Inke Limited
映客互娛有限公司

Incorporated in the Cayman Islands with limited liability

Stock Code：3700

2019 ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. FENG Yousheng *(Chairman and Chief Executive Officer)*
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

Ms. SZETO Kar Yee Cynthia
Mr. XIAO Liming

AUTHORIZED REPRESENTATIVES

Mr. FENG Yousheng
Ms. SZETO Kar Yee Cynthia

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

COMPANY'S WEBSITE

https://www.inke.cn/

STOCK CODE

3700

HEADQUARTERS IN THE PRC

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Chaoyang District
Beijing, 100102
PRC

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

Corporate Information

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

31/F, Tower Two, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

PRINCIPAL BANKS

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

Financial Highlights

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

					Period from 31 March to 31 December
		Year ended 31 December			
	2019	**2018**	**2017**	**2016**	**2015**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**3,268,573**	3,860,593	3,941,596	4,334,859	28,702
Cost of sales	**(2,379,080)**	(2,555,182)	(2,545,854)	(2,697,865)	(14,859)
Gross profit	**889,493**	1,305,411	1,395,742	1,636,994	13,843
Selling and marketing expenses	**(495,831)**	(462,210)	(344,154)	(721,778)	(10,009)
Administrative expenses	**(170,398)**	(144,554)	(95,963)	(227,314)	(1,793)
Research and development expenses	**(330,847)**	(235,465)	(193,242)	(198,524)	(133)
Operating profit	**45,973**	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	**52,781**	1,100,946	(239,509)	(1,467,126)	(49,416)

Financial Highlights

CONSOLIDATED OF BALANCE SHEET

	As at 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total non-current assets	**2,041,440**	1,059,452	318,683	190,185	5,078
Total current assets	**2,420,399**	3,155,381	2,335,387	1,678,083	126,527
Total assets	**4,461,839**	4,214,833	2,654,070	1,868,268	131,605
Total non-current liabilities	**191,638**	5,509	3,375,103	2,355,958	171,245
Total current liabilities	**808,477**	736,470	868,131	861,742	21,851
Total liabilities	**1,000,115**	741,979	4,243,234	3,217,700	193,096
Net current assets	**1,611,922**	2,418,911	1,467,256	816,341	104,676
Net assets/(liabilities)	**3,461,724**	3,472,854	(1,589,164)	(1,349,432)	(61,491)
Share capital	**13,351**	13,623	—	—	—
Other reserves	**4,050,234**	4,113,873	166,424	167,110	(12,075)
Accumulated deficits	**(598,411)**	(653,343)	(1,755,954)	(1,516,542)	(49,416)
Non-controlling interests	**(3,450)**	(1,299)	366	—	—
Total equity	**3,461,724**	3,472,854	(1,589,164)	(1,349,432)	(61,491)

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 2019 (the "Reporting Period"). 2019 was the first full financial year of Inke since its listing. Thanks to the trust of the shareholders and the untiring efforts of the employees of the Company, this year, Inke followed its strategic plan of "interactive entertainment + social networking", established an interactive entertainment product matrix with Inke App at the core, and expanded into the social networking field with Jimu App. Considerable progress has been made in various businesses.

BUSINESS REVIEW

In 2019, Inke conducted a development strategy of "interactive entertainment + social networking". With exploration and development for over a year, the Group's "interactive entertainment + social networking" product matrix has begun to take shape, covering all media forms including video, audio and graphics to meet the demand for interactive entertainment and social networking of different market segments and vertical users.

The interactive entertainment product matrix with Inke App at the core has provided stable and continuous cash flows to the Group. Inke App, being the main App of the Group, continuously strengthened its operation ability, developed content e-commerce, improved social networking functions, established a vertical operation mode anchored in live streaming, and launched a series of innovative functions and contents. The business models of the live streaming and blind date interactive entertainment products targeting the lower-tier cities have initially proved effective, which have become new engines for revenue growth of the Company.

The inclusion of Jimu App, a Z-generation social networking product, accelerated the formation of an organic traffic system of the product matrix. Leveraging the Group's existing research and development capability and marketing resources, Jimu App completed comprehensive improvement including technology infrastructure upgrade, traffic ecosystem integration and matching strategy optimization, and established a brand-new community segment in the year. It also entered the commercialization test stage. We believe that with our efforts, it will definitely become a representative product in the social networking field.

With continuous innovation of features and products, we strive to improve business operation efficiency and reduce innovation risk through structure optimization and refined operation. Based on its model of massive big data accumulated since its establishment, state-of-the-art audio and video digital technologies, extensive experiences in product operation and a sound traffic ecosystem, an audio and video industrial middle office of Inke has gradually established. The establishment of the industrial middle office has ensured that we can timely respond to new market opportunities, fully enable front office innovation business, break down the barrier of isolated development, enable our various business lines such as e-commerce and social networking to achieve strong growth through resources sharing and cooperation, and enable our innovative products to quickly develop into leading products in market segments and the industry.

PROSPECTS

Mobile live streaming became the focus of attention in 2015. With its strong technologies in the audio and video fields and accurate understanding of industrial development, the Inke team leveraged the trend to become a phenomenal mobile live streaming product. In the past five years, Inke made numerous innovations in technologies and products and continued to lead the development direction of the industry. Since 2020, the "Stay-at-home Economy" has ushered in an outbreak period, bringing opportunities to many industries. The surge of the demand for online entertainment, the online migration of film and television, education, commerce and many other industries, the emergence of many new application scenarios and the acceleration of 5G commercialization, have stimulated the comprehensive upgrading of the entertainment and live streaming industries and brought vigorous vitality to the interactive entertainment industry.

The fast-changing market breeds hope. To capture opportunities, we must forge ahead bravely.

APPRECIATION

I would like to thank our shareholders for their support and trust and thank all employees for their efforts and contribution. On behalf of all members of Inke, I would like to express my heartfelt thanks to all users!

FENG Yousheng
Chairman and Executive Director
Hong Kong, 28 March 2020

Business Review and Outlook

BUSINESS REVIEW FOR 2019

In 2019, with the further increase in the penetration rate of smart phones and the acceleration of mobile network infrastructure, the number of China's mobile internet users continued to rise, generating a growing demand for entertainment and social networking. During the year, the Group followed its core development strategy of "interactive entertainment + social networking". Despite the increasingly intensified competition in the industry, the expansion of industry size, the development of market segments and the exploration of vertical user needs have brought a new and strong growth momentum and space to the Group.

For interactive entertainment products, the Group, leveraging its leading audio and video livestreaming technologies and experiences in product operation, continued to strengthen its ability to carry out standardized and refined operation and launched a series of innovative functions and contents for Inke App: large-scale talent shows "Goddess Sakura" and "Mr. Inke" have been fully upgraded to "May 27 Annual Ceremony" and become a classical platform IP; multi-room livestreaming variety show "Who is Popular Tonight" attracted top traffic in the platform, provided brand new interactive experience, and led the trend of "Could Party" in the industry.

In addition, based on its in-depth research and understanding of markets and users, the Group continued to develop different business segments and vertical user domains and developed and launched interactive entertainment and livestreaming products targeting different user groups. The business models of certain products have proved effective in the market, which recorded rapid business growth and became new engines for revenue growth of the Company. In general, the interactive entertainment product matrix has provided stable and continuous cash flows to the Group.

For social networking product, the Group acquired all rights in the equity interest in Jimu App, a Z-generation mobile social networking product in 2019. Upon completion of the acquisition, the Group has facilitated Jimu App to complete the following using its existing research and development capability and marketing resources: (1) the upgrading of technology infrastructure to pave the way for further acquiring a large number of customers and generating income; (2) the integration of traffic ecosystems to prepare for continuous user base expansion; (3) the optimization of matching strategies to improve users' social networking experience and retention; and (4) a brand new community segment to increase the community penetration rate and duration. The Group also started to test the income-generating model of Jimu App in late 2019 in order to more effectively meet users' needs for in-depth and diversified social networking.

In addition, while continuing to carry out innovations and research and development to build new business growth engines, the Group strived to improve the efficiency of its overall operation and innovative product development and to mitigate innovation risks through measures including structure optimization and system improvement in 2019. The Group's revenue for the second half of 2019 recorded a growth of 20% compared to the first half of 2019 and 13% compared to the corresponding period in 2018.

As at 31 December 2019, the Company's current assets amounted to approximately RMB2,420.4 million, among which cash and cash equivalents accounted for approximately RMB603.9 million, term deposits that mature between three months and one year accounted for approximately RMB184.8 million and financial assets at fair value through profit or loss accounted for approximately RMB1,361.4 million (which mainly represented approximately RMB1,018.4 million in short-term wealth management products and approximately RMB343.0 million in principal guaranteed structured deposits with a floating interest rate). As at 31 December 2019, the Company's non-current assets amounted to approximately RMB2,041.4 million, among which term deposits that mature in over one year accounted for approximately RMB397.0 million and long-term wealth management products accounted for approximately RMB350.7 million.

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 platforms:

	For the year ended 31 December		
	2019	2018	Year-on-Year Change*
	(in thousands)		
Average monthly active users ("MAUs")**	**29,808**	25,487	17%

Note:

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

** Average MAUs in the year of 2019 is based on the products of the Group, including the Inke App and Jimu App, etc.. Average MAUs in the corresponding period last year was based on the Inke App.

BUSINESS OUTLOOK FOR 2020

Looking forward to 2020, the Company will continue to implement its strategic plan for "interactive entertainment + social networking" and adopt the following strategies to achieve growth:

- For the products with proven business models, the Company will continue to increase investment and improve their operation efficiency. It will further consolidate and improve the position of its products in market segments and industries, and expand product coverage and penetration to generate economies of scale, in order to achieve continuous growth in both revenue and user base and provide stable and continuous cash flows to the Group.

- The Company will further analyze user needs to explore new market opportunities. It will continue to expand its product matrix of "interactive entertainment + social networking", diversify product offering of the Group, and quickly respond to new demand in the market by developing new products, so as to strengthen the core competitiveness of the Group, to enrich its business model and to create new opportunities for its development.

- The Company will closely follow the development of the industry and the upstream and downstream of the industrial chain, focus on products that can generate strategic synergy for its development and have a sizeable user base or revenue and products with relatively strong brand awareness or user recognition in specific market segments or vertical fields, and prudently seek the opportunities for investment and acquisition in line with the strategic plan of the Group.

- The Company will strive to build a new interactive entertainment ecosystem through continuous technical investments and innovations. By keeping up with the development trend of 5G, AI and other new technologies, the Company will continue to build up its reserve of new technologies and maintain its first-mover advantage in order to provide users with more fluent and immersive interactive entertainment and social networking experience.

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 2018 to the year ended 31 December 2019:

	For the year ended 31 December				Year-on-Year Change
	2019		2018		
	(RMB'000)	%	(RMB'000)	%	%
	(In thousands, except for percentages and per share data)				
Consolidated Statement of Comprehensive Income					
Revenue	**3,268,573**	**100.0**	3,860,593	100.0	(15.3)
Cost of sales	**(2,379,080)**	**(72.8)**	(2,555,182)	(66.2)	(6.9)
Gross profit	**889,493**	**27.2**	1,305,411	33.8	(31.9)
Selling and marketing expenses	**(495,831)**	**(15.2)**	(462,210)	(12.0)	7.3
Administrative expenses	**(170,398)**	**(5.2)**	(144,554)	(3.7)	17.9
Research and development expenses	**(330,847)**	**(10.1)**	(235,465)	(6.1)	40.5
Other gains-net	**69,683**	**2.1**	34,020	0.9	104.8
Other income	**83,873**	**2.6**	136,726	3.5	(38.7)
Operating profit	**45,973**	**1.4**	633,928	16.4	(92.7)
Finance income-net	**32,923**	**1.0**	28,076	0.7	17.3
Share of loss of investments accounted for using the equity method	**(18,172)**	**(0.6)**	(3,083)	(0.1)	489.4
Fair value gains of financial instruments with preferred rights	**—**	**—**	514,844	13.3	(100.0)
Profit before income tax	**60,724**	**1.9**	1,173,765	30.4	(94.8)
Income tax expense	**(7,943)**	**(0.2)**	(72,819)	(1.9)	(89.1)
Profit for the year	**52,781**	**1.6**	1,100,946	28.5	(95.2)
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss:					
Currency translation differences	**25,666**	**0.8**	32,334	0.8	(20.6)
Other comprehensive income for the year, net of tax	**25,666**	**0.8**	32,334	0.8	(20.6)

Management Discussion and Analysis

	For the year ended 31 December 2019 (RMB'000)	%	2018 (RMB'000)	%	Year-on-Year Change %
	(In thousands, except for percentages and per share data)				
Profit/(loss) attributable to:					
— Owners of the Company	54,932	1.7	1,102,611	28.6	(95.0)
— Non-controlling interests	(2,151)	(0.1)	(1,665)	—	29.2
	52,781	1.6	1,100,946	28.5	(95.2)
Total comprehensive income/(loss) attributable to:					
— Owners of the Company	80,598	2.5	1,134,945	29.4	(92.9)
— Non-controlling interests	(2,151)	(0.1)	(1,665)	—	29.2
Total comprehensive income	78,447	2.4	1,133,280	29.4	(93.1)
Earnings per share attributable to the equity holders of the Company (expressed in RMB per share)					
— Basic earnings per share	0.03		0.78		
— Diluted earnings per share	0.03		0.31		

Revenue

The Group's revenue decreased from approximately RMB3,860.6 million in 2018 to approximately RMB3,268.6 million in 2019, primarily attributable to the intensified competition in the live streaming industry in China. Among the approximately RMB3,268.6 million of revenue in 2019, approximately RMB3,176.4 million was generated from live-streaming and approximately RMB72.4 million was generated from online advertising. Compared with that of 2018, the Company's total revenue and live-streaming revenue decreased slightly by 15.3% and 14.8%, respectively, while revenue in the second half year of 2019 was 13% higher than in the corresponding period in 2018 and 20% higher than in the first half year of 2019.

Cost of sales

The Group's cost of sales remained largely the same with a slight decrease of 6.9% from approximately RMB2,555.2 million in 2018 to approximately RMB2,379.1 million in 2019. As a percentage of the Group's revenue, the Group's cost of sales increased from 66.2% in 2018 to 72.8% in 2019. The increase was primarily attributable to the increase in the revenue sharing for products other than Inke App in the interactive entertainment product matrix of the Group.

Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit decreased by 31.9% from approximately RMB1,305.4 million in 2018 to approximately RMB889.5 million in 2019, and the Group's gross profit margin decreased from 33.8% in 2018 to 27.2% in 2019.

Selling and marketing expenses

The Group's selling and marketing expenses increased by 7.3% from approximately RMB462.2 million in 2018 to approximately RMB495.8 million in 2019, primarily due to the Company's active efforts in marketing its new products. As a percentage of the Group's revenue, selling and marketing expenses increased from 12.0% in 2018 to 15.2% in 2019.

Administrative expenses

The Group's administrative expenses increased by 17.9% from approximately RMB144.6 million in 2018 to approximately RMB170.4 million in 2019, primarily as a result of the increase in the labour costs of the Group. As a percentage of the Group's revenue, administrative expenses increased from 3.7% in 2018 to 5.2% in 2019.

Research and development expenses

The Group's research and development expenses increased by 40.5% from approximately RMB235.5 million in 2018 to approximately RMB330.8 million in 2019. The increase was primarily because the Company increased its investment in creating a product matrix and its research and development investment in technologies and products and developed the next generation of interactive entertainment scenarios in advance to provide enriched interactive entertainment experiences for its users. As a percentage of the Group's revenue, research and development expenses increased from 6.1% in 2018 to 10.1% in 2019.

Other gains — net

The Group's other gains — net increased by 104.8% from approximately RMB34.0 million in 2018 to approximately RMB69.7 million in 2019, primarily as a result of an increase in the fair value gain of financial assets at fair value through profit or loss.

Other income

The Group's other income decreased by 38.7% from approximately RMB136.7 million in 2018 to approximately RMB83.9 million in 2019, primarily due to a decrease in tax based subsidies and other government subsidies the Group received from local governments.

Operating profit

As a result of the foregoing, the Group's operating profit decreased by 92.7% from approximately RMB633.9 million in 2018 to approximately RMB46.0 million in 2019. As a percentage of the Group's revenue, the Group's operating profit decreased from 16.4% in 2018 to 1.4% in 2019.

Finance income — net

The Group's finance income — net increased by 17.3% from approximately RMB28.1 million in 2018 to approximately RMB32.9 million in 2019, 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 loss of investments accounted for using the equity method increased by 489.4% to approximately RMB18.2 million in 2019 from approximately RMB3.1 million in 2018.

Fair value gains of financial instruments with preferred rights

The Group did not have any fair value gains on financial instruments with preferred rights in 2019, as compared with the fair value gains on financial instruments with preferred rights of approximately RMB514.8 million the Group recorded in 2018, primarily because no preferred share was issued in 2019 after the listing of the Company in 2018.

Income tax expense

The Group's income tax expense decreased by 89.1% from approximately RMB72.8 million in 2018 to approximately RMB7.9 million in 2019, primarily due to the decrease of the profit before income tax in 2019.

Profit for the year

The Group recorded a profit for the year of approximately RMB52.8 million in 2019. In comparison, the Group recorded approximately RMB1,100.9 million profit in 2018. The Group recorded an adjusted net profit of approximately RMB71.5 million in 2019. In comparison, the Group recorded an adjusted net profit of approximately RMB596.3 million in 2018.

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 ("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	
	2019	**2018**
	(RMB'000)	(RMB'000)
Profit for the year	**52,781**	1,100,946
Exclude: non-cash fair value gain of financial instruments with preferred rights[(1)]	**–**	(514,844)
Add: non-cash share-based compensation expenses[(2)]	**18,681**	10,157
Adjusted Net Profit[(3)]	**71,462**	596,259

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

(2) Refers to share-based compensation benefits provided to certain employees and consultant via the restricted share unit scheme ("RSU scheme").

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

Liquidity and capital resources

For the year ended 31 December 2019, the Group financed its operations primarily through cash generated from the Group's operations. The Group intends to finance its expansion and business operations with internal resources and through organic and sustainable growth. As at 31 December 2019, the current ratio (the current assets to current liabilities ratio) of the Group was 2.99 and the gearing ratio (total debt to total equity ratio) was 0.29, as compared with 4.28 and 0.21 respectively as at 31 December 2018.

Cash and cash equivalents and restricted cash

As at 31 December 2019, the Group had cash and cash equivalents of approximately RMB603.9 million (31 December 2018: approximately RMB849.6 million), which primarily consisted of cash at banks. Out of the approximately RMB603.9 million, approximately RMB515.6 million is denominated in Renminbi and approximately RMB88.3 million is denominated in other currencies (primarily US dollars). The Group currently does not hedge transactions undertaken in foreign currencies.

As at 31 December 2019, the restricted cash balance was approximately RMB39.4 million (31 December 2018: approximately RMB28.4 million), of which approximately RMB26.0 million was restricted due to the cooperation with local authorities in relation to investigation of certain end consumers of one of the Group's platforms. The Group, based on the external lawyer's legal opinion, believed that the Company is a bona fide third party and it is not probable that an outflow of resources embodying economic benefits will be required to settle any obligations, as such no provisions have been made by the Group as at 31 December 2019. In respect of the remaining balance of approximately RMB13.4 million, a provision of approximately RMB13.1 million has been recognized as at 31 December 2019.

Financial assets at fair value through profit or loss

As of 31 December 2019, the Group had current and non-current financial assets at fair value through profit or loss of approximately RMB1,791.6 million (31 December 2018: approximately RMB1,194.0 million), mainly comprised (a) investments in wealth management products and structured deposits of approximately RMB1,712.1 million in aggregate (31 December 2018: approximately RMB1,126.8 million), which mainly represented approximately RMB1,018.4 million in short-term and approximately RMB350.7 million in long-term non-principal guaranteed wealth management products and approximately RMB343.0 million in principal guaranteed structured deposits with a floating interest rate; and (b) investments in financial instruments with preferred rights of approximately RMB79.4 million.

Management Discussion and Analysis

	Balance as at 31 December 2019 (RMB'000)	Balance as at 31 December 2018 (RMB'000)
Financial Assets		
Current		
Investments in structured deposits with floating interest rates(1)	343,050	763,020
Investments in wealth management products(2)	1,018,397	163,270
Convertible bond	—	10,750
Subtotal	1,361,447	937,040
Non-current		
Investments in equity interests with preferred rights of certain private companies	79,427	56,506
Investments in wealth management products(2)	350,679	200,482
Subtotal	430,106	256,988
Total	1,791,553	1,194,028

Notes:

(1) As at 31 December 2019, the investments in structured deposits with floating interest rates amounted to approximately RMB343.0 million. In particular, on 19 September 2019, Beijing Meelive Network Technology Co., Ltd. (北京蜜萊塢網絡科技有限公司) ("Beijing Meelive"), a variable interest entity of the Company subscribed for two financial products with an aggregate principal amount of RMB200.0 million from China Merchants Bank Co., Ltd., (招商銀行股份有限公司) and one financial product with an aggregate principal amount of RMB100.0 million from China Industrial Bank Co., Ltd., (興業銀行股份有限公司). Please refer to the Company's announcement dated 19 September 2019 for further details.

(2) As at 31 December 2019, the investments in wealth management products amounted to approximately RMB1,369.1 million. In particular, the following have been announced according to the related Listing Rules. On 27 May 2019, 28 May 2019 and 29 November 2019, Beijing Meelive subscribed for six financial products with an aggregate principal amount of RMB500.0 million from China Merchants Bank Co., Ltd. (招商銀行股份有限公司) and on 30 September 2019, the Company subscribed for two financial products with an aggregate principal amount of USD43.0 million from Bank of China (Hong Kong) Limited (中國銀行(香港)有限公司). Please refer to the Company's announcements dated 27 May 2019, 28 May 2019, 27 September 2019 and 29 November 2019 for further details. In addition to above, each of our financial assets accounted for less than 5% of the Group's total assets on 31 December 2019.

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

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

As disclosed in this report, the financial assets at fair value through profit or loss as at 31 December 2019 (the "Financial Assets") amounted to approximately RMB1,791.6 million in aggregate. Details of Financial Assets are set out as below:

	Principle amount RMB('000)	Unrealized gain RMB('000)	Realized gain RMB('000)	Interest/ investment income received RMB('000)	As of 31 December 2019 RMB('000)
Current					
Structured deposits	340,000	3,050	15,592	(15,592)	**343,050**
Wealth management products	1,006,205	12,192	10,156	(10,156)	**1,018,397**
Subtotal	1,346,205	15,242	25,748	(25,748)	**1,361,447**
Non-current					
Preferred shares	70,987	8,440	—	—	**79,427**
Wealth management products	350,000	679	22,684	(22,684)	**350,679**
Subtotal	420,987	9,119	22,684	(22,684)	**430,106**

Capital expenditure

In 2019, the Group's capital expenditure amounted to approximately RMB11.7 million (2018: approximately RMB10.9 million), which was mainly used for the acquisition of property, equipment, leasehold improvements, and intangible assets. The Group funded its capital expenditure by using the cash flow generated from its operations.

Contingent liabilities and guarantees

As at 31 December 2019, the Group did not have any significant unrecorded contingent liabilities, guarantees or any litigation against the Group except for that disclosed in the cash and cash equivalents and restricted cash section.

Pledge of Assets

As at 31 December 2019, the Group did not pledge any assets.

Foreign exchange risk management

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

Material acquisitions and future plans for major investment

The Company entered into a share purchase agreement dated 14 July 2019 and other documents to acquire (i) the entire issued share capital of Social Network Technology Co., Ltd. and (ii) all rights in the equity interest of 北京藍莓時節科技有限公司 (Beijing Blueberry Technology Co., Ltd.) ("Beijing Blueberry") for a total consideration of US$85,000,000. Please refer to the Company's announcements dated 15 July 2019 for further details.

During the acquisition, the Group obtained technology and software, user base, and trademark of approximately RMB93,149,000 and goodwill of approximately RMB512,758,000. More details are set out in Note 34 to the consolidated financial statements.

Save as otherwise disclosed, the Group currently has no specific plan for major investment or acquisition for major capital assets or other business. However, the Group will continue to identify new opportunities for business development.

Employees and remuneration policies

As at 31 December 2019, the Group had a total of 1,367 full time employees, mainly located in mainland China. In particular, 268 employees are responsible for the Group's business operations, 34 for sales and marketing, 235 for content monitoring, 45 for customer service, 646 for technology, research and development, and 139 for general and administrative functions.

Remuneration of the Group's employees includes basic salaries, allowances, bonus, share-based payment and other employee benefits, and is determined with reference to their experience, qualification and general market conditions. The emolument policy for the employees of the Group is set up by the Board on the basis of their merit, qualification and competence. The Group believes that we maintain a good working relationship with our employees, and we have not experienced any material labour disputes during the year ended 31 December 2019.

CONTRACTUAL ARRANGEMENT

Please refer to the section headed “Contractual Arrangements” in the prospectus of the Company dated 28 June 2018 (the “Prospectus”) and the section headed “Continuing Connected Transaction” in this annual report for details. For the year ended 31 December 2019, the Board has reviewed the overall performance of the contractual arrangements and believed that the Group has complied with the contractual arrangements in all material respects.

On 15 March 2019, the National People’s Congress approved the Foreign Investment Law, which came into effect on 1 January 2020 and replace the trio of existing laws regulating foreign investment in the PRC, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The Foreign Investment Law embodies an expected PRC regulatory trend to unify the corporate legal requirements for both foreign and domestic investments and by way of having a Negative List.

The Negative List, which will be issued by or upon approval by the State Council, refers to special administrative measures for access of foreign investment in specific fields in PRC. A foreign investor shall not invest in any field prohibited from foreign investment under the Negative List. A foreign investor shall meet the investment conditions stipulated under the Negative List for any restricted fields under the Negative List.

A foreign investor who invests in a foreign-invested value-added telecommunications enterprise operating value-added telecommunications businesses in the PRC must demonstrate a good track record and experience in operating value-added telecommunications businesses (the “Qualification Requirement”). Moreover, foreign investors that meet these requirements must obtain approvals from the Ministry of Industry and Information Technology of the People’s Republic of China and the Ministry of Commerce of People’s Republic of China, or their authorised local counterparts, which retain considerable discretion in granting approvals, for the commencement of that investor of value-added telecommunications businesses in the PRC.

There have been no updates to the Foreign Investment Law and the Group’s compliance with the Foreign Investment Law and the implementation rules in relation to the Qualification Requirement since the date on which the shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Date”) and up to the date of this report.

Please also refer to the section headed “Contractual Arrangements” in the Prospectus and the section headed “Continuing Connected Transaction” in this annual report for the Group’s efforts and actions undertaken to comply with the Qualification Requirement.

DIVIDENDS

The Company does not recommend any payment of final dividend for the year ended 31 December 2019.

Biographies of the Directors and Senior Management

DIRECTORS

Executive Directors

Mr. FENG Yousheng (奉佑生), age 42, is a Founder, the Chairman and the Chief Executive Officer of our Group and an executive Director of our Company and was further appointed as the authorised representative of the Company on 11 December 2019. Mr. Feng is primarily responsible for formulating and implementing the overall development strategies and business plans of our Group and overseeing the overall development and operations of our 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 us and Beijing Meelive. Specifically, he is the chief executive officer, director and chairman of Beijing Meelive, an executive director of Hunan Inke and a manager of Hunan Enjoy an executive director of Beijing Inke Cheese, an executive director of Guangdong Inke. Mr. Feng was appointed as a Director of Jimu and its several subsidiaries since August 2019. 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 our 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 18 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 39, is a Founder of the Group and was an executive Director Chief Operating Officer and joint authorised representative of the Company and she has already resigned as the aforementioned positions in the Company on 11 December 2019. Before her resignation, Ms. Liao was primarily responsible for overseeing and managing the overall operations of the Group. She was appointed as a Director on 9 March 2018. 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 35, is a Founder of our Group and an executive Director and Chief Technology Officer of our Company. Mr. Hou is primarily responsible for overseeing and managing the overall technology development of our Group. He was appointed as a Director on 9 March 2018. In addition, Mr. Hou currently holds other positions in certain subsidiaries of our Company. In particular, he is a co-founder and an executive director of Beijing Meelive. and 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. Prior to joining our 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 Director

Mr. LIU Xiaosong (劉曉松), aged 54, joined the Board as a non-executive Director on 9 March 2018, responsible for providing strategic advice and guidance on the business development of our Group. Mr. Liu has over 26 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, the shares of which are listed on the Main Board of the Stock Exchange under stock code 800) since October 2007. He is the chairman of Duomi Online, our 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 studied at Tsinghua University for doctoral studies in electrical engineering.

Independent Non-executive Directors

Mr. David CUI (崔大偉), age 51, was appointed as our independent non-executive Director on 23 June 2018, responsible for supervising and providing independent advice and judgment to our 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 was the chief financial officer of China Digital Video Holdings Limited, a company listed on GEM of the 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 49, was appointed as our independent non-executive Director on 23 June 2018, responsible for supervising and providing independent advice and judgment to our Board. He has over 17 years of experience in investment banking and investment management in the technology, media and telecom industry. Mr. Du is currently a managing director of Huaxing Growth Capital, responsible for overseeing the new economy investment business, having held this position since January 2016. Mr. Du is an executive director of China Renaissance Holdings Limited whose shares are listed on the Stock Exchange with stock code 1911. Mr. Du also served as a director of certain subsidiaries of China Renaissance Holdings Limited. 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 53, was appointed as our independent non-executive Director on 23 June 2018, responsible for supervising and providing independent advice and judgment to our Board. Dr. Li has over 18 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 joining 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. XIAO Liming (肖力銘), age 33, was appointed as our acting Chief Financial Officer on 18 February 2019. Mr. Xiao is currently a joint company secretary and a vice president of our Company. Prior to joining our 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. Li Binmeng (李彬孟), aged 34, was appointed as the technical director of the Company on 28 March 2020. Mr. Li is currently a deputy technical director of the Company. Prior to joining the Group, Mr. Li served as chief architect of the Baidu distribution division of Baidu Online Network Technology (Beijing) Co., Ltd. (Nasdaq: BAIDU) from July 2007 to February 2017. Mr. Li graduated from Zhejiang University in July 2007 with a bachelor's degree in computer science and technology.

JOINT COMPANY SECRETARIES

Mr. XIAO Liming (肖力銘), age 33, was appointed as one of our joint company secretaries on 11 March 2018 and with effect from the Listing Date. See above for a description of Mr. Xiao's experiences.

Ms. SZETO Kar Yee Cynthia (司徒嘉怡), is another joint company secretary and authorised representative of our Company and was appointed on 1 October 2019. Ms. Szeto works in the listing services department of TMF Hong Kong Limited and is responsible for providing corporate secretarial and compliance services to listed companies. Ms. Szeto has more than 10 years of professional and in-house experience in corporate secretarial work. Ms. Szeto is a member of the Hong Kong Institute of Chartered Secretaries and the Chartered Governance Institute (formerly known as the "Institute of Chartered Secretaries and Administrators") in United Kingdom.

Mr. WONG Yu Kit (黃儒傑) has resigned as a joint company secretary and authorised representative of the Company on 1 October 2019.

Report of Directors

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the operations of mobile live streaming platforms in 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.

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 10 to 18 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 2019, 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.

Significant Events After the Year End

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

Save as the above, there were no significant events after 31 December 2019 and up to the date of this report.

Relationship with Suppliers

Streamers and streamer agents are major groups of the Company's suppliers. Implementing our aspiration of "all to stream, stream to all", we seek to motivate each of our users to perform as a streamer and established a large and robust streamer base. Therefore, we do not rely on any particular streamer or streamer agent. Other than streamers and streamer agents, our suppliers primarily include payment channels and service providers for server hosting and bandwidth leasing. On average, we have two years of business dealings with our major suppliers. All of our five largest suppliers are independent third parties.

Relationship with Customers

For our live streaming business, our customers are our users of live streaming platforms, who buy virtual items and other services we offer, and interact with other users. Revenues generated from our top five customers for live streaming business accounted for approximately 3.56% of our total revenues for 2019. For our online advertising business, our customers are advertisers who purchase display advertisements on our platforms or cooperate with our platforms to organize their promotional campaigns. The revenue generated from our advertisement business was insignificant as compared to our total revenue, and the number of our advertiser customers was insignificant as compared to the total number of our customers.

Relationship with Employees

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 through its internal training programs. The Group offers salaries and benefits to its employees that are competitive in the geographic location where the Group conducts business to manage employee attrition.

Licences, Regulatory Approvals and Compliance Record

The Group had complied with all relevant PRC laws and regulations in all material respects and have obtained all material licences, approvals and permits from relevant regulatory authorities for its operations in China, and there is no substantial legal impediment in renewing any existing licences, approvals and permits where necessary.

Principal Risks and Uncertainties

Principal risks and uncertainties the Group faces include:

- having a limited operating history in a new and dynamic industry, which makes it difficult to evaluate our 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 platforms;
- uncertainty as to negative publicity involving the Group, its users, contents on its platforms, its management, its social networking platforms or its business model;
- operating in a highly competitive market;

- uncertainty as to the Group's relatively new business model;
- uncertainty as to the success 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.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2019 and the state of the Group's financial affairs as of that date are set out in the financial statements on pages 80 to 172.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend to the shareholders of the Company (the "Shareholders") for the year ended 31 December 2019.

DIVIDEND POLICY

The Company has adopted a dividend policy which is in accordance with the relevant provisions of the Company's articles of association (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.

RESERVES

Changes to the reserves of the Group and the Company during the year ended 31 December 2019 are set out in the consolidated statement of changes in equity, Note 26 and Note 40 to the consolidated financial statements, respectively.

PROPERTY, PLANT AND EQUIPMENT

Changes to the property, plant and equipment of the Group and the Company during the year are set out in Note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 25 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2019 are set out in Note 12 to the consolidated financial statements.

DONATIONS

Donations made by the Group during the year ended 31 December 2019 amounted to RMB1.2 million.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 4 to 5 of this annual report.

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

During the year ended 31 December 2019, the Company has repurchased a total of 54,874,000 shares on the Stock Exchange at an aggregate consideration of HK$75,009,690 (of which 53,959,000 repurchased shares have been cancelled as at the date of this report).

Details of the shares repurchased during the year ended 31 December 2019 are set out as follows:

Month of repurchases	Number of shares repurchased on the Stock Exchange	Price paid per share Highest (HKD)	Price paid per share Lowest (HKD)	Aggregate consideration paid (HKD)
March 2019	5,200,000	2.06	1.98	10,600,200
April 2019	100,000	2.00	2.00	200,000
May 2019	2,880,000	1.96	1.81	5,416,530
June 2019	7,592,000	1.72	1.46	11,909,670
July 2019	7,767,000	1.62	1.44	11,808,130
August 2019	4,166,000	1.17	1.01	4,521,010
September 2019	4,279,000	1.20	1.06	4,841,500
October 2019	11,251,000	1.22	1.04	12,581,970
November 2019	7,337,000	1.23	1.07	8,552,010
December 2019	4,302,000	1.13	1.03	4,578,670

The Board is of the view that the aforesaid repurchase would lead to an enhancement of the net asset value per share of the Company and/or its earnings per share of the Company and will benefit the Company and the Shareholders as a whole.

Save as disclosed above, during the year ended 31 December 2019, neither the Company nor its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

SHARE OPTION SCHEME

On 23 June 2018, a share option scheme (the "Share Option Scheme") of the Company was approved and adopted by the Shareholders. The purpose of the Share Option Scheme is to incentivize and reward the employees (whether full time or part-time) or directors of members of the Group or associated companies of the Company (the "Eligible Persons") for their contribution to the Group and to align their interests with that of the Company so as to encourage them to work towards enhancing the value of the Company. Pursuant to the Share Option Scheme, the Board (including any committee or delegate of the Board appointed by the Board to perform any of its functions pursuant to the rules of the Share Option Scheme) may, at its absolute discretion, offer to grant an option to subscribe for such number of shares of the Company as the Board may determine to an Eligible Person.

Further details of the principal terms 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. As at 31 December 2019, no option has been granted or agreed to be granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme. The remaining life of the Share Option Scheme is around 8 years and 3 months.

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 (the "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.

During the year ended 31 December 2019, the trustee of the RSU Scheme has purchased a total of 26,909,000 shares on the Stock Exchange.

DETAILS OF THE RSUS GRANTED AND OUTSTANDING UNDER THE RSU SCHEME

The Board has authorized (i) the Company to direct and procure the appointed RSU trustee to purchase up to 83,992,916 ordinary shares of the Company on market (accounting for approximately 4.08% of the Company's issued ordinary shares on market as at the Listing Date) from time to time during the period from 12 November 2018 to 1 August 2022 and (ii) Mr. FENG Yousheng to determine the price at which the RSU trustee may purchase the shares on market and to determine the maximum amount of cash to be provided to the RSU trustee for the purchase of the shares on market.

In addition, the Board has authorized the Company to grant RSUs in respect of the shares of the Company to 459 selected participants under the RSU Scheme (the "Grantees"), none of which is a Director, chief executive or substantial shareholder of the Company, nor an associate of any of them. The Grantees are not required to pay for the grant of any RSUs.

DIRECTORS

The Directors during the year and their respective positions were:

Name	Position
Mr. FENG Yousheng	Chairman of the Board and Executive Director
Mr. HOU Guangling	Executive Director
Ms. LIAO Jieming (resigned on 11 December 2019)	Executive Director
Mr. LIU Xiaosong	Non-executive Director
Mr. David CUI	Independent Non-executive Director
Mr. DU Yongbo	Independent Non-executive Director
Dr. LI Hui	Independent Non-executive Director

The biographical details of the current Directors and senior management of the Company as of the date of this annual report are set out in "Biographies of the Directors and Senior Management" in this annual report.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the Directors has entered into a service contract or a letter of appointment with the Company. Mr. FENG Yousheng entered into a service contract with the Company on 24 November 2017, while Mr. HOU Guangling and Mr. LIU Xiaosong entered into a service contract and signed a letter of appointment with the Company respectively on 9 March 2018. Each of Mr. David CUI, Mr. DU Yongbo and Mr. LI Hui signed a letter of appointment with the Company on 23 June 2018 and may be terminated in accordance with the respective terms thereof. The service contracts with the executive Directors may be renewed in accordance with the Articles of Association and the applicable Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Save as disclosed above, none of the Directors has entered, or has proposed to enter, a service contract or a letter of appointment with any member of the Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors (being Mr. David CUI, Mr. DU Yongbo and Dr. LI Hui), and the Company considers such Directors to be independent during the year ended 31 December 2019.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director and/or any of his/her connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2019. No contract of significance between the Company or any of its subsidiaries and the Company's controlling shareholder or any of its subsidiaries, subsisted at the end of the year or at any time during the year ended 31 December 2019.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the date of this annual report, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "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 Yousheng ("Mr. Feng")	Interest in controlled corporation	358,798,000(2)	17.88%
Mr. Liu Xiaosong ("Mr. Liu")	Interest in controlled corporation	250,000,000(3)	12.46%
Mr. Hou Guangling ("Mr. Hou")	Interest in controlled corporation	167,155,000(4)	8.33%

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 Hong Kong Limited, which in turn directly holds 250,000,000 Shares.

(4) 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.

(b) Interests in other members of the Group

So far as the Directors are aware, as at the date of this annual report, 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%

Save as disclosed above, as at the date of this annual report, 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 the date of this annual report, 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 by the Company 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]	17.88%
Duomi Online	Interest in controlled corporation	250,000,000[3]	12.46%
Hunan FeiYang Network Information Services Co., Ltd.	Interest in controlled corporation	250,000,000[3]	12.46%
FeiYang Hong Kong Limited	Beneficial owner	250,000,000[3]	12.46%
Chen Yingyi	Interest of spouse	167,155,000[4]	8.33%
Wang Meilin	Interest of spouse	167,155,000[5]	8.33%
Luckystar Live Holdings limited	Interest in controlled corporation	167,155,000[6]	8.33%
Horizon Live Holdings Limited	Interest in controlled corporation	167,155,000[7]	8.33%
Ms. Liao Jieming ("Ms. Liao")	Interest in controlled corporation	167,155,000[4]	8.33%

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 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 Hong Kong 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. Ms. Liao ceased to be an executive Director on 11 December 2019.

(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.

Save as disclosed above, as at the date of this annual report, 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 by the Company under Section 336 of the SFO.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

Streamers and streamer agents are major groups of the Company's suppliers. Implementing our aspiration of "all to stream, stream to all," we seek to motivate each of our users to perform as streamer and established a large and robust streamer base. Therefore, we do not rely on any particular streamer or streamer agent. Other than streamer and streamer agents, our suppliers primarily include payment channels and service providers for server hosting and bandwidth leasing. On average, we have two years of business dealings with our major suppliers. All of our five largest suppliers are independent third parties.

For our live streaming business, our customers are our users, who buy virtual items and other services we offer, and interact with other users. Revenues generated from our top five customers for live streaming business accounted for approximately 3.56% of our total revenues for 2019. For our online advertising business, our customers are advertisers who purchase display advertisements on our platform or cooperate with our platform to organize their promotional campaigns. The revenue generated from our advertisement business was insignificant as compared to our total revenue, and the number of our advertiser customers was insignificant as compared to the total number of our customer.

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.

EMOLUMENT POLICY

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 which provides incentive to better motivate its employees.

EMPLOYEE BENEFITS

Particulars of the employee benefits of the Group are set out in Note 2.18 to the consolidated financial statements.

PUBLIC FLOAT

As at the date of this annual report and based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained the minimum public float of 25% as required under the Listing Rules.

AUDITOR

The Company has appointed PricewaterhouseCoopers as the auditor of the Company for the year ended 31 December 2019. A resolution will be proposed for approval by Shareholders at the forthcoming annual general meeting to re-appoint PricewaterhouseCoopers as the auditor of the Company.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company's distributable reserves calculated under the Companies Law of the Cayman Islands comprise the share premium, share option reserves and retained earnings, totaling approximately RMB3,346.9 million.

BANK BORROWINGS AND OTHER LOANS

For the year ended 31 December 2019, the Group did not have any short-term or long-term bank borrowings or other loans.

RIGHTS TO ACQUIRE THE COMPANY'S SECURITIES AND EQUITY-LINKED AGREEMENTS

Save as disclosed under the section "Share Option Scheme" above, at no time during the year was the Company, or any of its holding companies or subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined under the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, nor did the Company enter into any equity-linked agreement.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors are interested in any business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the business of the Group.

PERMITTED INDEMNITY PROVISION

Subject to applicable laws, the Directors and other officers of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices, pursuant to the Articles of Associations. Such provisions were in force during the year ended 31 December 2019 and are currently in force. The Company has arranged for appropriate insurance cover for Directors' liabilities in respect of legal actions that may be brought against the Directors.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

With the shares of the Company listed on the Stock Exchange on 12 July 2018, the net proceeds from the global offering (following full exercise of the over-allotment option) were approximately HK$1,229 million (the "**IPO Proceeds**").

As of 31 December 2019, the Company had used (i) approximately RMB95.9 million to develop its new products; (ii) approximately RMB139.1 million to market and promote new products; (iii) approximately RMB205.9 million to develop technology, research and development capabilities; (iv) approximately RMB157 million for strategic investments; and (v) approximately RMB66.49 million to replenish its general working capital. All uses are consistent with the intended uses of the IPO Proceeds. The Company does not intend to change the purpose of the IPO proceeds as set out in the Prospectus and will gradually utilise the residual amount of the IPO proceeds in accordance with their intended purpose.

Intended use of the Net proceeds	Amount of the Net Proceeds for each intended use HK$' million	Amount of the utilised Net Proceeds as at 31 December 2019 HK$' million	Amount of the remaining Net Proceeds as at 31 December 2019 HK$' million	Expected timeline for the remaining Net Proceeds to be utilised[1] for the year ending 31 December 2020 HK$' million
Diversify our product and content offerings	245.8	115.8	130.0	130.0
Marketing intiatives	368.7	275.1	93.6	93.6
Technology, research and development capabilities	245.8	205.9	39.9	39.9
Strategic investment and acquisition opportunities	245.8	157.0[2]	88.8	88.8
General working capital	122.9	66.5	56.4	56.4
Total	1,229.0	820.3	408.7	408.7

Notes:

(1) The expected timeline for utilising the remaining IPO Proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.

(2) The Company entered into a share purchase agreement dated 14 July 2019 and other documents to acquire (i) the entire issued share capital of Social Network Technology Co., Ltd. and (ii) all rights in the equity interest of Beijing Blueberry Technology Co., Ltd.* (北京藍莓時節科技有限公司) for a total consideration of US$85 million, which has utilised approximately HK$157 million of the IPO Proceeds. Please refer to the Company's announcements dated 15 July 2019 and 22 August 2019 and 28 October 2019, respectively, for further details.

CONTINUING CONNECTED TRANSACTIONS

The following transactions of the Group constituted continuing connected transactions for the year ended 31 December 2019 under Rule 14A.31 of the Listing Rules and are required to be disclosed in this annual report in accordance with Rule 14A.71 of the Listing Rules. All capitalised terms used in this section shall have the same meaning defined in the Prospectus and the announcement of the Company dated 15 July 2019, unless otherwise specified.

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver pursuant to Rule 14A.102 of the Listing Rules from strict compliance with certain requirements under Chapter 14A of the Listing Rules. The Company confirms that the following continuing connected transactions have complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules. For details of the waiver granted by and the relevant conditions imposed by the Stock Exchange, please refer to the section of "Connected Transactions — Application for Waiver" in the Prospectus.

The reason for using Contractual Arrangements

The Group primarily engages in the operations of mobile live streaming platforms 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 (the "Principal Business").

Beijing Meelive, Beijing Blueberry and their 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. For details of the relevant restriction, please refer to the section headed "Contractual Arrangement" in this annual report.

Accordingly, the Group cannot hold equity interest in Beijing Meelive, Beijing Blueberry and their subsidiaries, which conduct 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, online social network platform and hold the assets and certain licenses, approvals and permits required for the operation of the Principal Business. Details of the contractual arrangements of the Group with Beijing Meelive and Beijing Blueberry (the "Contractual Arrangements") are shown as follows:

Inke Contractual Arrangements

On 14 February 2018, 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 structure 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 "Inke 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.

Each of Mr. Feng Yousheng, Ms. Liao Jieming and Mr. Hou Guangling is a controlling shareholder of our Company and Beijing Meelive, and each of Mr. Feng Yousheng and Mr. Hou Guangling is an executive Director and is therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules. Duomi Online, is a substantial shareholder of our Company and Beijing Meelive and is therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules. In addition, Beijing Meelive is owned directly as to approximately 30.32% collectively by the Founders, who have always been in consensus and in agreement when exercising their shareholders' rights when passing shareholders' resolutions of Beijing Meelive. Each of Beijing Meelive and its subsidiaries is therefore an associate of each of the Founders and a connected person of our Company under Rule 14A.07(4) of the Listing Rules. Accordingly, the transactions contemplated under the Inke Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon the Listing.

Summary of the Inke Contractual Arrangements

The summary of the major terms of the agreements of the Inke Contractual Arrangements, please refer to the section headed "Contractual Arrangements" in the Prospectus. Save as disclosed in this annual report, during the year ended 31 December 2019, there was no material change in the Inke Contractual Arrangements and/or the circumstances under which they were adopted, and none of the Inke Contractual Arrangements has been unwound as none of the restriction that led to the adoption of the same has been removed.

Blueberry Contractual Arrangements

In July 2019, the Company entered into a share purchase agreement and other documents to acquire (i) the entire issued share capital of Social Network Technology Co., Ltd. and (ii) all rights in the equity interest of Beijing Blueberry (the "Blueberry Acquisitions"). Beijing Blueberry is principally engaged in the business of development of technology and internet cultural activities, in particular, the operation of the Jimu APP ("Blueberry Principal Business"). As the Blueberry Principal Business is a type of restricted business under the relevant PRC laws, the equity interests in Beijing Blueberry are prohibited to be owned by foreign investors.

Prior to the Blueberry Acquisitions, on 12 July 2019, Social Network Technology Co., Ltd. as a Cayman Island company through its wholly-owned subsidiary ("WFOE"), entered into a series of structure agreements with each of Beijing Blueberry and its then registered shareholders to assert management control over the operations of the Blueberry Principal Business conducted through Beijing Blueberry and its subsidiary, and to enjoy all economic benefits of Beijing Blueberry and its subsidiary. The structure agreements underlying such contractual arrangements with Beijing Blueberry and its then registered shareholders include: (i) Blueberry Exclusive Consulting and Service Agreements, (ii) Blueberry Exclusive Call Option Agreements and (iii) Blueberry Equity Pledge Agreements (the "Blueberry Contractual Arrangements"). Moreover, each of the then registered shareholders of Beijing Blueberry had also executed an irrevocable Blueberry Powers of Attorney appointing WFOE as his/her/its proxy to exercise on his/her/its behalf of shareholder rights in Beijing Blueberry. Please refer to the announcement of the Company dated 15 July 2019 for further details.

Upon the completion of the Blueberry Acquisitions, (i) Social Network Technology Co., Ltd. and WFOE have become the subsidiaries of the Company and (ii) Beijing Blueberry has become the subsidiary of Beijing Meelive. Based on the above arrangements, the Company has the indirect effective control over the finance and operations of Beijing Blueberry and its subsidiary and enjoy the entire economic interests and benefits generated.

As Beijing Blueberry has become a connected person of the Company by virtue of being a subsidiary of Beijing Meelive upon the completion of the Blueberry Acquisitions, the existing continuing transactions contemplated under the Blueberry Exclusive Consulting and Service Agreement entered into between Beijing Blueberry and WFOE have therefore become continuing connected transaction. Pursuant to Rule 14A.60 of the Listing Rules, the Company is subject to the applicable review and disclosure requirements under Chapter 14A of the Listing Rules in relation to Blueberry Exclusive Consulting and Service Agreement. Where there is an extension of the term of or amendment of the terms of the Blueberry Exclusive Consulting and Service Agreement, the Company shall fully comply with all applicable reporting, disclosure and, if applicable, independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Summary of the Blueberry Contractual Arrangements

Summary of the major terms of the structure agreements of the Blueberry Contractual Arrangements, please refer to the section headed "Blueberry Contractual Arrangements" in the announcement of the Company dated 15 July 2019. Save as disclosed in this annual report, during the year ended 31 December 2019, there was no material change in the Blueberry Contractual Arrangements and/or the circumstances under which they were adopted, and none of the Blueberry Contractual Arrangements has been unwound as none of the restriction that led to the adoption of the same has been removed.

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 or Beijing Blueberry, 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 or Beijing Blueberry, and the courts of the PRC (being the place of incorporation of Beijing Meelive and Bejing Blueberry and the place where the Company's, Beijing Meelive and Beijing Blueberry'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 and Beijing Blueberry.

Requirements related to Contractual Arrangements (other than relevant foreign ownership restrictions) as at the date of the annual report

On 11 December 2001, the State Council promulgated the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) (the "FITE Regulations"), which were amended on 10 September 2008 and 6 February 2016. According to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests in a company providing value-added telecommunications services, including ICP services. In addition, a foreign investor who invests in a value-added telecommunications business in China must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas (the "Qualification Requirements"). Currently none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirements.

The Ministry of Industry and Information Technology issued a guidance memorandum on the application requirement for establishing foreign-invested value-added telecommunications enterprises in China. According to this guidance memorandum, an applicant is required to provide, among other things, satisfactory proof of the Qualification Requirements. The guidance memorandum does not provide any further guidance on the proof, record or document required to support the proof satisfying the Qualification Requirements. Further, this guidance memorandum does not purport to provide an exhaustive list on the application requirement.

The Company will closely monitor the progress of the FITE Regulations and inform the public in due course.

As at the date of this annual report, both Beijing Meelive and Beijing Blueberry have complied with the Qualification Requirements.

PARTICULARS OF THE OPERATING COMPANIES

Set out below is the registered owners and business activities of the operating companies which had entered into transaction with the Group during the year ended 31 December 2019:

Name of the operating companies	Registered shareholders as at 31 December 2019	Business activities
Beijing Meelive	20.94% owned by Mr. Feng 4.69% owned by Mr. Hou 4.69% owned by Ms. Liao 69.68% owned by other registered shareholders(1)	operations of mobile live streaming platforms
Beijing Blueberry	84.33% owned by Beijing Meelive 15.67% owned by Jimujizhe	operations of social networking APP

Note:

(1) 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%, GSRZhaohua 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%, ChangxingShengju as to 0.91%, Shenzhen Tencent as to 0.91%, Shunya International as to 0.74% and Chiyu Investment as to 1.09%.

The above operating companies are significant to the Group as they hold relevant licenses to provide internet information services and other value-added telecommunications services which are the principal businesses of the Group.

The consolidated total revenue of Beijing Meelive and Beijing Blueberry for the year ended 31 December 2019 was approximately RMB2,741.6 million and the consolidated total assets of Beijing Meelive and Beijing Blueberry for the year ended 31 December 2019 was approximately RMB2,996.7 million.

Risks Relating to the Contractual Arrangements and actions taken by the Group to mitigate the risks

There are certain risks that are associated with the Contractual Arrangements, including:

(i) If the PRC government finds that the Contractual Arrangements do not comply with PRC laws and regulations, or if the laws and regulations, or if their interpretations change in the future, the Company would be subject to severe penalties or be forced to relinquish our interests received through the Contractual Arrangements.

(ii) The Contractual Arrangements may not be as effective as direct ownership in providing control over Beijing Meelive and Beijing Blueberry or its shareholders may fail to perform their obligations under the Contractual Arrangements.

(iii) The Group may lose control over Beijing Meelive or Beijing Blueberry and may not enjoy the full economic benefits of them if Beijing Meelive or Beijing Blueberry declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.

(iv) The Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and additional taxes may be imposed. A finding that the Company owes additional taxes could substantially reduce the Group's net income.

(v) The shareholders of Beijing Meelive or Beijing Blueberry may have conflicts of interest with the Group, which may materially and adversely affect the Group's business and financial conditions.

(vi) Certain terms of the Contractual Arrangements may not be enforceable under PRC law and enforcement of certain of the Group's rights under the Contractual Arrangements is subject to regulatory approval.

(vii) The Group does not have any insurance which covers the risks relating to the Contractual Arrangements and the transactions contemplated thereunder.

(viii) Economic risks WFOE and Inke PRC bear as the primary beneficiary of Beijing Blueberry and Beijing Meelive, financial support to Beijing Blueberry and Beijing Meelive and potential exposure of the Group to losses.

Further details of the risks associated with the Contractual Arrangements please refer to the section headed "Risk factors — Risks relating to our Contractual Arrangements" in the Prospectus and the section headed " Risk Factors In Relation To The Contractual Arrangements" in the announcement of the Company dated 15 July 2019.

Our Group has adopted measures to ensure the effective operation of our Group's businesses with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements, including:

(i) as part of the internal control measures, major issues arising from implementation of the Contractual Arrangements will be regularly reviewed, at least on a quarterly basis, by the Board;

(ii) matters relating to compliance and regulatory enquiries from the Governmental Authority (if any) will be discussed at these regular meetings;

(iii) the relevant business units and operation divisions of the Group will report regularly, which will be no less frequently than on a monthly basis, to the senior management of the Company in relation to compliance and performance conditions under the Contractual Arrangements and other related matters;

(iv) the company seals, financial seals, contract seals and crucial corporate certificates of Beijing Blueberry, Beijing Meelive and their respective subsidiaries are kept by the Group's finance department. Any employee of the Group who wishes to use the seals will have to obtain internal approval from the business, legal and/or finance department(s) (as the case may be) of the Group, as well as approval from relevant department head and vice president and the chief executive officer of the Company, depending on the importance or transaction value of the document to which the seal/seals will be affixed. The business, legal and/or finance departments constitute the Group's central management system and the persons in charge of these departments as well as the department members responsible for the custody and handling of the seals and crucial corporate certificates are employees of the Company;

(v) if necessary, legal advisers and, or other professionals will be retained to assist the Group to deal with specific issues arising from the Contractual Arrangements and to ensure that the operation and implementation of the Contractual Arrangements as a whole will comply with applicable laws and regulations;

(vi) the Company's independent non-executive Directors will review the compliance of the Contractual Arrangements on an annual basis and their confirmation will be disclosed in the Company's annual report;

(vii) to avoid potential conflicts of interest, the Board (including the independent non-executive Directors) will ensure that any designee or person or entity designated by WFOE, Inke PRC, Jimujizhe and the Registered Shareholders for the purpose of exercising any of the rights originally granted to WFOE, Inke PRC and/or such designee under the Contractual Arrangements shall be restricted to a legally-held subsidiary of the Company (and which will be under the management control of the Company) or an authorised director of the Company or a legally-held subsidiary (whom shall own fiduciary duties to us) and shall exclude Jimujizhe and the Registered Shareholders, and any of their associates. 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;

(viii) the Board (including the independent non-executive Directors) will ensure that WFOE and Inke PRC will only approve and consent to the relevant operating entity carrying out the Company's principal business and ancillary business which would otherwise be prohibited or restricted to be carried out by foreign invested entities under relevant PRC laws and regulations;

(ix) the Board (including the independent non-executive Directors) will ensure that Beijing Blueberry, Beijing Meelive and their respective subsidiaries shall retain and continue to hold all relevant intellectual properties, including trademarks, computer software, copyrights and domain names, required for the purpose of maintaining and renewing its operating licences and permits as required by relevant PRC government authorities, and going forward and to the extent permissible under PRC laws and regulations, Inke PRC or any other legally held member of the Group shall be the registered owner of any other newly developed and non-game related trademarks which will be material to the business of the Group; and

(x) the Group will unwind the Contractual Arrangements as soon as relevant PRC laws and regulations allow the business of Beijing Blueberry and Beijing Meelive to be conducted and operated by the Company's subsidiaries without such arrangements in place.

Further details of the actions taken by the Company to mitigate the risks associated with the Contractual Arrangements, please refer to the section headed "Operations In Compliance With The Contractual Arrangements" in the Prospectus and the section headed "Internal Control Measures" in the announcement of the Company dated 15 July 2019.

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 favourable 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. And the independent non-executive Directors have also confirmed that no dividends or other distributions have been made by the entities controlled by the Group through the Contractual Arrangements, to the holders of their equity interests which were not otherwise subsequently assigned or transferred to the Group during the year ended 31 December 2019.

Confirmation from the Company's Independent Auditor

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 2019:

a. nothing has come to the auditor's attention that causes them to believe that the disclosed continuing connected transactions under the Contractual Arrangements as defined in the Company's annual report dated 28 March 2020 have not been approved by the Company's board of directors;

b. 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 under the Contractual Arrangements governing such transactions; and

c. nothing has come to the auditor's attention that causes them to believe that dividends or other distributions have been made by the entities controlled by the Group through the Contractual Arrangements, to the holders of their equity interests which were not otherwise subsequently assigned or transferred to the Group.

Save as disclosed in this annual report, as of the date of this annual report, the Company had no other 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 2019 are set out in note 36 to the consolidated financial statements.

By order of the Board
FENG Yousheng
Chairman and Executive Director

Hong Kong, 28 March 2020

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board is committed to upholding high standard 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 2019.

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 (the "CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Board is of the view that the Company has complied with all applicable code provisions of the CG Code during the year ended 31 December 2019, except for the deviations from the code provisions A.2.1 and E.1.2 of the CG Code. Details of such deviations are summarized hereinafter.

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code for securities transactions by the Directors. Having made specific enquiry of all Directors, the Company has confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year ended 31 December 2019.

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

During the year ended 31 December 2019 and up to the date of this annual report, the composition of the Board is as follows:

Executive Directors
Mr. FENG Yousheng *(Chairman and Chief Executive Officer)*
Mr. HOU Guangling
Ms. LIAO Jieming *(resigned on 11 December 2019)*

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 19 to 22 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 Yousheng 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 two executive Directors (including Mr. Feng), one non-executive Director and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

The Board will continue to review 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 Director 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.

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.

Accordingly, Mr. Feng Yousheng and Mr. Hou Guangling shall retire from office by rotation and have offered themselves for re-election at the forth coming annual general meeting.

Details of the retiring Directors to be re-elected at the forthcoming annual general meeting are set out on the circular to be sent to the Shareholders.

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 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 are 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 Reporting Period, the Company organized one training session conducted by the qualified professionals for all Directors. Such training session covers 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 study.

The Directors as at 31 December 2019 confirmed that they had complied with such requirements during the Reporting Period.

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	General Meeting
Mr. FENG Yousheng	12/12	–	–	2/2	1/1
Ms. LIAO Jieming*	12/12	–	–	–	1/1
Mr. HOU Guangling	12/12	–	–	–	1/1
Mr. LIU Xiaosong	12/12	2/2	1/1	–	–
Mr. David CUI	12/12	2/2	1/1	–	–
Mr. DU Yongbo	12/12	–	1/1	2/2	–
Dr. LI Hui	12/12	2/2	–	2/2	–

* Ms. LIAO Jieming ceased to be an executive Director on 11 December 2019.

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 12 Board meetings in total. During the Reporting Period, the Company held an annual general meeting on 19 June 2019 (the "2019 AGM"). 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.

Code provision E.1.2 of the CG Code requires that the chairmen of the audit, remuneration and nomination committees (or another member of the committee in their absence) should attend the annual general meeting. Other than Mr. Feng who is the Chairman of the Nomination Committee attended the 2019 AGM, all members of the Audit Committee and Remuneration Committee, and other members of Nomination Committee were unable to attend the 2019 AGM due to pre-arranged business commitments. The Company will endeavour to fix annual meeting plan of the Board in a better way so that all members of the Board committees will be able to attend annual general meetings of the Company in the future. The Board will continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

The Audit Committee held two meetings during the Reporting Period to review and consider, in respect of the year ended 31 December 2019, 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.

The Remuneration Committee held one meeting and the Nomination Committee held two meetings during the Reporting Period. 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 members, namely Mr. LIU Xiaosong, the non-executive Director, Mr. David CUI and Dr. LI Hui, the independent non-executive Directors. 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 2019 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 Remuneration 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 2019 is as follows:

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

Details of the Directors' remuneration are set out in Note 37 to the consolidated financial statements.

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 Nomination 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 standard 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 also reviews the Company's financial controls, risk management and internal control systems on a regular basis.

During the year ended 31 December 2019, the Team of the company was responsible for the risk management and internal control work. The Team reported the Company's risks and internal control issues to the Audit Committee. 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.

During 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 report 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, they 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 2019 based on the work performed and report prepared by the Team as well as the confirmation letter provided 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 reporting 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 2019.

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 auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 73 to 79 of this annual report.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The remuneration paid/payable to the external auditor of the Company for audit services was RMB6.0 million and non-audit services was RMB1.3 million for the year ended 31 December 2019.

JOINT COMPANY SECRETARIES

The Company has engaged Ms. Szeto Kar Yee Cynthia of TMF Hong Kong Limited, an external service provider, as the Company's joint company secretary. Her 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 during the year ended 31 December 2019 to update their skills and knowledge.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, separate resolutions 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, 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 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. During the Reporting Period, 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 second environmental, social and governance (the "ESG") report published by the Company. This report aims to disclose the Company's efforts in ESG aspects in 2019 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 2019 to 31 December 2019, 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 interactive entertainment and social networking platform in China through its business model which assumes responsibilities towards society and environment.

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 2019, 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

Stakeholders	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 2019, 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 an interactive entertainment and social networking platform provider, Inke is a non-productive enterprise and causes relatively less impact on the environment and resources.

In 2019, 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 and Wastes

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 2019, there were 101 recycled computers, weighing 888.8 kilograms in total;

- Dry Batteries: In order to promote the recycling of batteries, the Company replaces employees' used batteries with new batteries. In 2019, 13 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 2019, there were 86 kilograms of plastic materials and 240 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	2019 Figures
Total greenhouse gas ("GHG") emission ($tCo2^{-e}$)	462.92
Total GHG emission per capita ($tCo2^{-e}$/person)	0.37
Total emission of non-hazardous waste (tonnes)	110.48
Total emission of hazardous waste (tonnes)	0.048
Total emission of non-hazardous waste per capita (tonnes/person)	0.09
Total emission of hazardous waste per capita (tonnes/person)	0.000039

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 2019.

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 2019, 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 2019, the main energy consumption and energy consumption per capita of the Company were as follows:

Energy and resource consumption

Indicators	2019 Figures
Total energy consumption (MWh)	704.80
Energy consumption per capita (MWh/person)	0.57
Direct energy consumption (MWh)	
Fuel consumption of business vehicles	30.94
Indirect energy consumption (MWh)	
Electricity purchased	673.86
Total water consumption (tonnes)	9742
Water consumption per capita (tonnes/person)	7.83

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, Changsha and Guangzhou. 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.

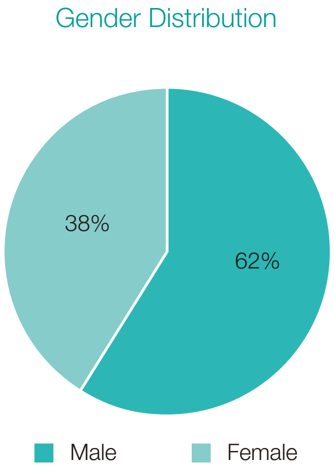
IV. RESPONSIBILITIES OF EMPLOYEES

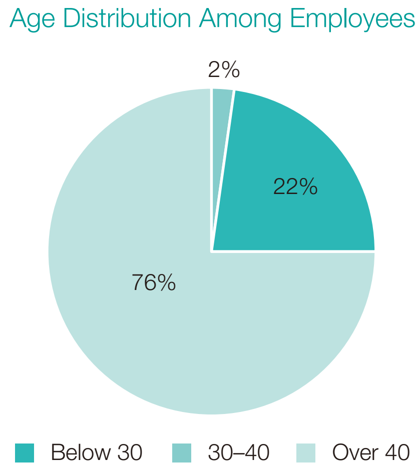
The Company's success depends on its ability to attract, retain and motivate qualified personnel. The Company complied with the "Labor Law of the PRC (《中華人民共和國勞動法》) and other relevant laws and regulations on local social security and salary payment. The Company formulated "Human Resources Management 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 2019, the Company had 1,367 employees who mainly located in Beijing, Changsha and Guangzhou.





(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 "Social insurances and housing 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 2019, in order to ensure the safety and convenience of the Company's back-office officers accessing to and from their offices, the Company leased 48 dormitories as staff quarters in Changsha working area.

The staff quarters are divided into singles dormitories and general dormitories. Each general 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 2019, 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 2019, 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.

(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 2019, the Company organized various training programs with an aggregate of over 1,800 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 platforms 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 235 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 2019, Inke continuously optimized its contents safety management and established clean interactive platforms. 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 interactive entertainment and social networking are 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決定》)", 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 2019, 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 2019, the completion percentage of handling customers' complaints within 24 hours 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 develops new products and releases new versions of products quickly to satisfy the constantly changing user needs.

In 2019, the Company launched a number of innovation products to meet the interactive entertainment and social networking needs of various markets and user bases by products matrix.

(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.

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 2019, 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 products. 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 (《關於進一步加強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 harmonical 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 +" (直播+) 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
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 2019, 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 at targeted poverty alleviation with application of optimized Internet technologies. During the Reporting Period, the Company donated daily necessities and school infrastructure funds to two elementary schools in Ninglang Yi Autonomous County of Lijiang (麗江寧蒗彝族自治縣), an elementary school in Pu'an County, Guizhou Province (貴州省普安縣) and a charity elementary school in Beijing, so that children from remote regions, orphans and disabled children can get more help, gain more knowledge, and enjoy a happy childhood.

Charity Activity 1: Live streaming + Charity

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

In 2019, the Company added new energy into "Inke Education Grant Fund" through the "27 May Starry Night & Celebrating Fourth Anniversary" (527星光夜，慶祝四週年) event.

The "27 May Starry Night" of 2019 was the fourth anniversary for Inke to hold such annual ceremony, and also the fourth year for it to contribute to charity. At the ceremony, Inke donated RMB1 million to Beijing Chunfeng Charity Foundation (北京春風公益基金), and announced that Mr. FENG Yousheng, Inke's founder and CEO would act as honorary chairman of Chunfeng Charity Foundation.

Charity Activity 2: Volunteer teaching

In 2019, Inke participated in the "11th Anniversary of Northwestern Yunnan Volunteer Teaching Team" (滇西北支教團11週年公益紀念) by partnering with streamers to go to mountainous areas and send care and warmth to local children. Leveraging its influence and position in the live streaming industry, Inke attracted more caring people to join the activity and help children in mountainous areas.

Independent Auditor's Report

羅兵咸永道

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 80 to 172, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- 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 2019, 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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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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.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition of live streaming business
- Business combination and goodwill impairment assessments

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition of live streaming business Refer to Note 2.21, Note 4(b) and Note 6 to the consolidated financial statements. Revenue from live streaming business for the year ended 31 December 2019 amounted to RMB3,176.4 million which represented 97% of the total revenues of the Group, deriving from Inke App and other live streaming Apps. 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 recognized 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 recognized. Based on the procedures performed, we found the recorded revenue supported by the available evidence.
Business combination and goodwill impairment assessment Refer to Notes 2.4, 2.8, 17(b)(ii) and 34 to the consolidated financial statements. In 2019, the Group completed the acquisition of 100% equity interest in Social Network Technology Co. Ltd. ("Social Network"), details of the acquisition are disclosed in Note 34 to the consolidated financial statements. In this connection, the Group is required to determine the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date. Management determined the fair value with assistance from an independent professional valuer. The purchase prices were allocated to the identifiable assets acquired and liabilities assumed under IFRS 3. The Group recognized identifiable assets of trademark amounting to RMB74,000,000 using the income approach and goodwill amounting to RMB512,758,000 at the acquisition date.	We assessed the competency, capabilities and objectivity of the external valuer engaged by the Group. For the business combination, we obtained and reviewed the acquisition agreements and valuation report issued by the external valuer. With the involvement of our internal valuation expert, we assessed: • the completeness of the assets acquired and liabilities assumed, in particular the identification of the intangible assets; • the appropriateness of the income approach used in valuation of trademark and the mathematical accuracy of the calculation of fair value; • the reasonableness of key assumptions used in the valuation of trademark, mainly in relation to: — the remaining useful life, by comparing with the available market data; — revenue growth rates, by comparing to management's approved budget and available market information;

Key Audit Matter	How our audit addressed the Key Audit Matter
For the purpose of the annual impairment assessment of goodwill, management determined the recoverable amount of Social Network, a standalone cash generating unit, based on value in use ("VIU"), which is the present value of the cash flows expected to be derived from Social Network. Management determined the VIU with assistance from an independent professional valuer. We focus on this area due to the significance of the carrying amount of trademark and goodwill, and the significant judgements and estimates adopted by management in relation to determination of the fair value of the trademark as well as those used in determining the recoverable amount of goodwill.	— royalty rate, by comparing to available industry data; and — the discount rate, by recalculating it using the weighted average cost of capital ("WACC") approach. For the goodwill impairment assessment, with the involvement of our internal valuation expert, we performed the following key procedures: • assessed the appropriateness of the discounted cash flow method and checked the mathematical accuracy of the discounted cash flow; • tested the consistency and reasonableness of the data used and challenged management's key assumptions adopted in the cash flow forecasts, mainly in relation to: — the revenue, gross margin and the ratio of expenses to revenue, by comparing them with management's approved budget and available market information; — the perpetual growth rate, by comparing them with the relevant economic forecasts; and — the discount rate, by recalculating it using WACC approach. • evaluated management's sensitivity calculation over the recoverable amount and assessed the potential impacts of a range of possible outcomes. Based on the procedures performed, we considered that the key assumptions adopted by management in relation to the fair value of the trademark and the recoverable amount of goodwill were supported by the available evidence and information.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the report of directors, management discussion and analysis, corporate governance report, and environment, social and 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 will 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 identified above 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 report of directors, management discussion and analysis, corporate governance report, and environment, social and governance report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the 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, 28 March 2020

Consolidated Statement of Comprehensive Income

	Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000
Revenue	6	**3,268,573**	3,860,593
Cost of sales	7	**(2,379,080)**	(2,555,182)
Gross profit		**889,493**	1,305,411
Selling and marketing expenses	7	**(495,831)**	(462,210)
Administrative expenses	7	**(170,398)**	(144,554)
Research and development expenses	7	**(330,847)**	(235,465)
Other gains — net	9	**69,683**	34,020
Other income	10	**83,873**	136,726
Operating profit		**45,973**	633,928
Finance income — net	11	**32,923**	28,076
Share of losses of investments accounted for using the equity method	18	**(18,172)**	(3,083)
Fair value gain of financial instruments with preferred rights		**—**	514,844
Profit before income tax		**60,724**	1,173,765
Income tax expense	13	**(7,943)**	(72,819)
Profit for the year		**52,781**	1,100,946
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences	26	**25,666**	32,334
Other comprehensive income for the year, net of tax		**25,666**	32,334
Total comprehensive income		**78,447**	1,133,280
Profit/(loss) attributable to:			
— Owners of the Company		**54,932**	1,102,611
— Non-controlling interests		**(2,151)**	(1,665)
Profit for the year		**52,781**	1,100,946

Consolidated Statement of Comprehensive Income

	Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000
Total comprehensive income/(loss) attributable to:			
— Owners of the Company		**80,598**	1,134,945
— Non-controlling interests		**(2,151)**	(1,665)
Total comprehensive income		**78,447**	1,133,280
Earnings per share (expressed in RMB per share)			
— Basic earnings per share	14	**0.03**	0.78
— Diluted earnings per share	14	**0.03**	0.31

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

Consolidated Balance Sheet

	Notes	As of 31 December 2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**19,277**	27,876
Intangible assets	17	**634,556**	67,544
Investments accounted for using the equity method	18	**242,546**	197,488
Financial assets at fair value through profit or loss	19	**430,106**	256,988
Deferred tax assets	30	**53,109**	4,121
Right-of-use assets	16	**145,785**	—
Term deposits	21	**397,000**	500,000
Other receivables, deposits and other assets	22	**119,061**	5,435
Total non-current assets		**2,041,440**	1,059,452
Current assets			
Inventories		**1,249**	1,496
Accounts receivables	23	**20,489**	53,007
Financial assets at fair value through profit or loss	19	**1,361,447**	937,040
Cash and cash equivalents	24	**603,932**	849,629
Term deposits	21	**184,756**	836,320
Restricted cash	24	**39,418**	28,386
Other receivables, prepayment, deposits and other assets	22	**209,108**	449,503
Total current assets		**2,420,399**	3,155,381
Total assets		**4,461,839**	4,214,833
EQUITY			
Equity attributable to the shareholders of the Company			
Share capital	25	**13,351**	13,623
Other reserves	26	**4,050,234**	4,113,873
Accumulated deficits		**(598,411)**	(653,343)
		3,465,174	3,474,153
Non-controlling interests		**(3,450)**	(1,299)
Total equity		**3,461,724**	3,472,854

Consolidated Balance Sheet

		As of 31 December	
	Notes	**2019**	2018
		RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	16	**127,958**	—
Deferred tax liabilities	30	**27,676**	5,509
Other payables and accruals	29	**36,004**	—
Total non-current liabilities		**191,638**	5,509
Current liabilities			
Accounts payables	28	**512,052**	513,933
Other payables and accruals	29	**138,328**	67,513
Current income tax liabilities	30	**5,998**	958
Contract liabilities	31	**113,045**	143,710
Provisions	32	**13,059**	8,800
Lease liabilities	16	**25,773**	—
Other current liabilities		**222**	1,556
Total current liabilities		**808,477**	736,470
Total liabilities		**1,000,115**	741,979
Total equity and liabilities		**4,461,839**	4,214,833

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

The financial statements on pages 80 to 172 were approved by the Board of Directors on 28 March 2020 and were signed on its behalf.

Feng Yousheng
Director

Hou Guangling
Director

Consolidated Statement of Changes in Equity

	Notes	Attributable to the owner of the Company					
		Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 31 December 2018		13,623	4,113,873	(653,343)	3,474,153	(1,299)	3,472,854
Comprehensive income							
Profit for the year		—	—	54,932	54,932	(2,151)	52,781
Currency translation differences	26	—	25,666	—	25,666	—	25,666
Total comprehensive income for the year		—	25,666	54,932	80,598	(2,151)	78,447
Total transactions with owners in their capacity as owners							
Share-based compensation expense	26	—	20,121	—	20,121	—	20,121
Shares repurchased	26	—	(109,698)	—	(109,698)	—	(109,698)
Cancellation of shares	26	(272)	272	—	—	—	—
Total transactions with owners in their capacity as owners		(272)	(89,305)	—	(89,577)	—	(89,577)
Balance at 31 December 2019		13,351	4,050,234	(598,411)	3,465,174	(3,450)	3,461,724

Consolidated Statement of Changes in Equity

		Attributable to the owner of the Company					
	Notes	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 31 December 2017		—	166,424	(1,755,954)	(1,589,530)	366	(1,589,164)
Comprehensive income							
Profit 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 income 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 shares 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

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 2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash generated from operations		**107,151**	388,770
Interest received		**34,914**	20,685
Interest paid		**—**	(1,496)
Income tax paid		**(39,888)**	(89,107)
Net cash generated from operating activities		**102,177**	318,852
Cash flows from investing activities			
Payments for intangible assets	17	**(2,441)**	(1,814)
Payments for property, plant and equipment	15	**(9,272)**	(9,134)
Payments for acquisition of a subsidiary, net of cash acquired	34	**(499,333)**	(2,326)
Payments for investments in associates and joint ventures	18	**(63,230)**	(25,500)
Payments for investments in non-current financial assets at fair value though profit and loss		**(167,137)**	(231,000)
Payments for long-term deposits		**(97,000)**	(500,000)
Payments for short-term deposits		**(1,152,608)**	(2,194,680)
Payments for investments in current financial assets at fair value through profit and loss		**(2,754,591)**	(5,368,905)
Proceeds from disposal of investments in current financial assets at fair value through profit and loss		**2,372,783**	4,481,443
Proceeds from disposal of long-term deposits		**200,000**	—
Proceeds from disposal of short-term deposits		**1,804,172**	1,358,360
Proceeds from disposal of non-current financial assets at fair value through profit and loss		**28,167**	24,953
Proceeds from disposal of property, plant and equipment		**272**	—
Loan to third parties		**(15,000)**	(20,000)
Repayments of loan to third parties		**20,000**	16,000
Loan to related parties		**(66,647)**	(255,992)
Repayments of amounts due from related parties		**192,610**	—
Net cash outflow due to disposal of a subsidiary		**(25,839)**	—
Proceeds from deferred government grants		**400**	2,000
Net cash used in investing activities		**(234,694)**	(2,726,595)

Consolidated Statement of Cash Flows

	Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000
Cash flows from financing activities			
Proceeds from issuance of ordinary shares, net of share issuance cost		**–**	1,074,472
Acquisition of treasury shares		**(109,698)**	(14,406)
Payments of lease liabilities		**(28,912)**	–
Repayments to third parties		**–**	(14,090)
Net cash generated from financing activities		**(138,610)**	1,045,976
Net decrease in cash and cash equivalents		**(271,127)**	(1,361,767)
Cash and cash equivalents at beginning of the financial year		**849,629**	2,182,777
Effects of exchange rate changes on cash and cash equivalents		**25,430**	28,619
Cash and cash equivalents at end of year	24	**603,932**	849,629

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") and its subsidiaries (together referred as to the "Group") are principally engaged in operating live streaming platforms and provision of advertising services in the People's Republic of China (the "PRC" or "China").

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

The company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited.

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.

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.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(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.

(c) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- IFRS 16 Leases
- Prepayment Features with Negative Compensation — Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures — Amendments to IAS 28
- Annual Improvements to IRS Standards 2015—2017 Cycle
- Plan Amendment, Curtailment or Settlement — Amendments to IAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments.

The Group had to change its accounting policies as a result of adopting IFRS 16. The Group elected to adopt the new rule from 1 January 2019, but has not restated comparative amounts for the 2018 reporting period, as applied the simplified transition approach. This is disclosed in Note 2.2. The other amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

(d) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements.

As indicated in Note 2.1 above, the Group has adopted IFRS 16 Leases from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 2.23.

On adoption of IFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The lessee's incremental borrowing rates applied to the lease liabilities on 1 January 2019 were 5.23% and 5.39%.

(a) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRS *Interpretations Committee 4* "*Determining whether an Arrangement contains a Lease*".

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies (continued)

(b) Measurement of lease liabilities

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	37,516
Discounted using the Group's incremental borrowing rate	32,339
Less: short-term leases recognized on a straight-line basis as expense	(2,379)
Less: low-value leases recognized on a straight-line basis as expense	(739)
Lease liability recognized as at 1 January 2019	29,221
Of which are:	
Current lease liabilities	22,524
Non-current lease liabilities	6,697

(c) Measurement of right-of-use assets

The right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at 31 December 2018.

(d) Adjustments recognized in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets — increased by RMB27,089,000
- accrued lease payments — decreased by RMB2,132,000
- lease liabilities — increased by RMB29,221,000.

The net impact on retained earnings on 1 January 2019 was nil.

2. Summary of significant accounting policies (continued)

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.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.4).

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.

Subsidiaries arising from Contractual Arrangements

(i) Inke 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 or acquired 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 2018, which enable Inke PRC and the Group to:

2. Summary of significant accounting policies (continued)

2.3 Principles of consolidation and equity accounting (continued)

(a) Subsidiaries (continued)

Subsidiaries arising from Contractual Arrangements (continued)

(i) Inke Contractual Arrangements (continued)

- 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 of the Company 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 2019 and 2018.

(ii) Blueberry Contractual Arrangements

In the second half of 2019, the Group acquired 100% equity interest of Jimu (as defined in Note 17) from certain independent third parties, which engages in social network product and social network community in the PRC. The equity interest of Jimu and its subsidiaries have been transferred to the Group except for 15.67% of the equity interest of one subsidiary of Jimu in the PRC ("Beijing Blueberry" or "Jimu Domestic Company"). The Group has entered into a series of contractual agreements similar to the Contractual Agreements decribed in Note 2.3 (a)(i) with Jimu Domestic Company and its nominal equity holder to obtain economic benefits and control over the 15.67% equity interest in the Jimu Domestic Company.

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 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 2019 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 2.10.

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 — 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 fair value through other comprehensive income 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 have 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)

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 gain or loss on sale.

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.

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 any component accounted for as a separate asset is derecognized when replaced. 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	3-5 years

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 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) Trademarks, user base, license and copyrights, technology and software

Separately acquired licences and copyrights, technology and software are shown at historical cost. Trademarks, user base, license and copyrights acquired in a business combination 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 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:

• Trademarks	10 years
• User base	5 years
• Licences and copyrights	1–10 years
• Technology and software	1–10 years
• Domain names	1–3 years

2. Summary of significant accounting policies (continued)

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.

2.10 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value either through other comprehensive income ("FVOCI") or through profit or loss ("FVPL"), 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 other comprehensive income ("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 "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.

2. Summary of significant accounting policies (continued)

2.10 Investments and other financial assets (continued)

(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, 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.

(d) Impairment

The Group assesses on a forward-looking basis the expected credit losses("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.

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.

2.12 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. Summary of significant accounting policies (continued)

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.

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.

2.16 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.

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.

2. Summary of significant accounting policies (continued)

2.16 Financial instruments with preferred rights (continued)

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, which is included in other payables and accruals in the consolidated balance sheet.

(b) Pension obligations

The Group has only defined contribution plan in which the Group pays fixed contributions to publicly administered pension insurance plans on a mandatory 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.

2. Summary of significant accounting policies (continued)

2.18 Employee benefits (continued)

(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.

2.19 Share-based compensation benefits

Share-based compensation benefits are provided to employees and consultant in the form of restricted share unit ("RSU") of the Company. The fair value of the services received in exchange for the grant of the RSU is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the shares as at the date of grant. 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, and credited to equity.

At the end of each reporting period, the Group revises its estimates of the number of RSUs that are expected to ultimately vest. 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. Summary of significant accounting policies (continued)

2.21 Revenue recognition and contract liabilities

The Group mainly generates revenue from live streaming and online advertising. Revenue from live streaming is generated from the Group's mobile live streaming platforms, such as Inke (映客), Yinpao (音泡), etc. Online advertising revenue is primarily generated from sales of advertising on Group's platforms. 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.

(a) Live streaming

The Group operates the mobile live streaming platforms and provides an internet infrastructure to enable the streamers and users to interact through the platforms. The Group operates a virtual currency system for each live streaming platform, 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 platforms are 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 on the Group's platforms. Virtual currency sold but not yet consumed by the purchaser is recorded as "contract liabilities". The weighted average unit price of virtual currencies is calculated on a monthly basis as the contract liabilities at the beginning of the month plus proceeds received during the month divided by the corresponding quantity of virtual currencies. For those virtual items or services that will be extinguished shortly after consumption, the user will not continue to be benefited from the virtual items or services and the Group does not have further obligations to the user after the consumption. Therefore, revenue is recognized immediately when the consumable virtual items or services are consumed based on the weighted average unit price of virtual currencies and the quantities of virtual currencies redeemed for virtual items. 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.

2. Summary of significant accounting policies (continued)

2.21 Revenue recognition and contract liabilities (continued)

(b) Advertising revenue

The Group primarily generates advertising revenues from sales of various forms of advertisements and provision of promotion campaigns on the Group's platforms by way of advertisement display or integrated promotion activities in shows and programs on the Group's platforms. Advertisements on the Group's platforms are charged on various basis, such basis generally includes but is not limited to duration, display and click. The Group recognizes revenue ratably over the period that the advertising is provided where collectability is reasonably assured.

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. Summary of significant accounting policies (continued)

2.23 Leases

As explained in Note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2.2.

Until 31 December 2018, 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.

From 1 January 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments).

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received

- makes adjustments specific to the lease, e.g. term, country, currency and security

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2. Summary of significant accounting policies (continued)

2.23 Leases (continued)

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets mainly comprise a small warehouse used for storing computer.

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.

2.25 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see Note 9 below.

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. Summary of significant accounting policies (continued)

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 profit would have been approximately RMB1,052,000 higher/lower for the year ended 31 December 2019 (2018: RMB1,093,000).

(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 or loss, term deposits, cash and cash equivalents and restricted cash, details of which have been disclosed in Notes 19, 21 and 24, respectively.

As of 31 December 2019, 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, at fair value through profit or loss, 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 or 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 platforms, 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 two types 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 accounts receivables.

The expected loss rates are based on the payment profiles of sales over a period of 12 month before 31 December 2019 or 1 January 2019 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 accounts receivables 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 contractual cash flows RMB'000	Carrying Amount RMB'000
At 31 December 2019						
Accounts payables	**512,052**	**–**	**–**	**–**	**512,052**	**512,052**
Other payables and accruals (excluding salaries and welfare payables and other tax payable)	**56,626**	**30,652**	**11,627**	**–**	**98,905**	**92,630**
Lease liabilities	**33,348**	**31,099**	**83,725**	**30,756**	**178,928**	**153,731**
	602,026	**61,751**	**95,352**	**30,756**	**789,885**	**758,413**
At 31 December 2018						
Accounts payables	513,933	–	–	–	513,933	513,933
Other payables and accruals (excluding salaries and welfare payables and other tax payable)	6,392	–	–	–	6,392	6,392
Lease liabilities	–	–	–	–	–	–
	520,325	–	–	–	520,325	520,325

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.

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.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

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 2019 and 2018, 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 2019 and 2018.

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 2019 and 2018:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As of 31 December 2019				
Assets				
— Financial assets at fair value through profit or loss	**—**	**—**	**1,791,553**	**1,791,553**

	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 or loss	—	—	1,194,028	1,194,028

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 or loss for the years ended 31 December 2019 and 2018:

	Liabilities	Assets	
	Financial instruments with preferred rights	Financial assets at fair value through profit or loss – Current	Financial assets at fair value through profit or loss – Non-current
	RMB'000	RMB'000	RMB'000
Opening balance 1 January 2019	**—**	**937,040**	**256,988**
Additions	**—**	**2,754,591**	**175,157**
Disposals	**—**	**(2,372,783)**	**(28,167)**
Change in fair value	**—**	**42,599**	**26,128**
Closing balance 31 December 2019	**—**	**1,361,447**	**430,106**
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
*Includes unrealized gain or (loss) recognized in profit or loss attributable to balances held at the end of the reporting period			
2019	—	14,534	3,443
2018	—	3,770	(7,842)

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 2019, 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.

4. Critical accounting estimates and judgments

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies.

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

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) 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 platforms and has latitude in establishing price.

4. Critical accounting estimates and judgments (continued)

(c) The fair value of identifiable intangible assets arising from business combination

The Group performed a purchase price allocation exercise in the business combination (refer to Note 34), and recognized identifiable intangible assets of technology and software, user base and trademark at the acquisition date. The valuation of the fair value of such identifiable intangible assets involved complex valuation methodology and significant estimates including revenue growth rates, estimated useful lives of the intangible assets and the discount rate, etc.

(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, in accordance with the accounting policy stated in Note 2.9. For the year ended 31 December, 2019 and 2018, the recoverable amounts of cash-generating units ("CGU") were determined based on value in use ("VIU"), which require the use of estimates and valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

According to the management's assessment (Note 17), an impairment on goodwill of RMB10,334,000 was charged to administrative expenses during the year ended 31 December, 2019 (the year ended 31 December, 2018: nil).

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.

According to the management's assessment (Note 17), an impairment on intangible assets of RMB13,110,000 was charged to administrative expenses during the year ended 31 December, 2019 (the year ended 31 December, 2018: nil).

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 2019 and 2018, substantially all of the non-current assets of the Group were located in the PRC.

6. Revenue

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Live streaming	**3,176,404**	3,729,101
Online advertising	**72,444**	121,646
Others	**19,725**	9,846
	3,268,573	3,860,593

7. Expenses by nature

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Streamer costs	**2,115,431**	2,285,083
Promotion and advertising expenses	**466,145**	430,656
Employee benefit expenses (Note 8)	**419,725**	282,367
Bandwidth and server custody costs	**91,823**	90,588
Payment handling costs	**46,790**	54,007
Outsourced development costs	**41,329**	62,889
Travelling, entertainment and general office expenses	**37,770**	26,206
Technical support and professional service fees	**33,690**	20,163
Depreciation of right-of-use assets (Note16)	**26,792**	—
Depreciation of property, plant and equipment (Note15)	**17,743**	15,484
Amortization of intangible assets (Note17)	**17,061**	16,189
Taxes and surcharges	**15,023**	29,447
Impairment of intangible assets (Note17)	**13,110**	—
Impairment of goodwill (Note17)	**10,334**	—
Content and copyright cost	**9,763**	24,003
Auditor's remuneration		
— Audit services	**6,000**	6,000
— Non-audit services	**1,297**	391
Expenses relating to short-term lease and variable lease payments not included in lease liabilities (31 December 2018: Operating lease rentals)	**3,477**	18,904
Other expenses	**2,853**	4,307
Listing expenses	**—**	30,727
	3,376,156	3,397,411

8. Employee benefits expenses

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Wages, salaries and bonuses	**307,180**	204,974
Pension costs — defined contribution plans	**30,890**	24,692
Share-based compensation expenses (Note 27)	**18,681**	10,157
Other social security costs, housing benefits	**62,974**	42,544
Total employee benefit expenses	**419,725**	282,367

(a) Five highest paid individual

The five individuals whose emoluments were the highest in the Group include nil directors for the years ended 31 December 2019 and 2018 respectively, and their emoluments are reflected in the analysis shown in Note 37. The emoluments payable to the remaining five individuals for the years ended 31 December 2019 and 2018 are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Salaries, wages and bonuses	**6,860**	8,226
Pension costs-defined contribution plans	**235**	166
Other social security costs, housing benefits	**359**	208
Share-based compensation expenses	**1,537**	1,916
	8,991	10,516

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	
	2019	2018
Emoluments bands:		
Nil to HK$1,500,000	**2**	—
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	5

9. Other gains — net

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Donations	**(1,172)**	(8,151)
Fair value gain/(loss) of financial assets at fair value through profit or loss		
— Investments in current financial assets at fair value through profit and loss	**42,599**	49,578
— Investments in non-current financial assets at fair value through profit and loss	**26,128**	(2,676)
Penalty	**(74)**	(35)
Gain on disposal of investment in a joint venture (Note 22(c))	**5,716**	—
Provisions for claims and legal proceedings (Note 32)	**(4,259)**	—
Net foreign exchange losses	**(322)**	(3,715)
Others	**1,067**	(981)
	69,683	34,020

10. Other income

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Government grants		
— Subsidies based on certain amount of tax paid (a)	**39,105**	76,103
— Subsidies granted by various local governments to encourage the Group to operate where these governments are located (b)	**43,034**	42,049
— Arising from amortization of government grants (c)	**1,734**	18,574
	83,873	136,726

Note:

(a) Tax based subsidies amounted to RMB39,105,000 and RMB76,103,000 for the years ended 31 December 2019 and 2018, respectively, were granted by local government authorities to incentivize the Group's business growth. There are no unfulfilled conditions or other contingences attaching to these rewards.

(b) Rewards amounted to RMB43,034,000 and RMB42,049,000 for the years ended 31 December 2019 and 2018, respectively, were granted by the local government authorities in Beijing, Changsha and Haikou to reward the Group's achievement and support the Group's development. There are no unfulfilled conditions or other contingencies attaching to these rewards.

(c) Rewards amounted to RMB1,734,000 and RMB18,574,000 for the years ended 31 December 2019 and 2018 were granted by the local government authorities in Changsha for the construction and development of the Group.

11. Finance income — net

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Finance costs		
— Interest costs	**(5)**	(16)
— Interest paid/payable for lease liabilities (Note 16)	**(7,934)**	—
Finance income		
— Interest income	**40,862**	28,092
Finance income — net	**32,923**	28,076

12. Subsidiaries

The Group's principal subsidiaries at 31 December 2019 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
			2019	2018	**2019**	2018	
Directly held –							
Inke BVI	BVI/ 30 November 2017	USD 1	**100%**	100%	**–**	–	Investment holding/ BVI
Social Network Technology Co.Ltd.	BVI/ 5 June 2018	USD 50,000	**100%**	–	**–**	–	Investment holding/ BVI
Indirectly held –							
Inke Technology Limited	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	HKD1	**100%**	100%	**–**	–	Investment holding/ HK
Inke Investment Holding Limited	BVI/ 23 October 2018	USD 1	**100%**	100%	**–**	–	Investment holding/ BVI
Socialmaker Technology Limited	HK/ 29 June 2018	HKD 10,000	**100%**	–	**–**	–	Investment Holding/ HK
Blueberry Culture (Beijing) Co., Ltd. (藍莓時節文化（北京）有限公司)	The PRC/ 25 December 2018	USD 7,000,000	**100%**	–	**–**	–	Investment Holding/ 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
			2019	2018	**2019**	2018	
Indirectly controlled by the Company pursuant to the Contractual Agreements –							
Beijing Meelive	The PRC/ 31 March 2015	RMB 1,713,000	**100%**	100%	**–**	–	Operation of live-streaming/ platforms/ the PRC
Beijing Blueberry Technology Co., Ltd. (北京藍莓時節科技有限公司)	The PRC/ 23 November 2016	RMB 1,779,000	**100%**	–	**–**	–	Support services to operation of mobile 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
Hunan Meelive Network Technology Co.,Ltd. (湖南蜜萊塢網絡信息有限公司)	The PRC/ 21 January 2019	RMB 50,000,000	**100%**	–	**–**	–	Support services to operation of mobile live-streaming platforms/the PRC
Hunan Pineapple Entertainment Network Information Co.,Ltd. (湖南菠蘿互娛網絡信息有限公司)	The PRC/ 30 March 2018	RMB 10,000,000	**100%**	–	**–**	–	Support services to operation of mobile live-streaming platforms/the PRC
Ningbo Meishan Bonded Port Yingji Investment Management 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

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 2019	2018	Ownership interest held by non-controlling interests As of 31 December 2019	2018	Principal activities/ place of operation
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 PRC/ 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 13,571,000	**100%**	100%	**–**	–	Online audio and video program services and 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%**	100%	**–**	–	Development of online game/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
			2019	2018	**2019**	2018	
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%**	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%**	100%	**–**	–	Support services to operation of mobile live-streaming platforms/the PRC
HaiNan YaPu Network Information Co., Ltd. (海南亞普網絡科技有限公司)	The PRC/ 6 June 2018	RMB 10,000,000	**100%**	–	**–**	–	Support services to operation of mobile live-streaming platforms/the PRC
BeiJing DeYuanZhiGuang Information Co., Ltd. (北京德遠志廣科技有限公司)	The PRC/ 18 April 2017	RMB 10,000,000	**100%**	–	**–**	–	Support services to operation of mobile live-streaming platforms/the PRC
Beijing Xisansan Technology Co.,Ltd. (北京溪三三科技有限公司)	The PRC/ 3 September 2010	RMB 1,000,000	**100%**	–	**–**	–	Support services to operation of mobile live-streaming platforms/the PRC
Chengdu Blueberry Technology Co., Ltd. (成都藍莓時節科技有限公司)	The PRC/ 27 March 2018	RMB 1,000,000	**100%**	–	**–**	–	Support services to operation of mobile live-streaming platforms/the PRC
Hunan Gaojia Network Co., Ltd. (湖南高佳網絡信息有限公司)	The PRC/ 25 August 2014	RMB 2,000,000	**100%**	–	**–**	–	Support services to operation of mobile live-streaming platforms/the PRC
Gaojia Network HongKong Limited (高佳網絡信息香港有限公司)	HK/ 4 January 2018	HKD 10,000	**100%**	–	**–**	–	Support services to operation of mobile live-streaming /HK
Hainan Fengyu Network Technology Co.,Ltd. (海南峰娛網絡科技有限公司)	The PRC/ September 12 2019	RMB 1,000,000	**100%**	–	**–**	–	Software and information technology services/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 2019 and 2018.

(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, 2019 and 2018, 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 their estimated assessable profits for the years ended 31 December, 2019 and 2018.

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 losses 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 12.5% and 0% on their estimated assessable profits for the years ended 31 December, 2019 and 2018.

13. Income tax expense (continued)

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

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.

During the year of 2019 and 2018, 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	
	2019	2018
	RMB'000	RMB'000
Current tax		
Current tax on profits for the year	**58,220**	74,060
Total current tax expense	**58,220**	74,060
Deferred income tax		
Increase in deferred tax assets	**(48,988)**	(2,801)
(Decrease) /increase in deferred tax liabilities	**(1,289)**	1,560
Total deferred tax benefit	**(50,277)**	(1,241)
Income tax expense	**7,943**	72,819

13. Income tax expense (continued)

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

Income tax expense is all attributable to profit from continuing operations.

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

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit before income tax	**60,724**	1,173,765
Tax calculated at statuary tax rate of 25%	**15,181**	293,441
Tax effects of difference in overseas tax rates and preferential tax rates applicable to certain subsidiaries of the Group	**(19,275)**	(170,199)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	**11,551**	(74,562)
Tax loss of subsidiaries which no deferred income tax assets was recognized	**27,764**	38,596
Tax effect of Super Deduction	**(25,965)**	(14,457)
Previously unrecognized tax losses used to reduce deffered tax expense	**(1,313)**	—
	7,943	72,819

At 31 December 2019 and 2018, the Group did not recognize deferred income tax assets of RMB27,764,000 and RMB38,596,000 in relation to cumulative tax losses which are expected to expire until 31 December 2023 and 31 December 2024.

14. 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, excluding shares held for RSU Scheme (Note 27).

	Year ended 31 December	
	2019	2018
Profit attributable to the ordinary equity holders of the Company (RMB'000)	**54,932**	1,102,611
Weighted average number of ordinary shares in issue (thousand shares)	**2,027,478**	1,412,996
Basic earnings per share attributable to the ordinary equity holders of the Company (expressed in RMB per share)	**0.03**	0.78

14. Earnings per share (continued)

(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.

	Year ended 31 December	
	2019	2018
Profit attributable to the ordinary equity holders of the Company (RMB'000)	**54,932**	1,102,611
Less: Fair value gain of financial instruments with preferred rights (RMB'000)	**—**	(514,844)
Net profit used to determine diluted earnings per share (RMB'000)	**54,932**	587,767
Weighted average number of ordinary shares in issue (thousand shares)	**2,027,478**	1,412,996
Add: Adjustment for conversion of preferred shares (thousand shares)	**—**	461,778
Add: Adjustment for RSUs granted to employees (thousand shares)	**10,548**	569
Weighted average number of ordinary shares for calculation of diluted earnings per share (thousand shares)	**2,038,026**	1,875,343
Diluted earnings per share (expressed in RMB per share)	**0.03**	0.31

(c) Information concerning the classification of securities

Restricted share unit scheme ("RSU Scheme")

The RSUs granted under the RSU scheme are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The RSUs have not been included in the determination of basic 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 2019	**29,423**	**848**	**269**	**22,922**	**53,462**
Additions	**4,805**	**32**	**712**	**3,723**	**9,272**
Disposals	**(807)**	**(62)**	**—**	**—**	**(869)**
Business combination (Note 34)	**268**	**—**	**—**	**—**	**268**
At 31 December 2019	**33,689**	**818**	**981**	**26,645**	**62,133**
Accumulated depreciation:					
At 1 January 2019	**(13,641)**	**(163)**	**(138)**	**(11,644)**	**(25,586)**
Disposals	**462**	**11**	**—**	**—**	**473**
Depreciation	**(9,222)**	**(155)**	**(99)**	**(8,267)**	**(17,743)**
At 31 December 2019	**(22,401)**	**(307)**	**(237)**	**(19,911)**	**(42,856)**
Net carrying amount:					
At 1 January 2019	**15,782**	**685**	**131**	**11,278**	**27,876**
At 31 December 2019	**11,288**	**511**	**744**	**6,734**	**19,277**
Cost:					
At 1 January 2018	20,697	623	269	22,378	43,967
Additions	8,427	163	—	544	9,134
Business combination (Note 34)	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

15. Property, plant and equipment (continued)

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

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Cost of sales	**7,244**	6,958
Administrative expenses	**2,286**	2,060
Research and development expenses	**7,477**	5,488
Selling and marketing expenses	**736**	978
	17,743	15,484

16. Lease

This note provides information for leases where the Group is a lessee.

(i) Amounts recognized in the balance sheet

	31 December 2019	1 January 2019
	RMB'000	RMB'000
Right-of-use assets		
Buildings	**145,785**	27,089
Lease liabilities		
— Current	**25,773**	22,524
— Non-current	**127,958**	6,697
	153,731	29,221

The right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at 31 December 2018. Additions to the right-of-use assets during the 2019 financial year were RMB173,220,000.

16. Lease (continued)

(ii) Amounts recognized in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Depreciation charge of right-of-use assets (Note 7)	**26,792**	—
Interest expense (included in finance cost)	**(7,934)**	—
Expense relating to short-term leases (included in cost of sales, selling and marketing expense, research and development expenses and administrative expenses)	**(3,477)**	—

The total cash outflow for leases in 2019 was RMB28,912,000.

(iii) The Group's leasing activities and how these are accounted for

The Group leases various offices. Rental contracts are typically made for fixed periods of 11 months to 7 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets may not be used as security for borrowing purposes.

17. Intangible assets

	Goodwill RMB'000	Technology and software RMB'000	Domain names RMB'000	Licenses and copyrights RMB'000	User base RMB'000	Trademark RMB'000	Total RMB'000
Cost:							
At 1 January 2019	24,481	9,549	226	59,899	–	–	94,155
Additions	–	1,755	–	686	–	–	2,441
Disposals	–	(938)	–	(5)	–	–	(943)
Business combination (a) (Note 34)	512,758	3,149	–	–	16,000	74,000	605,907
Impairment charge (b)	(10,334)	–	–	(13,110)	–	–	(23,444)
At 31 December 2019	526,905	13,515	226	47,470	16,000	74,000	678,116
Accumulated amortizations							
At 1 January 2019	–	(6,019)	(226)	(20,366)	–	–	(26,611)
Amortization	–	(1,400)	–	(13,011)	(800)	(1,850)	(17,061)
Disposals	–	112	–	–	–	–	112
At 31 December 2019	–	(7,307)	(226)	(33,377)	(800)	(1,850)	(43,560)
Net carrying amount:							
At 1 January 2019	24,481	3,530	–	39,533	–	–	67,544
At 31 December 2019	526,905	6,208	–	14,093	15,200	72,150	634,556
Cost:							
At 1 January 2018	14,147	7,712	226	50,899	—	—	72,984
Additions	—	1,814	—	—	—	—	1,814
Business combination (a) (Note 34)	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

17. Intangible assets (continued)

(a) Business combination in 2019

This is mainly due to the acquisition of Social Network Technology Co. Ltd. ("Jimu") on 19 September 2019 (as mentioned and defined in Note 34). Jimu is an entity engaging in social network product and social network community, and the Group obtained technology and software, user base, and trademark of approximately RMB93,149,000 and goodwill of approximately RMB512,758,000 through this acquisition on the acquisition date.

(b) Impairment charge

(i) Impairment loss of Laixia and Haomei

The impairment loss was mainly resulted from the impairment of goodwill and intangible assets of Beijing Laixia Technology Co., Ltd. ("Laixia") due to the termination of current business as a result of the changes of business strategy and the impairment of intangible assets of Haomei Information Technology Co., Ltd. ("Haomei") for the year end 31 December 2019.

The loss is included in Administrative expenses in the statement of consolidated statement of comprehensive income. As at 31 December 2019, the impairment amount is as follows:

	Year ended 31 December 2019 RMB'000
Impairment loss	
— Laixia	**18,544**
— Haomei	**4,900**
	23,444

(ii) Impairment test for goodwill of Jimu

As at 31 December 2019, the acquisition of Jimu (as disclosed and defined in Note 34) contributed to the recognition of goodwill amounting to RMB512,758,000. Goodwill is monitored by management at the level of cash generating unit (the "CGU") and Jimu was considered as a standalone cash generating unit.

17. Intangible assets (continued)

(b) Impairment charge (continued)

(ii) 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 VIU. The VIU was determined using discounted cash flows calculation which derived from the six-year financial projections plus a terminal value related to cash flows beyond the projection period (six-year period) extrapolated using an estimated perpetual growth rate. The management believes that it is appropriate to cover such projection period in its cash flow projection, because it captures the beginning stage and development stage of the related business of Jimu 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 six-year period of 102% for Jimu, which was a combined consideration of the rapid growth at the beginning stage and developing online social platform's average growth rate in subsequent years;

(ii) pre-tax discount rate of 28% for Jimu, 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 Jimu;

(iii) the estimated perpetual growth rate used in the value-in-use calculation for period beyond the projected period was 3.0% after making reference to long term inflation rate of China.

17. Intangible assets (continued)

(b) Impairment charge (continued)

(ii) Impairment test for goodwill (continued)

A sensitivity analysis on key assumptions used in the goodwill impairment testing for Jimu has been performed.

As of 31 December 2019, the recoverable amount of Jimu calculated based on value-in-use exceeded carrying value by RMB60,129,000. Had the perpetual growth rate been 1% lower or the pre-tax discount rate been 1% higher, the remaining headroom of Jimu would be decreased to RMB40,130,000 and RMB15,130,000 respectively.

A reasonably possible change in key assumptions used in the impairment test of goodwill would not likely cause the carrying amount to exceed its recoverable amount as of 31 December 2019.

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

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Cost of sales	**15,960**	14,968
Administrative expenses	**413**	472
Research and development expenses	**688**	720
Selling and marketing expenses	**—**	29
	17,061	16,189

18. Investments accounted for using the equity method

The amounts recognized in the balance sheet are as follows:

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
Associates	**67,403**	25,675
Joint ventures	**175,143**	171,813
	242,546	197,488

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

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
Associates	**3,498**	47
Joint ventures	**(21,670)**	(3,130)
	(18,172)	(3,083)

(a) Investment in associates

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
At the beginning of the year	**25,675**	128
Addition	**38,230**	25,500
Share of profit of associates	**3,498**	47
At the end of the year	**67,403**	25,675

18. 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 2019, which are both private companies:

Name of entity	Place of business/ country of incorporation	% of ownership interest	Carrying amount 2019 RMB'000	2018 RMB'000
Guangying Shidai Beijing Technology Limited (光映時代北京科技有限公司)*	The PRC	10% (Note i)	**29**	117
Hunan Inke Property Limited (湖南映客置業有限公司)* ("Hunan Inke Property")	The PRC	51% (Note ii)	**18,229**	25,558
Beijing Laoyou Duozhi Internet Information Service Co., Ltd. (北京老柚多汁網絡信息科技有限公司)	The PRC	41.65%(Note iii)	**8,538**	—
Hunan Jiyou Technology Limited (湖南機友科技有限公司)	The PRC	45.9%(Note iii)	**31,201**	—
School of Changsha Zhuohua Limited (長沙卓華高級中學有限公司)* ("Changsha Zhuohua")	The PRC	51% (Note iv)	**8,256**	—
Beijing Yingtianxia Network Technology Co., Ltd. (北京映天下網絡科技有限公司) ("Beijing Yingtianxia")	The PRC	24%	**1,150**	—

(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 its board of directors and the Group has only 25% of voting power in the board of directors 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.

(iii) The Group has the right to appoint one director out of a total of three board seats in this entity and thereby considered to have significant influence in this entity.

(iv) The Group owns 51% equity interests in Changsha Zhuohua respectively. As the board of directors have the rights to make decision about the operation of Changsha Zhuohua and the other investor can control the board of directors, Changsha Zhuohua 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 2019 and 2018, none of the associates are considered material to the Group.

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

(b) Investment in joint ventures

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
At the beginning of the year	**171,813**	174,943
Addition	**25,000**	—
Share of loss of the joint ventures	**(21,670)**	(3,130)
At the end of the year	**175,143**	171,813

Set below are the joint ventures of the Group as of 31 December 2019:

Name of entity	Place of business/ country of incorporation	% of ownership interest	Principal activities	Carrying amount	
				2019	2018
				RMB'000	RMB'000
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	**90,213**	89,579
Ningbo Meishan Bonded Port Area Qingyuwanfeng Equity Investment Partnership (Limited Partnership) (寧波梅山保税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	**69,950**	67,251
Ningbo Meishan Bonded Port Area Qingshanshangfeng Equity Investment Partnership (Limited Partnership) (寧波梅山保税港區青衫尚峰股權投資合伙企業（有限合夥）) ("Qing Shan Shang Feng")	The PRC	99.93% (Note ii)	Investment	**14,980**	14,983

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

(b) Investment in joint ventures (continued)

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 the limited partner. As at 31 December 2019, 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 2019 and 2018, none of the joint ventures are considered material to the Group.

19. Financial assets at fair value through profit and loss

(a) Non-current

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
At the beginning of the year	**256,988**	40,430
Additions (i)(ii)(iii)(iv)	**175,157**	231,000
Disposals	**(28,167)**	(11,766)
Fair value gains/(losses)	**26,128**	(2,676)
At the end of the year	**430,106**	256,988

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.

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

(a) Non-current (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 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 or 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 RMB31,166,000 as at 31 December 2019.

(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 2019.

(iii) As of 31 December 2019, the Group has made an investment in equity interests with preferred rights of ACES ACADEMY LIMITED (which represented 20% 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 RMB17,798,000 as at 31 December 2019.

(iv) On 24 May 2019, the Group made an investment in certain financial products issued by Everbright Trust Corporation Limited *(光大信託有限公司). This investment was measured at fair value of RMB150,197,000 as at 31 December 2019.

* *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.*

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

(b) Current

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
Structured deposits (i)	**343,050**	763,020
Investment in wealth management products (i)	**1,018,397**	163,270
Others	**—**	10,750
	1,361,447	937,040

(i) The investment in structured deposits and wealth management products were mainly issued by reputable commercial banks and other 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-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.

20. Financial instruments by category

	As of 31 December	
	2019	2018
	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 19)	**1,791,553**	1,194,028
Loans and receivables:		
— Accounts receivables (Note 23)	**20,489**	53,007
— Other receivables, prepayments, deposits and other assets (excluding prepayments and deductible input VAT) (Note 22)	**178,020**	295,706
— Term deposits (Note 21)	**581,756**	1,336,320
— Cash and cash equivalents (Note 24)	**603,932**	849,629
— Restricted cash (Note 24)	**39,418**	28,386
	3,215,168	3,757,076

20. Financial instruments by category (continued)

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
Liabilities as per consolidated statements of financial position		
Financial liabilities at amortized cost:		
— Accounts payables (Note 28)	**512,052**	513,933
— Other payables and accruals (excluding salaries and welfare payables and other tax payable) (Note 29)	**92,630**	6,392
— Lease liabilities (Note 16)	**153,731**	—
	758,413	520,325

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.

21. Term deposits

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
Non-current		
— RMB	**397,000**	500,000
Current		
— USD	**144,756**	686,320
— RMB	**40,000**	150,000
	581,756	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 2019 range from 1.6% 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 2019.

22. Other receivables, prepayments, deposits and other assets

Financial assets at amortized cost include the following debt investments:

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
Non-current:		
Loans to related parties (Note 36)	**112,348**	—
Rental and other deposits (Note a)	**5,435**	5,435
Others	**1,278**	—
	119,061	5,435
Current:		
Loans to related parties (Note 36)	**17,500**	255,811
Amounts due from third parties		
— Loan to third parties (Note b)	**15,000**	20,000
— Arising from disposal of a joint venture (Note c)	**5,716**	—
— Arising from disposal of financial assets at fair value through profit and loss	**—**	140
Prepayments for promotion and advertising	**45,628**	105,985
Prepayment to suppliers	**49,231**	14,441
Other deposits	**3,998**	5,995
Deductible input VAT	**34,741**	25,514
Prepayment to income tax	**20,549**	13,292
Interest receivable	**13,355**	7,407
Others	**3,390**	918
	209,108	449,503

(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 represent an unsecured interest-free loan of RMB5,000,000 lent to Hainan Aike Network Technology Co., Ltd. with term of one year and a secured loan lent to Changsha Shilihe Investment Consulting Co., Ltd. of RMB10,000,000 with term of one year and the interest rate is 10% per annum.

(c) The balance represents the disposal of 38% of the share capital of Beijing Yingtianxia. After the disposition, the ownership interest of the Group in Beijing Yingtianxia has changed from 62% to 24% and Beijing Yingtianxia changed to an associate of the Group. The related gain is RMB5,716,000 (Note 9).

23. Accounts receivables

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
Accounts receivables	**20,489**	53,007
Less: allowance for impairment of accounts receivables	**—**	—
	20,489	53,007

(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	
	2019	2018
	RMB'000	RMB'000
Accounts receivables		
— Up to 3 months	**17,777**	52,610
— 3 to 6 months	**923**	130
— 6 months to 1 year	**1,184**	267
— 1 to 2 years	**605**	—
	20,489	53,007

As of 31 December 2019 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 2019, accounts receivables of RMB5,193,000 were past due but not impaired, RMB1,500,000 of which were from the advertising service provided to a related party and has no significant financial difficulty. The remaining balance RMB3,693,000 were related to a number of independent customers. No impairment provision was considered necessary against these balances after the management had performed assessment on their credit quality with reference to historical counterparty default rates. The ageing analysis of these accounts receivables that were past due but not impaired is as follows:

23. Accounts receivables (continued)

(b) (continued)

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
Accounts receivables		
— Up to 3 months	**2,481**	1,058
— 3 to 6 months	**923**	130
— 6 months to 1 year	**1,184**	267
— 1 year to 2 years	**605**	—
	5,193	1,455

24. Cash and cash equivalents

(a) Cash and cash equivalents

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
Cash and cash equivalents at banks and other financial institutions	**603,932**	849,629

As at 31 December 2019 and 2018, the cash and bank balances were denominated in the following currencies:

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
RMB	**515,639**	414,787
USD	**66,883**	412,985
HKD	**21,410**	21,857
	603,932	849,629

24. Cash and cash equivalents (continued)

(b) Restricted cash

As at 31 December 2019, bank balance of RMB8,800,000 was restricted as security for a legal proceeding outcome according to the first and second instance judgement. The amount of RMB8,800,000 was compulsively executed by the Court on 20 February 2020 and the Group has filed an appeal to the Court's decision. The remaining restricted cash balance of RMB30,618,000 was resulted from ongoing investigations by regulators or the courts on spending made by certain users of one of the Group's online platform, and details are below:

(i) in relation to restricted cash of RMB4,600,000, a court in the PRC (the "Court") has ruled that the user had been using funds obtained from her misconducts to consume on the Group's online platform, and the Court has demanded the Group to return the funds amounting to RMB4,259,000. The Group has filed an appeal to the Court's decision and a provision of RMB4,259,000 has been made as at 31 December 2019.

(ii) in relation to the remaining restricted cash balances of RMB26,018,000, the Group has not received any decisions or rulings from any courts in the PRC nor as defendant in any legal cases. The Group, based on the external lawyer's legal opinion, believed that it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations, as such no provisions have been made by the Group as at 31 December 2019.

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 2019 and 2018 (a)	**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.

25. Share capital (continued)

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 2018	2,060,915,000	2,060,915	13,623
Cancellation of shares (b)	(40,651,000)	(40,651)	(272)
At 31 December 2019	**2,020,264,000**	**2,020,264**	**13,351**

(b) During the year ended 31 December 2019, a total of 81,783,000 shares were repurchased on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of RMB109,698,000, of which 26,909,000 were repurchased by the trustee of the restricted share unit scheme. 40,651,000 repurchased shares have been cancelled as of 31 December 2019.

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 2019	**3,905,009**	**(51)**	**166,746**	**10,157**	**32,012**	**4,113,873**
Shares repurchased (a)	**(109,172)**	**(526)**	**—**	**—**	**—**	**(109,698)**
Cancellation of shares (a)	**—**	**272**	**—**	**—**	**—**	**272**
Share-based payment expense (Note 27)	**—**	**—**	**—**	**20,121**	**—**	**20,121**
Exercise of options	**28,200**	**107**	**—**	**(28,307)**	**—**	**—**
Currency translation differences	**—**	**—**	**—**	**—**	**25,666**	**25,666**
As at 31 December 2019	**3,824,037**	**(198)**	**166,746**	**1,971**	**57,678**	**4,050,234**
As at 1 January 2018	—	—	166,746	—	(322)	166,424
Shares repurchased (a)	(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
Capitalization issue	(11,313)	—	—	—	—	(11,313)
Share issuance costs	(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

(a) During the year ended 31 December 2019, a total of 81,783,000 shares were repurchased on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of RMB109,698,000, of which 26,909,000 were repurchased by the trustee of the restricted share unit scheme. 40,651,000 repurchased shares have been cancelled as of 31 December 2019.

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 in 2019

On 3 June 2019, 4,000,000 RSUs under the RSU Scheme were granted to a consultant of the Group. The RSUs are fully vested on 11 June 2019.

(b) Shares held for RSU Scheme

Pursuant to a resolution passed by the Board of Directors of the Company on 18 November 2018, the Company entered into a trust deed (the "Trust Deed") with Computershare Hong Kong Trustees Limited (the "RSU Trustee") to assist with the administration of the RSU Scheme. For the year ended 31 December 2019, the Group repurchased 26,909,000 ordinary shares at the cost of approximately RMB42,902,000. 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 HK$2.19 each (equivalent to RMB53,288,000 in total).

The fair value of RSUs granted on 3 June 2019 was assessed to approximate to the market price of the grant date at the amount of HK$1.64 each (equivalent to RMB5,759,000 in total).

A summary of RSU activities for the year ended 31 December 2019 is presented below:

Restricted Share Units	Number of shares	Grant Date Fair Value RMB
Outstanding as of 1 January 2019	27,469,214	1.94
Granted	4,000,000	1.44
Vested	(15,639,369)	1.81
Forfeited	(4,797,724)	1.94
Outstanding as of 31 December 2019	11,032,121	1.94

27. Share-based payments (continued)

Restricted Share Units ("RSUs") (continued)

Share-based compensation expenses recognized in costs and expenses for the year ended 31 December 2019 are as follows:

	Year ended 31 December 2019 RMB'000
Cost of sales	**2,089**
Administrative expenses	**8,190**
Selling and marketing expenses	**895**
Research and development expenses	**7,507**
Total	**18,681**

28. Accounts payables

At 31 December 2019, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date was as follows:

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
— Up to 3 months	**285,554**	266,773
— 3 to 6 months	**11,817**	11,075
— 6 months to 1 year	**8,781**	13,976
— Over 1 year	**205,900**	222,109
	512,052	513,933

29. Other payables and accruals

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
Non-current:		
Acquisition and investment consideration	**36,004**	—
	36,004	—

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
Current:		
Acquisition and investment consideration	**48,766**	2,800
Salaries and welfare payables	**77,533**	49,298
Other taxes payable	**4,169**	11,823
Deposits from customers	**4,898**	1,773
Amounts due to a related party (Note 36)	**15**	15
Amounts due to a third party	**1,045**	—
Others	**1,902**	1,804
	138,328	67,513

30. 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	
	2019	2018
	RMB'000	RMB'000
Deferred tax assets:		
— to be recovered after more than 12 months	**53,109**	4,121
— to be recovered within 12 months	**—**	—
	53,109	4,121
Deferred tax liabilities:		
— to be recovered after more than 12 months	**(19,757)**	(4,081)
— to be recovered within 12 months	**(7,919)**	(1,428)
	(27,676)	(5,509)
Deferred income tax assets/(liabilities) — net	**25,433**	(1,388)

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

	Other accrued expenses	Legal claim provision	Total
	RMB'000	RMB'000	RMB'000
As of 1 January 2019	**2,801**	**1,320**	**4,121**
Charged to the income statement	**48,349**	**639**	**48,988**
As of 31 December 2019	**51,150**	**1,959**	**53,109**
As of 1 January 2018	—	1,320	1,320
Charged to the income statement	2,801	—	2,801
As of 31 December 2018	2,801	1,320	4,121

30. 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	Other RMB'000	Total RMB'000
As of 1 January 2019	**3,452**	**2,057**	**—**	**5,509**
Business combination	**23,285**	**—**	**—**	**23,285**
Recognized in the profit or loss	**(4,194)**	**2,566**	**339**	**(1,289)**
Others	**—**	**—**	**171**	**171**
As of 31 December 2019	**22,543**	**4,623**	**510**	**27,676**
As of 1 January 2018	1,750	—	—	1,750
Business combination (Note 34)	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

31. Contract liabilities

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Current		
Sales of live streaming virtual items	**113,045**	143,710

Contract liabilities derived from the sales of live streaming virtual items for which the related services had not been rendered as of 31 December 2019 and 2018. The users purchased virtual items from the Group's platforms, and the contract liabilities were recognized on an aggregate basis by taking reference to the balance of virtual items that were not consumed.

32. Provisions

	Legal claim RMB'000
Balance at 31 December 2018	8,800
Additional provision	4,259
Balance at 31 December 2019	**13,059**

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 24).

In May 2019, the Court has demanded the Group to return funds (see Note 24) amounting to RMB4,259,000. The Group has filed an appeal to the Court's decision and a provision of RMB4,259,000 has been made as at 31 December 2019.

In addition to the above legal proceeding, as at 31 December 2019, the Group has no major pending litigation as the defendant.

33. Dividends

No dividends have been paid or declared by the Company during each of the year ended 31 December 2019 and 2018.

34. Business combination

In the second half of 2019, the Group acquired 100% equity interest of Jimu from certain independent third parties, which engages in social network product and social network community in the PRC. The equity interest of Jimu and its subsidiaries have been transferred to the Group except for 15.67% of the equity interest of Beijing Blueberry. The Group has entered into a series of contractual agreements similar to the Contractual Agreements described in Note 2.3 (a)(i) with Beijing Blueberry and its nominal equity holder to obtain economic benefits and control over the 15.67% equity interest in the Beijing Blueberry.

The total cash consideration for Jimu Acquisition was RMB599,222,000, among which RMB83,026,000 (USD10,454,000) would be paid out within three years as of 31 December 2019. In determining the purchase consideration for the purchase price allocation, the Group has adjusted the amount for the effect of the time value of money. The adjusted purchase consideration was RMB592,859,000 and the difference of RMB6,363,000 between the purchase consideration and the total cash consideration would be recognized as interest expense in the subsequent payment periods.

34. Business combination (continued)

The goodwill of approximately RMB512,758,000 from the Jimu Acquisition is attributable to the acquired social networking 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 Jimu Acquisition, the fair value of assets and acquired liabilities assumed at the acquisition date.

Social Network Technology Co., Ltd.	RMB'000
Total cash consideration	599,222
Adjustment of time value of money	(6,363)
Total purchase consideration	592,859

The assets and liabilities recognized as a result of the acquisition are as follows:

	Fair value RMB'000
Cash and cash equivalents	15,852
Other receivables, deposits and other assets	654
Prepayments	775
Property, plant and equipment	268
Intangible assets:	
— Trademarks	74,000
— User base	16,000
— Technology	3,140
— Software	9
Accounts payables	(1,112)
Other payables and accruals	(6,200)
Deferred tax liabilities	(23,285)
Net identifiable assets acquired	80,101
Add: Goodwill	512,758
Net assets acquired	592,859

34. Business combination (continued)

In 2017, the Group acquired 30% equity interest with preferred right at RMB3,000,000 from certain independent parties in Beijing Laxia (see Note 17), an entity engaging in the game development business in the PRC. In second half of 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.

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)
Net identifiable liabilities assumed	(334)
Add: Goodwill	10,334
Net assets acquired	10,000

35. Note to consolidated statements of cash flows

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit before income tax	**60,724**	1,173,765
Adjustments for:		
— Depreciation of property, plant and equipment (Note 15)	**17,743**	15,484
— Amortization of intangible assets (Note 17)	**17,061**	16,189
— Depreciation of Right-of-use assets (Note 16)	**26,792**	—
— Impairment of intangible assets (Note 17)	**23,444**	—
— Loss on disposal of property, plant and equipment	**155**	—
— Finance income — net (Note 11)	**(32,923)**	(28,076)
— Fair value gain of financial assets at fair value through profit or loss (Note 9)	**(68,727)**	(46,902)
— Share of loss of investments accounted for using the equity method (Note 18)	**18,172**	3,083
— Gain on disposal of investment in a joint venture (Note 9)	**(5,716)**	—
— Amortization of deferred government grants (Note 10)	**(1,734)**	(18,574)
— Fair value gain of financial instruments with preferred rights	**—**	(514,844)
— Share-based compensations (Note 27)	**18,681**	10,157
— Net foreign exchange losses (Note 9)	**322**	3,715
— Others	**(181)**	180
Changes in working capital:		
— Inventories	**247**	(1,363)
— Accounts receivables	**32,518**	(10,145)
— Other receivables, prepayments, deposits and other assets	**(640)**	(84,082)
— Restricted cash	**(11,032)**	(19,586)
— Accounts payables	**(2,192)**	(112,066)
— Contract liabilities	**(30,665)**	58,244
— Provision for accrued liabilities	**4,259**	—
— Accruals and other payables	**40,843**	(56,409)
Cash generated from operations	**107,151**	388,770

35. 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	Lease liabilities RMB'000	Total RMB'000
As of 1 January 2019	**—**	**—**	**29,221**	**29,221**
Cash flows	**—**	**—**	**(28,912)**	**(28,912)**
Non-cash transactions (Note a)	**—**	**—**	**153,422**	**153,422**
As of 31 December 2019	**—**	**—**	**153,731**	**153,731**
As of 1 January 2018	3,373,353	15,571	—	3,388,924
Cash flows	—	(15,586)	—	(15,586)
Non-cash transactions (Note b)	(3,373,353)	15	—	(3,373,338)
As of 31 December 2018	—	—	—	—

(a) This non-cash transaction was resulted from the increase of the lease liabilities and the interest paid/payable for lease liabilities.

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

36. 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.

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., 北京彩雲在線技術開發有限公司) ("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")	An associate 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
Beijing Laoyou Duozhi Internet Information Service Co., Ltd. (北京老柚多汁互聯網信息服務有限公司) ("Beijing Laoyou Duozhi")	An associate of the Group
Changsha ZHUOHUA Senior High School (長沙卓華高級中學有限公司) ("Changsha Zhuohua")	An associate of the Group
Shenzhen Qianhai Aisi Information Consulting Co., Ltd. (深圳前海愛思信息諮詢有限公司) ("Shenzhen Qianhai Aisi")	Significant influence over Shenhen Qianhai Aisi
Beijing Mantong Information Technology Co., Ltd. (北京漫通信息科技有限公司) ("Beijing Mantong")	Significant influence over Beijing Mantong
Hunan Jiyou Technology Co., Ltd. (湖南機友科技有限公司) ("Hunan Jiyou")	A joint venture of the Group

36. Related party transactions (continued)

(a) Significant transactions with related parties

The following transactions were carried out with related parties:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Loans to related parties		
— Hunan Inke Property	**34,166**	249,992
— Changsha Zhuohua	**12,300**	—
— Shenzhen Qianhai Aisi	**10,000**	—
— Beijing Yingtianxia	**5,181**	6,000
— Beijing Mantong	**5,000**	—
	66,647	255,992

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Repayments of loans from related parties		
— Hunan Inke Property	**184,110**	—
— Beijing Yingtianxia	**5,000**	—
— Beijing Mantong	**3,500**	—
	192,610	—
Interets income from related parties		
— Beijing Yingtianxia	**278**	104
— Shenzhen Qianhai Aisi	**605**	—
	883	104

36. Related party transactions (continued)

(a) Significant transactions with related parties (continued)

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Advertisement revenue generated from related parties		
— Hunan Inke Property	1,500	—
— Beijing Laoyou Duozhi	681	—
— Beijing Yingtianxia	520	—
— Guangying Shidai	—	910
	2,701	910
Advertisement revenue received from related parties		
— Guangying Shidai	910	—
— Beijing Laoyou Duozhi	655	—
— Beijing Yingtianxia	520	—
	2,085	—
Purchasing advertisement service from related party		
— Shenzhen Qianhai Aisi	157	—
— Beijing Yingtianxia	108	—
— Hunan Jiyou	33	—
	298	—

36. Related party transactions (continued)

(b) Balances with related parties

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
Other receivables from related parties		
— Hunan Inke Property (i)	**100,048**	249,992
— Changsha Zhuohua (ii)	**12,300**	—
— Shenzhen Qianhai Aisi (iii)	**10,000**	—
— Beijing Yingtianxia (iv)	**6,000**	5,819
— Beijing Mantong (v)	**1,500**	—
— Duomi Online (vi)	**1,373**	1,373
	131,221	257,184
Accounts receivables from related parties		
— Hunan Inke Property	**1,500**	—
— Beijing Laoyou Duozhi	**26**	—
— Guangying Shidai	**—**	910
	1,526	910
Account payables to related parties		
— Shenzhen Qianhai Aisi	**157**	—
Other payables to related parties		
— Duomi Online	**15**	15

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

Note:

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

(ii) The balance represents an interest-free unsecured loan lent to Changsha Zhuohua Senior High School with term over than one year.

(iii) The balance represents the secured loan lent to Shenzhen Qianhai Aisi Information Consulting Co., Ltd. with term of one year and an interest rate at 8% per annum.

(iv) The balance represents the unsecured loan lent to Beijing Yingtianxia Network Technology Co., Ltd. with term of one year and an interest rate at 8% per annum.

(v) The balance represents an interest-free secured loan lent to Beijing Mantong Information Technology Co., Ltd. with term of approximately one year.

(vi) The balance represents the deposit paid to Beijing Duomi Online.

37. Benefits and interests of directors

(a) Directors' emoluments

The remuneration of every director and the chief executive officer for the years ended 31 December 2019 and 2018 were set out below:

For the year ended 31 December 2019	Note	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Pension scheme and other security benefits RMB'000	Total RMB'000
Executive directors						
Mr. Feng		–	788	960	126	1,874
Mr. Hou		–	756	960	126	1,842
Ms. Liao	(i)	–	788	660	126	1,574
		–	2,332	2,580	378	5,290
Non-executive directors						
Mr. Liu Xiaosong		291	–	–	–	291
Mr. David Cui	(ii)	390	–	–	–	390
Mr. Du Yongbo	(ii)	291	–	–	–	291
Dr. Li Hui	(ii)	291	–	–	–	291
		1,263	–	–	–	1,263

37. Benefits and interests of directors (continued)

(a) Directors' emoluments (continued)

For the year ended 31 December 2018	Note	Fees	Salaries	Discretionary bonuses	Pension scheme and other security benefits	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Mr. Feng		—	581	960	124	1,665
Ms. Liao	(i)	—	516	960	124	1,600
Mr. Hou		—	516	960	124	1,600
		—	1,613	2,880	372	4,865
Non-executive directors						
Mr. Liu Xiaosong		145	—	—	—	145
Mr. David Cui	(ii)	145	—	—	—	145
Mr. Du Yongbo	(ii)	145	—	—	—	145
Dr. Li Hui	(ii)	145	—	—	—	145
		580	—	—	—	580

37. Benefits and interests of directors (continued)

(a) Directors' emoluments (continued)

Note:

(i) Ms. Liao resigned as a director of the Company on 11 December 2019.

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

No directors waived or agreed to waive any emoluments during the year of 2019 and 2018. 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 2019 and 2018.

(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 2019 and 2018.

38. Contingencies

The Group did not have any material contingent liabilities as of 31 December 2019 and 2018.

39. Subsequent events

In early 2020, there was an outbreak of an infectious respiratory disease named "COVID-19" by the World Health Organization, which is caused by a novel coronavirus. The government has implemented various contingency measures and actions to prevent the spread of COVID-19 such as an extension of the Chinese New Year holiday, as well as travel and work restrictions in certain provinces and municipalities. The Group is closely monitoring the development of the outbreak and evaluating its impact on the operation and financial position of the Group.

40. Balance sheet and reserve movement of the Company

Balance sheet of the Company

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
ASSETS		
Current assets		
Financial assets at fair value through profit and loss	**323,893**	—
Cash and cash equivalents	**69,226**	417,158
Other receivables, prepayments, deposits and other assets	**67,025**	30,538
Term deposits	**139,524**	686,320
Total current assets	**599,668**	1,134,016
Non-current assets		
Investments in subsidiaries	**2,888,757**	2,369,168
Other receivables, deposits and other assets	**292**	—
Total non-current assets	**2,889,049**	2,369,168
Total assets	**3,488,717**	3,503,184
EQUITY		
Equity attributable to the shareholders of the Company		
Share capital	**13,351**	13,623
Other reserves	**4,042,122**	4,113,873
Retained earnings	**(645,892)**	(653,343)
Total equity	**3,409,581**	3,474,153

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

Balance sheet of the Company (continued)

	As of 31 December	
	2019	2018
	RMB'000	RMB'000
LIABILITIES		
Non-current liabilities		
Other payables and accruals	**36,004**	—
Total non-current liabilities	**36,004**	—
Current liabilities		
Account payables	**190**	—
Other payables and accruals	**42,942**	29,031
Total current liabilities	**43,132**	29,031
Total liabilities	**79,136**	29,031
Total equity and liabilities	**3,488,717**	3,503,184

The balance sheet of the Company was approved by the Board of Directors on 28 March 2020 and was signed on its behalf:

Feng Yousheng
Director

Hou Guangling
Director

40. 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 2019	**3,905,009**	**(51)**	**166,746**	**10,157**	**32,012**	**4,113,873**
Shares repurchased	**(109,172)**	**(526)**	**—**	**—**	**—**	**(109,698)**
Cancellation of shares	**—**	**272**	**—**	**—**	**—**	**272**
Share-based payment expense	**—**	**—**	**—**	**20,121**	**—**	**20,121**
Exercise of options	**28,200**	**107**	**—**	**(28,307)**	**—**	**—**
Currency translation differences	**—**	**—**	**—**	**—**	**17,554**	**17,554**
As at 31 December 2019	**3,824,037**	**(198)**	**166,746**	**1,971**	**49,566**	**4,042,122**
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 reorganization	—	—	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