

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Inke Limited
映客互娱有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3700)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

	For the year ended		Year-on-Year Change %
	31 December		
	2019	2018	
	<i>RMB'000</i>	<i>RMB'000</i>	
Total current assets	2,420,399	3,155,381	(23.3)
Total non-current assets	2,041,440	1,059,452	92.7
Total assets	4,461,839	4,214,833	5.9
Revenue	3,268,573	3,860,593	(15.3)
Cost of sales	(2,379,080)	(2,555,182)	(6.9)
Gross profit	889,493	1,305,411	(31.9)
Selling and marketing expenses	(495,831)	(462,210)	7.3
Research and development expenses	(330,847)	(235,465)	40.5
Profit for the year attributable to the owners of the Company ⁽¹⁾	54,932	1,102,611	(95.0)
Profit for the year	52,781	1,100,946	(95.2)

(1) A substantial portion of the Company's profit for the year ended 31 December 2018 comprised non-recurring fair value gain of financial instruments with preferred rights.

OPERATIONAL HIGHLIGHTS

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

	For the year ended		Year-on-Year Change*
	31 December 2019	2018	
	<i>(in thousands, except for percentages)</i>		
Average monthly active users ("MAUs")**	<u>29,808</u>	<u>25,487</u>	<u>17%</u>

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.

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

The board of directors (the "**Board**") of the Company is pleased to announce the consolidated annual results (the "**Annual Results**") of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019 (the "**Reporting Period**"). The Annual Results have been reviewed by the audit committee of the Company (the "**Audit Committee**").

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 live streaming 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 live streaming 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 live streaming 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 products, 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 followings by 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 an 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 for approximately RMB350.7 million.

BUSINESS OUTLOOK

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	%	%
<i>(In thousands, except for percentages and per share data)</i>					
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)

	For the year ended 31 December				Year-on-Year
	2019		2018		Change
	RMB'000	%	RMB'000	%	%
<i>(In thousands, except for percentages and per share data)</i>					
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss:					
Currency translation differences	<u>25,666</u>	<u>0.8</u>	<u>32,334</u>	<u>0.8</u>	<u>(20.6)</u>
Other comprehensive income for the year, net of tax	<u><u>25,666</u></u>	<u><u>0.8</u></u>	<u><u>32,334</u></u>	<u><u>0.8</u></u>	<u><u>(20.6)</u></u>
Profit attributable to:					
— Owners of the Company	<u>54,932</u>	<u>1.7</u>	<u>1,102,611</u>	<u>28.6</u>	<u>(95.0)</u>
— Non-controlling interests	<u>(2,151)</u>	<u>(0.1)</u>	<u>(1,665)</u>	<u>—</u>	<u>29.2</u>
	<u><u>52,781</u></u>	<u><u>1.6</u></u>	<u><u>1,100,946</u></u>	<u><u>28.5</u></u>	<u><u>(95.2)</u></u>
Total comprehensive income attributable to:					
— Owners of the Company	<u>80,598</u>	<u>2.5</u>	<u>1,134,945</u>	<u>29.4</u>	<u>(92.9)</u>
— Non-controlling interests	<u>(2,151)</u>	<u>(0.1)</u>	<u>(1,665)</u>	<u>—</u>	<u>29.2</u>
Total comprehensive income	<u><u>78,447</u></u>	<u><u>2.4</u></u>	<u><u>1,133,280</u></u>	<u><u>29.4</u></u>	<u><u>(93.1)</u></u>
Earnings per share attributable to the equity holders of the Company (expressed in RMB per share)					
— Basic earnings per share	<u>0.03</u>		<u>0.78</u>		
— Diluted earnings per share	<u>0.03</u>		<u>0.31</u>		

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)	
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.

	Balance as at 31 December 2019	Balance as at 31 December 2018
	<u>(RMB'000)</u>	<u>(RMB'000)</u>
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
	<u>1,361,447</u>	<u>937,040</u>
Subtotal		
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
	<u>430,106</u>	<u>256,988</u>
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 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.

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.

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.***) for a total consideration of US\$85,000,000. Please refer to the Company's announcements in 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 will be announced in the Group's annual report for the year ended 31 December 2019.

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**”) 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 Listing Date of the Company and up to the date of this announcement.

Please also refer to the section headed “Contractual Arrangements” in the Prospectus 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.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Year ended 31 December	
		2019 RMB'000	2018 RMB'000
Revenue	4	3,268,573	3,860,593
Cost of sales	5	(2,379,080)	(2,555,182)
Gross profit		889,493	1,305,411
Selling and marketing expenses	5	(495,831)	(462,210)
Administrative expenses	5	(170,398)	(144,554)
Research and development expenses	5	(330,847)	(235,465)
Other gains — net		69,683	34,020
Other income		83,873	136,726
Operating profit		45,973	633,928
Finance income — net		32,923	28,076
Share of loss of investments accounted for using the equity method		(18,172)	(3,083)
Fair value gains of financial instruments with preferred rights		—	514,844
Profit before income tax		60,724	1,173,765
Income tax expense	6	(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		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

		Year ended 31 December	
<i>Notes</i>		2019	2018
		<i>RMB'000</i>	<i>RMB'000</i>
Profit attributable to:			
Owners of the Company		54,932	1,102,611
Non-controlling interests		(2,151)	(1,665)
		<u>52,781</u>	<u>1,100,946</u>
Profit for the year			
Total comprehensive income attributable to:			
— Owners of the Company		80,598	1,134,945
— Non-controlling interests		(2,151)	(1,665)
		<u>78,447</u>	<u>1,133,280</u>
Total comprehensive income			
Earnings per share (expressed in RMB per share)			
Basic earnings per share	7	0.03	0.78
Diluted earnings per share	7	0.03	0.31
		<u>0.03</u>	<u>0.31</u>

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2019

	<i>Notes</i>	As of 31 December	
		2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		19,277	27,876
Intangible assets		634,556	67,544
Investments accounted for using the equity method		242,546	197,488
Financial assets at fair value through profit or loss		430,106	256,988
Deferred tax assets		53,109	4,121
Right-of-use assets		145,785	–
Term deposits		397,000	500,000
Other receivables, deposits and other assets		119,061	5,435
Total non-current assets		2,041,440	1,059,452
Current assets			
Inventories		1,249	1,496
Accounts receivables	9	20,489	53,007
Financial assets at fair value through profit or loss		1,361,447	937,040
Cash and cash equivalents		603,932	849,629
Term deposits		184,756	836,320
Restricted cash		39,418	28,386
Other receivables, prepayment, deposits and other assets		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		13,351	13,623
Other reserves		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

		As of 31 December	
	<i>Notes</i>	2019	2018
		RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		127,958	–
Deferred tax liabilities		27,676	5,509
Other payables and accruals		36,004	–
Total non-current liabilities		191,638	5,509
Current liabilities			
Accounts payables	<i>11</i>	512,052	513,933
Other payables and accruals		138,328	67,513
Current income tax liabilities		5,998	958
Contract liabilities		113,045	143,710
Provisions		13,059	8,800
Lease liabilities		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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to the owner of the Company

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

Attributable to the owner of the Company

	Share capital <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Sub-total <i>RMB'000</i>	Non- controlling interests <i>RMB'000</i>	Total <i>RMB'000</i>
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	—	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	2,304	1,137,911	—	1,140,215	—	1,140,215
Conversion of preferred shares	6	2,858,503	—	2,858,509	—	2,858,509
Capitalisation issue	11,313	(11,313)	—	—	—	—
Share issuance costs	—	(65,737)	—	(65,737)	—	(65,737)
Share-based compensation expense	—	10,157	—	10,157	—	10,157
Acquisition of shares for employee share scheme	—	(14,406)	—	(14,406)	—	(14,406)
Total transactions with owners in their capacity as owners	13,623	3,915,115	—	3,928,738	—	3,928,738
Balance at 31 December 2018	13,623	4,113,873	(653,343)	3,474,153	(1,299)	3,472,854

NOTES TO THE FINANCIAL STATEMENTS

1 General information

Inke Limited was incorporated in the Cayman Islands on 24 November 2018 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is PO Box 309, Uglan House, Grand Cayman, KY1-1104, the Cayman Islands.

The Company is an investment holding company. The Group is principally engaged in operating live streaming platforms, interactive entertainment APPs and provision of advertising services in the PRC.

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

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

2 Basis of preparation of Financial Information

(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 (the "**Listing Rules**") on the Stock Exchange.

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 the Group's annual report.

(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 its annual reporting period commencing from 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 IFRS 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 3. 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.

3 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 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.

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".

(b) Measurement of lease liabilities

	<i>RMB'000</i>
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	<u>29,221</u>
Of which are:	
Current lease liabilities — current	22,524
Non-current lease liabilities — non-current	<u>6,697</u>

(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.

4 Revenue

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

5 Expenses by nature

	Year ended 31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Streamer costs	2,115,431	2,285,083
Promotion and advertising expenses	466,145	430,656
Employee benefit expenses	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	26,792	—
Depreciation of property, plant and equipment	17,743	15,484
Amortisation of intangible assets	17,061	16,189
Taxes and surcharges	15,023	29,447
Impairment of intangible assets	13,110	—
Impairment of goodwill	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 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
	<u>3,376,156</u>	<u>3,397,411</u>

6 Income tax expense

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

7 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

	<u>Year ended 31 December</u>	
	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)	<u>2,027,478</u>	<u>1,412,996</u>
Basic earnings per share attributable to the ordinary equity holders of the Company (expressed in RMB per share)	<u>0.03</u>	<u>0.78</u>

(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.

8 Dividends

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

9 Accounts receivables

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

	As at 31 December	
	2019 RMB'000	2018 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	—
	<u>20,489</u>	<u>53,007</u>

10 Share-based payments

Restricted Share Units (“RSUs”)

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

(a) *Grant of the RSUs*

On 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 HKD2.19 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 HKD1.64 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
	<hr/>	<hr/>
Outstanding as of 31 December 2019	11,032,121	1.94
	<hr/> <hr/>	<hr/> <hr/>

11 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 were as follows:

	As at 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
	<hr/>	<hr/>
	512,052	513,933
	<hr/> <hr/>	<hr/> <hr/>

OTHER INFORMATION

FINAL DIVIDEND

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

PURCHASE, SALE AND REDEMPTION OF 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 announcement).

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.

RESTRICTED SHARE UNIT SCHEME

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.

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 RMB95.9 million to develop its new products, approximately RMB139.1 million to market and promote new products, approximately RMB205.9 million to develop technology, research and development capabilities, approximately RMB157 million for strategic investments and 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.

RESTRUCTURING AND SIGNIFICANT INVESTMENTS

During the year ended 31 December 2019, the Group did not have any restructuring and significant investments save as disclosed in this announcement.

ANNUAL GENERAL MEETING

The Company will convene the annual general meeting of 2020 (the “**AGM**”). For details of the AGM, please refer to the notice of AGM which will be published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.inke.cn) in due course.

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 announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company has adopted the Corporate Governance Code and the Corporate Governance Report (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as its own code of corporate governance. During the year ended 31 December 2019, the Company has complied with all the code provisions of the CG Code and adopted most of the best practices set out therein, except for a deviation from the code provision A.2.1 which requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set forth in Appendix 10 to the Listing Rules as a code of conduct of the Company for Directors' securities transactions. Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2019.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by the Company's independent auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year.

The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on this results announcement.

AUDIT COMMITTEE

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

The Audit Committee has reviewed and discussed the annual results for the year ended 31 December 2019.

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

The annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.inke.cn). The annual report of the Company for the year ended 31 December 2019 will be dispatched to the shareholders of the Company and will be available on the website of the Stock Exchange and that of the Company in due course in accordance with Rule 13.46 of the Listing Rules.

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

Hong Kong, 28 March 2020

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

**** The English translations of the Chinese names of the PRC entities are provided for identification purposes only.*