions of the relevant ICP and operating licenses granted to Beijing Meelive and its subsidiaries. The Company believes that such allocation of resources would allow a proper discharge of the respective responsibilities of Inke PRC and Beijing Meelive under the Contractual Arrangements and also ensure sound and effective operation of the Group in compliance with the Contractual Arrangements and applicable laws and regulations.

(b) Exclusive Call Option Agreement

Inke PRC, the Registered Shareholders and Beijing Meelive entered into an Exclusive Call Option Agreement on 14 February 2018, pursuant to which the Registered Shareholders and Beijing Meelive jointly and severally granted to Inke PRC (exercisable by itself or any direct or indirect shareholder of Inke PRC and a direct or indirect subsidiary of such shareholder (i.e. being any member of the Group) or an authorized director (being a PRC citizen) of any such shareholder or its direct or indirect subsidiary, hereinafter collectively referred to as the "designated person") irrevocable options to (i) purchase, to the extent permitted by PRC laws and regulations, their equity interests in Beijing Meelive, entirely or partially, at the minimum purchase price permitted under PRC laws and regulations, unless where PRC laws and regulations requires valuation of the equity interest, the parties shall re-negotiate in good faith, and make adjustments based on the valuation to comply with the requirements of PRC laws and regulations, or (ii) acquire, to the extent permitted by PRC laws and regulations, all or part of the assets of Beijing Meelive at the net book value of such assets, unless the minimum purchase price permitted under PRC laws and regulations is higher than the net book value of such assets, such minimum purchase price permitted under PRC laws and regulations shall be applied. Inke PRC (by itself or any of its designee as specified above) may exercise such options, fully or partially, at any time, subject to applicable PRC laws and regulations. It is also agreed that Inke PRC shall have the right to forthwith exercise the option granted under the Exclusive Call Option Agreement when relevant PRC laws and regulations permit the equity interests of Beijing Meelive to be directly held by Inke PRC while Beijing Meelive continues to legally operate the Principal Business. In addition, the Registered Shareholders and/or Beijing Meelive have agreed to return any proceeds it/they will receive in the event that the call option to acquire the equity interests in and/or assets of Beijing Meelive is exercised to Inke PRC. Moreover, upon the liquidation and dissolution of Beijing Meelive pursuant to PRC laws and regulations, Inke PRC shall be entitled to appoint a liquidator to manage the assets of Beijing Meelive or its subsidiaries. Beijing Meelive or its subsidiaries shall, to the extent permitted by PRC laws and regulation, sell all assets at the minimum purchase price permitted by PRC laws and regulations to Inke PRC. Beijing Meelive or its subsidiaries shall relieve Inke PRC or other designated persons of Inke PRC of any payment obligation derived from the above mentioned sale to the extent permitted by PRC laws and regulation; any profit derived from this transaction shall form part of the service fee under the Exclusive Consulting and Service Agreement and be paid to Inke PRC or other qualified persons designated by Inke PRC.

Pursuant to the Exclusive Call Option Agreement, the Beijing Meelive has undertaken to perform certain acts or refrain from performing certain other acts, including but not limited to the following matters:

(i) not to supplement, modify or amend its constitutional documents, alter the registered capital or change the registered capital structure of Beijing Meelive without the prior written approval from Inke PRC;

(ii) prudently and effectively operate and manage the business and corporate matters of Beijing Meelive, and to ensure their existence, in accordance with the good business standards and practice;

(iii) not to sell, transfer, create encumbrances or otherwise dispose of any assets, business, legal or beneficial interest of the income of Beijing Meelive (save for those required in the ordinary course of business) or allow any security interest to be created on its assets of Beijing Meelive;

(iv) not to incur, take up, guarantee or allow any indebtedness without the prior written approval from Inke PRC (save for those in the ordinary course of business and having been disclosed to and consented by Inke PRC in writing);

(v) to operate the business of Beijing Meelive and its subsidiaries in order to maintain its asset value, and not allow any acts or omission which adversely affects its business or assets value;

(vi) not to enter into any material contracts (including but not limited to loan agreements, external security agreements, asset disposal agreements or any agreements that place the Company under debt or substantial adverse effects) with an amount of over RMB500,000 (other than those entered in the ordinary course of business) without the prior written approval from Inke PRC or the Company;

(vii) not to lend or provide any financing to any other third party without the prior written approval from Inke PRC;

(viii) to provide all operating and financial information of Beijing Meelive and its subsidiaries to Inke PRC upon request;

(ix) where possible, Beijing Meelive shall purchase and maintain such insurance with insurers acceptable by Inke PRC, with insurance coverage in line with insurance generally maintained by companies within the same region and engaging in similar business and owning similar properties or assets as Beijing Meelive;

(x) not to engage in any mergers or acquisitions or make investment in any entities without the prior written approval from Inke PRC;

(xi) immediately inform Inke PRC of any disputes, litigations, arbitrations or administrative proceedings related to the assets, business or income of Beijing Meelive;

(xii) execute all necessary or appropriate documents, take all necessary or appropriate actions and submit all necessary or appropriate defenses against any charges or claims in order to maintain the ownership of all of its assets by Beijing Meelive or its subsidiaries;

(xiii) not to distribute any dividend, distributable profits and/or any assets to any Registered Shareholder without the prior written approval from Inke PRC. If the relevant Registered Shareholder receives any such dividends, distributable profits and/or other assets, such Registered Shareholder shall inform Inke PRC in three business days upon receipt of the same and forthwith transfer such benefits received by him/her/it at nil consideration to Ink PRC;

(xiv) upon request of Inke PRC, appoint any candidate designated by Inke PRC to serve as the director and/or executive director, general manager, chief financial officer or other senior management of Beijing Meelive;

The Registered Shareholders have further undertaken to perform certain acts or refrain from performing certain other acts, including but not limited to the following matters:

(i) save for the equity pledge in favor of Inke PRC created under the Equity Pledge Agreements, the Registered Shareholders shall not allow any sell, transfer, creation of encumbrances or other third party rights or otherwise dispose of any of their legal and beneficial equity interests held in Beijing Meelive without the prior written approval from Inke PRC;

(ii) save for the equity pledge in favor of Inke PRC created under the Equity Pledge Agreements, the Registered Shareholders shall not approve at the shareholders' meeting of Beijing Meelive, or procure the board of directors of Beijing Meelive not to approve any sell, transfer, creation of encumbrances or other third party rights or otherwise dispose of any legal and beneficial equity interests in or assets of Beijing Meelive without the prior written approval from Inke PRC;

(iii) not to approve at the shareholders' meeting of Beijing Meelive, or procure the board of directors of Beijing Meelive not to approve, any mergers or acquisitions or make investment in any entities by Beijing Meelive, without the prior written approval from Inke PRC;

(iv) immediately inform Inke PRC of any disputes, litigations, arbitrations or administrative proceedings related to his/her/its equity interest in Beijing Meelive;

(v) approve and vote in favor of the shareholders' resolutions of Beijing Meelive, or procure the board of directors of Beijing Meelive to approve and voe in favor of any resolutions of Beijing Meelive, concerning the transfer of equity interests pursuant to the this Exclusive Call Option Agreement, and take any other action upon the request of Inke PRC;

(vi) each Registered Shareholder shall execute all necessary or appropriate documents, take all necessary or appropriate actions and submit all necessary appropriate defenses against any charges or claims in order to safeguard the equity interests held by him/her/it; and

(vii) upon request from Inke PRC at any time, unconditionally and promptly transfer the equity interests to Inke PRC or its designated persons;

(viii) to strictly comply with the terms of the Exclusive Call Option Agreement and any other agreements jointly or severally entered into among Inke PRC, the Registered Shareholders and Beijing Meelive and earnestly fulfill their respective obligations under such agreements and not to take, or omit to take, any actions which may affect the validity and enforceability of these agreements. In any event where the Registered Shareholders retains any rights in the equity interests under this Exclusive Call Option Agreement, the Equity Pledge Agreement signed by the parties to the Exclusive Call Option Agreement, or the Powers of Attorney in favor of Inke PRC, the Registered Shareholders shall not exercise such rights without the prior written approval from Inke PRC; and

(ix) upon request from Inke PRC, appoint any candidate designated by Inke PRC as a director of Beijing Meelive, and procure the appointment of any candidate designated by Inke PRC to serve as general manager, chief financial officer and other senior management of Beijing Meelive;

(x) if any Registered Shareholder receives any dividends, distributable profits and/or other assets from Beijing Meelive, such Registered Shareholder shall inform Inke PRC within three business days upon receipt of the same and forthwith transfer such benefits received by him/her/it at nil consideration to Inke PRC.

In addition, pursuant to the Exclusive Call Option Agreement, in the event that any of the Registered Shareholders (other than the Founders) decided to dispose of any equity interests in Beijing Meelive or in the case where offshore holding vehicles of the relevant Registered Shareholdsers (other than the Founders) decided to dispose of its shareholding interests in the Company and at any time prior to Inke PRC being entitled to hold direct equity interest in Beijing Meelive whilst Beijing Meelive continues to legally operate the Principal Business, each of the Founders shall have the option to request the selling Registered Shareholders to transfer its equity interest in Beijing Meelive to any one of the Founders at nominal consideration.

The Exclusive Call Option Agreement shall expire when all the equity interests in and assets of Beijing Meelive have been transferred to Inke PRC or is designee as specified above, unless and until Inke PRC, at its sole discretion, gives Beijing Meelive and the Registered Shareholders a 30 days' prior written notice of termination.

To ensure that the Registered Shareholders duly discharge their obligations under the Contractual Arrangements, pursuant to the Exclusive Call Option Agreement, each of the Registered Shareholders has already executed an irrevocable power of attorney and deposit such power of attorney at Inke PRC, so that Inke PRC or its designee can be appointed as proxy of the Registered Shareholders to execute the equity transfer agreements with respect to their respective shareholding in Beijing Meelive or the asset transfer agreements with respect to the assets of Beijing Meelive and other ancillary documents concerning such transfer(s) and to handling and obtain all relevant approval and registration required under applicable laws and regulations in the event that any Registered Shareholder fails to discharge his/her/its obligations under the Contractual Arrangements.

Each Registered Shareholder also warrants under each of the Exclusive Call Option Agreement that appropriate arrangements have been made to ensure that none of his/her/its successor, guardian, creditor, spouse or any other person who may be entitled to assume rights and interests in his/her/its equity interest in Beijing Meelive upon his/her death or incapacity or its liquidation, bankruptcy or dissolution, divorce or any other circumstances that may affect or hinder the fulfillment of the obligations under the Exclusive Call Option Agreement, will not, in any manner and under any circumstances, carry out any act that may affect or hinder the fulfillment of his/her/its obligations under each of the Contractual Arrangements. Please refer to the section headed "Confirmation from the spouse of each of the Registered Shareholders" below for details of the confirmations provided by the Registered Shareholders and their respective spouse.

(c) Equity Pledge Agreement

Inke PRC and the Registered Shareholders and Beijing Meelive entered into the Equity Pledge Agreement on 14 February 2018, pursuant to which each of the Registered Shareholders agreed to pledge all of their respective equity interests in Beijing Meelive to Inke PRC to secure performance of all their obligations and the obligations of Beijing Meelive under the agreements underlying the Contractual Arrangements. If any Registered Shareholder breaches or fails to fulfill the obligations under any of the agreements underlying the Contractual Arrangements, Inke PRC, as the pledgee, will be entitled to foreclose the pledged equity interests, entirely or partially. In addition, pursuant to the Equity Pledge Agreement, each Registered Shareholders has undertaken to Inke PRC, among other things, not to transfer or otherwise dispose his/her/its equity interests in Beijing Meelive and not to create or allow any pledge thereon that may affect the rights and interest of Inke PRC without its prior written consent.

Under the Equity Pledge Agreement, the Registered Shareholders also represent and warrant to Inke PRC that appropriate arrangements have been made to protect Inke PRC's interests in the event of death, incapacity, bankruptcy or divorce (in the case of individual Registered Shareholders) or liquidation, bankruptcy or termination (in the case of corporate Registered Shareholders) of the Registered Shareholders or any circumstances that may affect their exercise of the shareholders' rights to avoid any practical difficulties in enforcing the Equity Pledge Agreement. Please refer to the section headed "Confirmation from the spouse of each of the Registered Shareholders" below for details of the confirmations provided by the Registered Shareholders and their respective spouse.

In addition, Inke PRC is not responsible for any loss to the value of the pledged equity interest during the term of the pledge, the Registered Shareholders shall also have no right to request Inke PRC to compensate for such loss, unless such loss was caused by the intentional act or gross negligence of Inke PRC. In the event of any possible apparent loss to the value of the pledged equity interest, sufficient to threaten the relevant interests of Inke PRC, Inke PRC may represent the Registered Shareholders at any time to auction or dispose of the pledged equity interests. If the value of the shares of Beijing Meelive appreciates, Inke PRC shall have priority in the pledge equity interest at the appreciated price at the time the pledge is exercised instead of the time when the Equity Pledge Agreement was entered into.

Moreover, if Beijing Meelive declares any dividend or distribute any income during the term of the pledge, Inke PRC is entitled to receive all such dividends or other income arising from the pledged equity interests, if any. It is also agreed that in the event that the relevant Registered Shareholders subscribed or acquired additional equity interest in Beijing Meelive, then the additional equity interest acquired or subscribed by the relevant Registered Shareholder shall also be pledged in favor of Inke PRC pursuant to the Equity Pledge Agreement.

The Equity Pledge Agreement shall terminate when Beijing Meelive has fulfilled and performed all obligations under the agreements underlying the Contractual Arrangements or upon the termination of the agreements underlying the Contractual Arrangements. Furthermore, the Equity Pledge Agreement shall terminate upon the liquidation and dissolution of Beijing Meelive pursuant to PRC laws and regulations and upon which Beijing Meelive and the Registered Shareholders shall sell all assets, including equity interests, to Inke PRC, at nil consideration or the minimum price permitted by PRC laws and regulations, to the extent permitted by PRC laws and regulations, or the then designated liquidator shall dispose of all of the assets including equity interests, in order to protect the interests of shareholders and/or creditors of the direct or indirect offshore parent company of Inke PRC.

(d) Powers of Attorney

On 14 February 2018, each Registered Shareholder executed an irrevocable Power of Attorney appointing a director of any direct or indirect shareholder of Inke PRC or his/her successor (including any liquidator in replacement of such director or his/her successor) who is a PRC citizen as proxy of the relevant Registered Shareholder to exercise all of their respective shareholders' rights in Beijing Meelive. Pursuant to the Powers of Attorneys, the individuals to be appointed as the Registered Shareholders' proxies shall exclude the Registered Shareholders, any other shareholders of Beijing Meelive and any of their associates. Pursuant to the Powers of Attorney, the shareholders' rights exercisable by the proxy include, but not limited to, the rights to (i) attend shareholders' meetings and pass any shareholders' resolution of Beijing Meelive, (ii) exercise all shareholders' rights in accordance with applicable laws and the articles and constitutional documents of Beijing Meelive, including but not limited to the exercise of voting rights in shareholders' meetings, sell, transfer, pledge or otherwise dispose of all or part of the equity interests held in Beijing Meelive, (iii) to elect and appoint the legal representative, chairman, directors, supervisors, general manager and senior management of Beijing Meelive, and (iv) to sign documents, minutes of meetings and file any documents to relevant companies registry, and (v) to vote as the Registered Shareholders upon the bankruptcy of Beijing Meelive. The proxy is also authorized to enter into and execute any equity transfer agreement upon the exercise of the call option granted under the Exclusive Call Option Agreement and to secure performance of the other agreements underlying the Contractual Arrangements for and on behalf of the relevant Registered Shareholder.

Under each Power of Attorney, each Registered Shareholder irrevocably confirmed that the power of attorney shall remain in full force and effect during the term which the relevant Registered Shareholder remains as a shareholder of Beijing Meelive. The Proxy shall have the right to re-designate the power of attorney to any other individuals or entities without requiring prior notice to or consent from the relevant Registered Shareholder.

The Board (including the independent non-executive Directors) will ensure that any designee or person or entity designated by Registered Shareholders for the purpose of exercising any of their shareholders' rights under the Powers of Attorneys shall be restricted to an authorized Director of the Company or a legally-held subsidiary (whom shall own fiduciary duties to the Company). The Board will also ensure that no rights shall be granted to any other third parties outside of the Group which does not owe any fiduciary duties to the Company. In view of the proposed corporate and management structure of the Group upon Listing, it is proposed that any one of David CUI, Du Yongbo and Li Hui (each an independent non-executive Director), each of whom is independent of the Registered Shareholders and his/her/its respective associates, may be designated to act as the proxy pursuant to the Powers of Attorneys.

Confirmation from the Spouse of Each of the Registered Shareholders

Pursuant to the Exclusive Call Option Agreement and the Equity Pledge Agreement, each Registered Shareholder has provided a written confirmation, confirming that appropriate arrangements have been made to ensure that none of his/her/its successor, guardian, creditor, spouse or any other person who may be entitled to assume rights and interests in his/her/its equity interest in Beijing Meelive upon his/her death, incapacity, divorce or its liquidation, bankruptcy or dissolution or any other circumstances that may affect his/her/its ability to exercise his/her/its shareholder's rights in Beijing Meelive will carry out any act that may affect or hinder the fulfillment of his/her/its obligations under each of the agreements underlying the Contractual Arrangements to which he/she/it is a party.

On 14 February 2018, each of the spouse of the individual Registered Shareholders, being the Founders, has also provided a written confirmation confirming that he/she will not carry out any act that may affect or hinder the fulfillment of the respective individual Registered Shareholder's obligations under each of the agreements underlying the Contractual Arrangements to which his/her spouse is a party.

Dispute Resolution under the Contractual Arrangements

Each of the agreements underlying the Contractual Arrangement stipulates that in the event of any dispute arising out of or in relation to the agreements underlying the Contractual Arrangements, the parties shall first negotiate in good faith to resolve such dispute. If the parties fail to reach an agreement on the resolution of such dispute within 15 days, any party may submit such dispute to the CIETAC for arbitration in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing, the language of arbitration shall be Chinese, and the results of the arbitration shall be final and binding on all relevant parties.

In addition, pursuant to the dispute resolution clause, the arbitral tribunal may award remedies over the equity interests or assets of Beijing Meelive, including restrictions over the conduct of business, restrictions or prohibitions over transfer or disposal of the equity interests or assets or order the winding up of Beijing Meelive, and the courts of the PRC (being the place of incorporation of Beijing Meelive and the place where the Company's and Beijing Meelive's principal assets are located), Hong Kong and the Cayman Islands (being the place of incorporation of the Company) shall have jurisdiction to grant and/or enforce the arbitral award and to grant interim remedies over the equity interests or assets of Beijing Meelive.

Confirmation of Independent Non-executive Directors

The independent non-executive Directors have reviewed the above continuing connected transactions of the Company and confirmed that such transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal or better commercial terms which are not less favorable to the Group than terms available to or from (as appropriate) independent third parties; and

(c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmation from the Company's Independent Auditors

The Board has received a confirmation from the auditor of the Company with respect to the above continuing connected transactions and the letter stated that for the year ended 31 December 2018:

(a) Nothing has come to the auditor's attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board.

(b) For transactions involving the provision of goods or services by the Group, nothing has come to the auditor's attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company.

(c) Nothing has come to the auditor's attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

(d) With respect to the aggregate amount of each of the continuing connected transactions set out in the above continuing connected transactions, nothing has come to the auditor's attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap set by the Company.

Save as disclosed in this annual report, as of the date of this annual report, the Company had no connected transactions which are required to be disclosed in accordance with the provisions under Chapter 14A of the Listing Rules in relation to the disclosure of connected transactions.

Further details on related party transactions for the year ended 31 December 2018 are set out in note 38 to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2018, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") were as follows:

(a) Interests of Directors and Chief Executive of the Company

Name of Director/Chief Executive	Nature of interest	Number of underlying shares[(1)]	Approximate percentage of shareholding interest
Mr. Feng	Interest in controlled corporation	358,798,000[(2)]	17.40%
Mr. Liu	Interest in controlled corporation	250,000,000[(3)]	12.13%
Ms. Liao	Interest in controlled corporation	167,155,000[(4)]	8.11%
Mr. Hou	Interest in controlled corporation	167,155,000[(5)]	8.11%
Mr. Jiang Gupeng	Interest in controlled corporation	133,485,000[(6)]	6.47%

Notes:

(1) All interests stated are long positions.

(2) Mr. Feng holds the entire share capital of Fantastic Live Holdings Limited, which in turn directly holds 358,798,000 shares of the Company (the "Shares").

(3) Mr. Liu holds 54.85% of the total share capital in Shenzhen Kuai Tong Lian Technology Co., Ltd, which holds 22.08% of the total share capital in Beijing Duomi Online Technology Co., Ltd ("Duomi Online"). In addition, Mr. Liu directly holds another 22.8% of the total share capital in Duomi Online. Moreover, Duomi Online, through Hunan Feiyang Network Information Services Co., Ltd., holds the entire share capital of Feiyang HongKong Limited, which in turn directly holds 250,000,000 Shares.

(4) Ms. Liao holds the entire share capital of Luckystar Live Holdings Limited, which in turn directly holds 80,409,000 Shares. In addition, Ms. Liao, through Luckystar Live Holdings Limited, holds 89.99% of the total share capital in Generous Live LIMITED, which in turn directly holds 86,746,000 Shares.

(5) Mr. Hou holds the entire share capital of Horizon Live Holdings Limited, which in turn directly holds 80,409,000 Shares. In addition, Mr. Hou through Horizon Live Holdings Limited, holds 97.99% of the total issued share capital in Evergreen live LIMITED, which in turn directly holds 86,746,000 Shares.

(6) Mr. Jiang Gupeng, the Company's Chief Strategy Officer, holds the entire issued share capital in Captain Bright Holdings Limited, which holds 79.99% of the total share capital in Jubilant live LIMITED, which in turn directly holds 133,485,000 Shares.

(b) Interests in other members of the Group

So far as the Directors are aware, as at 31 December 2018, the following person (excluding the Company) is directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of subsidiary	Name of shareholder	Registered capital	Approximate percentage of interest
Beijing Meelive	Mr. Feng	RMB358,798	20.94%
Beijing Meelive	Duomi Online	RMB250,000	14.59%
Beijing Meelive	Xi Zang Kunnuo	RMB175,293	10.23%

Save as disclosed above, as at 31 December 2018, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2018, so far as is known to the Directors, the following persons, not being a Director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO:

Name	Nature of interest	Number of underlying shares(1)	Approximate percentage of shareholding interest
Fantastic Live Holdings Limited	Beneficial owner	358,798,000(2)	17.40%
Beijing Duomi Online Technology Co., Ltd.	Interest in controlled corporation	250,000,000(3)	12.13%
Hunan FeiYang Network Information Services Co., Ltd.	Interest in controlled corporation	250,000,000(3)	12.13%
FeiYang Hong Kong Limited	Beneficial owner	250,000,000(3)	12.13%
Chen Yingyi	Interest of spouse	167,155,000(4)	8.11%
Wang Meilin	Interest of spouse	167,155,000(5)	8.11%
Luckystar Live Holdings limited	Interest in controlled corporation	167,155,000(6)	8.11%
Horizon Live Holdings Limited	Interest in controlled corporation	167,155,000(7)	8.11%
Beijing Kunlun Wanwei Technology Co., Ltd.	Interest in controlled corporation	175,293,000(8)	8.50%
Kunlun Group Limited	Beneficial owner	175,293,000(8)	8.50%
Captain Bright Holdings Limited	Interest in controlled corporation	133,485,000(9)	6.47%
Jubilant live LIMITED	Beneficial owner	133,485,000(9)	6.47%
Zheng Gang	Interest in controlled corporation	124,945,000(10)	6.06%
Fantastic Ardent Limited	Interest in controlled corporation	124,945,000(10)	6.06%
Vivid Sparks Global Limited	Nominee for another person	124,945,000(10)	6.06%
Suzhou Zihui Juxin Investment Center	Beneficial owner	109,331,000(10)	5.30%

Name	Nature of interest	Number of underlying shares[1]	Approximate percentage of shareholding interest
Wen Baitao	Interest in controlled corporation	104,923,000[11]	5.09%
Global Dream Holdings Limited	Nominee for another person	104,923,000[11]	5.09%
Xiamen Shengyuan Equity Investment Partnership	Beneficial owner	104,923,000[11]	5.09%

Notes:

(1) All interests stated are long positions.

(2) Mr. Feng holds the entire share capital of Fantastic Live Holdings Limited, which in turn directly holds 358,798,000 Shares.

(3) Mr. Liu holds 54.85% of the total share capital in Shenzhen Kuai Tong Lian Technology Co., Ltd, which holds 22.08% of the total share capital in Beijing Duomi Online Technology Co., Ltd ("Duomi Online"). In addition, Mr. Liu directly holds another 22.8% of the total share capital in Duomi Online. Moreover, Duomi Online, through Hunan Feiyang Network Information Services Co., Ltd., holds the entire share capital of Feiyang HongKong Limited, which in turn directly holds 250,000,000 Shares.

(4) Mr. Chen Yingyi is the Spouse of Ms. Liao.

(5) Ms. Wang Meilin is the Spouse of Mr. Hou.

(6) Ms. Liao holds the entire share capital of Luckystar Live Holdings Limited, which in turn directly holds 80,409,000 Shares. In addition, Ms. Liao, through Luckystar Live Holdings Limited, holds 89.99% of the total share capital in Generous Live LIMITED, which in turn directly holds 86,746,000 Shares.

(7) Mr. Hou holds the entire share capital of Horizon Live Holdings Limited, which in turn directly holds 80,409,000 Shares. In addition, Mr. Hou through Horizon Live Holdings Limited, holds 97.99% of the total issued share capital in Evergreen live LIMITED, which in turn directly holds 86,746,000 Shares.

(8) Beijing Kunlun Wanwei Technology Co., Ltd. holds the entire share capital of Kunlun Group Limited, which in turn directly holds 175,293,00 Shares.

(9) Mr. Jiang Gupeng, the Company's Chief Strategy Officer, holds the entire issued share capital in Captain Bright Holdings Limited, which holds 79.99% of the total share capital in Jubilant live LIMITED, which in turn directly holds 133,485,000 Shares.

(10) Mr. Zheng Gang holds 90% of the total share capital in Fantastic Ardent Limited, which holds the entire share capital of Vivid Sparks Global Limited, which acts as the nomniee shareholder of each of Suzhou Zihui Juxin Investment Center and Changxing Shengju Equity Investment Partnership. Suzhou Zihui Juxin Investment Center and Changxing Shengju Equity Investment Partnership in turn holds 109,331,000 and 15,614,000 Shares, respectively.

(11) Mr. Wen Baitao holds the entire share capital of Global Dream Holdings Limited, which acts as the nominee shareholder of Xiamen Shengyuan Equity Investment Partnership, which in turn holds 104,923,00 Shares.

Save as disclosed above, as at 31 December 2018, the Directors were not aware of any other persons who had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, no Controlling Shareholders or their subsidiaries had a material interest, either directly or indirectly, in any contract of significance, whether for the provision of services or otherwise, to the Group to which the Company or any of its subsidiaries was a party during the Reporting Period.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year ended 31 December 2018, the Group's sales to its five largest customers accounted for 3.3%, as compared to 3.7% of the Group's total revenue for the year ended 31 December 2017. The Group's sales to the largest customer accounted for 1.1%, as compared to 1.0% of the Group's total revenue for the year ended 31 December 2017.

Major Suppliers

For the year ended 31 December 2018, the Group's five largest suppliers accounted for 4.7%, as compared to 8.5% of the Group's total purchase amounts for the year ended 31 December 2017. The Group's single largest supplier accounted for 2.1%, as compared to 2.6% of the Group's total purchases for the year ended 31 December 2017.

During the year ended 31 December 2018, none of the Directors or any of their close associates or any Shareholders (which, to the knowledge of the Directors, own more than 5.0% of the number of issued shares of the Company) had any interest in the Group's five largest customers and suppliers.

MANAGEMENT CONTRACTS

During the Reporting Period, the Company has not entered into any contract with any individuals, firm or body corporate to manage or administer the whole or any substantial part of any business of the Group.

DIRECTORS' PERMITTED INDEMNITY PROVISION

Each Director or other officer of the Company shall be entitled to be indemnified out of the assets of Company from and against all actions, costs, charges, losses, damages and expenses which he/she may sustain or incur in or about the execution of the duties of his/her office or trusts or otherwise in relation thereto in accordance with the Articles of Association. The Company has arranged appropriate directors' liability insurance coverage for the Directors of the Group during the year ended 31 December 2018.

RESULTS

The results of the Group for the Reporting Period are set out in the consolidated statement of comprehensive income on pages 81 to 82 of this annual report.

DIVIDENDS

The Company did not declare or distribute any dividend to the shareholders of the Company for the year ended 31 December 2018. For details of the Company's dividend policy, see "Dividend Policy" in pages 54 and 55 of this annual report.

SHARE CAPITAL

Details of movements in share capital of the Company during the Reporting Period are set out in note 25 to the consolidated financial statements in this annual report.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity and note 26 to the consolidated financial statements in this annual report.

CHARITABLE DONATIONS

During the Reporting Period, charitable and other donations made by the Group amounted to RMB8.2 million.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the Reporting Period are set out in note 15 to the consolidated financial statements in this annual report.

USE OF PROCEEDS FROM LISTING

With the shares of the Company listed on the Stock Exchange on 12 July 2018, the net proceeds from the Global Offering (following full exercise of the Over-allotment Option) was approximately HK$1,229 million (the "IPO Proceeds"). As of 31 December 2018, the Company had used approximately RMB19.8 million to develop its new products and approximately RMB136.0 million to market and promote the new products. Both uses are consistent with the intended purpose of the IPO Proceeds.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

EQUITY-LINKED AGREEMENTS

Details of the share option scheme of the Company are set out in the section headed "Share Option Scheme" above. Save as disclosed above, no equity-linked agreement will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares, were entered into by the Company in 2018 or subsisted at the end of 2018.

AGM AND CLOSURE OF REGISTER OF MEMBERS

The AGM of the Company will be held on Wednesday, 19 June 2019. A notice convening the AGM is expected to be published and dispatched to the Shareholders in due course in accordance with the requirements of the Listing Rules.

For determining the qualification as members of the Company to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 14 June 2019 to Wednesday, 19 June 2019, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, non-registered holders of Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 13 June 2019.

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 46 to 57 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Rule 8.08(1)(a) of the Listing Rules requires that at least 25% of the total issued capital of an issuer must be held by the public at any time. Based on the information that is publicly available and within the knowledge of the Directors, as at the date of this annual report, there is sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the relevant laws of the Cayman Islands where the Company is incorporated which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

AUDITOR

The Company has appointed PricewaterhouseCoopers as the auditor of the Company for the year ended 31 December, 2018. A resolution will be proposed for approval by Shareholders at the forthcoming AGM to re-appoint PricewaterhouseCoopers as the auditor of the Company.

By Order of the Board
Inke Limited
FENG Yousheng
Chairman

Hong Kong, 23 March 2019

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board is committed to upholding high standards of corporate governance practices and business ethics in the firm belief that they are crucial to improving the efficiency and performance of the Group and to safeguarding the interests of the shareholders. The Board reviews the Company's corporate governance practices from time to time in order to meet the expectations of stakeholders and comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellence in corporate governance. Set out below are the principles of corporate governance as adopted by the Company during the year ended 31 December 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standard of corporate governance to safeguard the interests of the 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. Details of such deviation are summarized below in the subsection headed "Chairman and Chief Executive Officer".

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 annual report.

BOARD OF DIRECTORS

The Board oversees the Group's businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required of a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time in performing them. The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making.

Board Composition

Throughout the year, the Board comprises seven Directors. As at 31 December 2018 and up to the date of this annual report, the Company has three executive Directors, one non-executive Director and three independent non-executive Directors. The composition of the Board is as follows:

Executive Directors
Mr. FENG Yousheng *(Chairman and Chief Executive Officer)*
Ms. LIAO Jieming
Mr. HOU Guangling

Non-Executive Director
Mr. LIU Xiaosong

Independent Non-executive Directors
Mr. David CUI
Mr. DU Yongbo
Dr. LI Hui

During the Reporting Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent in accordance with the independence requirement set out in the Listing Rules.

The biographical information of the Directors is set out in the section headed "Directors and Senior Management" on pages 18 to 21 of this annual report.

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

Save as disclosed above, the Directors do not have any other financial, business, family or other material/relevant relationships with one another.

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Feng is the chairman and chief executive officer of the Company. With extensive experience in the internet industry, Mr. Feng is responsible for the overall strategic planning and general management of the Group and is instrumental to the Company's growth and business expansion since its establishment. 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 the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of chairman of the Board and chief executive officer is necessary.

Appointment and Re-election of Directors

Each of the Directors is engaged on a service contract (in the case of the executive Directors) or a letter of appointment (in the case of the non-executive Directors and independent non-executive Directors) for a specific term of three years, which is renewable by mutual consent and subject to the Articles of Association of the Company.

The Articles of Association provides that all Directors appointed to fill a casual vacancy or as an addition to the Board shall be subject to election by shareholders at the next following general meeting of the Company.

Every Director (including those appointed for a specific term) shall also be subject to retirement and re-election by rotation at least once every three years at the annual general meetings of the Company under the Articles of Association of the Company.

Responsibilities of the Directors

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgment on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that they remain informed and relevant for their contribution to the Board.

Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Besides, meetings with senior management of the Company were also arranged.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the Relevant Period, the Company organized one training sessions conducted by the qualified professionals for all the Directors. Such training sessions cover a wide range of relevant topics including directors' duties and responsibilities, risk management and internal controls etc. In addition, relevant reading materials including directors' manual, legal and regulatory updates and seminar handouts have been provided to the Directors for their reference and studying.

The Directors as at 31 December 2018 confirmed that they had complied with such requirements for the period under review.

Attendance Records of Directors and Committee Members

The attendance records of each Director at Board meetings and Board Committee meetings of the Company held during the Reporting Period are set out in the table below:

	Attendance/Number of Meetings			
Name of Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee
Mr. FENG Yousheng	2/2	—	—	—
Ms. LIAO Jieming	2/2	—	—	—
Mr. HOU Guangling	2/2	—	—	—
Mr. LIU Xiaosong	2/2	1/1	—	—
Mr. David CUI	2/2	1/1	—	—
Mr. DU Yongbo	2/2	—	—	—
Dr. LI Hui	2/2	1/1	—	—

Code provision A.1.1 of the CG Code prescribes that at least four regular Board meetings should be held in each year at approximately quarterly intervals with active participation of majority of directors, either in person or through electronic means of communication. During the Reporting Period, the Company held two Board meetings in total. As the Company was listed on the Stock Exchange on 12 July 2018, the Company did not hold any general meetings during the Reporting Period. The Company will fully comply with the requirement under the code provision A.1.1 of the CG Code to convene Board meetings at least four times a year at approximately quarterly intervals.

The Audit Committee held one meeting during the Reporting Period to review and consider, in respect of the year ended 31 December 2018, the interim and annual financial results and reports, amendments to its terms of reference, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and engagement of non-audit services. The Audit Committee also met the external auditors once during the Reporting Period without the presence of the executive Directors and the management.

Due to the fact that the Company was listed on 12 July 2018, the Remuneration Committee and Nomination Committee did not hold any meeting during the Reporting Period. Since the Listing Date and up to the date of this annual report, the Remuneration Committee held one meeting on 23 March 2019 and the Nomination Committee held one meeting on 23 March 2019. All respective members of the two committees attended the meetings.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit

Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The majority of the members of the Remuneration Committee, Audit Committee and Nomination Committee are independent non-executive Directors.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Mr. David CUI, Mr. DU Yongbo and Dr. LI Hui. Mr. David CUI, being the chairman of the committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal controls system of the Group, assist the Board to fulfill its responsibility over the audit, and review and approve connected transactions and to advise the Board.

The Audit Committee is also responsible for performing the functions set out in code provision D.3.1 of the CG Code. These include developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; reviewing and monitoring the training and continuous professional development of Directors and senior management of the Company; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to the Directors and employees of the Company; and reviewing the Company's compliance with the CG Code from time to time adopted by the Company and the disclosure in the corporate governance report to be contained in the Company's annual report.

The Company's annual results for the year ended 31 December 2018 have been reviewed by the Audit Committee.

Remuneration Committee

The company established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The Remuneration Committee consists of three members, namely Mr. LIU Xiaosong, the non-executive Director, Mr. DU Yongbo and Mr. David CUI, the independent non-executive Directors. Mr. DU Yongbo is the chairman of the committee. The majority of the Remuneration Committee members are independent non-executive Directors.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Remuneration Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management.

Pursuant to code provision B.1.5 of the CG Code, details of the remuneration of the senior management (other than Directors) by bands for the year ended 31 December 2018 is as follows:

	Number of employee(s)
HK$1,500,001 to HK$2,000,000	2
HK$2,000,001 to HK$2,500,000	1
HK$2,500,001 to HK$3,000,000	2

Details of the Directors' remuneration are set out in note 39 to the consolidated financial statements in this annual report.

Nomination Committee

The Nomination Committee consists of three members, namely Mr. FENG Yousheng, the chairman, chief executive officer and the executive Director, Mr. DU Yongbo and Dr. LI Hui, the independent non-executive Directors. Mr. FENG Yousheng is the chairman of the committee. The majority of the Nomination Committee members are independent non-executive Directors.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Nomination Committee are to make recommendations to the Board regarding the appointment of Directors and Board succession.

The Company has formulated and adopted the board diversity policy (the "Board Diversity Policy") for compliance with the Listing Rules and the code provisions concerning the diversity of board members. The Board Diversity Policy sets out the approach adopted by the Board regarding diversity of Board members.

The Board continuously seeks to enhance its effectiveness and to maintain the highest standards of corporate governance and recognizes diversity at Board level as an essential element in maintaining competitive advantage and sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge, length of services and time to be devoted as a Director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee has adopted a nomination policy which sets out a set of nomination procedures and selection criteria for Directors. The Nomination Committee shall evaluate and select candidates based on the criteria by reference to character and integrity, business experience relevant and beneficial to the Company, qualifications including professional qualifications, skills and knowledge that are relevant to the Company's business and corporate strategy, willingness to devote adequate time to discharge duties as a member of the Board and other significant commitments, present needs of the Board for particular expertise, skills or experience and whether the candidates would satisfy those needs, requirement for the Board to have independent Directors in accordance with the Listing Rules and whether the candidates for independent Directors would be considered independent with reference to the independence guidelines set out in the Listing Rules and the board diversity policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board.

RISK MANAGEMENT AND INTERNAL CONTROLS

Review of Risk Management and Internal Controls

The Board acknowledges that it is responsible for maintaining sound and effective risk management and internal control systems and reviewing their effectiveness. The Company's risk management and internal control systems provide a comprehensive and organized structure with clearly defined scopes of responsibilities, authorities and procedures.

The Company has a designated risk management and internal control team (the "team") which is responsible for identifying and monitoring the Company's risks and internal control issues and reports directly to the Board of any findings and follow-up actions. All departments of the Company are required to adhere to the Company's internal control procedures and report to the team of any risks or internal control issues. The Audit Committee of the Board also reviews the Company's financial controls, risk management and internal control systems on a regular basis.

During the year ended 31 December 2018, the team engaged Protiviti Shanghai Co., Ltd. ("Protiviti") as the consultant to assist the team to conduct risk management and internal control work. The team reported the Company's risks and internal control issues to the Audit Committee of the Company. The Audit Committee conducted a review of the effectiveness of various aspects of the Company's risk management and internal control system. The review results were reported to the Board, and the Board is satisfied that such systems are effective and adequate.

For the Reporting Period, the team identified, evaluated, reported and managed risks. Based on the risk management procedures performed, the Company has identified significant risks of the Company, which have been reported to the Audit Committee and the Board. Measures have been designed and implemented by the management accordingly.

The risk management and internal control team evaluated the Company's internal control during the Reporting Period. The internal control reported has been reviewed by the Audit Committee and the Board.

In addition, the Board had received confirmation from the management that:

— the financial records have been properly maintained and the financial statements give a true and fair view of the operations and finances of the Group; and
— the risk management and internal control systems of the Group are effective.

Based on the framework for risk management and internal control systems established by the Group, the Board and the Audit Committee considered that, through the review of risk management and internal control systems of the Group, it can evaluate and improve their effectiveness. The Board, with the concurrence of the Audit Committee, considered that the Company's internal control systems, including financial, operational and compliance, were effective and adequate for the year ended 31 December 2018 based on the work performed and report prepared by the team as well as the confirmation letter received by the management. The Company will perform ongoing assessments to update all material risk factors on a regular basis. In any case, review of risk management and internal control systems will be conducted annually.

Procedures and Internal Controls for the Handling and Dissemination of Inside Information

The Board conducts regular review and assessment of inside information, discusses with the management or authorized persons of the Company about disclosure of inside information, reports to the Board once identified any inside information for dissemination. Inside information disclosure policies are formulated to provide employees with guidelines on report and disseminating inside information, confidentiality and compliance with restrictions on trading.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2018.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 76 to 80 of this annual report.

DIVIDEND POLICY

The Company has adopted a dividend policy which is in accordance with the relevant provisions of the Articles of Association. Pursuant to the dividend policy, the Company may from time to time in general meeting declare dividends in any currency to be paid to the members of the Company but no dividend shall be declared in excess of the amount recommended by the Board. No dividend shall be declared or payable except out of the profits and reserves of the Company lawfully available for distribution, including share premium. No dividend shall carry interest against the Company.

The Board may, before recommending any dividend, set aside out of the profits of the Company such sums as it thinks fit as a reserve or reserves which shall, at the discretion of the Board, be applicable for meeting claims on or liabilities of the Company or contingencies or for paying off any loan capital or for equalising dividends or for any other purpose to which the profits of the Company may be properly applied, and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments as the Board may from time to time think fit, and so that it shall not be necessary to keep any reserves separate or distinct from any other investments of the Company. The Board may also without placing the same to reserve carry forward any profits which it may think prudent not to distribute by way of dividend.

The Board may also, without convening a general meeting, from time to time declare interim dividends as appear to the Board to be justified by the financial conditions and the profits of the Company. The Board may also pay half-yearly or at other suitable intervals to be selected by it any dividend which may be payable at a fixed rate if the Board is of the opinion that the financial conditions and the profits available for distribution justify the payment. The Board may in addition from time to time declare and pay special dividends of such amounts and on such dates and out of such distributable funds of the Company as it thinks fit. Any dividend unclaimed shall be forfeited and shall be returned to the Company in accordance with the Articles of Association and all applicable laws and regulations.

The Board will review this Policy from time to time and may adopt changes as appropriate at the relevant time.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

In 2018, the fee paid to the external auditor of the Company for audit services in relation to the Company's initial public offering amounted to RMB7.8 million in total. The remuneration paid/payable to the external auditor of the Company in respect of audit services and non-audit services for the year ended 31 December 2018 is RMB6.4 million.

JOINT COMPANY SECRETARIES

The Company has engaged SWCS Corporate Services Group (Hong Kong) Limited, external service provider, and Mr. Wong Yu Kit has been appointed as the Company's joint company secretary. Its primary contact person at the Company is Mr. XIAO Liming, the joint company secretary and acting chief financial officer of the Company.

The joint company secretaries attended sufficient professional training as required under the Listing Rules for the year ended 31 December 2018 to update their skills and knowledge.

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting

Pursuant to article 12.3 of the Articles of Association of the Company, extraordinary general meetings shall also be convened on the written requisition of any two or more members deposited at the principal office of the Company in Hong Kong specifying the objects of the meeting and signed by the requisitionist(s), provided that such requisitionist(s) held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

Putting Forward Proposals at General Meetings

There are no provisions in the Articles of Association or the Cayman Islands Companies Law for shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph. As regards proposing a person for election as a Director, please refer to the "Procedures for shareholders to propose a person for election as director" of the Company which is posted on the Company's website.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

The contact details of the Company are set out in the Company's website (www.inke.cn).

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

The Company maintains a website at www.inke.cn as a communication platform with shareholders of the Company and investors, where the financial information and other relevant information of the Company are available for public access.

CONSTITUTIONAL DOCUMENTS

In preparation for the Listing, the Company has adopted the amended and restated Memorandum and Articles of Association, which became effective on the Listing Date. Since then, the Company has not made any changes to its Memorandum and Articles of Association. An up–to-date version of the Company's Memorandum and Articles of Association is also available on the websites of the Company and of the Stock Exchange.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I. ABOUT THE REPORT

This report includes the practices of sustainable development of the Company and is the first environmental, social and governance (the "ESG") report published by the Company. This report aims to disclose the Company's efforts in ESG aspects in 2018 to all stakeholders. This report is issued together with the annual report. In order to have comprehensive understanding of the development of the Company, readers are reminded to read this report in conjunction with the section headed "Corporate Governance Report" in the annual report.

This report was prepared under the Environmental, Social and Governance Reporting Guideline (the "ESG Guideline") set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. This report covered all the concerns of stakeholders and the business characteristics of the Company.

Unless otherwise specified, this report covers the period from 1 January 2018 to 31 December 2018, which is consistent with the financial year covered by this annual report.

II. CONCEPTS OF ESG MANAGEMENT AND IDENTIFICATION OF SUBSTANTIVE ISSUES

The Company's mission is to make it easier to pursue happiness (讓快樂更簡單) and its vision is to transform entertainment through video streaming (讓視頻娛樂化). Adhering to its sustainable development values, the Company has positioned itself as a leading mobile live streaming platform in China through its business model which assumes responsibilities towards society and environment. The Company connects viewers with streamers who have desirable personality, appearance, and talent, and provide a platform for them to interact with each other anytime.

Organizational system and management system for social responsibility and environmental protection have been established based on the characteristics of the Company's business. In order to improve its performance in ESG, the Company continuously inspected and optimized these systems.

In 2018, the Company strengthened its overall environmental, social and governance management, clearly specified the duties of each department regarding to ESG field, and promoted and integrated ESG concepts into the operation of the Company.

The Company believes that the expectation and appeal of stakeholders are the inspiration of business development and the cornerstone of sustainable growth. The Company has established channels to communicate with its employees, suppliers, users, shareholders and investors, regulators, and residents on places where it operates. The Company actively communicates with them and respond to their concerns in time. Channels of communication on discussing sustainable issues between the stakeholders and the Company include:

Stakeholders of the Company and their channels of communication

Stakeholder	Major channels of communication
Employees	Conferences, staff events, individual interviews/group discussions, real-time communication software
Suppliers	Telephone calls, personal visits, business conferences, real-time communication software
Users	Customer hotlines, online customer service, WeChat, Weibo, App
Shareholders and investors	Telephone calls, emails, conferences, announcements and circulars, "Investor Relationship" webpage on official website
Regulators	On-site duties, policy consultation, reporting, information disclosure
Residents on places where the Company operates	Charity activities, donation and community interaction

In 2018, through various channels of communication and combining with the business operation of the Company, the Company selected and identified the most concerned ESG issues among the stakeholders, including "product liability" and "supply chain management" and more important issues, including "employment", "development and training" and "community investments". Related issues included "environmental protection", "anti-corruption", "health and safety" and "labor standard".

III. ENVIRONMENTAL PROTECTION

As a leading mobile live streaming platform provider, Inke is a non-productive enterprise and causes relatively less impact on the environment and resources.

In 2018, in order to fulfill the responsibilities of environmental protection, the Company complied with the "Environmental Protection Law of the PRC (《中華人民共和國環境保護法》)", "Energy Conservation Law of the PRC (《中華人民共和國節約能源法》)" and other applicable laws and regulations. The Company specified its green office policy in the "Staff Handbook" to promote environmental protection concept and create a green working environment.

(I) Emissions

The Company understands the Law of the "People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》)" and other applicable laws and regulations and control the collection, storage and disposal of different kinds of wastes in order to minimize the pollution to or effect on the environment.

In order to further reduce emissions, the Company has established principles on waste recycle and disposal and re-use some wastes. The recycling measures of wastes mainly include:

- Used computers: The Company evaluates whether used computers have met the requirements of disposal. Some of used computers will be used as charity donation. Other used computers will be collectively handled by third party asset suppliers. In 2018, there were 151 recycled computers, weighing 1,132.5 kilograms in total;

- Dry Batteries: In order to promote the recycling of batteries, the Company replaces employees' used batteries with new batteries. In 2018, 21 kilograms batteries were recycled;

- Waste papers: The Company introduced various online administration systems to facilitate e-approval for different procedures and reduce or remove paper based approval. In addition, the Company promoted using both sides of papers by providing a recycling box under each printer to collect papers with single-side used, facilitating the recycling and re-use of papers;

- Plastic materials and cardboards: The Company provides separate recycle bins in office premises to recycle plastic materials and cardboards separately, preventing them from mixing with other domestic waste. In 2018, there were 137 kilograms of plastic materials and 798 kilograms of cardboards recycled;

- Lead-acid batteries: Lead-acid batteries discarded from the Company's self-owned equipment rooms will be collectively disposed by suppliers;

Emissions

Indicators	2018 Figures
Total greenhouse gas ("GHG") emission ($tCo2^{-e}$)	491.22
Total GHG emission per capita ($tCo2^{-e}$/ person)	0.55
Total emission of non-hazardous waste (tonnes)	79.77
Total emission of hazardous waste (tonnes)	0.025
Total emission of non-hazardous waste per capita (tonnes/ person)	0.09
Total emission of hazardous waste per capita (tonnes/ person)	0.000028

Notes:

1 Due to the business nature of Inke, its major gas emission was GHG emission derived from the use of electricity and fuels converted from fossil fuels.

2 GHGs include carbon dioxide, methane and nitrous oxide, which are mainly from purchased electricity and fuels. GHG is presented based on carbon dioxide equivalence and is measured based on the "Baseline Emission Factors for Regional Power Grids in China in 2015 (《2015中國區域電網基線排放因子》)" published by the National Development and Reform Commission of China and the "Guidelines for National GHGs in 2016 (《2016年IPCC國家溫室氣體列表指南》)" issued by the Intergovernmental Panel on Climate Change (the "IPCC").

3 Hazardous wastes involved in the operation of Inke primarily include empty toner cartridges and ink boxes of printing devices and lead-acid batteries. Lead-acid batteries were within the warranty period and there were no disposal of lead-acid batteries during 2018.

4 Non-hazardous wastes involved in the operation of Inke primarily include domestic refuses from office premises and disposed electronic devices. Domestic refuses from office premises were handled collectively by the management companies of the office premises and cannot be measured separately. The Company estimated such domestic refuses according to the "Coefficient Manual of the First National Census on Pollution Sources for the Pollutant Generation and Discharge from Urban Living (《第一次全國污染源普查城鎮生活源產排污系數手冊》)" issued by the State Council.

(II) Resources utilization

As a non-productive enterprise, resources consumed by Inke primarily include electricity, water, and vehicle fuels used in the course of business operation. In 2018, major measures of the Company for reducing resources consumption included:

- Vehicle management: The Company formulated the requirements on the use of vehicles to promote less frequent and efficient use of vehicles. In order to reduce fuel consumption, the Company limited the usage of fuels based on the actual usage of vehicles to control related expenses. It also adopted the rules of incentives for resource saving and fines for resource wasting.

- Lighting management: The Company established a guideline regarding the use and management of lighting. The Company's employees are reminded to turn off lights after the use of training rooms and conference rooms. They shall also ensure the lighting of office premises, corridors and washrooms are turned off when they leave.

- Air-conditioner management: The Company established a guideline regarding the use of air-conditioners. The "accountability system" has been adopted which designates persons responsible for recording the use of air-conditioners. The Company's employees are reminded to turn off air-conditioners immediately when they leave, and windows must be closed when air conditioners are on. When cooling, the set temperature of air conditioners shall not be less than 26ºC.

The Company established a designated energy-saving team to conduct regular checks on the usage of lighting and air-conditioners, and impose penalties on any irregularity.

In 2018, the main energy consumption and energy consumption per capita of the Company were as follows:

Energy and resource consumption

Indicators	2018 Figures
Total energy consumption (MWh)	678.01
Energy consumption per capita (MWh/person)	0.77
Direct energy consumption (MWh)	
Fuel consumption of business vehicles	21.36
Indirect energy consumption (MWh)	
Electricity purchased	656.65
Total water consumption (tonnes)	8243
Water consumption per capita (tonnes/person)	9.30

Notes:

1 Total energy consumption is calculated based on the consumption of electricity and petrol as well as the conversion factors specified in the "National Standards of People's Republic of China General Principles for Calculation of the Comprehensive Energy Consumption (GB/T 2589-2008) (《綜合能耗計算通則(GB/T 2589-2008)》)".

2 Electricity purchased include electricity purchased by offices in Beijing and Changsha. Electricity expenses of leased data centers of Inke were included in custody fees, so electricity consumption cannot be measured separately. Further discussion with regard to the measurement will be made with the custody firm in the future so that the data will be calculated once separate measurement is available.

3 Data for packaging materials was not applicable to Inke.

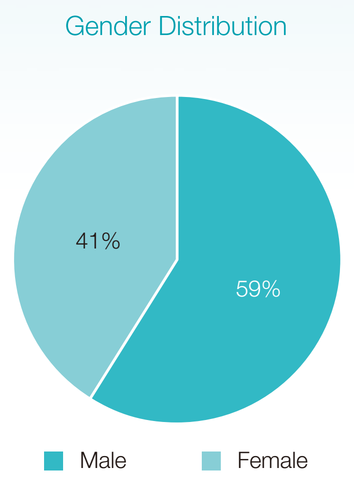
IV. RESPONSIBILITIES OF EMPLOYEES

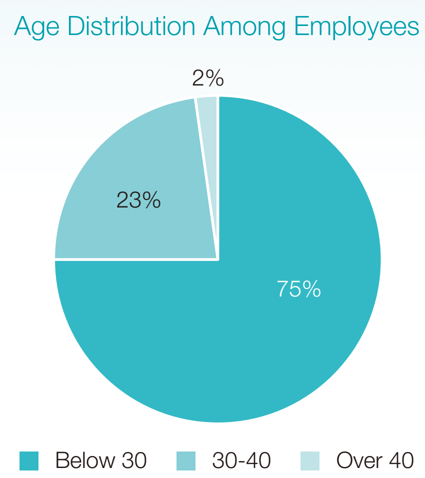
The Company's success depends on its ability to attract, retain and motivate qualified personnel. The Company complied with the "Labor Law of the PRC (《中華人民共和國勞動法》)", the "Labor Contract Law of the PRC (《中華人民共和國勞動合同法》)" and other relevant laws and regulations on local social security and salary payment. The Company formulated "Human Resources Management System", which specifies regulations of recruitment and resignation of employees, working hours, remunerations and benefits, performance and promotion, health and safety, and training and development to protect the legitimate interests of its employees.

(I) Recruitment and Resignation

Inke has strived to create a diversified and equal working environment without any discrimination in term of racial, sex, age or religion. Recruitment of employees is required to strictly comply with the internal standardized recruitment procedure which enable each applicant shall be treated equally. The Company uses various methods for its recruitment, including campus recruitment, online recruitment, internal recommendation, and recruiting through headhunter firms or agents, to satisfy its demands for different types of talents. The Company prohibits any child labor or forced labor. Details of resignation and dismissal of employees are specified in the Staff Handbook.

As at 31 December 2018, the Company had 937 employees who mainly located in Beijing and Changsha.





(II) Management of Working Hours

The Company adopts regular and irregular working scheme based on the nature of different jobs. Employees who need to extend working hours due to special reason may report to the Company through the OA system. Under the condition of protecting the health of the Company's employees, overtime working hours shall not be more than 3 hours per day and 36 hours per month. Overtime working hours shall be converted into employee's compensation or leave in accordance with the laws.

(III) Compensation and Benefits

Compensation of permanent employees of the Company consists of fixed wages, benefits and subsidies, and performance-based bonuses. The Company has established a compensation system based on positions and grades, which enables it to offer a relatively competitive and fair compensation package to its employees.

The Company has made contributions of "five insurances and housing provident fund" for its employees in accordance with the laws and regulations of PRC. The Company also provides additional benefits to its employees, including commercial insurance policies, allowances for communication, transportation and lunch, health checks, annual paid leaves, public welfare facilities and afternoon tea.

Case of employee's benefits: Staff quarters

In 2018, in order to ensure the safety and convenience of the Company's back-office officers accessing to and from their offices, the Company leased 24 dormitories as staff quarters in Changsha working area.

Phase I of the staff quarters divided into male dormitory and female dormitory. Each room accommodates 2-4 persons. The Company's staff quarters are clean and aesthetic, equipped with beds, air-conditioners, water heaters, washing machines and other living equipment. During 2018, the Company provided free accommodation to nearly 100 employees.

The Company holds a collective birthday party for its employees every month to enhance their sense of belonging. In addition, the Company organizes team-building activities regularly to enhance the cohesion among its employees.

Case 1 of activities for employees: Christmas activities

Inke organizes celebration activities every Christmas. With a theme of "I am your Santa Claus" (我是你的聖誕老人), the Company's employees prepare and exchange Christmas presents with each other. On the Christmas Day, employees exchange gifts in the form of matching draw, feeling the atmosphere of Christmas Day and the mutual care from the other employees.

Case 2 of activities for employees: Family Day

In 2018, in order to show its care to its employees and their families, the Company organized "Family Day", a parent-child activity, on 6.1 Children's Day.

More than 500 employees and their family members participated in this activity. Children of the Company's employees were invited to visit the workplace of their parents. With reference to staff cards, the Company's administration department prepared "Baby Cards" (專屬Baby卡) for the children, which recorded the drawings of the children or messages from the Company's employees to their children. The Company's employees put aside their work and recalled their precious childhood memory through enjoying childhood snacks and games, wearing school uniform, and attending interesting classes.

Case 3 of activities for employees: 3rd Anniversary of Inke, Rainbow Staff Day（映客三週年•彩虹員工日）

In 2018, to celebrate its 3rd anniversary, the Company organized an outdoor group activity. 485 employees were divided into 37 teams and participated in various cultural and sports activities at Huaibei Ski Resort. Being led by their leaders, each team took challenges from 16 group or individual games in accordance with the indications and game instructions shown in related venues for prizes, roasted lambs, drifting supplies and other awards. Employees who have worked for the Company for three years were awarded souvenirs.

(IV) Assessment and Promotion

An internal performance management and assessment system has been established and a promotion policy has also been formulated.

The performance of the Company's employees was assessed in the manner of "Fairness, Openness, and Justice". The performance assessments of the Company's employees include the assessment of performance indicators and assessment of values. The performance targets of the Company's employees were set based on the strategies of the Company, the goals of department, and the duties of the employees in accordance with SMART concept, i.e. specific, measurable, attainable, realistic and time bound. The values of employees were assessed through case study. After assessment, the Company provided feedback to its employees and gave suggestions for improving and development, so as to assist the growth of employees.

The results of assessment will be mainly applied to employees' compensation and promotion. The Company offered performance-based incentives to its employees in all levels based on the completion of targets for the year, partition coefficients, and the results of employees' performance assessment, so as to reward the employees who made great contributions to the Company and maintain healthy internal competition and mechanism. Employees with consistent excellent results in performance assessment would take the preemptive opportunities in promotion when the criteria of promotion were fulfilled and would be eligible to be selected to serve in higher position.

(V) Health and Safety

As Inke did not operate any production facilities, it was not exposed to any material risk relating to health and safety. In order to ensure the safety of employees at work and the safety of operation of the Company, Inke regulated safety behaviors in its "Human Resources Management System (《人力資源管理制度》)".

The Company has placed a great emphasis on the health and safety of its employees. In order to create a healthy and comfortable working environment for its employees, the Company fully implemented safety management. The Company organized free body-check for its permanent employees every year.

In order to ensure the safety of workplace, all employees shall only access to office premises with their staff cards. Visitors shall complete registration and be provided guest cards before accessing the office premises. All visitors shall be accompanied by a receptionist who shall be responsible for the behaviors of the visitors in the office premises.

In addition, in order to raise safety awareness of the Company's employees, the Company actively cooperated with the premises to organize fire drills and other activities.

(VI) Training and Development

In order to expand the Company's talent team, strengthen the capability of talents in different levels and provide intellectual support to the sustainable development of the Company, Inke formulated effective and systematic talent training and development plans for its employees. The Company believes that its systematic training plans would assist its employees to master necessary professional skills and improve their professional ethics effectively.

The talent training and development schemes of Inke comprised the following five schemes:

"Young Eagle Program" (雛鷹計劃): This is a training program for newly recruited graduates and aimed to cultivate newly recruited graduates who are self-motivated, willing to learn, and aggressive, develop them as the backbone in technical and business departments, and identify participants who have potential management talents;

"Flying Eagle Program" (飛鷹計劃): This is a training program for newly recruited employees and aimed to introduce the Company's development history, strategic vision, cultural values, and human resources, financial and technical system to those employees and accelerate the integration of those employees into the Company and its teams;

"Great Eagle Program" (雄鷹計劃): This is a training program for junior management members and aimed to train junior management members who had certain working experience and potential, so as to consolidate the capability of management team of the Company;

"Black Eagle Program" (黑鷹計劃): This is a training program for mid-level management members who have the potential, so as to help them become talents to accomplish major tasks as leaders.

"Golden Eagle Program" (金鷹計劃): This is a training program for senior management members and cultivate them to become all-rounded talents and get well-prepared for the future development of the Company.

In 2018, the Company organized various training programs with an aggregate of over 1,000 attendants.

V. SUPPLY CHAIN MANAGEMENT

The Company's streamers and their agencies are major groups of the Company's suppliers. Other than that, the Company's suppliers primarily included material suppliers and suppliers of other services.

(I) Content Verification of Live Streamers

The Company complies with the laws and regulations such as the "Administrative Provisions on Mobile Internet Applications Information Services (《移動互聯網應用程式信息服務管理規定》)" (the "APP Provisions"), the "Administrative Measures for Internet Information Services (《互聯網信息服務管理辦法》)", the "Interim Provisions on the Administration of Internet Culture(《互聯網文化管理暫行規定》)", the "Provisions on the Administration of Internet Live-Streaming Services(《互聯網直播服務管理規定》)", and the "Notice on Strengthening Work on Online Performance by the Ministry of Culture (《文化部關於加強網絡表演工作的通知》)" and verifies all contents published on the Company's platform. The Company is dedicated to provide customers with good user experience and complete products and services, and deliver the values of safety and health.

To ensure that the content and information in the Inke live streaming platform comply with the requirements of laws and regulations, the Company has established verification systems in respect of various items, including pop-up private messages, screen recording and sharing, short-video contents, screen contents, audio contents, icons, nicknames, signatures and occupations of users based on demand of screening and verification of numerous videos, audios and text information on the platform.

The Company has established a contingency mechanism in respect of content safety. The Company has formulated and implemented contingency plans for propagation stoppage, effect elimination, risk assessments, and problem stemming. The Company has adopted technological measures to complement the manual verification. The Company introduced more than four kinds of image recognition model for analysis and established a verification team of 150 members to carry out 24-hour verification to timely handle uncivilized and unlawful information, including various political interference, violence and terrorism, and pornography on the platform and take further actions on the irregular content provider.

In 2018, Inke continuously optimized its contents safety management and established a clean online streaming platform. By considering the propagating features of irregular contents and their consequences, together with various factors such as live streaming scenarios, user ratings, and interactive atmosphere, the Company has continuously adjusted and refined the verification standard and formulated a number of handling measures. The Company has implemented differentiated monitoring and control measures by levels and areas so as to improve the monitoring of material contents and sensitive contents and to strengthen the preventive effects on irregular contents based on the frequency of irregularities, characteristics of irregular user groups and investigation and analysis of live streaming aspects. The Company reorganized the background of verification system to effectively enhance the stability of continuous operation and the scalability of new function algorithms. The Company introduced the cross-application algorithm to improve the recognition effect of illustration models to enhance the accuracy and efficiency of machine verification.

In addition, the Company set up a network safety security room in its office premise to facilitate the regular onsite inspection of regulatory authorities and the handling of any contingency incidents.

(II) Supplier Admission and Management

In respect of suppliers of materials and services, Inke has formulated the "Procurement Management System (《採購管理制度》)" and the "Supplier Management System (《供應商管理制度》)" in accordance with the applicable laws and regulations, such as "The Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》)", to ensure that the supplier management has rules to follow. The Company has clearly specified the roles and duties of its staff in the processes of bidding and procurement and regulated the purchasing methods, categorized classification administrative measures, management of suppliers, management of contracts and documents, and verification of purchasing activities. The Company supervises all relevant staff to strictly abid by the procedures to ensure the smooth progress of the Company's procurement.

The Company usually seeks quotations from at least three suppliers and consider other factors, such as the time of delivery and suppliers' capability when selecting suppliers. The Company selects suppliers based on the principles of "openness, fairness, justice, and democracy". The Company has formulated a detailed standard of admission of suppliers and carried out a comprehensive screening on their qualification. New suppliers are required to submit business licenses and account-opening licenses for verification with receiving information before being included in the list of suppliers of the Company. The Company uses scientific and quantified methods to assess suppliers on a regular basis and adopts corresponding punishment or termination measures against disqualified suppliers.

The Company has established a supplier maintenance mechanism. The Company conducts visits or inspections with its suppliers through phone calls, onsite visits, and large business conferences in order to enhance cooperation and keep abreast of the latest market information and product development trend.

(III) Anti-Commercial Bribe

In order to promote the anti-corruption and anti-bribe in commercial activities and comply with the rules of fair competition, the Company has formulated the "Administrative Measures of Prevention of Commercial Bribe (《預防商業賄賂管理辦法》)" to supervise important aspects of its staff and related stakeholders, such as purchasing and sales.

The Company set up and discloses its hotline and email for reporting of internal and external commercial bribe activities. The Company has designated that the Legal Department and the Financial Centre work jointly as a supervision and management department against corruption and commercial bribe and collect relevant information, receive relevant reports and carry out supervision, inspection, and audit on all commercial acts of the Company.

In order to further strengthen the probity concept of the Company's customers and suppliers, it has requested all of its customers and suppliers who have economic activities with the Company to sign a "Commitment of Integrity and Honesty (《廉潔誠信承諾函》)" with it and urged them operating with honesty and integrity. For customers or suppliers who violate any provision in the commitment, the Company will terminate the cooperation with them and report the act of commercial bribe to judiciary authorities if necessary.

VI. PRODUCT LIABILITIES

People have natural demands for entertainment and companionship. The Company believes that mobile live streaming is an advanced way of online interaction to satisfy such demands. The Company is dedicated to providing good user experience and focus on the quality of its products and services. The Company has verified its products and services to ensure the compliance with the applicable laws and regulations.

In order to secure good experience of Inke community users and maintain the normal order of the platform, the Company has formulated the "Inke Community Convention (《映客社區公約》)" based on applicable laws and regulations, such as the "Administrative Measures for the Security Protection of Computer Information Networks Linked to the Internet (《計算機信息網絡國際聯網安全保護管理辦法》)", the "Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》)", the "Management Provisions on Electronic Bulletin Services in Internet (《互聯網電子公告服務管理規定》)", the "Decision on Security Protection of Internet by the Standing Committee of the NPC (《全國人民代表大會常務委員會關於維護互聯網安全的决定》)", the "Provisions for the Administration of Internet News Information Services (《互聯網新聞信息服務管理規定》)", the "Notice on strengthening Management of Online Performance by the Ministry of Culture (《文化部關於加強網絡表演管理工作的通知》)", and the "Notice on Strengthening the Online Live Streaming Services (《關於加強網絡視聽節目直播服務管理有關問題的通知》)" and signed the convention with its users. With an aim to create a fair, happy, free, and healthy cyber community for Inke users, the convention clearly specified the rights and responsibilities of Inke users, regulates users' acts and imposes punishment measures on any infringement.

In addition, the Company focuses on user privacy, customer services, research and development of products, intellectual property rights, use of virtual currency, and compliance of advertisements, and formulated internal administrative measures.

(I) User Privacy and Data Security

The Company has established and refined the protection mechanism of users' information in accordance with the relevant requirements of the "Provisions on the Administration of Mobile Internet Applications Information Services (《移動互聯網應用程序信息服務管理規定》)". The Company has obtained the consent of its users before it collects and use their private information. In addition, the Company guarantees the users' right to know and option during the installation or use of the application. The Company does not activate any function, such as collecting information of users' locations, reading their contacts, opening their cameras, and recording their audios without the consent of users. Also, the Company does not activate any other functions irrelevant to its services.

The Company has attached importance to the protection of users' privacy and included the protection of users' privacy into every aspect of its business operation. The Company has endeavored to minimize the influence to users' privacy in the ordinary course of business operation. During enrollment, the Company's employees shall enter into a confidential agreement with the Company to ensure stringent confidentiality of information of the Company and its customers. The Company has adopted different encryption technologies to encrypt sensitive information, such as users' phone numbers and identity cards so as to ensure its front-office staff not being able to directly obtain complete private information of its users. As for its customer service officers, the Company has limited their authorities on accessing its users' information and its front-line customer service officers unable to directly obtain private information of its users. The Company's customer service officers have to report the situation to their team leaders and let them handle if users' information is required. As for any enquiries of information of UID (user identifier), the Company shall request its users to provide such information and the use of such information will be subject to a qualification verification.

The Company has established a protection mechanism for data security and formulated and implemented contingency plans in respect of anti-hacker and anti-virus attacks, daily backups, and other incidents. All users' data is encrypted and saved in the Company's internal servers protected by access control, and further backed up in its remote the Company's recovery system, so as to minimize the possibility of data loss. When transmitting data packs, the Company uses the free encryption protocol it developed, to minimize the risk of data hacking or hijacking. Once a hacking attack is detected, the Company's technical team will immediately coordinate with the local supporting staff of the relevant server provider to diagnose and solve the relevant technical problems.

In 2018, the Company had not experienced any material network disruptions or incidents of hacker attacks.

(II) Customer Services

In order to provide a better user experience and enhance its efficiency, Inke has established the "Administration of Protocol of Business of Customer Services (《客服部業務流程制度》)" to clearly specify and standardize the treatments of different matters of customer services. The Company has established a number of communication channels with customers, including online and hotline customer services. The Company's customers can contact its online customer services through its WeChat official account, Inke application or the Company's hotline. The Company shall answer and serve its customers in time and solve their problems by contacting relevant departments within specified period. Enquiries and complaints from the Company's customers, such as use of products, rules of activities, and operation, can be effectively handled through its online customer service, hotline and complaint handling service.

As of 31 December 2018, the completion percentage of handling customers' complaints within 24 hour was 98%.

(III) Product Research and Development

Inke believes that whether to develop features, functions, and services tailored to the needs of users is the key factor for the success of its business. The Company has complied with relevant regulations, such as the "Provisions on the Administration of Online Publishing Services(《網絡出版服務管理規定》)", the "Interim Measures for the Administration of Online Games (《網絡遊戲管理暫行辦法》)", and the "Notice on the Administration over Mobile Game Publishing Services (《關於移動遊戲出版服務管理的通知》)" to research and develop online products and services which are in compliance with such regulations. The Company releases new versions of products quickly and provide abundant product features and services to satisfy the constantly changing user needs.

In 2018, the Company launched a number of new functions, such as, Multi-party Live Streaming Room, PK and Radio Broadcasting to enrich the experience of its users and to render its platform more popular.

(IV) Intellectual Property Rights

Inke has complied with applicable laws and regulations, including the "Tort Law of the People's Republic of China (《中華人民共和國侵權責任法》)", the "Patent Law of the People's Republic of China (《中華人民共和國專利法》)", the "Trademark Law of the People's Republic of China (《中華人民共和國商標法》)" and the "Copyright Law of the People's Republic of China (《中華人民共和國著作權法》)". Inke has also formulated the "Management System of Intellectual Property Rights (《知識產權管理制度》)" to regulate the management and processes related to intellectual property rights.

The Company protects its intellectual property rights from infringement through the intellectual property protection acts of the PRC and other jurisdictions. The Company also enters into confidentiality agreements with its partners to clarify the intellectual property protection liabilities. The Company respects intellectual property rights of other parties. The legal department of the Company, as the major department responsible for intellectual property rights management, manages and protects software copyrights, patents, trademarks and other intellectual property rights. It also conducts research and analysis on patent documents together with external patent agencies and related departments at the proposal stage of new technology of products to demonstrate the feasibility of patent application and to avoid repetitive research or infringement of intellectual property rights.

In addition, the Company has actively offered trainings related to intellectual property rights for its employees and partners so that they will understand and actively protect intellectual property rights of the Company. The Company clearly stated that its employees have the obligation to protect the intellectual property rights of the Company from infringement. The Company has set up internal and external intellectual property rights reporting mailboxes, and tracked and responded to any identified infringement of intellectual property rights. The Company has also offered incentives to encourage its employees to actively participate in product invention and innovation.

In 2018, the Company was not involved in any major claim or dispute relating to infringement of trademark, copyright or other intellectual property rights.

(V) Administration of Virtual Currency

Users can use virtual currency to purchase virtual items and services on Inke's live streaming platform. Inke has strengthened the administration of virtual currency in accordance with the relevant provisions of the "Notice on Strengthening the Administration of Online Game Virtual Currency(《關於進一步加强網吧及網絡遊戲管理工作的通知》)".

The Company has established a comprehensive system for administrating virtual currency to record the user's usage of their virtual currencies. The system can provide accurate statistics of the change of virtual currency among the App products based on different categories, such as "adding value", "withdrawal", "rewarding" and "activities". Meanwhile, the Company has formulated a comprehensive internal control procedures to conduct regular assessment and review on the use and statistics of virtual currency in order to ensure the compliance and safety of the use of virtual currency, and prevent and minimize the economic risks of illegal access and inappropriate conduct.

(VI) Advertising Compliance

The Company has complied with the "Advertising Law of the People's Republic of China (《中華人民共和國廣告法》)", the "Regulation on Control of Advertisements (《廣告管理條例》)", the "Interim Measures for the Administration of Internet Advertising (《互聯網廣告管理暫行辦法》)", and other applicable laws and regulations relating to advertisement. The Company has imposed strict regulations on marketing and advertisement strategies of the Company to ensure that contents are issued in accordance with laws and regulations to avoid any overstatement. In addition, the Company shall regulate and review the contents of its advertisements published on the platform to ensure that they are true and accurate and in compliance with relevant regulations.

VII. ANTI-FRAUD

In order to reduce the risk of the Company and regulate the operation, Inke has formulated the "Administrative Measures on Anti-fraud and Reporting Malpractices (《反舞弊及舞弊舉報管理辦法》)", fostering a culture of integrity and diligence to prevent any inappropriate conduct from harming the interest of the Company and its shareholders.

The Company has established an organizational and management structure of anti-fraud, which is guided by the Audit Committee. The Company has set up a permanent internal control team to organize and carry out the duties of anti-fraud. The internal control team is responsible for regular assessments on the risk of fraud, handling fraud reported, conducting investigation, providing recommendations, and reporting to the management, Audit Committee, and Board.

In order to build up an integrity value among its employees, the Company has clearly specified its punishment measures of corruption and frauds in the Staff Handbook. In addition, the Company's anti-fraud and bribery policies and procedures were sent to all employees via e-mail. The Company has carried out internal integrity propaganda and trainings on a regular basis to ensure that its employees understand the requirements of related laws and regulations and to help them identify and raise their awareness in relation to corruptions and frauds.

The Company has set up and announced the telephone hotlines and e-mail addresses which are available for reporting frauds. Moreover, the Company has designated officers to manage various reporting channels to ensure all complaints can be handled appropriately. The Company has encouraged its employees reporting frauds. In order to protect the interests and safety of the whistleblower, all processes, including acceptance and investigation, of fraud reporting are confidential. The Company will transfer the employee who committed a criminal offence to the judiciary authorities to pursue criminal responsibility.

VIII. COMMUNITY INVESTMENT

Inke emphasizes on building a harmonial relationship with the community and society, and actively identified the charity needs of the community and society. The Company has engaged in charity activities under its "Live streaming Plus" (直播+) business model. The Company has focused on organizing and participating in charity activities for education, medical, and poverty alleviation to fulfil its social responsibilities. Since 2017, the Company has successively organized various charity activities, including "Inke Help-Out" (小映幫我), "Inke Education Grant" (小映助學), "Inke Reading" (小映讀書), "Inke Singing" (小映唱歌) and "Inke Bookshelf" (小映書櫃). The Company's live streaming technology built an open and transparent charity system for charity organizations or individuals, which terminated the "blind donation" and established a credible donation process.

Description of Certain Charity Projects

Name of Project	Content
Inke Help-Out (小映幫我)	A charity project aimed in helping individuals or families with unexpected medical expenses or difficulties. Inke's live streaming makes the charity activity and donation process more open and transparent.
Inke Education Grant(小映助學)	A charity project aimed in providing financial aid to and easing financial pressures of high school graduates who have outstanding academic achievements and enrolled in universities but have financial difficulties on academic and living expenses.
Inke Reading (小映讀書) Inke Singing (小映唱歌)	A children care and development charity project, focused on the living and education conditions of left-behind children and children living in poverty areas, providing financial assistance to their expenses on education. Moreover, the project also aimed in providing mental health and emotion care for left-behind children and children living in poverty areas.
Inke Bookshelf (小映書櫃)	The foundation of "Streaming Future Cultural Development Fund (直播未來文化發展基金)' with China Foundation for the Development of Social Culture (中華社會文化發展基金會). It advocates the circulation of books in campuses and provides services for expansion of knowledge of primary and secondary school students.

In 2018, in addition to its existing charity projects such as "Inke Education Grant" (小映助學), "Inke Reading" (小映讀書), "Inke Singing" (小映唱歌) and "Inke Bookshelf" (小映書櫃), the Company launched "Star Together" (大咖益起來), a charity program aimed in targeted poverty alleviation with application of optimized Internet technologies. During the Reporting Period, the Company donated libraries to two primary schools in Jiashi County, Kashi Prefecture of Xinjiang Uygur Autonomous Region (新疆維吾爾自治區喀什伽師縣), two primary schools in Hexigten Banner of Inner Mongolia Autonomous Region (內蒙古自治區克什克騰旗), and one primary school in Nyêmo County, Lhasa of Tibet (西藏拉薩市尼木縣), so that children from remote areas can get more help, gain more knowledge, and enjoy a happy childhood.

Charity Activity 1: Live streaming + Charity

Inke established "Inke Charity Fund" with Mango TV in May 2016, through which donations of users collected by different ways on Inke streaming platform will be incorporated into "Inke Charity Fund".

In 2018, the Company initiated "Star Together" (大咖益起來) charity activity to add new energy to "Inke Charity Fund".

"Star Together" (大咖益起來) was the first talk show with stars through portrait screen live streaming. By utilizing the influence of the platform, it is intended to attract more Inke streamers and celebrities to interact with their fans as well as contribute to public charity. Rewards collected from the program were used for donations by Inke. Besides, Inke also donated "Inke Bookshelf" (小映書櫃) to designated primary schools in mountainous areas in the name of celebrities, so that children from such areas can achieve more with the help of knowledge.

Charity Activity 2: Live streaming + Poverty alleviation

In 2018, Inke organized a large charity and poverty alleviation activity, named "Happy Farm" (開心農場), which aimed to explore a new path for poverty alleviation by combining live streaming, agriculture, and e-commerce. Methods, activities, and stories of poverty alleviation were broadcasted online, and internet technologies were used in targeted poverty alleviation. Outstanding young persons who participated in the activity shared their poverty alleviation experience. Moreover, their words and achievements motivated and guided other young people to participate in poverty alleviation, forming a group of "Young Pioneers" (青年先鋒隊) for poverty alleviation in the internet and exploring new approaches for poverty alleviation.

At the same time, Inke launched a special live streaming program, named "Documentary of Youth Poverty Alleviation" (青春扶貧錄), for 107 poverty alleviating streamers and placed those channels at the highlights of the "Inke Outdoor Channel" (映客戶外頻道) page, introducing youth poverty alleviation project to all users of Inke. Not only to present local agricultural products to the public, Inke's live streaming poverty alleviation program also use online comments and interactions to boost the sales of agricultural products by introducing the local life style and assemble line. Online live streaming attracted numerous enthusiastic netizens to join poverty alleviation, allowing more people to get familiar with and participate in targeted poverty alleviation activities.

Independent Auditor's Report

To the Shareholders of Inke Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Inke Limited (the "Company") and its subsidiaries (the "Group") set out on pages 81 to 168, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is the "revenue recognition of live streaming business".

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition of live streaming business Refer to note 2.2, note 2.21 and note 6 to the consolidated financial statements. Revenue from live streaming for the year ended 31 December 2018 amounted to RMB3,729 million which represented 97% of the total revenues of the Group. Such revenue derives from sales of virtual currency which can be used to purchase virtual items or services on the platform. The revenue is generally recognised when the consumable virtual items or services are consumed. If the virtual currency are used to purchase virtual services over an extended period of time, the revenue is recognized ratably over the beneficial period. We focused on this area as significant efforts were spent on auditing the accuracy of revenue recognized from live streaming platforms due to the magnitude of the revenue amount and the significant volume of revenue transactions generated from the application systems.	Our procedures in relation to the revenue recognition from live streaming included: • We tested the general control environment of the information technology systems in which the virtual currency was sold and consumed; • We understood and evaluated the design effectiveness of internal controls in relation to revenue recognition from live streaming services; • We tested the design and operating effectiveness of the system automated controls, including checking the top-up of virtual currencies through payment collection channels, as well as calculating consumption of virtual currency and amortization of virtual items in accordance with a pre-set system logic that we separately tested. • We compared the total amount of cash collections recorded in the general ledger with cash collections recorded in the application systems and cash collections from the third party payment channels. We also tested, on a sample basis, the amount and the timing of cash collections by checking to the cash receipts;

Key Audit Matter	How our audit addressed the Key Audit Matter
	• By using computer-assisted audit techniques, we tested the mathematical accuracy and the completeness of the system generated reports that summarize the key inputs (including cash collections, quantities of virtual currency additions and redemptions that we tested as mentioned above) for calculating monthly revenue. We also recalculated the revenue recognition based on the inputs provided by the above reports to test the accuracy of revenue recognised. Based on the procedures performed, we found the recorded revenue supported by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the management's statement, report of the directors and corporate governance report (but does not include the consolidated financial statements and our auditor's report thereon), which are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the management's statement, report of the directors and corporate governance report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to Audit Committee and take appropriate action considering our legal rights and obligations.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Brian Ming Yan Choi.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2019

Consolidated Statement of Comprehensive Income

	Notes	Year ended 31 December 2018 RMB'000	2017 RMB'000
Revenue	6	**3,860,593**	3,941,596
Cost of sales	7	**(2,555,182)**	(2,545,854)
Gross profit		**1,305,411**	1,395,742
Selling and marketing expenses	7	**(462,210)**	(344,154)
Administrative expenses	7	**(144,554)**	(95,963)
Research and development expenses	7	**(235,465)**	(193,242)
Other gains — net	9	**34,020**	37,585
Other income	10	**136,726**	71,214
Operating profit		**633,928**	871,182
Finance income — net	11	**28,076**	10,599
Share of loss of investments accounted for using the equity method	17	**(3,083)**	(1,510)
Fair value gain/(loss) of financial instruments with preferred rights	24	**514,844**	(1,031,485)
Profit/(loss) before income tax		**1,173,765**	(151,214)
Income tax expense	13	**(72,819)**	(88,295)
Profit/(loss) for the year		**1,100,946**	(239,509)
Other comprehensive income			
Items that may be 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)

Consolidated Statement of Comprehensive Income

	Notes	Year ended 31 December 2018 RMB'000	2017 RMB'000
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	14	**0.78**	(0.29)
— Diluted earnings/(loss) per share	14	**0.31**	(0.29)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

	Notes	As of 31 December 2018 RMB' 000	2017 RMB' 000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**27,876**	33,865
Intangible assets	16	**67,544**	62,562
Investments accounted for using the equity method	17	**197,488**	175,071
Financial asset at fair value through profit or loss	18	**256,988**	40,430
Deferred tax assets	31	**4,121**	1,320
Term deposits	20	**500,000**	—
Other receivables, deposits and other assets	21	**5,435**	5,435
Total non-current assets		**1,059,452**	318,683
Current assets			
Inventories		**1,496**	107
Accounts receivables	22	**53,007**	42,861
Financial assets at fair value through profit or loss	18	**937,040**	—
Cash and cash equivalents	23	**849,629**	2,182,777
Term deposits	20	**836,320**	—
Restricted cash	23	**28,386**	8,800
Other receivables, prepayment, deposits and other assets	21	**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	25	**13,623**	—
Other reserves	26	**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)

	Notes	As of 31 December 2018 RMB' 000	2017 RMB' 000
LIABILITIES			
Non-current liabilities			
Financial instruments with preferred rights	24	**—**	3,373,353
Deferred tax liabilities	31	**5,509**	1,750
Total non-current liabilities		**5,509**	3,375,103
Current liabilities			
Accounts payables	28	**513,933**	625,897
Other payables and accruals	29	**67,513**	113,034
Current income tax liabilities		**958**	2,713
Contract liabilities	32	**143,710**	85,468
Provisions	33	**8,800**	8,800
Borrowings	30	**—**	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

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

The financial statements on pages 81 to 168 were approved by the Board of Directors on 23 March 2019 and were signed on its behalf.

Feng Yousheng
Director

Liao Jieming
Director

Consolidated Statement of Changes in Equity

	Notes	Share capital RMB'000	Other reserves RMB'000	Accumulated deficits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
		Attributable to the owner of the Company					
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	26	—	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	26	2,304	1,137,911	—	1,140,215	—	1,140,215
Conversion of preferred shares	26	6	2,858,503	—	2,858,509	—	2,858,509
Capitalisation issue	26	11,313	(11,313)	—	—	—	—
Share issuance costs	26	—	(65,737)	—	(65,737)	—	(65,737)
Share-based compensation expense	26	—	10,157	—	10,157	—	10,157
Acquisition of share for employee share scheme	26	—	(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

Consolidated Statement of Changes in Equity

	Notes	Attributable to the owner of the Company Share capital RMB'000	Other reserves RMB'000	Accumulated deficits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 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	26	—	(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	36	—	—	—	—	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)

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

Consolidated Statement of Cash Flows

	Notes	Year ended 31 December 2018 RMB' 000	2017 RMB' 000
Cash flows from operating activities			
Cash generated from operations	37	**388,770**	889,846
Interest received		**20,685**	11,446
Interest paid		**(1,496)**	—
Income tax paid		**(89,107)**	(167,119)
Net cash generated from operating activities		**318,852**	734,173
Cash flows from investing activities			
Payments for intangible assets	16	**(1,814)**	(28,790)
Payments for property, plant and equipment	15	**(9,134)**	(28,214)
Payments for acquisition of a subsidiary, net of cash acquired	36	**(2,326)**	(15,399)
Payments for investments in associates and joint ventures	17	**(25,500)**	(174,296)
Proceeds from disposal of investments in an associate		**—**	974
Payments for long-term deposits		**(500,000)**	—
Payments for short-term deposits		**(2,194,680)**	—
Proceeds from disposal of short-term deposits		**1,358,360**	—
Payments for investments in current financial assets at fair value through profit and loss		**(5,368,905)**	(1,754,000)
Proceeds from disposal of investments in current financial assets at fair value through profit and loss		**4,481,443**	1,784,720
Payments for investments in non-current financial assets at fair value through profit and loss		**(231,000)**	(6,600)
Proceeds from disposal of non-current financial assets at fair value through profit and loss		**24,953**	109,789
Loan to third parties		**(20,000)**	(16,000)
Proceeds from third parties		**16,000**	—
Increase in amounts due from related parties		**(255,992)**	—
Proceeds from deferred government grants		**2,000**	21,650
Net cash used in investing activities		**(2,726,595)**	(106,166)

Consolidated Statement of Cash Flows

	Notes	Year ended 31 December 2018 RMB' 000	2017 RMB' 000
Cash flows from financing activities			
Capital injection from owners		**—**	890
Proceeds from issuance of ordinary shares, net of share issuance cost		**1,074,472**	—
Acquisition of shares for employee share scheme		**(14,406)**	—
Proceeds from issuance of financial instruments with preferred rights	37	**—**	143,000
Repayments to third parties	30	**(14,090)**	—
Net cash generated from financing activities		**1,045,976**	143,890
Net (decrease)/increase in cash and cash equivalents		**(1,361,767)**	771,897
Cash and cash equivalents at beginning of the financial year		**2,182,777**	1,410,880
Effects of exchange rate changes on cash and cash equivalents		**28,619**	—
Cash and cash equivalents at end of year	23	**849,629**	2,182,777

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

Notes to the Consolidated Financial Statements

1. General information

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

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

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 of Hong Kong Limited (the "Listing"), the Reorganization was completed on 14 February 2018.

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

On 26 July 2018, the Company issued additional 45,351,000 new shares with nominal value of US$0.001 each pursuant to the full exercise of 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

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Inke Limited and its subsidiaries.

2.1 Basis of preparation

(a) 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.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) Compliance with IFRS and HKCO (continued)

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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(b) Historical cost convention

The consolidated financial statements of the Group have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and financial instruments with preferred rights.

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.

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

(a) New and amended standards adopted by the Group (continued)

(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 new accounting policies are set out in Note 2.21. 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) RMB'000	IFRS 15 RMB'000	**At 1 January 2018 (Restated) 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 new accounting policies are set out in Note 2.10. 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.

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

(a) New and amended standards adopted by the Group (continued)

(ii) IFRS 9 "Financial Instruments" (continued)

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

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

(b) New standards and amendments not yet adopted (continued)

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.

2.3 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities (including controlled entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized loss are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

2. Summary of significant accounting policies (continued)

2.3 Principles of consolidation and equity accounting (continued)

(a) Subsidiaries (continued)

Subsidiaries arising from Contractual Arrangements

On 31 March 2015, Beijing Meelive Network Technology Co, Ltd. ("Beijing Meelive" or 北京蜜萊塢網路科技有限公司) was established to carry out the Group's business in the PRC. Several domestic operating companies have been established by Beijing Meelive as its subsidiaries since 2015 and these operating companies together with Beijing Meelive are collectively defined as the "PRC Operational Entities". The wholly-owned subsidiary of the Company, Beijing Cheese Network Technology Company Limited ("Inke PRC" or 北京映客芝士網路科技有限公司), has entered into a series of contractual agreements (the "Contractual Agreements") with Beijing Meelive and its equity holders on 14 February 2008, which enable Inke PRC and the Group to:

- irrevocably exercise equity holders' voting rights of Beijing Meelive;
- exercise effective financial and operational control over of Beijing Meelive;
- receive substantially all of the economic interest returns generated by Beijing Meelive by way of technical and consulting services provided by Inke PRC;
- obtain an irrevocable and exclusive right to purchase all or part of the equity interests in Beijing Meelive from the respective equity holders at a minimum purchase price permitted under the PRC laws and regulations; and
- obtain a pledge over the entire equity interests of Beijing Meelive from its respective equity holders as collateral security for all of Beijing Meelive's payments due to Inke PRC and to secure performance of Beijing Meelive's obligation under the Contractual Agreements.

The Group does not have any equity interest in Beijing Meelive. As a result of the Contractual Agreements, the Group has rights to the variable returns from its involvement in Beijing Meelive and has the ability to affect those returns through its power over the Beijing Meelive, and is considered to control Beijing Meelive. Consequently, the Company regards Beijing Meelive as the indirect subsidiary under IFRS. The Group has included the financial position and results of the Beijing Meelive in the consolidated financial statements during the years ended 31 December 2018 and 2017.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over Beijing Meelive and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of Beijing Meelive. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements among Inke PRC, Beijing Meelive and its equity holders are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable.

2. Summary of significant accounting policies (continued)

2.3 Principles of consolidation and equity accounting (continued)

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (d) below), after initially being recognized at cost.

(c) Joint arrangements

Under IFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has joint ventures as of 31 December 2017 and 2018.

Interests in joint ventures are accounted for using the equity method (see (d) below), after initially being recognized at cost in the consolidated balance sheet.

(d) Equity accounting

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profit or loss of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognize further loss, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized loss are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

2. Summary of significant accounting policies (continued)

2.3 Principles of consolidation and equity accounting (continued)

(e) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable IFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

2.4 Business combinations

The acquisition method of accounting is used to account for all business combinations excluding those involving the entities under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement
- fair value of any pre-existing equity interest in the subsidiary.

2. Summary of significant accounting policies (continued)

2.4 Business combinations (continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or loss arising from such remeasurement are recognized in profit or loss.

2.5 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2. Summary of significant accounting policies (continued)

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is USD. The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currencies. As the major operations of the Group are within the PRC, the Group determined to present its consolidated financial statements in RMB.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income, within finance income-net. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within other gains/ (losses)-net.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gains or losses. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gains or losses and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognized in other comprehensive income.

(c) Group companies

The results and financial position of foreign operation (none of which has the currency of a hyperinflationary economy) that has a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and;

- all resulting exchange differences are recognized in other comprehensive income.

2. Summary of significant accounting policies (continued)

2.6 Foreign currency translation (continued)

(c) Group companies (continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognized in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gains or losses on sale.

2.7 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

• Computer equipment	3 years
• Office equipment and furniture fixtures	3 years
• Motor vehicles	4 years
• Leasehold improvements	Shorter of their useful lives and the lease terms

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'other (losses)/gains-net' in the consolidated statement of comprehensive income.

2. Summary of significant accounting policies (continued)

2.8 Intangible assets

(a) Goodwill

Goodwill is measured as described in Note 2.9. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and loss on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(b) Licences and copyrights

Separately acquired licences and copyrights are shown at historical cost or if acquired in a business combination, they are recognized at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortization and impairment loss.

(c) Other intangible assets

Other intangible assets mainly include software and domain names. They are initially recognized and measured at cost or fair value of intangible assets acquired through business combination.

(d) Amortization methods and periods

The Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

• Licences and copyrights	1-10 years
• Software	3-5 years
• Domain names	1-3 years

2.9 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2. Summary of significant accounting policies (continued)

2.10 Investments and other financial assets

(a) Classification

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

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

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

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

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

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

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

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

2. Summary of significant accounting policies (continued)

2.10 Investments and other financial assets (continued)

(d) Impairment

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

For accounts receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime loss to be recognized from initial recognition of the receivables. For other receivables, management makes periodic assessments as well as individual assessment on the recoverability based on historical settlement records and past experience.

(e) Accounting policies applied until 31 December 2017

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 31 December 2017 the Group classifies its financial assets in the following categories: Financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired, management's intentions and whether the assets are quoted in an active market. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. The Group's loans and receivables mainly comprise "Accounts receivables", "Other receivables, prepayments, deposits and other assets" (excluding prepayments), "Cash and cash equivalents" and "Restricted cash" in the consolidated balance sheet.

(ii) Financial assets at fair value through profit or loss

The Group has the following instruments falling into this category: certain investment with preferential rights or preferred shares issued by investee companies, which are hybrid instruments with embedded derivatives not closely related to the host contract. The Group designated the whole instruments as financial assets at fair value through profit or loss instead of bifurcating the embedded derivatives from the host contract.

Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current. As of 31 December 2017 the Group's investments in this category are all classified as non-current assets.

2. Summary of significant accounting policies (continued)

2.10 Investments and other financial assets (continued)

(e) Accounting policies applied until 31 December 2017 (continued)

(ii) Financial assets at fair value through profit or loss (continued)

Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of comprehensive income.

Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gain or losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the consolidated statement of comprehensive income.

Dividends on financial assets at fair value through profit or loss are recognized in the consolidated statement of comprehensive income as part of "other (losses)/gains-net" when the Group's right to receive payments is established.

Interest income from financial assets at fair value through profit or loss is included in the "other (losses)/gains-net".

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2. Summary of significant accounting policies (continued)

2.12 Accounts receivables

Accounts receivables are amounts due from online payment platforms and advertising agents for services performed in the ordinary course of business. If collection of accounts receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Accounts receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment. See Note 2.10 for a description of the Group's impairment policies.

2.13 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheet.

2.14 Share capital and shares held for employee share scheme

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

Shares held by the Company are disclosed as treasury shares and deducted from contributed equity.

2.15 Accounts and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Accounts and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2. Summary of significant accounting policies (continued)

2.16 Financial instruments with preferred rights

Financial instruments with preferred rights issued by the Company are redeemable upon occurrence of certain future events or at the option of the holders as detailed in Note 24.

The Group designated the financial instruments with preferred rights as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are expensed in the consolidated income statement.

Subsequent to initial recognition, the financial instruments with preferred rights are carried at fair value with changes in fair value recognized in the consolidated income statement.

The financial instruments with preferred rights are classified as non-current liabilities unless the Group has an obligation to settle the liability within 12 months after the end of the reporting period.

2.17 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax loss.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and loss.

2. Summary of significant accounting policies (continued)

2.17 Current and deferred income tax (continued)

Deferred income tax (continued)

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Investment allowances and similar tax incentives

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognized for unclaimed tax credits that are carried forward as deferred tax assets.

2.18 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheet.

(b) Pension obligations

The Group has only defined contribution plan in which the Group pays fixed contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick and maternity leave are not recognized until the time of leave.

2. Summary of significant accounting policies (continued)

2.19 Share-based compensation benefits

The Group receives services from employees as consideration for equity instruments of the Company or the Company's subsidiaries. The fair value of the services received in exchange for the grant of the restricted shares is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the restricted shares granted as at the date of grant, including any market performance conditions, excluding the impacts of any service and non-market performance vesting conditions, when applicable. The total amount expensed is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of restricted shares that are expected to vest based on the non-market vesting conditions. It recognized the impact of the revision of original estimates, if any, in the consolidated statement of comprehensive income with a corresponding adjustment to equity.

2.20 Provisions

Provisions for legal claims, service warranties and make good obligations are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating loss.

Where there is a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

2.21 Revenue recognition and deferred revenue

The Group mainly generates revenue from live streaming and online advertising. Revenue from live streaming is generated from Inke's mobile live streaming platform. Online advertising revenue is primarily generated from sales of advertising on Inke's mobile live streaming platform. Revenue is measured at the transaction price which is the amount of consideration to which the Group entitled in exchange for transferring promised services or goods to the customer. The Group allocates the transaction price to each performance obligation based on the relative stand-alone selling prices. Revenue for each performance obligation is then recognized when the Group satisfies the performance obligation by transferring the promised goods or services to the customer.

2. Summary of significant accounting policies (continued)

2.21 Revenue recognition and deferred revenue (continued)

(a) Live streaming

The Group operates the Inke's mobile live streaming platform and provides an internet infrastructure to enable the streamers and users to interact through the platform. The Group operates a virtual currency system, under which the users can use the virtual currency to purchase consumable virtual items to present to the streamers to show support or enhance communication and virtual services to increase the invisibility of their profile and messages. The platform is open to all users and streamers for free. The Group generates revenue from the sale of virtual currencies which can be used to purchase virtual items and services on the platform. In order to attract user traffic to the platform, the Group shares revenues with the streamers in accordance with the streamer agreements with the Group. The Group concluded that it is the primary obligor to fulfill all obligations related to the sales of virtual items and virtual services on the platform and has latitude in establishing price. Accordingly, the Group records revenue on a gross basis and the portion shared with individual streamers and the streamer agents that managed streamers ("streamer costs") are accounted for as cost of revenues.

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

(b) Advertising revenue

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

2. Summary of significant accounting policies (continued)

2.22 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the 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, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

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

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

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

2.23 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income or loss on a straight-line basis over the period of the lease.

2.24 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Note 10 provides further information on how the Group accounts for government grants.

2. Summary of significant accounting policies (continued)

2.25 Interest income

Interest income on financial assets at amortized cost calculated using the effective interest method is recognized in the statement of comprehensive income or loss.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 11 below. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.26 Research and development expenses

Research expenditure is recognized as an expense as incurred.

Costs incurred on development projects (relating to the design and testing of new or improved softwares) are capitalized as intangible assets when recognition criteria are fulfilled and tests for impairment are performed annually. Other development expenditures that do not meet those criteria are recognized as expenses as incurred.

Development costs previously recognized as expenses are not recognized as assets in subsequent periods. Capitalized development costs are amortized from the point at which the assets are ready for use on a straight-line basis over their estimated useful lives.

2.27 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer that makes strategic decisions.

2.28 Dividends distribution

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group and approved by the executive directors.

(a) Market risk

(i) Foreign exchange risk

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 subsidiaries operated in the PRC are 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.

The Group operates mainly in the PRC with most of the transactions settled in RMB. Management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of the Group denominated in the currencies other than the respective functional currencies of the Group's entities.

Most of the transactions of the Company are settled in USD. The Company's foreign exchange risk primarily arose from the cash and cash equivalents and short-term deposits denominated in HKD. If HKD had strengthened/weakened by 5% against USD with all other variables held constant, the post-tax loss would have been approximately RMB1,093,000 lower/higher for the year ended 31 December 2018 (2017: nil).

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for those investment in structured deposits and wealth management products which are classified as financial assets at fair value through profit and loss, term deposits, cash and cash equivalents and restricted cash, details of which have been disclosed in Notes 18, 20 and 23, respectively.

As of 31 December 2018, there was no borrowing balance in the Group's consolidated balance sheet.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt instruments carried at amortized cost, at fair value through comprehensive income (FVOCI) and at fair value through profit or loss (FVPL) and term deposits with banks and financial institutions, as well as credit exposures to outstanding receivables.

The Group is exposed to credit risk primarily in relation to its cash and cash equivalent and restricted cash placed with banks, term deposits with banks and financial institutions, investment in structured deposits and wealth management products which are classified as financial assets at fair value through profit and loss, as well as accounts and other receivables. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

(i) Risk management

To manage risk arising from cash and cash equivalents, short-term bank deposits, restricted cash, investment in structured deposits and wealth management products, the Group only transacts with state-owned or reputable financial institutions in the PRC and reputable international financial institutions outside of mainland China. There has been no recent history of default in relation to these financial institutions.

To manage risk arising from account receivables, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors. In view of the sound collection history of receivables due from them, management believes that the credit risk inherent in the Group's outstanding trade receivable balances due from them is not significant.

The Group, generated revenue through operating live streaming platform, as well as partnering with advertising customers for tailored marketing, has a highly diversified customer base, without any single customer contributing material revenue. The Group's accounts receivables at the end of each reporting period were mainly due from certain online payment operators, and advertising customers in China. If the relationship with the online payment operators and advertising customers is terminated or scaled-back; or if the online payment operators and advertising customers alter the co-operative arrangements; or if they experience financial difficulties in paying the Group, the Group's corresponding accounts receivables might be adversely affected in terms of recoverability. To manage this risk, the Group maintains frequent communications with the online payment operators and advertising customers to ensure effective credit control. In view of the history of cooperation with the online payment operators and the sound collection history of receivables due from them, the directors of the Company believe that the credit risk inherent in the Group's outstanding accounts receivable balances due from the online payment operators and advertising customers is low.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets

The Group has of financial assets that are subject to the expected credit loss model:

- account receivables
- other receivable

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

Accounts receivables

The Group applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables.

The expected loss rates are based on the payment profiles of sales over a period of 12 month before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit loss experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

In view of the history of cooperation with the online payment operators and advertising customers and the sound collection history of receivables due from them, management believes that the expected credit loss in the Group's outstanding trade receivable balances due from the online payment operators and advertising customers is not material.

Other receivables

For other receivables, management makes periodic assessments as well as individual assessment on the recoverability based on historical settlement records and past experience. Management believes that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate cash and cash equivalents.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The table below analyzes the Group's financial liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2018					
Accounts payables	**513,933**	**–**	**–**	**–**	**513,933**
Other payables and accruals (excluding salaries and welfare payables and other tax payable)	**6,391**	**–**	**–**	**–**	**6,391**
	520,324	**–**	**–**	**–**	**520,324**
At 31 December 2017					
Borrowing	14,090	–	–	–	14,090
Accounts payables	625,897	–	–	–	625,897
Other payables and accruals (excluding salaries and welfare payables and other tax payable)	9,518	–	–	–	9,518
Financial instruments with preferred rights	–	–	–	3,373,353	3,373,353
	649,505	–	–	3,373,353	4,022,858

As of 31 December 2017, financial instruments with preferred rights were classified as non-current liabilities. The Group recognizes the financial instruments with preferred rights at fair value through profit or loss, accordingly, financial instruments with preferred rights are managed on a fair value basis rather than by maturity date.

On 12 July 2018, financial instruments with preferred rights automatically converted into ordinary shares upon completion of Initial Public Offering. As of 31 December 2018, the Group has no financial instruments with preferred rights.

The Group's objectives on managing capital are to safeguard the Group's ability to continue as a going concern and support the sustainable growth of the Group in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance equity holders' value in the long term.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt calculated as total borrowings less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheet as cash and cash equivalents exceed the borrowing at each reporting date plus net debt. As at 31 December 2018 and 2017, the Group has a net cash position. If the gearing ratio is over 100%, the management of the Group would take appropriate actions to better manage the Company's capital.

(d) Concentration risk

For the Group's business, there was no customer whose revenues individually represent greater than 10% of the total revenues of the Group for the years ended 31 December 2018 and 2017.

3.2 Fair value estimate

(a) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

3. Financial risk management (continued)

3.2 Fair value estimate (continued)

(a) Fair value hierarchy (continued)

The following table presents the Group's level 3 assets and liabilities that are measured at fair value as of 31 December 2018 and 2017:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As of 31 December 2018				
Assets				
– Financial assets at fair value through profit and loss	**–**	**–**	**1,194,028**	**1,194,028**

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As of 31 December 2017				
Assets				
– Financial assets at fair value through profit and loss	–	–	40,430	40,430
Liabilities				
– Financial instruments with preferred rights	–	–	3,373,353	3,373,353

3. Financial risk management (continued)

3.2 Fair value estimate (continued)

(b) Fair value measurements using significant unobservable inputs (Level 3)

The following table presents the changes in level 3 items of financial instruments with preferred rights and financial assets at fair value through profit and loss for the years ended 31 December 2018 and 31 December 2017:

	Liabilities	Assets	
	Financial instruments with preferred rights RMB' 000	Financial assets at fair value through profit or loss – Current RMB' 000	Financial assets at fair value through profit or loss – Non current RMB' 000
Opening balance 1 January 2018	**3,373,353**	**–**	**40,430**
Additions	**–**	**5,368,905**	**231,000**
Disposals	**–**	**(4,481,443)**	**(11,766)**
Change in fair value	**(514,844)**	**49,578**	**(2,676)**
Conversion of preferred shares	**(2,858,509)**	**–**	**–**
Closing balance 31 December 2018	**–**	**937,040**	**256,988**
Opening balance 1 January 2017	2,341,868	–	31,702
Additions	–	1,754,000	111,600
Disposals	–	(1,784,720)	(126,661)
Change in fair value	1,031,485	30,720	23,789
Closing balance 31 December 2017	3,373,353	–	40,430
*Includes unrealized gain or (loss) recognized in profit or loss attributable to balances held at the end of the reporting period			
2018	–	3,770	(7,842)
2017	1,031,485	–	23,789

3. Financial risk management (continued)

3.2 Fair value estimate (continued)

(b) Fair value measurements using significant unobservable inputs (Level 3) (continued)

At 31 December 2018, the Group held the financial assets designated at fair value through profit or loss. Due to one or more of the significant impacts used in the valuation was not on observable market data the instrument was included in level 3.

Refer to Note 24 for the Group's valuation process in these financial instruments with preferred rights.

4. Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Fair value of financial assets

The fair value of financial assets that are not traded in an active market (for example, (i) investments in private companies; (ii) wealth management products) is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates could materially affect the respective fair value of these investments.

(b) Fair value of financial instruments with preferred rights

The Group adopted the quoted market price as the valuation method upon the conversion of the fair value of financial instruments with preferred shares into ordinary shares in July 2018, while the Group has adopted discounted cash flow to determine the business value of the Group, followed by option pricing models to determine the fair value of financial instruments with preferred rights on 31 December 2017, which involved the use of significant accounting estimates and judgements.

4. Critical accounting estimates and judgments (continued)

(c) Revenue recognition

The Group has assessed whether it acts as a principal or an agent in selling virtual items and services as described in Note 2.21, and has concluded that reporting the gross amount equivalent to the cash proceeds that the Group receives from the sale of virtual currency to users, because the Group concluded that it is the primary obligor to fulfil all obligations related to the sales of virtual items and virtual services on the platform and has latitude in establishing price.

(d) Recoverability of non-financial assets

The Group tests annually whether goodwill has suffered any impairment, or tests more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

Judgement is required to determine key assumptions adopted in the valuation models for impairment review purpose. Changing the assumptions selected by management in assessing impairment could materially affect the result of the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the key assumptions applied, it may be necessary to take impairment charge to the consolidated statement of comprehensive income or loss.

5. Segment information

The Group's business activities are mainly in live streaming business, for which discrete financial statements are available, and are regularly reviewed and evaluated by the CODM which are the chief executive officers and the vice presidents of the Group. As a result of this evaluation, the CODM considered that the Group's operations are operated and managed as a single segment. Accordingly, no segment information is presented.

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in the PRC and earns substantially all of the revenues from external customers attributed to the PRC.

As of 31 December 2018 and 2017, substantially all of the non-current assets of the Group were located in the PRC.

6. 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

7. 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 (Note 8)	**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 (Note16)	**16,189**	8,524
Depreciation of property, plant and equipment (Note15)	**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

8. Employee benefits expenses

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Wages, salaries and bonuses	**204,974**	176,967
Pension costs – defined contribution plans	**24,692**	17,921
Share-based compensation expenses (Note 27)	**10,157**	—
Other social security costs, housing benefits	**42,544**	32,935
Total employee benefit expense	**282,367**	227,823

(a) Five highest paid individual

The five individuals whose emoluments were the highest in the Group include nil and two directors for the years ended 31 December 2018 and 2017 respectively, and their emoluments are reflected in the analysis shown in Note 39. The emoluments payable to the remaining five and three individuals for the years ended 31 December 2018 and 2017 are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Salaries, wages and bonuses	**8,226**	4,710
Pension costs-defined contribution plans	**166**	128
Other social security costs, housing benefits	**208**	160
Share-based compensation expenses	**1,916**	—
	10,516	4,998

8. Employee benefits expenses (continued)

(a) Five highest paid individual (continued)

The emoluments of the non-director individuals fell within the following bands:

	Year ended 31 December	
	2018	2017
Emoluments bands:		
Nil to HK$1,000,000	**—**	—
HK$1,500,001 to HK$2,000,000	**2**	2
HK$2,000,001 to HK$2,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**2**	—
	5	3

9. Other gains — net

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Donations	**(8,151)**	(6,825)
Fair value gains/(losses) of financial assets at fair value through profit or loss		
— Investments in current financial assets at fair value through profit and loss	**49,578**	30,720
— Investments in non-current financial assets at fair value through profit and loss	**(2,676)**	23,789
Penalty	**(35)**	(23)
Provisions for claims and legal proceedings (Note 33)	**—**	(8,800)
Net foreign exchange (losses)/gains	**(3,715)**	182
Others	**(981)**	(1,458)
	34,020	37,585

10. Other income

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Government grants		
— Subsidies based on certain amount of tax paid (a)	**76,103**	48,242
— Subsidies granted by various local governments to encourage the Group to operate where these governments are located (b)	**42,049**	19,452
— Arising from amortization of government grants (c)	**18,574**	3,520
	136,726	71,214

Note:

(i) Tax based subsidies amounted to RMB76,103,000 and RMB48,242,000 for the years ended 31 December 2018 and 2017, respectively, were granted by local government authorities to incentivize the Group's business growth.

(ii) Reward amounted to RMB42,049,000 and RMB19,452,000 for the years ended 31 December 2018 and 2017, respectively, were granted by the local government authorities in Beijing and Changsha to reward the Group's achievement and support the Group's development.

(iii) Reward amounted to RMB18,574,000 and RMB3,520,000 for the years ended 31 December 2018 and 2017 were granted by the local government authorities in Changsha for the construction and development of the Group.

11. Finance income and costs

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Finance costs		
— Interest costs	**(16)**	(847)
Finance income		
— Interest income	**28,092**	11,446
Finance income — net	**28,076**	10,599

12. Subsidiaries

The Group's principal subsidiaries at 31 December 2018 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Company Name	Country/place and date of incorporation/ establishment	Registered/ Issued and paid-up capital	Attributable equity interest of the Group As of 31 December		Ownership interest held by non-controlling interests As of 31 December		Principal activities/ place of operation
			2018	2017	**2018**	2017	
Directly held –							
Inke BVI	BVI/ 30 November 2017	USD 1	100%	100%	–	–	Investment holding/ BVI
Indirectly held –							
Inke HK	HK/ 19 December 2017	USD 1	100%	100%	–	–	Investment Holding/ HK
Inke PRC	The PRC/ 14 February 2018	USD 1,000,000	–	–	–	–	Provision of technology and consulting services and engaging in advertising business/ the PRC
Inke HongKong Limited	HK/12 July 2016	HK$ 1	100%	100%	–	–	Investment holding/ HK
Inke Investment Holding Limited	BVI/23 October 2018	USD 1	100%	–	–	–	Investment holding/ BVI
Indirectly controlled by the Company pursuant to the Contractual Agreements –							
Beijing Meelive	The PRC/ 31 March 2015	RMB 1,713,224	100%	100%	–	–	Operation of live-streaming platforms/the PRC
Direct and indirect subsidiaries of Beijing Meelive –							
Hunan Inke Entertainment Network Information Co., Ltd. (湖南映客互娛網絡信息有限公司) ("Hunan Inke")	The PRC/30 May 2016	RMB 50,000,000	100%	100%	–	–	Supporting services to operation of mobile live-streaming platforms/ the PRC

12. Subsidiaries (continued)

Company Name	Country/place and date of incorporation/ establishment	Registered/ Issued and paid-up capital	Attributable equity interest of the Group As of 31 December		Ownership interest held by non-controlling interests As of 31 December		Principal activities/ place of operation
			2018	2017	**2018**	2017	
Ningbo Meishan Bonded Port Yingji Investment Mangement Co., Ltd. (寧波梅山保税港區映記投資管理有限公司)	The PRC/31 May 2016	RMB 1,000,000	100%	100%	–	–	Investment holdings in internet entities/ the PRC
Shanghai Meelive Network Technology Co., Ltd. (上海蜜萊塢網絡科技有限公司)	The PRC/ 7 June 2016	RMB 5,000,000	100%	100%	–	–	Investment holdings in internet entities/ the PRC
Beijing Inke Entertainment Technology Co., Ltd. (北京映客互娛科技有限公司) ("Beijing Inke")	The PRC/ 5 July 2016	RMB 5,000,000	100%	100%	–	–	Investment holdings in internet entities/ the PRC
Hunan Anyue Network Information Co., Ltd. (湖南安悦網絡信息有限公司)	The PRC/ 20 September 2016	RMB 10,000,000	100%	100%	–	–	Operation of mobile live-streaming platforms/ the PRC
Hunan Xiangsheng Network Information Co., Ltd. (湖南湘生網絡信息有限公司)	The PRC2/ 20 September 2016	RMB 10,000,000	100%	100%	–	–	Operation of mobile live-streaming platforms/ the PRC
Hunan Enjoy Network Information Co., Ltd. (湖南快享網絡信息有限公司)	The PRC/ 18 April 2017	RMB 15,000,000	100%	100%	–	–	Investment holdings in internet entities/ the PRC
Hunan Tiantianxiangshang Network Technology Co., Ltd. (湖南天天向上網絡技術有限公司) ("Hunan Tiantianxiangshang")	The PRC/ 19 May 2009	RMB 13,571,428	100%	100%	–	–	Online audio and video program services and support services to operation of mobile live-streaming platforms/the PRC

12. Subsidiaries (continued)

Company Name	Country/place and date of incorporation/ establishment	Registered/ Issued and paid-up capital	Attributable equity interest of the Group As of 31 December		Ownership interest held by non-controlling interests As of 31 December		Principal activities/ place of operation
			2018	2017	**2018**	2017	
Huai'an Inke Entertainment Network Information Co., Ltd. (淮安映客互娛網絡信息有限公司) ("Huai'an Inke")	The PRC/ 15 June 2017	RMB 5,000,000	100%	100%	–	–	Support services to operation of mobile live-streaming platforms/the PRC
Haomei Information Technology (Beijing) Co., Ltd. (好美信息技術(北京)有限公司) ("Haomei Information")	The PRC/ 26 December 2016	RMB 10,000,000	80%	80%	20%	20%	Operation of internet social application/ the PRC
Beijing Laixia Technology Co., Ltd. (北京來下科技有限公司) ("Laixia")	The PRC/11 May 2016	RMB 10,000,000	100%	30%	–	–	Development of online game/the PRC
Inke Network Technology (Hainan) Co., Ltd. (映客網絡科技(海南)有限公司)	The PRC/18 July 2018	RMB 50,000,000	100%	–	–	–	Support services to operation of mobile live-streaming platforms/the PRC
Guangdong Inke Entertainment Network Information Co., Ltd. (廣東映客互娛網絡信息有限公司)	The PRC/ 26 October 2018	RMB 10,000,000	100%	–	–	–	Support services to operation of mobile live-streaming platforms/the PRC

13. Income tax expense

(a) Cayman Islands and BVI Income Tax

The Company is incorporated as an exempted company with limited liability under the Companies Law of the Cayman Islands and is not subject to Cayman Islands income tax. The Group entities established under the International Business Companies Acts of BVI are exempted from BVI income taxes.

(b) Hong Kong Income Tax

Hong Kong income tax rate is 16.5%. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the year of 2018 and 2017.

13. Income tax expense (continued)

(c) PRC Enterprise Income Tax ("EIT")

The income tax provision of the Group in respect of its operations in the PRC was subject to statutory tax rate of 25% on the assessable profits for the year ended 31 December 2018 and 2017, based on the existing legislation, interpretations and practices in respect thereof.

Beijing Meelive was qualified as "High and New Technology Enterprises" ("HNTEs") under the relevant PRC laws and regulations since 2016. Accordingly, Beijing Meelive was entitled to a preferential income tax rate of 15% on its estimated assessable profits for the years ended 31 December 2018 and 2017.

Hunan Inke was accredited as a "software enterprise" under the relevant PRC laws and regulations in 2017. Accordingly, Hunan Inke is exempted from EIT for two years, followed by a 50% reduction of taxation, i.e. 12.5%, for the next three years, commencing from the first year of profitable operation after offsetting tax loss generating from prior years. The first tax exemption year for Hunan Inke was 2017. Accordingly, Hunan Inke was entitled to a preferential income tax rate of 0% on its estimated assessable profits for the years ended 31 December 2018 and 2017.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that was effective from 2018 onwards, enterprises engaging in research and development activities are entitled to claim 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("Super Deduction").

This note provides an analysis of the Group's income tax expense, shows what amounts are recognized directly in equity and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the Group's tax position.

(d) PRC Withholding Tax ("WHT")

According to the New Corporate Income Tax Law ("New EIT Law"), distribution of profits earned by PRC companies since 1 January 2008 to foreign investors is subject to withholding tax of 5% or 10%, depending on if the foreign investor is considered as the beneficial owner of the dividend according to the double tax treaty (agreement) between China and the jurisdiction of incorporation of the foreign investor, upon the distribution of profits to overseas-incorporated immediate holding companies.

13. Income tax expense (continued)

(d) PRC Withholding Tax ("WHT") (continued)

During the year of 2018 and 2017, the Group does not have any plan to require its PRC subsidiaries to distribute their retained earnings and intends to retain them to operate and expand its business in the PRC. Accordingly, no deferred income tax liability on WHT was accrued as of the end of each reporting period.

	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

13. Income tax expense (continued)

(d) PRC Withholding Tax ("WHT") (continued)

The tax on the Group's income/(loss) before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to income/(loss) of the consolidated entities as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Profit/(loss) before income tax	**1,173,765**	(151,214)
Tax calculated at statuary tax rate of 25%	**293,441**	(37,803)
Tax Effects of difference in overseas tax rates and preferential tax rates applicable to certain subsidiaries of the Group	**(170,199)**	(20,016)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
— Share-based compensation	**1,363**	–
— Fair value (gains)/losses of financial instruments with preferred rights	**(77,227)**	154,723
— Impact on share of results of investments accounted for using equity method	**(6)**	(377)
— Others	**1,308**	(2,336)
Tax loss of subsidiaries which no deferred income tax assets was recognized	**38,596**	1,995
Tax effect of Super Deduction	**(14,457)**	(7,891)
	72,819	88,295

At 31 December 2018 and 2017, the Group did not recognize deferred income tax assets of RMB38,596,000 and RMB1,995,000 in relation to cumulative tax loss which are expected to expire until 31 December 2023 and 31 December 2022.

14. 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 27).

	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)

14. Earnings/(loss) per share (continued)

(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)

14. Earnings/(loss) per share (continued)

(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"), details of which are set out in Note 25(c). 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 27, 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.

15. Property, plant and equipment

	Computer equipment RMB'000	Office equipment and furniture fixtures RMB'000	Motor vehicles RMB'000	Leasehold improvement RMB'000	Total RMB'000
Cost:					
At 1 January 2018	**20,697**	**623**	**269**	**22,378**	**43,967**
Additions	**8,427**	**163**	**–**	**544**	**9,134**
Business combination (Note 36)	**299**	**62**	**–**	**–**	**361**
At 31 December 2018	**29,423**	**848**	**269**	**22,922**	**53,462**
Accumulated depreciation:					
At 1 January 2018	**(6,126)**	**(19)**	**(80)**	**(3,877)**	**(10,102)**
Depreciation	**(7,515)**	**(144)**	**(58)**	**(7,767)**	**(15,484)**
At 31 December 2018	**(13,641)**	**(163)**	**(138)**	**(11,644)**	**(25,586)**
Net carrying amount:					
At 1 January 2018	**14,571**	**604**	**189**	**18,501**	**33,865**
At 31 December 2018	**15,782**	**685**	**131**	**11,278**	**27,876**
Cost:					
At 1 January 2017	15,219	14	269	38	15,540
Additions	5,265	609	–	22,340	28,214
Business combination (Note 36)	213	–	–	–	213
At 31 December 2017	20,697	623	269	22,378	43,967
Accumulated depreciation:					
At 1 January 2017	(613)	–	(16)	(10)	(639)
Depreciation	(5,513)	(19)	(64)	(3,867)	(9,463)
At 31 December 2017	(6,126)	(19)	(80)	(3,877)	(10,102)
Net carrying amount:					
At 1 January 2017	14,606	14	253	28	14,901
At 31 December 2017	14,571	604	189	18,501	33,865

15. Property, plant and equipment (continued)

Depreciation expenses have been charged to the consolidated income statement as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Cost of sales	6,958	5,209
Administrative expenses	2,060	1,187
Research and development expenses	5,488	2,688
Selling and marketing expenses	978	379
	15,484	9,463

16. Intangible assets

	Goodwill	Software	Domain names	Licenses and copyrights	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:					
At 1 January 2018	14,147	7,712	226	50,899	72,984
Additions	–	1,814	–	–	1,814
Business combination (a) (Note 36)	10,334	23	–	9,000	19,357
At 31 December 2018	24,481	9,549	226	59,899	94,155
Accumulated amortizations					
At 1 January 2018	–	(4,071)	(226)	(6,125)	(10,422)
Amortization	–	(1,948)	–	(14,241)	(16,189)
At 31 December 2018	–	(6,019)	(226)	(20,366)	(26,611)
Net carrying amount:					
At 1 January 2018	14,147	3,641	–	44,774	62,562
At 31 December 2018	24,481	3,530	–	39,533	67,544

16. Intangible assets (continued)

	Goodwill RMB'000	Software RMB'000	Domain names RMB'000	Licenses and copyrights RMB'000	Total RMB'000
Cost:					
At 1 January 2017	–	4,785	226	–	5,011
Additions	–	2,891	–	43,899	46,790
Business combination	14,147	36	–	7,000	21,183
At 31 December 2017	14,147	7,712	226	50,899	72,984
Accumulated amortizations					
At 1 January 2017	–	(1,672)	(226)	–	(1,898)
Amortization	–	(2,399)	–	(6,125)	(8,524)
At 31 December 2017	–	(4,071)	(226)	(6,125)	(10,422)
Net carrying amount:					
At 1 January 2017	–	3,113	–	–	3,113
At 31 December 2017	14,147	3,641	–	44,774	62,562

(a) Business combination in 2018

This is mainly due to the acquisition of Laixia on 7 September 2018 (as mentioned and defined in Note 36). Laixia is an entity engaging in the game development business in the PRC, and the Group obtained game copyrights of approximately RMB9,000,000 and goodwill of approximately RMB10,334,000 through this acquisition on the acquisition date.

(b) Impairment test for goodwill

As of 31 December 2018, the goodwill of the Group was generated from acquisition of Laixia (as mentioned and defined in Note 36) in September 2018 and Haomei Information in November 2017. Laixia and Haomei Information were considered as separate cash generating unit (the "CGU").

16. Intangible assets (continued)

(b) Impairment test for goodwill (continued)

The Group carries out its annual impairment test on goodwill by comparing the recoverable amount to the carrying amount. The recoverable amount was determined based on value-in-use calculation. The calculation used pre-tax cash flow projections based on financial budgets covering a five-year period with a terminal value related to the future cash flows extrapolated using the estimated growth rates stated below beyond the five-year period. The management believes that it is appropriate to cover a five-year period in its cash flow projection, because it captures the development stage of the related business of Laixia and Haomei Information during which the Group expects to experience a high growth rate. The key assumptions used by management for value-in-use calculation include:

(i) the compound annual growth rate of revenue for a five-year period of 230% for Laixia, 55% for Haomei Information, which was a combined consideration of the rapid growth at the beginning stage and mature mobile game industry's average growth rate in subsequent years;

(ii) pre-tax discount rate of 25.8% for Laixia, and 23.6% for Haomei Information, which was estimated by using the weighted average cost of capital ("WACC") method. The WACC was calculated by referring to public market data including risk free rate, market return, beta of comparable public companies etc. and the specific risk of Laixia and Haomei Information;

(iii) the estimated growth rate used in the value-in-use calculation for period beyond the five-year period was 3.0% for Laixia and Haomei Information, after making reference to long term inflation rate of China.

Amortization charges were expensed in the following categories in the consolidated income statements:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Cost of sales	**14,968**	6,196
Administrative expenses	**472**	259
Research and development expenses	**720**	1,981
Selling and marketing expenses	**29**	88
	16,189	8,524

17. Investments accounted for using the equity method

The amounts recognized in the balance sheet are as follows:

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
Associates	**25,675**	128
Joint ventures	**171,813**	174,943
	197,488	175,071

The amounts of income/(loss) recognized in the consolidated income statement are as follows:

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
Associates	**47**	(2,157)
Joint ventures	**(3,130)**	647
	(3,083)	(1,510)

(a) Investment in associates

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
At the beginning of the year	**128**	3,259
Addition	**25,500**	–
Share of profit/(loss) of associates	**47**	(2,157)
Disposal	**–**	(974)
At the end of the year	**25,675**	128

17. Investments accounted for using the equity method (continued)

(a) Investment in associates (continued)

Set below are the associates of the Group as of 31 December 2018, which are both private companies:

Name of entity	Place of business/ country of incorporation	% of ownership interest	Carrying amount 2018 RMB'000	2017 RMB'000
Guangying Shidai Beijing Technology Limited (光映時代北京科技有限公司)*	The PRC	10% (Note i)	**117**	128
Hunan Inke Property Limited (湖南映客置業有限公司))* ("Hunan Inke Property")	The PRC	51% (Note ii)	**25,558**	–

(i) The Group has the right to appoint two directors out of a total of five board seats in this entity and thereby considered to have significant influence in this entity.

(ii) The Group and Changsha Longfor Real Estate Development Co., Ltd. ("Longfor") owns 51% and 49% of the share capital of Hunan Inke Property respectively. As the decision making power of business operation of Hunan Inke Property is controlled by the Board and the Group has only 25% of voting power in the board of this entity while the other shareholder has 75% of the voting power. Accordingly Hunan Inke Property is treated as an associate company of the Group.

* The English names of the associates referred in the above represent management's best efforts in translating the Chinese names of these entities as they do not have official English names.

As of 31 December 2018 and 2017, none of the associates are considered material to the Group.

(b) Investment in joint ventures

	As of 31 December 2018 RMB'000	2017 RMB'000
At the beginning of the year	**174,943**	–
Addition	**–**	174,296
Share of (loss)/profit of the joint ventures	**(3,130)**	647
At the end of the year	**171,813**	174,943

17. Investments accounted for using the equity method (continued)

(b) Investment in joint ventures (continued)

Set below are the joint ventures of the Group as of 31 December 2018:

Name of entity	Place of business/ country of incorporation	% of ownership interest	Principal activities	Carrying amount 2018 RMB'000	Carrying amount 2017 RMB'000
Beijing Yingtianxia Network Technology Co., Ltd. (北京映天下網絡科技有限公司) ("Beijing Yingtianxia ")	The PRC	62.11% (Note i)	Streamer management and advertising agency	–	7,029
Hunan Haohan Internet Microcredit Co. Ltd. (湖南浩瀚匯通互聯網小額貸款有限公司) ("Hao Han Hui Tong")	The PRC	30.00% (Note i)	Provision of small loans to customers	**89,579**	90,000
Ningbo Meishan Bonded Port Area Qingyuwanfeng Equity Investment Partnership (Limited Partnership) (寧波梅山保稅港區青雨萬峰股權投資合夥企業(有限合夥)) ("Qing Yu Wan Feng")	The PRC	99.98% (Note ii)	Investment	**67,251**	62,924
Ningbo Meishan Bonded Port Area Qingshanshangfeng Equity Investment Partnership (Limited Partnership) (寧波梅山保稅港區青山尚峰股權投資合夥企業(有限合夥)) ("Qing Shan Shang Feng")	The PRC	99.93% (Note ii)	Investment	**14,983**	14,990

Note:

(i) The Group determined that it does not have unilateral control in this entity as certain of the financial and operating activities of this entity should be jointly approved by the Group and other shareholders.

(ii) The Group is acting as a limited partner in these two limited partnerships. The general partner have the rights to make decisions without the approvals of limited partners. As for 31 December 2018, the Group is the only limited partner in these two limited partnerships.

The joint ventures as listed above are private companies and there are no quoted market prices available for their shares. There are no contingent liabilities relating to the Group's interests in these joint ventures. As of 31 December 2018 and 2017, none of the joint ventures are considered material to the Group.

18. Financial assets at fair value through profit and loss

(a) Non-current

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
At the beginning of the year	**40,430**	31,702
Additions (i)(ii)(iii)	**231,000**	111,600
Disposals (iv)	**(11,766)**	(126,661)
Fair value (losses)/gains	**(2,676)**	23,789
At the end of the year	**256,988**	40,430

The Group made investments in equity interests with preferred rights of certain private companies. The key terms of these investments are as follows:

Dividend right:

Each holder of the preferred shares and equity interests with preferred rights shall be entitled to receive preferential, non-cumulative dividends at the fixed rate per annum of the issue price.

Conversion right:

Each holder of the preferred shares and equity interests with preferred rights shall have the conversion rights, respectively, into ordinary shares when certain events occurs.

18. Financial assets at fair value through profit and loss (continued)

(a) Non-current (continued)

Conversion right: (continued)

These investments held by the Group contain embedded derivatives that are not closely related to the host contracts. After considering the Group's investment objectives and intention, the Group decided not to bifurcate the embedded derivatives from the host instruments and designated the entire hybrid contracts as financial assets at fair value through profit or loss, with the changes in the fair value recorded in "other (losses)/gains-net" in the consolidated statement of comprehensive income.

In addition, the Group also invested in other long-term financial assets, such as wealth management products, which are accounted for financial assets at fair value through profit or loss.

The Group's financial assets at fair value through profit and loss are mainly comprised the following:

(i) On 5 January 2018, the Group made an investment in equity interests with preferred rights of a private company (which represented 11% equity interests in this investee on an as if converted basis), named Shenzhen Zhangyu Xuandong Technology Co., Ltd.* (深圳掌娛炫動資訊技術有限公司) that engaged in provision of network game development. This investment was measured at fair value of RMB22,745,000 as at 31 December 2018.

(ii) On 5 July 2018, the Group made an investment in certain financial products issued by TTCO Trust Corporation Limited*(西藏信託有限公司). This investment was measured at fair value of RMB200,482,000 as at 31 December 2018.

(iii) On 2 November 2018, the Group made an investment in warrant and equity interests with preferred rights of ACES ACADEMY LIMITED (which represented 10% equity interests in this investee on an as if converted basis), that engaged in provision of education services. This investment was measured at fair value of RMB10,000,000 as at 31 December 2018.

(iv) On 1 December 2017, the Group made an investment in equity interests with preferred rights of a private company (which represented 30% equity interests in this investee on an as if converted basis), named Beijing Laixia Technology Co., Ltd. ("Beijing Laixia"; 北京來下科技有限公司) that engaged in provision of card and board game development. This investment was measured at fair value of RMB3,000,000 as at 31 December 2017.

On 7 September 2018, the Group acquired the remaining 70% equity interest from certain independent third parties in Beijing Laixia at a cash consideration of RMB7,000,000 (see Note 36) and removed the preferred rights attached to the 30% equity interest acquired in 2017. Accordingly, Beijing Laixia became a wholly owned subsidiary of the Group since 7 September 2018.

* The English names of the associates referred in the above represent management's best efforts in translating the Chinese names of these entities as they do not have official English names.

18. Financial assets at fair value through profit and loss (continued)

(b) Current

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
Structured deposits (i)	**763,020**	–
Investment in wealth management products (i)	**163,270**	–
Others	**10,750**	–
	937,040	–

(i) The investment in structured deposits and wealth management products were mainly issued by reputable banks and financial institutions in the PRC and all are denominated in RMB. The fair values are based on cash flow discounted using the expected return based on management judgment and are within level 3 of the fair value hierarchy. Changes in fair value (realized and unrealized) of these financial assets had been recorded in "Other gains/ (losses) — net" in the consolidated statements of comprehensive income.

The maximum exposure to credit risk at the reporting date is the carrying value of these investments. None of these investments are either past due or impaired.

19. Financial instruments by category

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
Assets as per consolidated statements of financial position		
Financial assets at fair value through profit or loss:		
— Financial assets at fair value through profit and loss (Note 18)	**1,194,028**	40,430
Loans and receivables:		
— Accounts receivables (Note 22)	**53,007**	42,861
— Other receivables, prepayments, deposits and other assets (excluding prepayments and deductible input VAT) (Note 21)	**295,706**	52,191
— Term deposits (Note 20)	**1,336,320**	–
— Cash and cash equivalents (Note 23)	**849,629**	2,182,777
— Restricted cash (Note 23)	**28,386**	8,800
	3,757,076	2,327,059

19. Financial instruments by category (continued)

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
Liabilities as per consolidated statements of financial position		
Financial liabilities at fair value through profit or loss:		
— Financial instruments with preferred rights (Note 24)	**–**	3,373,353
Financial liabilities at amortized cost:		
— Accounts payables (Note 28)	**513,933**	625,897
— Other payables and accruals (excluding salaries and welfare payables and other tax payable) (Note 29)	**6,392**	9,518
— Borrowings (Note 30)	**–**	14,090
	520,325	4,022,858

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

20. Term deposits

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
Non-current		
— RMB	**500,000**	–
Current		–
— USD	**686,320**	–
— RMB	**150,000**	–
	1,336,320	–

The effective interest rate for the term deposits of the Group with initial term over 3 months for the year ended 31 December 2018 range from 2.1% to 4.18%.

Term deposits with initial term over 3 months were neither past due nor impaired. The directors of the Company considered that the carrying amount of the term deposits with initial term over 3 months approximated their fair value as at 31 December 2018.

21. Other receivables, prepayments, deposits and other assets

Financial assets at amortized cost include the following debt investments:

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
Non-current:		
Rental and other deposits (Note a)	**5,435**	5,435
	5,435	5,435
Current:		
Loans to related parties (Note 38)	**255,811**	–
Amounts due from third parties		
– Refund from an investment (Note b)	**–**	16,000
– Arising from disposal of financial assets at fair value through profit and loss	**140**	16,186
– Loan to a third party (Note c)	**20,000**	–
Prepayments for promotion and advertising	**105,985**	5,978
Prepayment to suppliers	**14,441**	13,559
Other deposits	**5,995**	8,020
Deductible input VAT	**25,514**	34,549
Prepayment to income tax	**13,292**	–
Interest receivable	**7,407**	–
Others	**918**	6,550
	449,503	100,842

(a) The balance represents the deposits paid to the leasing company and property company. The term of tenancy started from the year 2016.

(b) The balance represents the cash advance to investments, which was not successful and the investment amounts shall be returned to the Company. Such balance has been received in January 2018.

(c) The balance represents a loan to a third party. This is an unsecured loan, bears an interest rate of 10% per annum and will mature on 30 June 2019.

22. Accounts receivables

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
Accounts receivables	**53,007**	42,861
Less: allowance for impairment of accounts receivables	**–**	–
	53,007	42,861

(a) 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 of 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

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

(b) As of 31 December 2018, accounts receivables of RMB1.4 million were past due but not impaired. These accounts receivables are mostly from advertising service provided to a related party of the Group and has no significant financial difficulty. Based on past experience, the overdue amounts can be recovered. Other than the above, as of 31 December 2018, only insignificant amounts of the remaining balances were past due. No impairment provision was considered necessary against these balances after our management had performed assessment on their credit quality with reference to historical counterparty default rates. The ageing analysis of these accounts receivables is as follows:

22. Accounts receivables (continued)

(b) (continued)

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
Accounts receivables		
– Up to 3 months	**1,058**	7,600
– 3 to 6 months	**130**	2,540
– 6 months to 1 year	**267**	4,217
	1,455	14,357

23. Cash and cash equivalents

(a) Cash and cash equivalents

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
Cash at bank	**849,629**	2,182,777

As of 31 December 2018 and 2017, RMB52,885,000 and RMB81,863,000 of the above cash and cash equivalents are deposited at certain online payment platforms.

As at 31 December 2018 and 2017, the cash and bank balances were denominated in the following currencies:

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
RMB	**414,787**	2,182,768
USD	**412,985**	9
HKD	**21,857**	–
	849,629	2,182,777

23. Cash and cash equivalents (continued)

(b) Restricted cash

As of 31 December 2018 and 2017, bank balance of RMB28,386,000 and RMB8,800,000 were restricted, among which RMB8,800,000 were restricted as security for a legal proceeding outcome. The remaining balance as of 31 December 2018 is restricted due to the cooperation with local authorities in relation to investigation of certain end consumers of the platform.

24. Financial instruments with preferred rights

Movements of financial instruments with preferred rights are:

	RMB'000
At 1 January 2018	**3,373,353**
Changes in fair value	**(514,844)**
Converted into ordinary shares	**(2,858,509)**
At 31 December 2018	**–**
Total unrealized gains and change in fair value for the period included in "Fair value loss of convertible redeemable financial instruments with preferred rights"	–
At 1 January 2017	2,341,868
Changes in fair value	1,031,485
At 31 December 2017	3,373,353
Total unrealized losses and change in fair value for the period included in "Fair value loss of convertible redeemable financial instruments with preferred rights"	(1,031,485)

On 12 July 2018, as disclosed in Note 25, all financial instruments with preferred rights were automatically converted into 873,310,000 ordinary shares (after the capitalization issue as mentioned in Note 25), the fair value of 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 (31 December 2017 – the fair value of the financial instruments with preferred rights was RMB3,373,353,000 as determined based on the discounted cash flow method) and a fair value gain of RMB514,844,000 was resulted thereon.

25. Share capital

Authorized ordinary shares:

	Number of ordinary shares	Nominal value of ordinary shares USD
Ordinary shares of US$0.001 each at 31 December 2017	50,000,000	50,000
Increase in authorized share capital on 12 July 2018 (Note a)	49,950,000,000	49,950,000
Ordinary shares of US$0.001 each at 31 December 2018	**50,000,000,000**	**50,000,000**

(a) On 12 July 2018, the authorized share capital of the Company was increased from US$50,000 to US$50,000,000 by the creation of an additional 49,950,000,000 shares with a nominal value of US$0.001 each.

Issued and fully paid ordinary shares:

	Number of ordinary shares	Nominal value of ordinary shares USD	Equivalent nominal value of ordinary shares RMB'000
Ordinary shares as at 31 December 2017	1	–	–
Ordinary shares issued in February 2018 (b)	839,913	840	6
Conversion of shares with preferred rights issued in February 2018 (b)	**873,310**	**873**	**6**
Capitalization issue (c)	**1,711,510,776**	**1,711,511**	**11,313**
Issuance of ordinary shares upon Initial Public Offering (d)	**302,340,000**	**302,340**	**1,998**
Issuance of ordinary shares upon exercise of over-allotment option (d)	**45,351,000**	**45,351**	**300**
At 31 December 2018	**2,060,915,000**	**2,060,915**	**13,623**

(b) On 13 February 2018, the Company allotted and issued 839,913 ordinary shares and 873,310 shares with preferred rights of US$0.001 each at par to the offshore holding vehicles of the investors of Beijing Meelive in proportion to their respective shareholding interests in Beijing Meelive.

On 12 July 2018, the preferred rights of the 873,310 shares were terminated and converted into ordinary shares upon the successful Initial Public Offering of the Company.

25. Share capital (continued)

(c) Capitalization issue

Pursuant to a written resolution of all shareholders of the Company (the "Shareholders") passed on 23 June 2018, conditional upon the share premium account of the Company being credited as a result of the issuance of new shares pursuant to the Initial Public Offering, the directors of the Company were authorized to capitalize an amount of US$1,711,511 at par of 1,711,510,776 ordinary shares of US$0.001 each for allotment and issue to the persons whose names appear on the register of members of the Company at the close of business on the business day before 12 July 2018. Accordingly, 1,711,510,776 ordinary shares with par value of US$0.001 each are issued and US$1,711,511 (equivalent to RMB11,313,000) are credited to share capital.

(d) Issuance of new ordinary shares to public upon Initial Public Offering

On 12 July 2018, upon completion of the Initial Public Offering, the Company issued 302,340,000 new shares at par value of US$0.001 each for cash consideration of HK$3.85 per share. On 26 July 2018, the Company issued additional 45,351,000 new shares with par value of US$0.001 each at the price of HK$3.85 per share pursuant to the exercise of the over-allotment option of the Global Offering.

The total gross proceeds from the Initial Public Offering were approximately HK$1,338,610,000 (equivalent to RMB1,140,209,000). The respective share capital amount was approximately RMB2,298,000, and share premium arising from the issuance was approximately RMB1,072,174,000, net of the issuance costs. The issuance costs paid mainly include share underwriting commissions, lawyers' fees, reporting accountant's fee and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB65,737,000 were treated as a deduction against the share premium arising from the issuance.

26. Other reserves

	Share premium RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	Share-based payment reserve (Note 27) RMB'000	Currency translation differences RMB'000	Total RMB'000
As at 1 January 2018	**–**	**–**	**166,746**	**–**	**(322)**	**166,424**
Shares repurchased (a)	**(14,355)**	**(51)**	**–**	**–**	**–**	**(14,406)**
Issuance of new ordinary shares (Note 25(d))	**1,137,911**	**–**	**–**	**–**	**–**	**1,137,911**
Conversion of financial instruments with preferred rights (Note 24)	**2,858,503**	**–**	**–**	**–**	**–**	**2,858,503**
Capitalization issue (Note 25(c))	**(11,313)**	**–**	**–**	**–**	**–**	**(11,313)**
Share issuance costs (b)	**(65,737)**	**–**	**–**	**–**	**–**	**(65,737)**
Share-based payment expense (Note 27)	**–**	**–**	**–**	**10,157**	**–**	**10,157**
Currency translation differences	**–**	**–**	**–**	**–**	**32,334**	**32,334**
As at 31 December 2018	**3,905,009**	**(51)**	**166,746**	**10,157**	**32,012**	**4,113,873**
As at 1 January 2017	–	–	166,746	–	364	167,110
Profit for the year	–	–	–	–	–	–
Currency translation differences	–	–	–	–	(686)	(686)
As at 31 December 2017	–	–	166,746	–	(322)	166,424

(a) On 18 November 2018, the Company set up a Restricted Share Unit ("RSU") Scheme and granted 27,469,214 shares under the RSU Scheme. For the year ended 31 December 2018, the Company repurchased 7,400,000 ordinary shares from the public for RSU Scheme.

(b) The share issuance costs relating to the Initial Public Offering amounted to RMB65,737,000 were recorded in the share premium.

27. 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.

27. Share-based payments (continued)

Restricted Share Units ("RSUs") (continued)

(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 RMB14,406,000. The RSU Trustee held these 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 HKD2.19 each (equivalent to RMB53,287,583 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
Outstanding as of 1 January 2018	–	–
Granted	27,469,214	1.94
Vested	–	–
Forfeited	–	–
Outstanding as of 31 December 2018	27,469,214	1.94
Exercisable as of 31 December 2018	–	–

27. Share-based payments (continued)

Restricted Share Units ("RSUs") (continued)

Share-based compensation was recognized in costs and expenses for the year ended 31 December 2018 are as follows:

	Year ended 31 December 2018 RMB'000
Cost of sales	**1,672**
Administrative expenses	**2,656**
Selling and marketing expenses	**718**
Research and development expenses	**5,111**
Total	**10,157**

28. 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 of 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

29. Other payables and accruals

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
Salaries and welfare payables	**49,298**	47,819
Other taxes payable	**11,823**	55,697
Deposits from customers	**1,773**	2,600
Amounts due to a related party (Note 38)	**15**	3,340
Interests payable	**–**	1,480
Others	**4,604**	2,098
	67,513	113,034

30. Borrowings

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
Current	**–**	14,090

In April 2016, the Group obtained an unsecured loan of RMB14,090,000 from certain independent third parties at an interest rate of 6.0% per annum with maturity of twenty four months, which was fully settled on 29 January 2018.

31. Deferred income tax

Deferred income taxes are calculated in full on temporary differences under the liability method using the tax rates which are expected to apply at the time of reversal of the temporary differences.

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
Deferred tax assets:		
– to be recovered after more than 12 months	**4,121**	1,320
– to be recovered within 12 months	**–**	–
	4,121	1,320
Deferred tax liabilities:		
– to be recovered after more than 12 months	**(4,081)**	(1,167)
– to be recovered within 12 months	**(1,428)**	(583)
	(5,509)	(1,750)
Deferred income tax assets/(liabilities) — net	**(1,388)**	(430)

The movements in deferred income tax assets during the year is as follows:

	Advertising expenses	Other accrued expenses	Legal claim provision	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As of 1 January 2018	**–**	**–**	**1,320**	**1,320**
Charged/(credited) to the income statement	**–**	**2,801**	**–**	**2,801**
As of 31 December 2018	**–**	**2,801**	**1,320**	**4,121**
As of 1 January 2017	8,775	–	–	8,775
Charged/(credited) to the income statement	(8,775)	–	1,320	(7,455)
As of 31 December 2017	–	–	1,320	1,320

31. Deferred income tax (continued)

Deferred income tax assets are recognized for deductible temporary differences to the extent that realization of the related tax benefits through the future taxable profits is probable.

The movements in deferred income tax liabilities during the year are as follows:

	Intangible assets acquired in business combination RMB'000	Financial assets at fair value through profit and loss RMB'000	Total RMB'000
As of 1 January 2018	**1,750**	**–**	**1,750**
Business Combination (Note 36)	**2,199**	**–**	**2,199**
Recognized in the profit or loss	**(497)**	**2,057**	**1,560**
As of 31 December 2018	**3,452**	**2,057**	**5,509**
As of 1 January 2017	–	–	–
Business Combination	1,750	–	1,750
As of 31 December 2017	1,750	–	1,750

32. Contract liabilities

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Current		
Sales of live streaming virtual items	**143,710**	85,468

Contract liabilities derived from the sales of live streaming virtual items for which the related services had not been rendered as of 31 December 2018 and 2017. The users purchased virtual items from Inke platform, and the contract liabilities were recognized on an aggregate basis by taking reference to the balance of virtual items that were not consumed.

33. Provisions

	Legal claim RMB'000
Balance at 31 December 2017	8,800
Additional provision	–
Balance at 31 December 2018	**8,800**

In July 2017, the Group was involved in a legal proceeding as a defendant for which the Group has made a provision of RMB8,800,000 due to uncertainty of the outcome. The court has also demanded to restrict the Group's bank balance of RMB8,800,000 in respect of this claim in 2017 (see Note 23).

In addition to the above legal proceeding, as at 31 December 2018, the Group has no major pending litigation as the defendant.

34. Dividends

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

35. Commitments

The Group leases servers and office buildings under non-cancellable operating lease agreements. The lease terms are between 1 and 5 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As of 31 December	
	2018 RMB'000	2017 RMB'000
No later than 1 year	**28,306**	20,652
Later than 1 year and no later than 5 years	**9,210**	21,738
	37,516	42,390

36. Business combination

On 1 December 2017, the Group acquired 30% equity interest with preferred right at RMB3,000,000 from certain independent parties in Beijing Laxia (see Note 18), an entity engaging in the game development business in the PRC. On 7 September 2018, the Group acquired the remaining 70% equity interest from certain independent third parties in Beijing Laixia at a cash consideration of RMB7,000,000 ("Beijing Laixia Acquisition") and removed the preferred rights attached to the 30% equity interest acquired in 2017. Thereafter, Beijing Laixia became a wholly owned subsidiary of the Group since 7 September 2018.

The goodwill of approximately RMB10,334,000 arising from Beijing Laixia Acquisition is attributable to the acquired of mobile game research and development capabilities, and the diversification of the entertainment business development expected to be derived from combining with the existing operations of the Group.

None of the goodwill recognized is expected to be deductible for income tax purposes. The following table summarizes the consideration paid for Beijing Laixia Acquisition, the fair value of assets and acquired liabilities assumed at the acquisition date.

Beijing Laixia	RMB'000
Consideration	
– cash consideration	7,000
– Investments in financial assets at fair value through profit or loss	3,000
	10,000
Recognized amounts of identifiable assets acquired and liabilities assumed :	
Property, plant and equipment	361
Intangible assets	9,023
Inventories	26
Prepayments	158
Other receivables, deposits and other assets	91
Cash and cash equivalents	1,874
Accounts payables	(102)
Amounts due to related parties	(9,000)
Other payables and accruals	(566)
Deferred tax liabilities	(2,199)
Total identifiable net assets	(334)
Goodwill	10,334
	10,000

36. Business combination (continued)

On November 29, 2017, the Group acquired 80% equity interest from certain independent third parties in Haomei Information, an entity engaging in the game development business in the PRC ("Haomei Information Acquisition").

The goodwill of approximately RMB14,147,000 arising from Haomei Information Acquisition is attributable to the acquired mobile game research and development capabilities, and the diversification of the entertainment business development expected to be derived from combining with the operations of the Group.

None of the goodwill recognized is expected to be deductible for income tax purposes. The following table summarizes the consideration paid for Haomei Information Acquisition, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

Haomei	RMB'000
Consideration — cash consideration	16,000
Recognized amounts of identifiable assets acquired and liabilities assumed :	
Property, plant and equipment	213
Intangible assets	7,036
Other receivables, prepayments, deposits and other assets	191
Accounts receivables	64
Cash and cash equivalents	601
Accounts payables	(267)
Other payables and accruals	(3,772)
Deferred tax liabilities	(1,750)
Total identifiable net assets	2,316
Non-controlling interests	(463)
Goodwill	14,147
	16,000

37. Note to consolidated statements of cash flows

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Profit/(loss) before income tax	**1,173,765**	(151,214)
Adjustments for:		
– Depreciation of property, plant and equipment (Note 15)	**15,484**	9,463
– Amortization of intangible assets (Note 16)	**16,189**	8,524
– Finance income — net (Note 11)	**(28,076)**	(10,599)
– Fair value gains of financial assets at fair value through profit or loss (Note 9)	**(46,902)**	(54,509)
– Share of loss of investments accounted for using the equity method (Note 17)	**3,083**	1,510
– Amortization of deferred government grants (Note 10)	**(18,574)**	(3,520)
– Fair value loss of financial instruments with preferred rights	**(514,844)**	1,031,485
– Share-based compensations (Note 27)	**10,157**	–
– Net foreign exchange losses	**3,715**	–
– Others	**180**	–
Changes in working capital:		
– Inventories	**(1,363)**	(107)
– Accounts receivables	**(10,145)**	(2,719)
– Other receivables, prepayments, deposits and other assets	**(84,082)**	14,770
– Restricted cash	**(19,586)**	(8,800)
– Accounts payables	**(112,066)**	2,832
– Contract liabilities	**58,244**	18,024
– Provision for accrued liabilities	**–**	8,800
– Accruals and other payables	**(56,409)**	25,906
Cash generated from operations	**388,770**	889,846

37. Note to consolidated statements of cash flows (continued)

The reconciliation of liabilities arising from financing activities is as follows:

	Financial instruments with preferred rights RMB'000	Borrowings RMB'000	Total RMB'000
As of 1 January 2018	**3,373,353**	**15,571**	**3,388,924**
Cash flows	**–**	**(15,586)**	**(15,586)**
Non-cash transactions (Note a)	**(3,373,353)**	**15**	**(3,373,338)**
As of 31 December 2018	**–**	**–**	**–**
As of 1 January 2017	2,341,868	14,724	2,356,592
Cash flows	143,000	–	143,000
Non-cash transactions	888,485	847	889,332
As of 31 December 2017	3,373,353	15,571	3,388,924

Note (a): This non-cash transaction was resulted from the conversion of preferred shares into ordinary shares.

38. Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are under common control or joint control in the controlling shareholder' families. Members of key management and their close family member of the Group are also considered as related parties.

38. Related party transactions (continued)

Names of the major related parties	Nature of relationship
Mr. Feng Yousheng ("Mr. Feng")	Founder of the Group
Ms. Liao Jieming ("Ms. Liao")	Founder of the Group
Mr. Hou Guangling ("Mr. Hou")	Founder of the Group
Beijing Duomi Online Technology Co., Ltd. (北京多米在線科技股份有限公司) (previously known as Beijing Caiyun Zaixian Technology Development Co., Ltd., 北京彩雲在綫技術開發有限公司) ("Duomi Online")	Significant influence over Beijing Meelive
Guangying Shidai (Beijing) Technology Limited (光映時代（北京）科技有限公司) （"Guangying Shidai")	An associate of the Group
Beijing Yingtianxia Network Technology Co., Ltd. (北京映天下網絡科技有限公司) ("Beijing Yingtianxia")	A joint venture of the Group
Hunan Inke Property Limited (湖南映客置業有限公司)) ("Hunan Inke Property")	An associate of the Group

The following transactions were carried out with related parties:

(a) Significant transactions with related parties

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Loans to related parties		
– Hunan Inke Property	**249,992**	–
– Beijing Yingtianxia	**6,000**	–
	255,992	–
Interests income from Beijing Yingtianxia	**104**	–
Advertisement revenue generated from related parties		
– Guangying Shidai	**910**	–
– Beijing Yingtianxia	**–**	2,877
	910	2,877
Promotion expense paid to Beijing Yingtianxia	**–**	292

38. Related party transactions (continued)

(b) Balances with related parties

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
Other receivables from related parties		
– Hunan Inke Property (i)	**249,992**	–
– Beijing Yingtianxia (ii)	**5,819**	–
– Duomi Online	**1,373**	1,373
	257,184	1,373
Accounts receivables from related parties		
– Guangying Shidai	**910**	–
– Beijing Yingtianxia	**–**	1,050
	910	1,050
Other payables to related parties		
– Duomi Online	**15**	15
– Beijing Laoyou Duozhi	**–**	3,340
	15	3,355

The accounts receivables due from related parties were trade in nature and other balances with related parties were non-trade in nature.

All the balances with related parties were unsecured, interest-free and short-term in nature.

Note:

(i) The balance represents an interest-free loan lent to Hunan Inke Property, the terms of which is until Hunan Inke Property obtains the pre-sale permit.

(ii) The balance represents the loan lent to Beijing Yingtianxia with terms of 1 year and an interest rate at 8% per annum.

39. Benefits and interests of directors

(a) Directors' emoluments

The remuneration of every director and the chief executive officer for the years ended 31 December 2018 and 2017 were set out below:

	Note	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Pension scheme and other security benefits RMB'000	Other benefits RMB'000	Total RMB'000
For the year ended 31 December 2018							
Executive directors							
Mr. Feng	(i)	–	581	960	124	–	1,665
Ms. Liao	(ii)	–	516	960	124	–	1,600
Mr. Hou	(ii)	–	516	960	124	–	1,600
		–	1,613	2,880	372	–	4,865

	Note	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Pension scheme and other security benefits RMB'000	Other benefits RMB'000	Total RMB'000
Non-executive directors							
Mr. Liu Xiaosong	(ii)	145	–	–	–	–	145
Mr. David Cui	(iii)	145	–	–	–	–	145
Mr. Du Yongbo	(iii)	145	–	–	–	–	145
Dr. Li Hui	(iii)	145	–	–	–	–	145
		580	–	–	–	–	580

39. Benefits and interests of directors (continued)

(a) Directors' emoluments (continued)

	Note	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Pension scheme and other security benefits RMB'000	Other benefits RMB'000	Total RMB'000
For the year ended 31 December 2017							
Executive directors							
Mr. Feng	(i)	–	516	960	114	–	1,590
Ms. Liao	(ii)	–	516	960	114	–	1,590
Mr. Hou	(ii)	–	516	960	114	–	1,590
		–	1,548	2,880	342	—	4,770

	Note	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Pension scheme and other security benefits RMB'000	Other benefits RMB'000	Total RMB'000
Non-executive directors							
Mr. Liu Xiaosong	(ii)	–	–	–	–	–	–
Mr. David Cui	(iii)	–	–	–	–	–	–
Mr. Du Yongbo	(iii)	–	–	–	–	–	–
Dr. Li Hui	(iii)	–	–	–	–	–	–
		–	–	–	–	–	–

Note:

(i) Mr. Feng was appointed as a director of the Company on 24 November 2017.

(ii) Mr. Hou, Mr. Liu and Ms. Liao were appointed as directors of the Company on 9 March 2018.

(iii) Mr. David Cui, Mr. Du Yongbo and Dr. Li Hui were pointed on 23 June 2018.

No directors waived or agreed to waive any emoluments during the year of 2018 and 2017. No emoluments were paid to directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year of 2018 and 2017.

(b) Director's material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during the year of 2018 and 2017.

40. Contingencies

The Group did not have any material contingent liabilities as of 31 December 2018 and 2017.

41. Balance sheet and reserve movement of the Company

Balance sheet of the Company

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
ASSETS		
Current assets		
Cash and cash equivalents	417,158	–
Other receivables, prepayments, deposits and other assets	30,538	–
Term deposits	686,320	–
Total current assets	1,134,016	–
Non-current assets		
Investments in subsidiaries	2,369,198	–
Total non-current assets	2,369,198	–
Total assets	3,503,184	–
EQUITY		
Equity attributable to the shareholders of the Company		
Share capital	13,623	–
Other reserves	4,113,873	–
Accumulated deficits	(653,343)	–
Total equity	3,474,153	–

41. Balance sheet and reserve movement of the Company (continued)

Balance sheet of the Company (continued)

	As of 31 December	
	2018	2017
	RMB'000	RMB'000
LIABILITIES		
Current liabilities		
Other payables and accruals	**29,031**	–
Total current liabilities	**29,031**	–
Total liabilities	**29,031**	–
Total equity and liabilities	**3,503,184**	–

The balance sheet of the Company was approved by the Board of Directors on 23 March 2019 and was signed on its behalf:

Feng Yousheng
Director

Liao Jieming
Director

41. Balance sheet and reserve movement of the Company (continued)

Reserve movement of the Company

	Share premium RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	Share-based payment reserve RMB'000	Currency translation differences RMB'000	Total RMB'000
As at 1 January 2018	–	–	–	–	–	–
Shares repurchased	(14,355)	(51)	–	–	–	(14,406)
Issuance of new ordinary shares	1,137,911	–	–	–	–	1,137,911
Conversion of financial instruments with preferred rights	2,858,503	–	–	–	–	2,858,503
Capital reserve arising from the reorgnization	–	–	166,746	–	(322)	166,424
Capitalization issue	(11,313)	–	–	–	–	(11,313)
Share issuance costs	(65,737)	–	–	–	–	(65,737)
Share-based payment expense	–	–	–	10,157	–	10,157
Currency translation differences	–	–	–	–	32,334	32,334
As at 31 December 2018	3,905,009	(51)	166,746	10,157	32,012	4,113,873

The Company was established in 2018, thus there was no reserve movement for 2017.