Weimob 微盟

WEIMOB INC.
微盟集團*

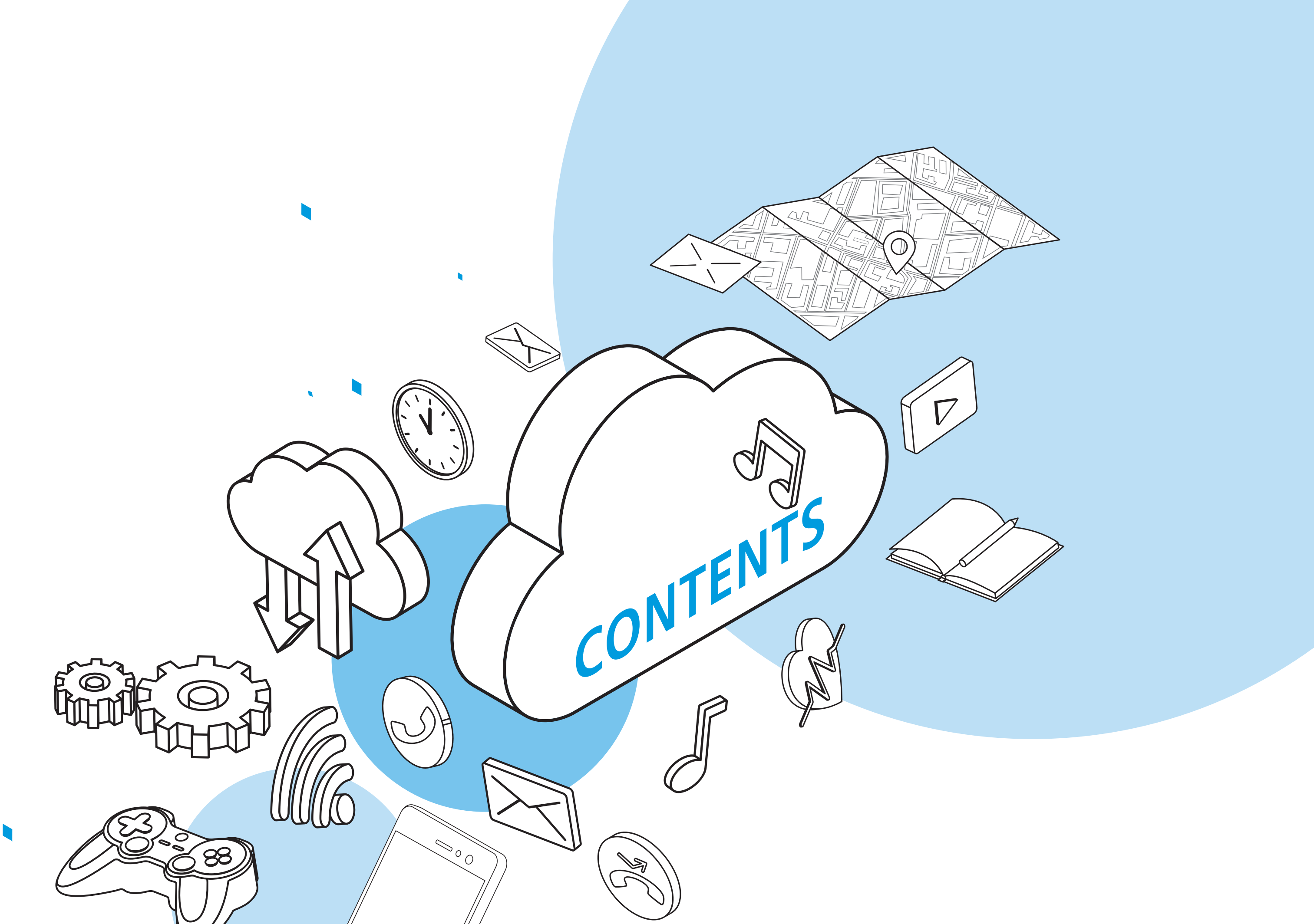
(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)

Stock Code 股份代號：2013

Annual Report 年報 2019

Making Business More
Intelligent
讓商業變得更智慧

*For identification purpose only 僅供識別



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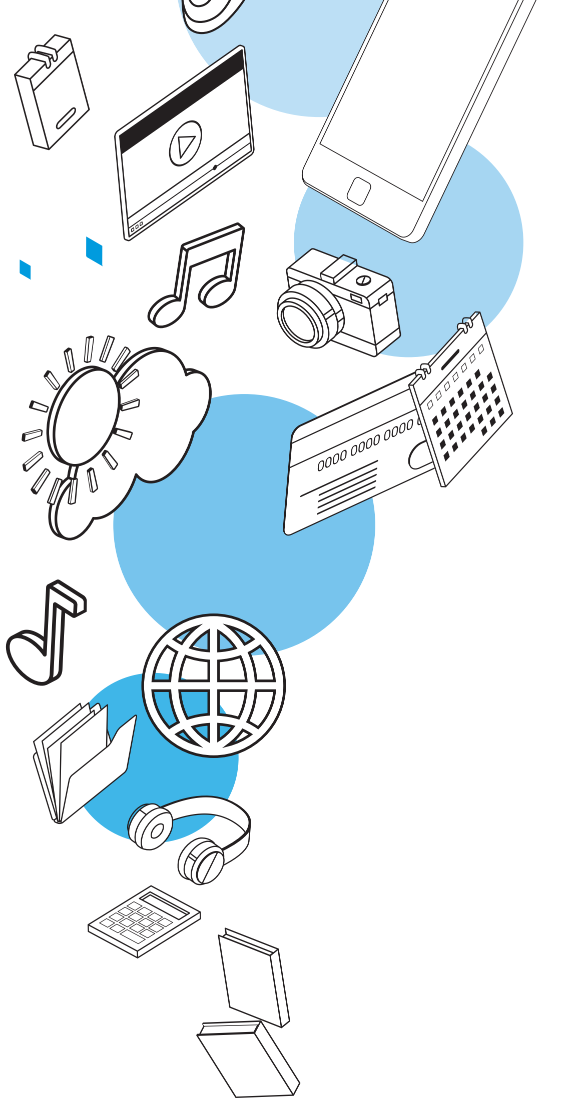

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. SUN Taoyong *(Chairman)*
Mr. FANG Tongshu
Mr. YOU Fengchun
Mr. HUANG Junwei

Independent Non-executive Directors

Dr. SUN Mingchun
Dr. LI Xufu
Mr. TANG Wei

JOINT COMPANY SECRETARIES

Mr. CAO Yi
Ms. NG Sau Mei *(FCIS, FCS)*

AUDIT COMMITTEE

Mr. TANG Wei *(Chairman)*
Dr. SUN Mingchun
Dr. LI Xufu

REMUNERATION COMMITTEE

Dr. SUN Mingchun *(Chairman)*
Dr. LI Xufu
Mr. SUN Taoyong

NOMINATION COMMITTEE

Mr. SUN Taoyong *(Chairman)*
Dr. SUN Mingchun
Dr. LI Xufu

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F Prince's Building
Central
Hong Kong

LEGAL ADVISOR

As to Hong Kong and U.S. laws:
Clifford Chance
27/F, Jardine House
One Connaught Place
Central
Hong Kong

As to Cayman Islands law:
Maples and Calder (Hong Kong) LLP
26th Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

COMPLIANCE ADVISOR

Haitong International Capital Limited
8/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

PRINCIPAL BANKERS

Bank of Shanghai Co., Ltd.
Pilot Free Trade Zone Branch
1/F, China Aluminium High Building
No. 53 Changqing North Road
Pudong District
Shanghai
PRC

China CITIC Bank Co., Ltd.
Waitan Branch
No. 290 Beijing East Road
Huangpu District
Shanghai
PRC

China Construction Bank Corporation
Shanghai Zhangmiao Branch
No.1768 Changjiang West Road
Baoshan District
Shanghai
PRC

AUTHORIZED REPRESENTATIVES

Mr. SUN Taoyong
Ms. NG Sau Mei

REGISTERED OFFICE

P.O. Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

Weimob Building
No. 258, Changjiang Road
Baoshan District
Shanghai
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

2701, 27th Floor
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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

HONG KONG SHARE REGISTRAR

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

STOCK CODE

2013

COMPANY'S WEBSITE

www.weimob.com

FINANCIAL SUMMARY AND OPERATIONAL HIGHLIGHTS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended December 31,				
	2019	2018	2017	2016	2015
	(RMB'000)				
Revenue	**1,436,787**	865,031	534,011	189,174	114,008
Gross profit	**797,130**	517,649	344,211	166,923	98,191
Operating profit/(loss)	**37,767**	(41,892)	2,755	(85,159)	(89,228)
Profit/(loss) before income tax	**328,406**	(1,090,597)	2,833	(86,088)	(97,625)
Profit/(loss) for the year	**311,308**	(1,091,207)	2,637	(80,946)	(88,574)
Total comprehensive income/(loss) for the year	**311,308**	(1,094,690)	2,637	(81,183)	(89,071)
Adjusted EBITDA	**167,808**	72,609	23,187	(74,021)	(50,582)
Adjusted net profit	**77,340**	50,838	11,165	(76,445)	(50,544)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Year ended December 31,				
	2019	2018	2017	2016	2015
	(RMB'000)				
Assets					
Non-current assets	**448,757**	234,412	180,141	134,251	32,412
Current assets	**2,855,158**	846,335	286,607	166,424	66,331
Total assets	**3,303,915**	1,080,747	466,748	300,675	98,743
Equity					
Capital and reserves attributable to equity holders of the Company	**1,990,103**	(2,431,382)	(217,047)	(288,501)	(61,715)
Non-controlling interests	**(295)**	(1,154)	2,303	1,985	2,218
Total equity/(deficit)	**1,989,808**	(2,432,536)	(214,744)	(286,516)	(59,497)
Liabilities					
Non-current liabilities	**140,285**	2,899,976	145,107	118,377	45,485
Current liabilities	**1,173,822**	613,307	536,385	468,814	112,755
Total liabilities	**1,314,107**	3,513,283	681,492	587,191	158,240
Total equity and liabilities	**3,303,915**	1,080,747	466,748	300,675	98,743

CHAIRMAN'S STATEMENT

Dear Shareholders,

First of all, I would like to thank all Shareholders of Weimob Inc. (the "**Company**") for their continued support to us in a challenging macro environment. 2019 is a landmark year for the Company, when we were successfully listed on the Main Board of the Stock Exchange, thus enhancing our capital strength and brand awareness, and helping us seize the development opportunities brought by intelligent business as well as continue to maintain our leading position in the cloud-based commerce and targeted marketing market for SMBs. At the same time, despite the background of the global market downturn and the poor macroeconomic situation, we recorded significant growth in our overall results.

During the period under review, we launched a new round of strategic upgrade and organizational structure upgrade, established an intelligent business career group and an intelligent marketing career group. At the same time, we updated the Company's mission and vision, being committed to becoming the best partner for the digital transformation of enterprises. The strategic upgrade and organizational upgrade will help us capitalize on the opportunities brought by the industrial Internet, effectively integrate the internal resources of the Company, and provide users with higher quality services through a clearer and more efficient organizational structure.

At the same time, we also focused on the intelligent business ecosystem strategy, continuously catered to user needs and market changes, strengthened our investment in product research and development, provided better products and more professional services, and deepened our connection with merchants, advertisers and partners, which contributed to the sustained growth of our two core businesses, namely SaaS products and targeted marketing. While improving our existing product capabilities, we made arrangements for new sectors through strategic cooperation, enhanced the monetization of our client base and expanded our sales channels. We also carried out in-depth cooperation with Tencent and other strategic partners, thus enabling the Company to maintain its leading position in the cloud-based commerce and marketing service industry for SMBs. At the same time, we increased our efforts to acquire key customers, and have achieved remarkable success with regard to our Smart Retail (智慧零售) products.

I am pleased to present to the Shareholders the Company's financial position and operating highlights for the year ended December 31, 2019, review the business development in 2019, and summarize strategies and outlook of the Company for 2020.

CHAIRMAN'S STATEMENT

1. 2019 RESULTS HIGHLIGHTS

Our total revenue for the year ended December 31, 2019 reached RMB1,437 million, representing an increase of 66.1% from RMB865 million in 2018. Our gross profit for the same period increased by 54.0% from RMB518 million in 2018 to RMB797 million in 2019. Our net profit was RMB311 million, including the gain of RMB298 million due to a change in fair value of financial liabilities recognized for our preferred shares under HKFRS. Our adjusted EBITDA significantly increased by 131.1% from RMB73 million in 2018 to RMB168 million in 2019, and adjusted net profit increased from RMB51 million in 2018 to RMB77 million in 2019.

For the year ended December 31, 2019, the number of paying merchants of our SaaS products increased by 23.0% to 79,546, and the ARPU of our SaaS products increased by 18.8% to RMB6,373. The number of advertisers using our targeted marketing increased by 19.4% to 34,142, and the average spend per advertiser increased by 77.4% to RMB154,680. The gross billing of our targeted marketing significantly increased by 111.9% to RMB5,281 million.

Through continuous innovation in technology, products and services, we received various awards and recognitions in 2019, including "2019 SOFT6.COM SAAS Influential Enterprise" (「2019年中國軟件網SaaS年度影響力企業」), "Official Partner of Tencent Smart Retail" (「騰訊智慧零售官方合作夥伴」), "Best Partner for Regional and Medium to Long Tail Channels in 2019" (「區域及中長尾渠道2019年度最佳合作夥伴」) of Tencent Ads (騰訊廣告), "2019 Top 20 Retail Digital Service Providers" (「2019零售數字化服務商20強」) and "2019 Top 20 Catering Service Providers" (「2019餐飲產業服務商20強」) by IYIOU.COM (億歐網), "2019 iResearch Awards – Best Innovative Platform Award" (「2019年金瑞獎 – 最佳創新平台獎」), "2019 ifenxi · China Top 100 Science and Technology Innovation Enterprises" (「2019愛分析•中國科技創新企業100強」), "China Top 50 Retail Innovation Enterprises" (「中國零售創新企業50強」), "WISE 2019 King of the New Economy in Consumption Sector – King of New Retail" (「WISE 2019新經濟之王之消費領域 – 新零售之王」) by 36Kr (36氪), 2019 Most Influential Innovation Enterprise Award in Enterprise Service (「2019年度企業服務領域最具影響力創新企業獎」) by Lieyunwang (獵雲網), "2019 Enterprise Service Platform for New Industrial Economy" (「2019年度新產業經濟企業服務平台」) by Zncaijing (鋅財經), "2019 Most Valuable Smart Retail Platform" (「2019年度最具價值智慧零售平台」) by Feifan Capital (非凡資本), "2019 EBRUN Top 30 in New Services of Future Retail" (「2019億邦未來零售新服務TOP30」).

In fulfilling our social responsibilities, we, as a technical supporter, developed and launched the Little Wish (微心願) Mini Program for Shanghai Charity Foundation (上海市慈善基金會). In 2018 and 2019, we participated in the "Supporting the Youth in Fulfilling Their Dreams" (「青春聚力量，圓夢在行動」) public welfare poverty alleviation project launched by Office for Cooperation and Exchange Affairs of the Shanghai Municipal People's Government (上海市政府合作交流辦), Shanghai Committee of the Communist Youth League of China and Shanghai Charity Foundation. We thereby supported students in poverty in many provinces, cities and regions in China in fulfilling their dreams, closely linked poverty alleviation projects to the Internet, and stimulated social forces to support poverty alleviation. In 2020, during the outbreak of Coronavirus Disease 2019 (COVID-19), we actively fulfilled our social responsibilities. We donated RMB10 million through Shanghai Charity Foundation. Further, we provided Wei Form (微盟表單) functions for free use in China in order to help relevant departments to collect and register masks ordering data, statistics of whereabouts of returning persons, and other information. We also took measures to support industries and merchants that were significantly affected by the outbreak. We offered an additional 2-month service period to merchants in the smart retail segment, provided new merchants with One-to-One remote implementation and delivery (遠程實施交付) services, and opened Weimob live shopping platform for merchants' live broadcasting, all free of charge. At the same time, we provided the Weimob food delivery Mini Program nationwide for free use by merchants in the catering segment for 3 months. In addition, we offered Weimob "Battle" Courses (微盟「戰役」公開課), which provided merchants with emergency response and practice guidance on online transformation during the outbreak, rapidly meeting their demand for online operation.

2. BUSINESS REVIEW

In 2019, we made a breakthrough in both our SaaS products and targeted marketing businesses. In terms of SaaS products, our Commerce Cloud (商業雲) products are oriented towards social e-commerce, smart retail, smart catering, smart hotel, local life and other verticals, providing a complete one-stop solution.

In terms of the social e-commerce, benefiting from the wide acceptance of WeChat Mini Programs by WeChat users and enterprises, we take Mini Programs as the core of our Wei Mall (微商城) products and continuously upgrade their functions, thus steadily increasing the number of our paying merchants and revenue. We have launched Mini Programs for distribution market and live broadcasting, thereby establishing distribution networks and live broadcasting selling platforms for enterprises, solving merchants’ problems of stockout and traffic deficiency, and expanding their sales channels. In order to expand the merchants’ sales channels, we are in the process of negotiating with more Mini Program platforms for cooperation. In addition, we launched Zhiketui (直客推), which is deeply linked with our targeted marketing business, reduces steps of e-commerce advertisers to create transactions, enables merchants to quickly sell goods through advertising, and helps form a closed loop from traffic attraction to transaction for e-commerce within our ecosystem.

In the smart retail segment, by providing full-link digital solutions for owners of retail chain brands with offline stores, our smart retail business achieved soaring growth, with more and more retail enterprises choosing our products and services to realize the digitalization of passenger flow, stores, shopping guide and marketing. We have successful cases in clothing, beauty makeup, home textiles, food, 3C (computer, communication and consumer electronics) and other industries. As at December 31, 2019, the number of merchants in the smart retail segment reached 1,101, with revenue of RMB44.743 million, accounting for 8.8% of the total revenue from SaaS. There were 217 brand merchants, with ARPU of RMB0.125 million. At the same time, we have established good cooperation with Tencent Smart Retail (騰訊智慧零售) in customer acquisition, product research and development, and operational services, and have been recognized as an official partner of Tencent Smart Retail. We also carried out strategic cooperation with Demo Network (達摩網絡), a digital retail CRM service provider, to deeply integrate Weimob smart retail solutions’ digitalization capabilities and Demo’s membership marketing capabilities. This cooperation formed an integrated solution of “Mini Program + member + shopping guide”, which helps enterprises operate private domain traffic and improve shopping guide and sales capabilities, thus helping retail enterprises achieve performance growth. In the future, we will coordinate and cooperate with more digital retail third-party service providers. We believe that the revenue from the smart retail segment will continue to grow in the future and account for a greater percentage of the total revenue from SaaS.

In the smart catering segment, our Smart Restaurant (智慧餐廳) products, which are based on decentralized business model, provide catering enterprises with one-stop smart catering solutions such as membership marketing, meal ordering, payment and food delivery, helping them accumulate members and build private domain traffic. Through continuously enriching and improving our product capabilities, we provide industry-leading catering Mini Programs and membership marketing solutions for the merchants. As at December 31, 2019, the number of merchants in the catering segment reached 4,602, with revenue accounting for 7.8% of the total revenue from SaaS, and ARPU of RMB8,619. At the same time, we strengthened our arrangements for Mini Programs for food delivery. We have established an in-depth cooperative relationship with Syoo Network (商有網絡), a food delivery agent operation service provider in the catering industry. Through the cooperation, we formed the comprehensive strategic arrangement of “agent operation + Yun Xiao Dian (雲小店) + Yun Guan Jia (雲管家) + business school”, in order to serve catering brands in all aspects of “product – service – empowerment”. We provided an integrated solution of “full domain membership + private domain traffic” in four scenarios, i.e. to home, to store, en route and takeout, and helped merchants establish their own Mini Programs for food delivery, thus reducing their marketing costs for customer acquisition. At the beginning of

2020, through the acquisition of Wuxi Yazuo Zaixian Technology Co., Ltd. (無錫雅座在線科技股份有限公司, "Yazuo") (a comprehensive solution provider in the catering sector), we obtained complementary strengths in terms of membership management and marketing system, and followed the integration trend in the catering SaaS sector. We thus created a smart catering solution which integrated membership management, cashier, food delivery, meal ordering, reservation and supply chain management. Through this solution, we aim to address pain points in the catering sector, including centralized platforms' control on traffic, high commission rate, the disconnection between service providers in different scenarios, and lack of in-depth operation. We will continue to rely on WeChat's characteristics of decentralization and private domain traffic, and to differentiate ourselves from the ecological closed loop of the centralized platform, thus improving our industry competitiveness.

In terms of smart hotel and local life segments, our Smart Hotel (智慧酒店) products provide hotel merchants with WeChat direct sales solutions, including online room booking, online mall, membership marketing and other services. We serve middle and high-end hotels through Xiangminiao Network (向蜜鳥網絡) in which we have invested. By far we have served 362 high-end star-rated hotels. In addition, we established a direct sales team for Smart Hotel to serve the long-tail market of low and middle-end hotels. Our Ke Lai Dian (客來店) products have the core functions of online reservation, membership management and periodic pay-per-use card. We continuously improved our products and marketing capacity, thus fully meeting the digital transformation needs of merchants who engaged in local life businesses including beauty, leisure and fitness, and helping stores increase revenue. Since more and more merchants begin to attach importance to private domain traffic and digital upgrade, we believe that more merchants will use our products in the future.

In terms of Marketing Cloud (營銷雲), we have marketing tools and products including Wei Station (微站), Sales Pusher (銷售推), Smart Marketing (智營銷), Weimob Meeting (微盟會務) and Wei Form. Our Wei Station products were upgraded mainly with a focus on template update, decoration optimization, etc. At present, there are over 100 types of decoration templates. Merchants can use Wei Station to rapidly build their own official websites based on Mini Programs. It has become the first choice for building a Mini Program-based website. As for Smart Marketing products, preliminary success has been achieved in constructing a customer data platform (CDP) for large and medium-sized customers. Smart Marketing has entered the comprehensive business expansion stage. Sales Pusher, a Sales Cloud (銷售雲) product, with continuously strengthened product functions, has been deeply connected to WeChat Work (企業微信), and has provided various marketing tools to support enterprises in sales and customer acquisition. In addition, we have continuously developed various social marketing plug-ins to help merchants quickly acquire customers through social sharing. We have developed a total of over one hundred marketing plug-ins.

In terms of targeted marketing, by connecting to more advertisers and media resources, our targeted marketing business has achieved breakthrough growth despite the challenging and uncertain macro environment. In 2019, as a leading service provider in regional and industry channels of Tencent Ads, we obtained many awards and various key regional licenses, industry licenses and country-wide KA (Key Account) licenses from Tencent Ads. At the same time, we have developed in-depth cooperation with Tencent Ads in many other aspects. Both parties have jointly launched the "Tencent - Weimob Plan" (「騰盟計劃」) to empower DTC (Direct to Customer) e-commerce and have established the first regional marketing service center authorized by Tencent at Shanghai headquarter of Weimob. We continue to be deeply engaged in verticals and regional markets, thus deepening and widening our business. In addition, we have strengthened cooperation with more media traffic providers to improve our traffic supply, which has become a new important source of growth. We have established a short video center, which firmly ensures creative delivery of short video advertisements by advertisers.

In terms of cloud platform, Weimob Cloud Platform (微盟雲平台) is the basis for our construction of PaaS cloud services. We have currently amassed more than 500 third-party developers who offered approximately over 800 applications. Our PaaS platform has served many large customers, and its privatization deployment was completed. Through the Weimob Cloud Platform, we not only provide standard solutions to serve small and medium-sized enterprises but also offer tailored solutions to serve large customers together with our partners.

In terms of strategic cooperation, investment, mergers and acquisitions, in addition to developing core businesses internally, we have also strengthened our strategic cooperation and investment with industry-leading enterprises and institutional investors, and made arrangements for SaaS industry and enterprises in marketing-related upstream and downstream industry chains. We aim to quickly enter new sectors through strategic cooperation, investment, mergers and acquisitions, to seize new opportunities in relevant verticals, and to realize coordinated development with our existing business. We cooperated with Huifu Payment (匯付天下) in the sector of "SaaS + payment" to provide merchants with one-stop smart payment solutions. We also cooperated with Super Shopping Guide (超級導購). Through the solution of "SaaS tools + shopping guide operation", we helped retail enterprises improve their shopping guide marketing capacities and performance results. We have invested in Demo Network, a digital retail CRM service provider, which deepens our synergy in the smart retail segment. In terms of industrial arrangements, we have established an industry fund, namely, Weimob Soft Cloud (微盟軟雲) jointly with Shanghai Innovital Capital (上海雙創). We have also established Nanjing Meridian Weimob Fund (南京華映微盟基金) jointly with Nanjing Meridian (南京華映), Nanjing Industry Development Fund (南京市產業發展基金) and Nanjing Jianye Technology Innovation Fund (南京市建鄴科技創新基金). The funds will make investments in enterprise-level SaaS services, digital marketing and other relevant sectors. In the future, we plan to carry out mergers, acquisitions and investments in more verticals to expand our product range and realize rapid business development through endogenous growth and exogenous expansion.

3. BUSINESS OUTLOOK

Looking forward to 2020, we will take the digital transformation of enterprises as our core strategy, continuously expand our cloud service offerings, strengthen the monetization of existing customers, enhance cooperation with Tencent and other decentralized platforms, build an open and cooperative ecosystem of Weimob Cloud Platform, explore more strategic cooperation and acquisition opportunities, and persist in empowering business through the decentralization business model.

We will always adhere to taking cloud services as the core of our business and build our intelligent business ecosystem around Commerce Cloud, Marketing Cloud, Sales Cloud and Service Cloud (服務雲). In the Commerce Cloud segment, we will continue to be deeply engaged in verticals including social e-commerce, smart retail, smart catering, smart hotel and local life, with a focus on smart retail and smart catering.

In terms of smart retail, it will be our strategic focus. We have signed contracts with more than 200 retail brand merchants. With an increasing number of stores, there will be a gradual increase in the per customer transaction of brand merchants, strong brand merchant stickiness, and a low attrition rate. Our smart retail solutions have leading advantages in terms of product function and acquisition of industry benchmark customers. We expect that this advantage will be further enhanced in the future and our share in retail digitization will gradually increase. At the same time, we will enhance upstream and downstream cooperation in the retail digitalization sector through strategic cooperation and investment, to establish ecological partnership and in-depth integration of product solutions. We will also deepen the collaboration with Tencent Smart Retail and Tencent Ads to take advantage of Tencent's digitalization tool function and operation system, thus helping brands better realize digital upgrade.

In terms of smart catering, we have been a leader in the WeChat-based membership marketing industry. In 2020, we propose to acquire 63.83% equity interest in Yazuo and exercise our control strategically. This will help enrich the product line of smart catering and create a smart catering solution integrating membership management, cashier, food delivery, meal ordering, reservation and supply chain management. At the same time, we can make great progress in breaking sales capacity limits, and continue to maintain a leading position in membership management and marketing for catering enterprises, and form a comprehensive sales model under which the consultant team, the direct sales team and the channel sales focus on the head catering customers, the middle catering customers and the tail catering customers respectively. Our solution will be able to properly address existing pain points in the catering sector, including centralized platforms' control on traffic, high commission rate, the disconnection between service providers in different scenarios, and lack of in-depth operation. We will continue to rely on WeChat's characteristics of decentralization and private traffic, and to differentiate ourselves from the ecological closed loop of the centralized traffic platform, thus improving our industry competitiveness.

While continuously improving our existing products, our Commerce Cloud will be deeply planned around different verticals. In addition to the existing smart hotel and local life sectors, we will develop our business in education, beauty and other industries in the future. Our Marketing Cloud helps customers build a customer data platform (CDP) and a content creation platform, and provides omni-channel touchpoints and marketing automation tools, to improve the advertising effect for customers. We will focus on upgrading Sales Pusher products to form independent Sales Cloud solutions, including sales automation, smart customer acquisition, call center, office collaboration and other functional modules. With the huge sales network system of Weimob, we will have natural advantages in acquiring customers, and our Sales Cloud will focus on one-stop smart sales management for small and medium-sized enterprises. We will also continue to improve our SaaS business arrangements through strategic cooperation, investment and acquisitions. In terms of Sales Cloud and Service Cloud, we will seek more strategic cooperation, investment and acquisitions so that we can quickly enter new service areas and realize rapid business development through exogenous expansion.

Customers are the foundation of our business. Only by continuously creating value for customers can we achieve a win-win outcome with them. We will strengthen the monetization of existing customers, for which our large customer base provides a solid foundation. We will strengthen the monetization of SaaS products and targeted marketing through cross-marketing and cross-selling between different products and services. We will always persist in empowering customers in a decentralized manner. We will provide a series of intelligent business solutions, continuously create value for customers, support enterprises in digital transformation, thus making business more intelligent.

Common development is the norm in the industrial Internet era. We will strengthen the cooperation with Tencent and other platforms. At the same time, we will continue to build our own ecosystem of service providers and partners. We will carry out in-depth cooperation with Tencent on Mini Programs, Social Advertising, Smart Retail, WeChat Pay, Tencent Cloud and other business lines. We will also strengthen the cooperation with more third-party platforms to jointly provide better services to merchants. We will, as always, encourage and support third-party developers to develop applications on our Weimob Cloud Platform, so as to expand our offerings to customers and to provide tailored solutions to large customers together with our partners. In the next step, we will focus more on cultivating our developer ecosystem, so that we can take advantage of more public capabilities and cooperate with the developers in building our ecosystem.

APPRECIATION

The next 20 years will be a golden era for the industrial Internet. Adhering to the philosophy of common development, continuous evolution, customer orientation and long-termism, Weimob Inc. will keep persevering and innovating. With numerous SMBs and segmented industry, the enterprise-level service sector in China faces a more difficult situation than that in the U.S. Therefore, it is necessary to take a longer-term view. Sticking to long-termism will be our eternal philosophy in the future. We will further strive to continuously create value for customers and create long-term value for Shareholders.

I would like to take this opportunity to thank our customers, partners, investors and Shareholders for trusting and supporting Weimob Inc. Meanwhile, I would like to express my heartfelt thanks to the dedicated and hard-working employees. Looking into the future, I will, together with the management, continue to overcome difficulties and obstacles and lead the Company towards a higher goal. We will empower the business under the decentralization business model, support enterprises in digital transformation, and strive to maximize returns for Shareholders and investors.

Mr. Sun Taoyong
Chairman of the Board and Chief Executive Officer

MANAGEMENT DISCUSSION AND ANALYSIS

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

	Year ended December 31, 2019	2018
	(RMB'000)	
Revenue	**1,436,787**	865,031
Cost of sales	**(639,657)**	(347,382)
Gross profit	**797,130**	517,649
Selling and distribution expenses	**(716,907)**	(449,799)
General and administrative expenses	**(129,936)**	(151,380)
Net impairment losses on financial assets	**(6,630)**	–
Other income	**67,434**	16,490
Other gains, net	**26,676**	25,148
Operating profit/(loss)	**37,767**	(41,892)
Finance costs	**(13,151)**	(5,377)
Finance income	**1,569**	254
Share of net profit of associates accounted for using the equity method	**3,941**	–
Change in fair value of redeemable and convertible preferred shares	**298,280**	(1,043,582)
Profit/(loss) before income tax	**328,406**	(1,090,597)
Income tax expense	**(17,098)**	(610)
Profit/(loss) for the year	**311,308**	(1,091,207)
Other comprehensive income/(loss), net of tax		
Change in fair value of financial liabilities from own credit risk	**–**	(3,483)
Total comprehensive income/(loss) for the year	**311,308**	(1,094,690)
Attributable to:		
– Equity holders of the Company	**311,978**	(1,092,689)
– Non-controlling interests	**(670)**	(2,001)
	311,308	(1,094,690)

Key Operating Data

The following table sets forth our key operating data for the years ended/as of December 31, 2019 and 2018.

	Year ended/as of December 31,	
	2019	2018
SaaS products		
Addition in number of paying merchants	29,223	26,995
Number of paying merchants	79,546	64,695
Attrition rate[1]	22.2%	26.8%
Revenue (RMB in millions)	507.0	347.1
ARPU[2] (RMB)	6,373	5,365
Targeted marketing		
Addition in number of advertisers	29,424	23,521
Number of advertisers	34,142	28,589
Repurchase rate		
(Number of repurchased advertisers[3]/advertisers)	68.3%	55.4%
Gross billing (RMB in millions)	5,281.1	2,492.5
Average spend per advertiser (RMB)	154,680	87,185

Notes:

(1) Refers to the number of paying merchants not retained over a year divided by the number of paying merchants as of the end of the previous year.

(2) Refers to the average revenue per paying merchant, which equals revenue of SaaS products for the year divided by the number of paying merchants as of the end of such year.

(3) Refer to advertisers who used our targeted marketing more than once during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Year ended December 31, 2019

Financial Result

- Revenue RMB1,436.8 million
- Net Profit RMB311.3 million
- Adjusted EBITDA RMB167.8 million
- Adjusted Net Profit RMB77.3 million

Business Performance

- SaaS Paying Merchants 79,546
  YoY + 23.0%
- ARPU RMB6,373
  YoY + 18.8%
- Target Marketing Advertisers 34,142
  YoY + 19.4%
- Average Spend per Advertisers RMB154,680
  YoY + 77.4%

Weimob 微盟

SaaS

- Revenue RMB507.0 million
  YoY + 46.1%
- Gross Profit RMB408.1 million
  YoY + 38.4%

Targeted Marketing

- Gross Billing RMB5,281.1 million
  YoY + 111.9%
- Revenue RMB929.8 million
  YoY + 79.5%
- Gross Profit RMB389.0 million
  YoY + 74.7%

Key Financial Ratios

	Year ended December 31,	
	2019	2018
	%	
Total revenue growth	**66.1**	62.0
– SaaS products	**46.1**	32.1
– Targeted marketing	**79.5**	90.9
Gross margin[(1)]	**55.5**	59.8
– SaaS products	**80.5**	85.0
– Targeted marketing	**41.8**	43.0
Adjusted EBITDA margin[(2)]	**11.7**	8.4
Net margin[(3)]	**21.7**	(126.1)
Adjusted net margin[(4)]	**5.4**	5.9

Notes:

(1) Equals gross profit divided by revenue for the year and multiplied by 100%.

(2) Equals adjusted EBITDA divided by revenue for the year and multiplied by 100%. For the reconciliation from operating profit/(loss) to EBITDA and adjusted EBITDA, see "– Non-HKFRS Measures: Adjusted EBITDA and Adjusted Net Profit/(Loss)" below.

(3) Equals profit/(loss) divided by revenue for the year and multiplied by 100%.

(4) Equals adjusted net profit/(loss) divided by revenue for the year and multiplied by 100%. For the reconciliation from net profit/(loss) to adjusted net profit/(loss), see "– Non-HKFRS Measures: Adjusted EBITDA and Adjusted Net Profit/(Loss)" below.

Revenue

Our total revenue increased by 66.1% from RMB865.0 million in 2018 to RMB1,436.8 million in 2019, primarily due to the increases in our revenues generated from both our SaaS products and targeted marketing. The following table sets forth a breakdown of our revenue by business segment for the years indicated.

	Year ended December 31,			
	2019		2018	
	(RMB in millions, except percentages)			
Revenue				
SaaS products	**507.0**	**35.3%**	347.1	40.1%
Targeted marketing	**929.8**	**64.7%**	518.0	59.9%
Total	**1,436.8**	**100.0%**	865.0	100.0%

SaaS products

Revenue from our SaaS products increased by 46.1% from RMB347.1 million in 2018 to RMB507.0 million in 2019, primarily due to the increased number of paying merchants for our SaaS products from 64,695 in 2018 to 79,546 in 2019, and the increased ARPU of our SaaS products from RMB5,365 in 2018 to RMB6,373 in 2019.

The following table sets forth a breakdown of our revenue from SaaS products by sales channels for the years indicated.

	Year ended December 31,			
	2019		2018	
	(RMB in millions, except percentages)			
Revenue				
Commerce Cloud	**401.5**	**79.2%**	266.3	76.7%
Marketing Cloud[(1)]	**105.4**	**20.8%**	80.8	23.3%
Total	**507.0**	**100.0%**	347.1	100.0%

Note:

(1) Revenue from Marketing Cloud includes our revenue from Sales Pusher (銷售推) of RMB5.7 million in 2019.

Targeted marketing

The following table sets forth a breakdown of the gross billing of our targeted marketing by recognition method for the years indicated.

	Year ended December 31,			
	2019		2018	
	(RMB in millions, except percentages)			
Gross billing				
Gross method	**672.6**	**12.7%**	383.7	15.4%
Net method	**4,608.5**	**87.3%**	2,108.8	84.6%
Total	**5,281.1**	**100.0%**	2,492.5	100.0%

The gross billing of our targeted marketing increased significantly from RMB2,492.5 million in 2018 to RMB5,281.1 million in 2019, primarily due to the increase in the number of advertisers who purchased our targeted marketing from 28,589 in 2018 to 34,142 in 2019, as well as an increase in average spend per advertiser from RMB87,185 in 2018 to RMB154,680 in 2019.

Revenue from our targeted marketing increased by 79.5% from RMB518.0 million in 2018 to RMB929.8 million in 2019, which was in line with the increase in the gross billing.

The following table sets forth a breakdown of our revenue from targeted marketing by revenue recognition method for the years indicated.

	Year ended December 31,			
	2019		2018	
	(RMB in millions, except percentages)			
Revenue				
Gross method	**571.4**	**61.5%**	316.5	61.1%
Net method	**358.4**	**38.5%**	201.5	38.9%
Total	**929.8**	**100.0%**	518.0	100.0%

Our revenue from targeted marketing recognized on a gross basis increased by 80.5% from RMB316.5 million in 2018 to RMB571.4 million in 2019, while our revenue from targeted marketing recognized on a net basis increased by 77.9% from RMB201.5 million in 2018 to RMB358.4 million in 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales

The following table sets forth a breakdown of our cost of sales by nature for the years indicated.

	Year ended December 31,			
	2019		2018	
	(RMB in millions, except percentages)			
Cost of sales				
Advertising traffic cost for targeted marketing revenue	**524.2**	**81.9%**	286.5	82.5%
Staff costs	**21.8**	**3.4%**	18.7	5.4%
Broadband and hardware costs	**31.7**	**5.0%**	11.6	3.3%
Contract operation services costs	**13.3**	**2.1%**	6.9	2.0%
Amortization of intangible assets	**41.2**	**6.4%**	18.4	5.3%
Taxes and surcharges	**6.8**	**1.1%**	5.0	1.4%
Depreciation and amortization	**0.7**	**0.1%**	0.3	0.1%
Total	**639.7**	**100.0%**	347.4	100.0%

Our cost of sales increased by 84.1% from RMB347.4 million in 2018 to RMB639.7 million in 2019, primarily because (i) our advertising traffic cost for targeted marketing revenue increased by 83.0% from RMB286.5 million in 2018 to RMB524.2 million in 2019, in line with the growth of our targeted marketing business, (ii) our broadband and hardware costs increased from RMB11.6 million in 2018 to RMB31.7 million in 2019, primarily as a result of increased use of hardware and broadband services due to the business expansion of our SaaS products clients, (iii) our amortization of intangible assets increased from RMB18.4 million in 2018 to RMB41.2 million in 2019, which represents the amortization of our intangible assets relating to self-developed software, and (iv) our staff costs increased from RMB18.7 million in 2018 to RMB21.8 million in 2019, mainly due to the increase in our operation staff for target marketing in 2019.

The following table sets forth a breakdown of our cost of sales by business segment for the years indicated.

	Year ended December 31,			
	2019		2018	
	(RMB in millions, except percentages)			
Cost of sales				
SaaS products	**98.9**	**15.5%**	52.1	15.0%
Targeted marketing	**540.8**	**84.5%**	295.3	85.0%
Total	**639.7**	**100.0%**	347.4	100.0%

SaaS products

Cost of sales of our SaaS products increased by 89.6% from RMB52.1 million in 2018 to RMB98.9 million in 2019, primarily due to (i) an increase of RMB20.1 million in broadband and hardware cost primarily as a result of increased use of hardware and broadband services due to the launches of new SaaS products we developed in the second half of 2018, as well as the business expansion of our SaaS products clients, and (ii) an increase of RMB22.8 million in our amortization of intangible assets relating to our self-developed software for SaaS products as a result of our increased investment in research and development and the corresponding increase in capitalized development costs.

Targeted marketing

Cost of sales of our targeted marketing increased by 83.2% from RMB295.3 million in 2018 to RMB540.8 million in 2019, primarily due to an increase in our advertising traffic costs of RMB237.7 million for targeted marketing revenue recognized on a gross basis in 2019.

Gross Profit and Gross Margin

The following table sets forth a breakdown of our gross profit and gross margin by business segment for the years indicated.

	Year ended December 31,					
	2019			2018		
	Gross profit	%	Gross margin	Gross profit	%	Gross margin
	(RMB in millions, except percentages)					
SaaS products	408.1	51.2	80.5%	294.9	57.0	85.0%
Targeted marketing	389.0	48.8	41.8%	222.7	43.0	43.0%
Total	797.1	100.0	55.5%	517.6	100.0	59.8%

Our overall gross profit increased by 54.0% from RMB517.6 million in 2018 to RMB797.1 million in 2019, primarily due to the increase in our total revenue.

Our overall gross margin decreased from 59.8% in 2018 to 55.5% in 2019, primarily due to the increased proportion of our revenue from targeted marketing where we generally have a lower gross margin. The gross margin of our SaaS products decreased from 85.0% in 2018 to 80.5% in 2019, mainly due to an increase in research and development expenditure relating to our self-developed software for SaaS products. The gross margin of our targeted marketing slightly decreased from 43.0% in 2018 to 41.8% in 2019 primarily due to the slightly increased proportion of our revenue recognized on a gross basis where we generally have a lower gross margin.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and Distribution Expenses

Our selling and distribution expenses increased by 59.4% from RMB449.8 million in 2018 to RMB716.9 million in 2019, primarily due to the increases in (i) staff costs for our sales and marketing personnel from RMB243.0 million in 2018 to RMB399.7 million in 2019 mainly as a result of the annualization effect of the costs of our increased sales and marketing staff in the second half of 2018, (ii) contract acquisition costs for the sales of our SaaS products from RMB150.6 million in 2018 to RMB197.8 million in 2019, (iii) rental and property service expenses from RMB28.3 million in 2018 to RMB54.0 million in 2019 which was in line with our business expansion, and (iv) marketing and promotion costs from RMB17.3 million in 2018 to RMB49.2 million in 2019 due to the advertising and marketing activities relating to our IPO.

General and Administrative Expenses

Our general and administrative expenses decreased by 14.2% from RMB151.4 million in 2018 to RMB129.9 million in 2019, primarily due to our one-off share-based payment expenses of RMB23.9 million in 2018 and a decrease in one-off listing expenses by RMB8.3 million related to IPO, which was partially offset by an increase in amortization of intangible assets by RMB13.5 million.

Net Impairment Losses on Financial Assets

We had net impairment losses on financial assets of RMB6.6 million in 2019, primarily as a result of the general provision for credit loss from our trade receivables, notes receivables and other receivables.

Other Income

Our other income increased significantly from RMB16.5 million in 2018 to RMB67.4 million in 2019, primarily due to an increase of RMB2.9 million in government grants provided to us in the form of VAT refunds, an increase of RMB38.1 million in VAT input super deduction, and an interest income of RMB10.0 million from our term deposits and third parties.

Other Gains, net

Our other net gains increased slightly from RMB25.1 million in 2018 to RMB26.7 million in 2019, mainly due to the net fair value gains from our investments in (i) a SaaS company through a fund, (ii) a Hong Kong listed company, and (iii) short-term investments measured at FVPL, which were partially offset by a decrease in the net foreign exchange gain of RMB19.6 million, mainly due to a decrease in the balance of our US dollar deposits.

Operating Profit/(Loss)

As a result of the foregoing, we had an operating profit of RMB37.8 million in 2019 while we had an operating loss of RMB41.9 million in 2018.

Finance Costs

Our finance costs increased significantly from RMB5.4 million in 2018 to RMB13.2 million in 2019, primarily due to (i) an increase of RMB4.6 million in our interest expenses from our bank borrowings due to our increased bank borrowings for business expansion and (ii) the interest expenses on lease liabilities of RMB3.2 million which primarily relate to our leased office buildings.

Finance Income

Our finance income increased significantly from RMB0.3 million in 2018 to RMB1.6 million in 2019, primarily due to an increased interest income on our bank deposits, reflecting an increase in the average balance of our bank deposits in 2019.

Share of Net Profit of Associates Accounted for Using the Equity Method

We recorded share of net profit of associates accounted for using the equity method of RMB3.9 million in 2019, which represented our share of profit from two contractual funds.

Change in Fair Value of Redeemable and Convertible Preferred Shares

We recorded change in fair value of redeemable and convertible preferred shares of RMB298.3 million in 2019, primarily due to the difference between the fair value of the redeemable and convertible preferred shares immediately before their conversion into ordinary shares upon our listing and that as of December 31, 2018 based on the best estimate from market participants' perspective.

Income Tax Expense

Our income tax expense increased significantly from RMB0.6 million in 2018 to RMB17.1 million in 2019, primarily due to the increased taxable income of our subsidiaries in the PRC, resulting in the increases in both current income tax expense and deferred income tax expense by utilization of tax loss carried from the previous year.

Profit for the Year

As a result of the foregoing, we recorded a profit of RMB311.3 million in 2019 while we recorded a loss of RMB1,091.2 million in 2018.

Non-HKFRS Measures: Adjusted EBITDA and Adjusted Net Profit/(Loss)

To supplement our consolidated financial statements, which are presented in accordance with HKFRS, we also use adjusted EBITDA and adjusted net profit/(loss) as additional financial measures, which are not required by, or presented in accordance with, HKFRS. We believe these non-HKFRS measures facilitate comparisons of operating performance from year to year and company to company by eliminating potential impacts of items which our management considers non-indicative of our operating performance. We believe these measures provide useful information to investors and others in understanding and evaluating our combined results of operations in the same manner as they help our management.

However, our presentation of adjusted EBITDA and adjusted net profit/(loss) may not be comparable to similarly titled measures presented by other companies. The use of these non-HKFRS measures has limitations as an analytical tool, and should not be considered in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under HKFRS.

MANAGEMENT DISCUSSION AND ANALYSIS

The following tables reconcile our adjusted EBITDA and adjusted net profit/(loss) for the years presented to the most directly comparable financial measures calculated and presented in accordance with HKFRS, which are operating profit/(loss) for the year and net profit/(loss) for the year:

	Year ended December 31,	
	2019	2018
	(RMB in millions)	
Reconciliation of operating profit/(loss) to EBITDA and adjusted EBITDA:		
Operating profit/(loss) for the year:	**37.8**	(41.9)
Add:		
Depreciation[(1)]	**28.9**	3.6
Amortization	**53.9**	18.4
EBITDA	**120.6**	(19.9)
Add:		
Share-based compensation	**5.6**	32.6
Listing and other one-off expenses	**41.6**	59.9
Adjusted EBITDA	**167.8**	72.6

	Year ended December 31,	
	2019	2018
	(RMB in millions)	
Reconciliation of net profit/(loss) to adjusted net profit/(loss):		
Net profit/(loss) for the year	**311.3**	(1,091.2)
Add:		
Share-based compensation	**5.6**	32.6
Listing and other one-off expenses	**41.6**	59.9
Interest expenses[(2)]	**–**	5.4
Change in fair value of redeemable and convertible preferred shares	**(298.3)**	1,043.6
Tax effects	**17.1**	0.6
Adjusted net profit/(loss)	**77.3**	50.8

Notes:

(1) As we have adopted HKFRS16 since January 1, 2019, depreciation in 2019 included depreciation of right-of-use assets of RMB21.6 million.

(2) Interests expenses are one-off interest expenses in relation to our reorganization for our IPO in 2018.

Liquidity and Financial Resources

We fund our cash requirements principally from proceeds from our business operations, bank borrowings, and shareholder equity contribution. As of December 31, 2019, we had cash and cash equivalents of RMB870.3 million and term deposit of RMB393.0 million.

As of December 31, 2019, we had a short-term bank loan of RMB300.0 million as (i) we entered into a one-year loan agreement with China CITIC Bank in June 2019 for the loan of RMB50.0 million with an interest rate of 5.87% per annum, and a ten-month loan agreement in September 2019 for the loan of RMB50.0 million with an interest rate of 5.87% per annum; (ii) we entered into a one-year loan agreement with Bank of Shanghai in June 2019 for a loan of RMB150.0 million with an interest rate of 6.09% per annum; and (iii) we entered into a three-month and a six-month loan agreement with Citibank (China) Co., Ltd. for a loan of RMB25.0 million and RMB25.0 million, respectively, with an interest rate of 5.57% per annum.

Placing of Existing Shares and Subscription of New Shares under General Mandate

On July 26, 2019 (before trading hours), our Company, the Top-up Vendors and the Placing Agents entered into the Placing and Subscription Agreement in connection with the Vender Placing and Subscription.

Completion of the Vendor Placing took place on July 30, 2019. A total of 255,000,000 Shares held by the Top-up Vendors have been successfully placed at the Vendor Placing Price of HK$4.60 per Share to not less than six professional, institutional and/or individual investors who (to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries), together with their respective ultimate beneficial owners, are third parties independent of and not connected with our Company or our connected persons. The aggregate nominal value of the Vendor Placing Shares under the Vendor Placing was US$25,500.

The Vendor Placing Price is HK$4.60 per Share and represents: (i) a discount of approximately 11.54% to the closing price of HK$5.20 per Share as quoted on the Stock Exchange on 25 July 2019, the last trading day prior to the date of the Placing and Subscription Agreement; and (ii) a discount of approximately 11.64% to the average closing price of approximately HK$5.206 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 25 July 2019. The Vendor Placing Price was determined after arm's length negotiations among the Company, the Top-up Vendors and the Placing Agents, with reference to the prevailing market price of the Shares.

Completion of the Subscription took place on August 6, 2019. In connection with the Vendor Placing, a total of 255,000,000 Subscription Shares have been issued to the Top-up Vendors at the Subscription Price of HK$4.60 per Share as all the conditions for the Subscription have been fulfilled. Among the total 255,000,000 Subscription Shares, Yomi.sun Holding Limited, Alter.You Holding Limited and Weimob Teamwork (PTC) Limited subscribed for 171,145,000 Subscription Shares, 71,015,000 Subscription Shares and 12,840,000 Subscription Shares, respectively, which equal to the Shares disposed of by the Top-up Venders in the Vendor Placing. The net price of the Subscription is approximately HK$4.54.

MANAGEMENT DISCUSSION AND ANALYSIS

The net proceeds to our Company from the Subscription are approximately HK$1,157.1 million. Our Company will apply the net proceeds for pursuing strategic cooperation, and potential investment and acquisition as well as supporting the post-acquisition integration and operations, which our Company believes will expand our Group's product offerings and bring synergies with our existing product offerings and therefore enrich our Group's services to the merchants and extend our footprint in affiliated markets. Furthermore, our Company will apply a portion of the net proceeds to increase investment in research and development and technology platform construction. As of December 31, 2019, our Company had not utilized such net proceeds. Our Company intends to fully use the net proceeds by December 31, 2021.

The Vendor Placing and the Subscription are being undertaken to supplement our Group's long-term funding of our expansion and growth plan. Our Directors consider that the Vendor Placing and the Subscription will also provide an opportunity to raise further capital for our Company whilst broadening the shareholder base and the capital base of our Company.

Details of the placing of existing Shares and subscription of new Shares under General Mandate are set out in our Company's announcements dated July 25, July 26, July 31, and August 6, 2019.

Capital Expenditures

Our capital expenditures primarily consist of expenditures for (i) fixed assets, comprising computer equipment, office furniture, vehicles and renovation of rental offices, and (ii) intangible assets, including our trademark, acquired software license and self-developed software.

The following table sets forth our capital expenditures for the periods indicated:

	Year ended December 31,	
	2019	2018
	(RMB in millions)	
Fixed assets	**11.5**	11.1
Intangible assets	**124.6**	62.3
Total	**136.1**	73.5

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures and Future Plans for Material Investments or Capital Assets

There were no significant investments held, nor were there material acquisitions or disposals of subsidiaries, associates or joint ventures by the Group during the year ended December 31, 2019. Apart from those disclosed in this annual report, there were no material investments or additions of capital assets authorised by the Board at the date of this annual report.

Pledge of Assets

As of December 31, 2019, we did not pledge any of our assets.

Foreign Exchange Risk Management

We mainly carry out our operations in the PRC with most transactions settled in Renminbi, and we are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar and the Hong Kong dollar. Therefore, foreign exchange risk primarily arose from our recognized assets and liabilities when receiving or to receive foreign currencies from, or paying or to pay foreign currencies to, overseas business partners. In 2019, we did not adopt any long-term contracts, currency borrowings or other means to hedge our foreign currency exposure.

Contingent Liabilities

As of December 31, 2019, we did not have any material contingent liabilities.

Employees

As of December 31, 2019, we had 3,941 full-time employees, the majority of whom are based in Shanghai, China.

Our success depends on our ability to attract, retain and motivate qualified personnel. As part of our human resources strategy, we offer employees competitive salaries, performance-based cash bonuses, and other incentives.

As required under PRC regulations, we participate in various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury, maternity, and unemployment benefit plans.

As a matter of policy, we provide a robust training program for new employees that we hire. We also provide regular and specialized trainings both online and offline, tailored to the needs of our employees in different departments. In addition, we provide training curriculums tailored to new employees, current employees and management members based on their roles and skill levels, through our training center, Weimob University.

We have granted and planned to continue to grant share-based incentive awards to our employees in the future to incentivize their contributions to our growth and development.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. SUN Taoyong (孫濤勇), aged 32, is the Founder of our Group. Mr. Sun currently serves as the Chairman of the Board, executive Director and the Chief Executive Officer of our Company. Mr. Sun also serves as an executive director and the chief executive officer of Weimob Development and holds various directorships in our subsidiaries. Mr. Sun is responsible for formulation of business plans, strategies and other major decisions of our Group, as well as overall management of our Group. In recognition of his innovation, entrepreneurship and contributions, Mr. Sun has received numerous awards and recognitions, including "Top 10 Young IT Pioneers in Shanghai" (上海IT青年新銳獎) by Shanghai Informatization Youth Talent Association in 2015, "100 Most Innovative Individual in PRC Business of 2015" (2015中國商業最具創意人物100) by Fast Company Magazine in 2016, "China E-Commerce Innovation Best Person of the Year – Service Vendor" (年度電商創新服務商人物) by International E-Commerce Innovation Association (IECIA) in 2016, "Person of the Year in Anhui Province" (安徽年度新聞人物) by Anhui TV Station in 2016, "2016 Entrepreneurs Under 30" (2016年30歲以下創業新貴) by CYZone (創業邦) in 2016, and "Forbes 30 Under 30 Asia List" by Forbes in 2017 (福布斯亞洲30歲以下傑出人物榜), and was selected to the "2018 Shanghai Leading Talents Training Program" (2018上海領軍人才培養計劃). Mr. Sun was also the national champion of the first season of "I am the Founder" (我是創始人), a competitive reality TV show for technology entrepreneurs. Mr. Sun is also a representative of the eighth Shanghai Baoshan District People's Congress.

Mr. Sun obtained his bachelor's degree in educational technology from Anqing Normal University (安慶師範大學) in June 2010. He obtained his master's degree in software engineering from Beijing Institute of Technology (北京理工大學) in February 2013.

Mr. FANG Tongshu (方桐舒), aged 35, is the co-founder of our Group. Mr. Fang currently serves as an executive Director and president of the intelligent business career group of our Company. Mr. Fang also serves as the senior vice president at Weimob Development since September 2014. Mr. Fang is mainly responsible for overall operation and management of the software business. Prior to joining our Group, from March 2006 to March 2007, Mr. Fang served as a general sales manager at Hotsales Software Technology Co., Ltd. (上海火速軟件技術有限公司). From April 2007 to March 2013, Mr. Fang served as a general sales and operations manager at Hotsales Network Technology Co., Ltd. (上海火速網絡科技有限公司).

Mr. Fang graduated from Nankai University (南開大學) with a major in business administration in June 2019.

Mr. YOU Fengchun (游鳳椿), aged 31, is the co-founder of our Group. Mr. You currently serves as an executive Director, President and president of intelligent marketing career group of our Company. Mr. You also serves as the senior vice president at Weimob Development since December 2015. Mr. You is mainly responsible for overall planning and operation of the targeted marketing business. Prior to joining our Group, Mr. You was mainly engaged in early investment and personal entrepreneurship projects.

Mr. You attended a senior executive development program in business management at Shanghai Jiao Tong University (上海交通大學) from November 2015 to March 2016.

Mr. HUANG Junwei (黃駿偉), aged 40, is an executive Director and the Chief Technology Officer of our Company. Mr. Huang also serves as the vice president and chief technology officer of Weimob Development since September 2014. Mr. Huang is mainly responsible for overall technological policies, product research and development, and the establishment of technological platforms. Mr. Huang has over 10 years of experience in software product research and development.

Prior to joining our Group, from July 2005 to April 2010, Mr. Huang served as an software engineer at Intel Asia and Pacific R&D Ltd. (英特爾亞太研發有限公司). From May 2010 to October 2010, Mr. Huang served as an software engineer at Google Information Technology (Shanghai) Co., Ltd. (咕果信息技術(上海)有限公司). From October 2010 to April 2014, Mr. Huang worked at Baidu (China) Co., Ltd. (百度(中國)有限公司), primarily responsible for product research and development.

Mr. Huang obtained his bachelor's degree in computer science and technology from Fudan University (復旦大學) in July 2002. Mr. Huang obtained his master's degree in computer architecture from Fudan University in June 2005.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. SUN Mingchun (孫明春), aged 48, is an independent non-executive Director of our Company. Dr. Sun has over 20 years of experience in finance.

From July 1993 to August 1999, Dr. Sun served as an economist at the State Administration of Foreign Exchange of the PRC (中國國家外匯管理局). Dr. Sun worked at Capital One Financial (美國第壹資本金融公司) in 2002, and worked as an economist at Lehman Brothers Asia Limited (雷曼兄弟(亞洲)有限公司) in 2006. From October 2008 to November 2010, Dr. Sun served as the managing director, chief China economist and head of China equity research at Nomura International (Hong Kong) Limited (野村國際(香港)有限公司). From November 2010 to May 2013, Dr. Sun served as the managing director, head of China research and chief greater China economist at Daiwa Capital Markets Hong Kong Limited. From September 2013 to May 2014, Dr. Sun served as a senior partner and chief economist of China Broad Capital Co., Ltd. (上海博道投資管理有限公司). Since July 2014, Dr. Sun has been serving as an independent non-executive director at HJ Capital (International) Holdings Company Limited (華金國際資本控股有限公司), a company listed on Hong Kong Stock Exchange (stock code: 0982). Since October 2014, Dr. Sun has been serving as the chairman and chief investment officer at Deepwater Capital Limited (博海資本有限公司). Since November 2016, Dr. Sun has been serving as an independent non-executive director at Great Wall Pan Asia Holdings Limited (長城環亞控股有限公司), a company listed on Hong Kong Stock Exchange (stock code: 0583).

Dr. Sun obtained his bachelor's degree in international economics from Fudan University (復旦大學) in July 1993. He obtained his master's degree in engineering-economic systems and operations research from Stanford University in June 2001, and his doctorate degree in management science and engineering from Stanford University in June 2006. Dr. Sun has been the Vice President of the Chinese Financial Association of Hong Kong since 2012 and has been a member of the China Finance 40 Forum since 2008.

DIRECTORS AND SENIOR MANAGEMENT

Dr. LI Xufu (李緒富), aged 53, is an independent non-executive Director of our Company. Dr. Li was formerly known as Li Xufu (李緒付). Dr. Li has 24 years of experience in the securities and investment industry.

After Dr. Li obtained his master's degree, he started his career as a senior manager of the investment banking department at Guotai Junan Securities Co., Ltd., until 1996 when he later joined China Southern Securities Co., Ltd. (南方證券股份有限公司) as a general manager of the investment banking department (Shanghai). In 2004, Dr. Li served as the general manager of corporate finance department at Changjiang BNP Paribas Peregrine Securities Co., Ltd, and later in 2006, Dr. Li served as a director at BNP Paribas Capital (Asia Pacific) Limited (法國巴黎融資(亞太)有限公司). From December 2007 to August 2009, Dr. Li was a partner of Bull Consultants Limited. From September 2009 to June 2018, Dr. Li was the executive partner and managing partner in Bull Capital Partners (Hong Kong) Limited. From January 2009 to May 2014, he served as a non-executive director at JD.com, Inc. (京東集團), a company listed on the Nasdaq Stock Exchange (stock code: JD). From March 2008 to March 2014, he also served as an independent director at Gemdale Holdings Co., Ltd. (金地集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600383). Dr. Li currently serves as a managing partner of Ningbo Xinli Equity Investment Management Partnership (Limited Partnership) (寧波新犁股權投資管理合夥企業(有限合夥)), formerly known as Ningbo Bull Equity Investment Management Partnership (Limited Partnership) (寧波雄牛股權投資管理合夥企業(有限合夥)).

Dr. Li obtained his bachelor's degree in German from Shanghai International Studies University (上海外國語大學) in July 1988. He obtained his master's degree in world economics from Fudan University (復旦大學) in July 1994 and his doctorate degree in international finance from Fudan University in June 2003. Dr. Li is currently a visiting professor in the department of economics at Fudan University.

Mr. TANG Wei (唐偉), aged 44, is an independent non-executive Director of our Company.

Mr. Tang has over 10 years of experience in accounting, financial management and investment banking. Most notably, from September 2006 to September 2008 and then January 2010 to October 2014, Mr. Tang served as an associate and an executive director of the investment banking department at Goldman Sachs Gao Hua Securities Co., Ltd. (高盛高華證券有限責任公司). From October 2008 to January 2010, Mr. Tang served as a deputy general manager in the investment banking department in China International Capital Corporation Limited (中國國際金融股份有限公司). From June 2015 to December 2015, he served as an investment director at CNIC Co., Ltd. (國新國際(中國)投資有限公司). From January 2016 to September 2018, Mr. Tang served as the chief financial officer of NavInfo Co., Ltd. (北京四維圖新科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002405). Since October 2018, Mr. Tang has been serving as the chief financial officer and secretary to the board of directors of AsiaInfo Company Limited (亞信科技(成都)有限公司).

Mr. Tang obtained his bachelor's degree in international financial management from China University of Petroleum-Beijing (中國石油大學(北京)) in July 1998. He obtained his master's degree in business management from University of International Business and Economics (對外經濟貿易大學) in June 2001. Mr. Tang has been accredited as a Certified Public Accountant by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since October 2001 and has been admitted as a Fellow of the Association of Chartered Certified Accountants (FCCA) since December 2010.

SENIOR MANAGEMENT

Mr. CAO Yi (曹懿), aged 42, is the Chief Financial Officer of our Company and one of our joint company secretaries. Mr. Cao has also been the vice president and chief financial officer of Weimob Development since August 2016. Mr. Cao is primarily responsible for the overall financial management, financial matters and strategic development of our Group. He has 15 years of experience in the financial management and accountancy industry.

Prior to joining our Group, from August 2003 to June 2010, Mr. Cao served as a manager at KPMG Huazhen (Special General Partnership) (畢馬威華振會計師事務所(特殊普通合夥)). From June 2010 to August 2015, he served as a senior finance manager at GE (China) Co., Ltd. (通用電氣(中國)有限公司), mainly responsible for the financial management of GE's strategic alliance with China XD Electric Co., Ltd. From August 2015 to December 2015, Mr. Cao served as the deputy chief financial officer of SPI Energy Co., Ltd. (Nasdaq: SPI) (上海美柚新能源科技有限公司), responsible for the financial management of overseas businesses. From December 2015 to July 2016, Mr. Cao served as the finance director of Shenzhen Bincent Technology Co., Ltd. (深圳市彬訊科技有限公司), responsible for its overall financial management.

Mr. Cao obtained his bachelor's degree in international business management from Shanghai International Studies University (上海外國語大學) in July 1999 and his master's degree in business management from Shanghai International Studies University in March 2002. He was accredited as a Certified Public Accountant by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in December 2010. He has been a member of the Association of Chartered Certified Accountants (ACCA) since October 2013.

Mr. FEI Leiming (費雷鳴), aged 39, is the Chief Human Resources Officer of our Company. Mr. Fei has also been the vice president and chief human resources officer of Weimob Development since January 2017. Mr. Fei is mainly responsible for the planning and operation of human resources. He has more than 10 years of experience in human resources and administration.

Prior to joining our Group, from July 2003 to February 2006, Mr. Fei worked at Zhongqi Power Technology Co., Ltd. (中企動力科技股份有限公司), and from March 2006 to May 2012, he served as a senior human resources specialist at Alibaba (China) Network Technology Co., Ltd. (阿里巴巴(中國)網絡技術有限公司), mainly responsible for human resources management. From May 2012 to September 2013, Mr. Fei served as a human resources director at Shanghai HongMei E-commerce Co., Ltd. (上海紅美電子商務有限公司), responsible for overall human resources management. From April 2014 to April 2015, he worked at Suzhou Haowu Information Technology Company Limited (蘇州市好屋信息技術有限公司), responsible for human resources and administrative affairs. From May 2015 to January 2017, he worked at Bailian Omni-channel E-commerce Co., Ltd. (上海百聯全渠道電子商務有限公司), responsible for the general planning and management of human resources for the Internet business sector.

Mr. Fei obtained his bachelor's degree in administrative management from Shanghai Normal University (上海師範大學) in July 2003.

DIRECTORS' REPORT

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the Reporting Period.

GLOBAL OFFERING

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on January 30, 2018, the shares of which were listed on the Main Board of the Stock Exchange on January 15, 2019.

PRINCIPAL ACTIVITIES

The Group is principally engaged in provision of cloud-based commerce and marketing solutions and targeted marketing services on Tencent's social networking service platforms for small and medium businesses in China. The analysis of the Group's revenue and contribution to results by business segments are set out in notes 5 and 6 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended December 31, 2019 are set out in the consolidated statement of comprehensive income on page 68 of this annual report.

FINAL DIVIDEND

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

BUSINESS REVIEW

The business review and performance analysis of the Group for the Reporting Period is set out in the section headed "Chairman's Statement" from pages 5 to 9 and "Management Discussion and Analysis" from pages 12 to 25 of this annual report. A description of the Group's future business development is set out in the section headed "Chairman's Statement" from pages 9 to 10 of this annual report.

Compliance with Laws and Regulations

During the year ended December 31, 2019, as far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material aspects.

Environmental Policies and Performance

The Company attaches great importance to environmental protection and resource conservation, and continuously pays attention to the impact of its business operations on the environment. The Group is committed to maintaining the common development of economy, environment and society, and promoting awareness of environmental protection and resource conservation in its daily operations. The Group strictly follows the relevant environment protection laws and regulations of the PRC, and adopts various electricity-saving and water-saving management measures, including management over air-conditioning settings in office areas and enhancing management and maintenance of water equipment, thereby improving efficiency and minimizing resource consumption. During the Reporting Period, the Company did not find any environmental-related violations.

For details of the Company’s environmental policies and performance, and the important relationship between the Company and its employees, customers and suppliers, please refer to the Environmental, Social and Governance Report of the Company for the year ended December 31, 2019 to be published on the website of the Stock Exchange (http://www.hkexnews.hk) and the Company’s own website (http://www.weimob.com) according to the Listing Rules.

Principal Risks and Uncertainties

The Group is exposed to various risks in its business operations, primarily including: (i) reliance on Tencent’s platforms and services to conduct its businesses; (ii) failure to improve and enhance the functionality, performance, reliability, design, security, and scalability of its products and services to suit its clients’ evolving needs, (iii) failure to develop and maintain successful relationships with its local channel partners, and (iv) systems disruptions, distributed denial of service attacks, or other hacking and phishing attacks on its systems and security breaches.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 4 of this annual report. This summary does not form part of the audited consolidated financial statements.

USE OF PROCEEDS FROM LISTING AND TOP-UP PLACING

The Company was successfully listed on the Main Board of the Stock Exchange on January 15, 2019, net proceeds from the global offering after deducting underwriting fees and commissions and relevant expenses payable by the Company amounted to approximately HK$758.2 million. As of December 31, 2019, the Group had utilized:

- Approximately HK$202.3 million for enhancing research and development capabilities and improving technology infrastructure;

- Approximately HK$152.7 million for strategic investments;

- Approximately HK$101.7 million for investments in advertising and digital marketing, hotline sales center, and channel partner recruiting;

- Approximately HK$75.5 million for purchasing social media advertising traffic for targeted marketing business;

- Approximately HK$69.7 million for expanding the Marketing and Sales Clouds product offerings and the sales channels; and

- Approximately HK$37.3 million for working capital and general corporate use.

The Company will use the remaining proceeds for the purpose as disclosed in the Prospectus and following the expected implementation timetable as disclosed in the Prospectus.

In August 2019, the Company completed the top-up placing of 255,000,000 new shares and raised net proceeds of approximately HK$1,157.1 million. As of December 31, 2019, the Company has not utilized such proceeds. The Company will apply the net proceeds for the purposes as disclosed in the announcement of the Company dated July 26, 2019. See pages 23 to 24 of this annual report for details.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year ended December 31, 2019, the transaction amounts of the Group's top five customers accounted for 46.2% (2018: 42.6%) of the Group's total revenues while the transaction amounts of our single largest customer, Beijing Tencent Culture Media Company Limited, accounted for 22.5% (2018: 22.7%) of the Group's total revenues.

Major Suppliers

For the year ended December 31, 2019, the transaction amounts of the Group's top five suppliers accounted for 87.6% (2018: 85.8%) of the total purchases while the transaction amounts of our single largest supplier, Beijing Tencent Culture Media Company Limited, accounted for 82.8% (2018: 82.1%) of the Group's total purchases.

During the Reporting Period, none of the Directors, any of their close associates or any Shareholders (which to the knowledge of the Directors owns more than 5% of the number of the issued shares of the Company) was interested in the top five customers or suppliers of the Group.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Company and the Group during the Reporting Period are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the Reporting Period are set out in note 31 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group during the Reporting Period are set out in the consolidated statement of changes in equity on pages 71 to 72 of this annual report.

BANK BORROWINGS

Particulars of bank borrowings of the Company and the Group as of December 31, 2019 are set out in note 29 to the consolidated financial statements.

DIRECTORS

The Directors during the Reporting Period and up to the date of this annual report are as follows:

Executive Directors:

Mr. SUN Taoyong *(Chairman)*
Mr. FANG Tongshu
Mr. YOU Fengchun
Mr. HUANG Junwei

Independent Non-executive Directors:

Dr. SUN Mingchun
Dr. LI Xufu
Mr. TANG Wei

In accordance with the Article 16.19 of the Articles of Association, at every annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat.

Accordingly, Mr. FANG Tongshu, Mr. YOU Fengchun and Mr. HUANG Junwei shall retire by rotation at the AGM and they being eligible, offer themselves for re-election.

Details of the Directors to be re-elected at the AGM are set out in the circular to the Shareholders.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 26 to 29 of this annual report.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all of the independent non-executive Directors are independent during the Reporting Period and up to the date of this annual report.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENTS

Each of the executive Directors has entered into a service contract with the Company for an initial fixed term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initial fixed term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

None of the Directors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the year ended December 31, 2019 and up to the date of this annual report.

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 Reporting Period and up to the date of this annual report.

EMOLUMENT POLICY

A remuneration committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

Details of the emoluments of the Directors, and the five highest paid individuals during the Reporting Period are set out in notes 8 and 37 to the consolidated financial statements.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in notes 8 and 37 to the consolidated financial statements.

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

As of December 31, 2019, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules were as follows:

Interests in Shares

Name of Director	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding (%)	Long/short position
Mr. SUN Taoyong ("**Mr. SUN**")	Settlor of a discretionary trust[(1)(2)]; interest held jointly with other persons[(3)]	484,875,000	21.47	Long position
Mr. FANG Tongshu ("**Mr. FANG**")	Interest in controlled corporation[(4)]; interest held jointly with other persons[(3)]	484,875,000	21.47	Long position
Mr. YOU Fengchun ("**Mr. YOU**")	Settlor of a discretionary trust[(5)]; interest held jointly with other persons[(3)]	484,875,000	21.47	Long position
Mr. HUANG Junwei	Beneficial owner[(6)]	16,940,000	0.75	Long position

Notes:

(1) Mr. SUN's interest in the Company is indirectly held through Yomi.sun Holding Limited (the "**Sun SPV**"). Sun SPV is a company incorporated in the British Virgin Islands, and is wholly-owned by Youmi Investment Limited. Youmi Investment Limited is beneficially owned by the Youmi Trust, which was established by Mr. SUN as the settlor, appointor and investment manager. Cantrust (Far East) Limited is the trustee of the Youmi Trust, and Mr. SUN and his family members are the beneficiaries of the Youmi Trust. Mr. SUN is also a director of the Sun SPV. As such, each of Mr. SUN, Cantrust (Far East) Limited and Youmi Investment Limited is deemed to be interested in the Shares held by Sun SPV.

(2) Mr. SUN is the settlor of the RSU Plan (as defined hereinafter) and is deemed to be interested in the Shares held by Weimob Teamwork (PTC) Limited ("**Weimob Teamwork**"). Further details of the RSU Plan are set out in the section headed "Restricted Stock Unit Plan" from pages 38 to 39 of this annual report.

(3) Mr. SUN, Mr. FANG and Mr. YOU are parties acting in concert (having the meaning ascribed thereto in the Hong Kong Code on Takeovers and Mergers) and form the Substantial Shareholders Group. As such, each of Mr. SUN, Mr. FANG and Mr. YOU is deemed to be interested in the Shares held by other members of the Substantial Shareholders Group.

(4) Jeff.Fang Holding Limited (the "**Fang SPV**") is wholly-owned by Mr. FANG. Under the SFO, Mr. FANG is deemed to be interested in the Shares held by Fang SPV.

(5) Mr. YOU's interest in the Company is indirectly held through Alter.You Holding Limited (the "**You SPV**"). You SPV is a company incorporated in the British Virgin Islands, and is wholly-owned by Fount Investment Limited. Fount Investment Limited is beneficially owned by the Fount Trust, which was established by Mr. YOU as the settlor, appointor and investment manager. Infiniti Trust (Asia) Limited is the trustee of the Fount Trust, and Mr. YOU and his family members are the beneficiaries of the Fount Trust. Mr. YOU is also a director of the You SPV. As such, each of Mr. YOU, Infiniti Trust (Asia) Limited and Fount Investment Limited is deemed to be interested in the Shares held by You SPV.

(6) Mr. HUANG Junwei is granted to RSUs equivalent to 16,940,000 Shares (subject to vesting conditions).

Save as disclosed above, as of December 31, 2019, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the Reporting Period was the Company or its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, and none of the Directors or their spouses or children under the age of 18 were granted any right to subscribe for the share capital or debt securities of the Company or any other body corporate, or had exercised any such right.

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

As of December 31, 2019, to the best knowledge of the Directors, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept by the Company under section 336 of the SFO:

Interests in Shares

Name of Shareholder	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding (%)	Long/short position
Cantrust (Far East) Limited	Trustee (1)	321,145,000	14.22	Long position
Youmi Investment Limited	Interest in controlled corporation (1)	321,145,000	14.22	Long position
Sun SPV	Beneficial interest (1)	321,145,000	14.22	Long position
Tencent Mobility Limited	Beneficial interest (2)	58,665,000	2.60	Long position
THL H Limited	Beneficial interest (2)	122,220,000	5.41	Long position
Tencent Holdings Limited	Interest in controlled corporation (2)	180,885,000	8.01	Long position
City-Scape Pte. Ltd.	Beneficial interest (3)	142,470,000	6.31	Long position
GIC (Ventures) Pte. Ltd.	Interest in controlled corporation (3)	142,470,000	6.31	Long position
GIC Private Limited	Interest in controlled corporation, investment manager (3)	214,470,000	9.50	Long position
GIC Special Investments Private Limited	Investment manager (3)	142,470,000	6.31	Long position
CP Wisdom Singapore Pte. Ltd.	Beneficial interest (4)	142,470,000	6.31	Long position
WSDN Enterprises (S) Pte. Ltd.	Interest in controlled corporation (4)	142,470,000	6.31	Long position
Crescent Point Group	Interest in controlled corporation (4)	142,470,000	6.31	Long position

Notes:

(1) Sun SPV is a company incorporated in the British Virgin Islands, and is wholly-owned by Youmi Investment Limited. Youmi Investment Limited is beneficially owned by the Youmi Trust, which was established by Mr. SUN as the settlor, appointor and investment manager. Cantrust (Far East) Limited is the trustee of the Youmi Trust, and Mr. SUN and his family members are the beneficiaries of the Youmi Trust. Mr. SUN is also a director of the Sun SPV. As such, each of Mr. SUN, Cantrust (Far East) Limited and Youmi Investment Limited is deemed to be interested in the Shares held by Sun SPV.

(2) Tencent Mobility Limited and THL H Limited are wholly-owned subsidiaries of Tencent Holdings Limited. Under the SFO, Tencent Holdings Limited is deemed to be interested in 58,665,000 Shares held by Tencent Mobility Limited and 122,220,000 Shares held by THL H Limited.

(3) City-Scape Pte. Ltd. is wholly-owned by GIC (Ventures) Pte. Ltd. and is an investment vehicle managed by GIC Special Investments Private Limited which is wholly-owned by GIC Private Limited.

(4) CP Wisdom Singapore Pte. Ltd. is a limited liability company established under the laws of Singapore, is wholly-owned by WSDN Enterprises (S) Pte. Ltd., a limited liability company established under the laws of Singapore. WSDN Enterprises (S) Pte. Ltd. is a wholly subsidiary of Crescent Point Group.

Save as disclosed above, as of December 31, 2019, the Directors were not aware of any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept by the Company under section 336 of the SFO.

RESTRICTED STOCK UNIT PLAN

The restricted stock unit plan (the "**RSU Plan**") of the Company was approved and adopted by the Board on July 1, 2018 (the "**Adoption Date**"). The RSU Plan is not subject to the provisions of chapter 17 of the Listing Rules. The purpose of the RSU Plan is to recognize and reward participants for their contribution to the Group, to attract best available personnel to provide services to the Group, and to provide additional incentives to them to remain with and further promote the success of the Group's business. For more information on the RSU Plan, please refer to the section headed "F. RSU PLAN" under Statutory and General Information in Appendix IV of the Prospectus. Certain principal terms and details of the RSU Plan are summarized as follows:

Effectiveness and Duration

Subject to any early termination as may be determined by the Board pursuant to terms of the RSU Plan, the RSU Plan shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which no awards will be granted, but the provisions of this RSU Plan shall in all other respects remain in full force and effect and the awards granted during the term of the RSU Plan may continue to be valid and exercisable in accordance with their respective terms of grant.

Administration

The RSU Plan shall be subject to the administration of the administrator (the "**Administrator**"), being (i) prior to the Listing, Mr. Sun Taoyong, and (ii) immediately after the consummation of the Listing, the committee comprising of Mr. Sun Taoyong and other members appointed by the Board from time to time, in accordance with the terms and conditions of the RSU Plan. The Administrator may, from time to time, select the participants to whom a grant of a RSU ("**Awards**") may be granted.

The Administrator shall have the sole and absolute right to (a) interpret and construe the provisions of RSU Plan, (b) determine the persons who will be granted Awards under the RSU Plan, the terms and conditions on which Awards are granted and when the RSUs granted pursuant to the RSU Plan may vest, (c) make such appropriate and equitable adjustments to the terms of the Awards granted under the RSU Plan as it deems necessary; and (d) make such other decisions or determinations as it shall deem appropriate or desirable in respect of the foregoing (a), (b) and (c).

Who may join

Those eligible to participate in the RSU Plan (the "**Participants**") include: (a) full-time employees (including directors, officers and members of senior management) of the Group; and (b) any person who, in the sole opinion of the Administrator, has contributed or will contribute to any member of the Group (including business partners of any member of the Group, such as suppliers, clients, or any persons who provide technical support, consultancy, advisory or other services to any member of the Group).

Maximum number of shares

The total number of shares underlying the RSU Plan ("**RSU Limit**") shall not exceed the aggregate of 14,099 shares as of the date of adoption of the RSU Plan initially held by the Weimob Teamwork as transferred from a company wholly-owned by Mr. Sun Taoyong (the "**Settlor**"), representing 4.12% of the issued shares of the Company as of the Adoption Date of the RSU Plan (on a fully diluted and as-converted basis assuming all the shares underlying the RSU Plan have been issued). Immediately following the completion of the capitalization issue and the global offering of the Company on January 15, 2019, the aggregate number of Shares held by the Weimob Teamwork was 70,495,000 Shares, representing approximately 3.12% of the issued Shares of the Company as of December 31, 2019. Weimob Teamwork has been appointed as the trustee (the "**Trustee**") pursuant to the trust deed to administrate the RSU Plan.

Details of the RSUs granted under the RSU Plan

As of December 31, 2019, the aggregate number of Shares underlying the granted RSUs was 69,670,000, representing approximately 3.08% of the issued share capital of the Company as of December 31, 2019, and the aggregate number of Shares underlying the vested RSUs was 54,540,000. As of the date of this annual report, the aggregate number of Shares underlying the granted RSUs and the aggregate number of Shares underlying the vested RSUs remained unchanged.

Details of the RSUs granted pursuant to the RSU Plan to the Director are set out below:

Name of Director	Number of Shares underlying the RSUs granted as of December 31, 2019[(1)]	Approximate percentage of shareholding as of December 31, 2019[(1)]	Grant date	Vesting period (subject to other conditions in the RSU Plan)
Mr. HUANG Junwei	16,940,000	0.75%	July 1, 2018	80% of which vested on July 6, 2018 10% of which vested on July 1, 2019 10% of which will vest on July 1, 2020

Note:

(1) As of the date of this annual report, the number of Shares underlying the RSUs granted to Mr. Huang Junwei remained unchanged.

EQUITY-LINKED AGREEMENT

Save as disclosed in the Prospectus, there was no equity-linked agreement entered into by the Company or any of its subsidiaries during the Reporting Period.

PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES

During the year ended December 31, 2019, the Company has repurchased a total of 27,989,000 Shares on the Stock Exchange with an aggregate amount of HK$100,250,050. As at the date of this annual report, 7,993,000 repurchased Shares were cancelled on November 20, 2019, and 19,996,000 repurchased Shares were cancelled on January 13, 2020. Details of shares repurchased during the year ended December 31, 2019 are set out as follows:

Month of repurchases	Number of shares purchased on the Stock Exchange	Price paid per share Highest	Lowest	Aggregate consideration paid
		(HK$)	*(HK$)*	*(HK$)*
October 2019	7,993,000	3.96	3.53	29,981,530
November 2019	16,783,000	3.85	3.20	60,111,660
December 2019	3,213,000	3.28	3.08	10,156,860

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

PRE-EMPTIVE RIGHTS

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

INVESTMENT IN SHANGHAI WEIMOB SOFT CLOUD

On November 4, 2019, Weimob Yunbing and Weimob Development, wholly-owned subsidiaries of the Company, entered into a limited partnership agreement with, among others, Shanghai Innovital Capital to establish Shanghai Weimob Soft Cloud Enterprise Development (Limited Partnership) ("**Shanghai Weimob Soft Cloud**").

General Partners of Shanghai Weimob Soft Cloud

1. Weimob Yunbing is an indirect wholly-owned subsidiary of the Company which is primarily engaged in investment.

2. Shanghai Innovital Capital is a company incorporated in the PRC with limited liability on August 31, 2015 with a registered capital of RMB100 million. It has been registered with the Assets Management Association of China (中國證券投資基金業協會) as a qualified private equity fund manager. Shanghai Innovital Capital is principally engaged in equity investment and investment management and it has extensive investment experience in many sectors, including biology and healthcare, intelligent manufacturing, new energy, energy conservation and environmental protection, integrated circuit, culture and creativity, and has established a layered investment project pipeline. Shanghai Innovital Capital is currently managing fund assets with a size above RMB12.5 billion. As at the date of this annual report, Shanghai Innovital Capital is interested in no more than 5% of the Company's issued shares.

Shanghai Weimob Soft Cloud intends to invest in SaaS and digital marketing industry sectors (including their respective upstream and downstream sectors) with potential synergies and such other industry sectors as its general partners consider appropriate and in compliance with the PRC laws, in order to achieve economic return mainly through acquisition, holding and disposal of interest of companies in the investment portfolio and further promote business layout in its cloud-based service ecosystem. As at the date of this annual report, no definite investment targets are identified by Shanghai Weimob Soft Cloud.

For principal terms of the limited partnership agreement and other details of the Company's investment in Shanghai Weimob Soft Cloud, please refer to the announcement of the Company dated November 4, 2019.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the Reporting Period, none of the Directors or their respective associates had any interests in business, which compete or are likely to compete either directly or indirectly, with the business of the Group.

CONTINUING CONNECTED TRANSACTIONS

During the Reporting Period, the Group conducted the following continuing connected transactions:

Non-exempt Continuing Connected Transactions

As disclosed in the Prospectus, the following transactions of the Group constituted continuing connected transactions of the Company. For further details of the continuing connected transactions, please refer to the section headed "Connected Transactions – Non-exempt Continuing Connected Transaction" on pages 221 to 223 of the Prospectus.

On December 5, 2018, the Company (for itself and on behalf of its subsidiaries) entered into a framework agreement with Shanghai Weimob Enterprise Co., Ltd. ("**Weimob Enterprise**") and Shanghai Xiaomeng Investment Management Company Limited ("**Xiaomeng Investment**") (for themselves and on behalf of their respective subsidiaries) (together with their respective subsidiaries, the "**WE Group**"), pursuant to which, the Group shall provide targeted marketing services to WE Group through (i) its digital marketing platform integrated with analytics and optimization technology and (ii) premium media sources (the "**Advertising Cooperation Framework Agreement**"). The precise scope of service, fee calculation, method of payment and other details of the service arrangement will be agreed between the relevant parties separately. The term of the Advertising Cooperation Framework Agreement commenced on the Listing Date and will expire on December 31, 2020.

In consideration for the advertising services provided by the Company, the Company will charge WE Group following the costs charged to it by the relevant media publishers and using different pricing models such as CPC or CPM, or a combination of these two models, depending on the means of cooperation and the platforms where the advertising services are provided. And the Company will recognize rebates subsequently received from the media publisher as its revenue. Such pricing policy is normally applicable to the Company's other advertisers using its targeted marketing services which are independent from the Company at the time of the transactions.

Xiaomeng Investment and Weimob Enterprise are associates of Mr. Sun Taoyong and therefore connected persons of the Company under Rule 14A.07(4) of the Listing Rules.

The proposed annual caps for the purchase of advertising traffic on behalf of WE Group under the Advertising Cooperation Framework Agreement for the three years ended/ending December 31, 2020 are RMB18.2 million, RMB18.2 million and RMB18.2 million, respectively. The actual transaction amount for the year ended December 31, 2019 was approximately RMB17,000.

During the Reporting Period, the independent non-executive Directors reviewed the above non-exempted continuing connected transactions and confirmed that such transactions were entered into:

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

(ii) on normal commercial terms or better; and

(iii) in accordance with the agreements for such transactions, the terms of which are fair and reasonable, and are in the interest of the Shareholders as a whole.

The auditor of the Company was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this annual report in accordance with Rule 14A.56 of the Listing Rules.

Certain connected party transactions mentioned in note 36 to the consolidated financial statements constituted the connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, and are in compliance with the disclosure requirements in Chapter 14A of the Listing Rules.

Save as disclosed in this annual report, during the Reporting Period, there were no connected transactions or continuing connected transactions which are required to be disclosed by the Company in accordance with the provisions concerning the disclosure of connected transactions under Chapter 14A of the Listing Rules.

DONATIONS

During the Reporting Period, the charitable and other donations made by the Group amounted to RMB50,000.

MATERIAL LEGAL PROCEEDINGS

During the Reporting Period, the Company was not involved in any material legal proceeding or arbitration. To the best knowledge of the Directors, there is no material legal proceeding or claim which is pending or threatened against the Company.

PERMITTED INDEMNITY PROVISIONS

During the Reporting Period and up to the date of this annual report, there were no permitted indemnity provisions which were or are currently in force, and are beneficial to the Directors (whether they were entered into by the Company or others) or any directors of the Company's connected companies (if they were entered into by the Company). The Company has purchased appropriate liability insurance for its Directors and senior staff members.

EVENTS AFTER THE BALANCE SHEET DATE

Details of significant events occurring after the balance sheet date are set out in note 39 to the consolidated financial statements.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has, together with the senior management of the Company and the external auditor of the Company, reviewed the accounting principles and practices adopted by the Group as well as the audited consolidated financial statements of the Group for the year ended December 31, 2019.

CORPORATE GOVERNANCE

The Company is committed to maintaining high level of corporate governance practices. Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 44 to 62 of this annual report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, at least 25% (being the minimum public float prescribed by the Stock Exchange and the Listing Rules) of the Company's entire issued share capital were held by the public at any time during the Reporting Period and up to the date of this annual report.

AUDITOR

PricewaterhouseCoopers is appointed as auditor of the Company for the year ended December 31, 2019. PricewaterhouseCoopers has audited the accompanying financial statements which were prepared in accordance with the HKFRS.

PricewaterhouseCoopers is subject to retirement and, being eligible, offers itself for re-appointment at the AGM. A resolution for re-appointment of PricewaterhouseCoopers as auditor of the Company will be proposed at the AGM.

By order of the Board
Sun Taoyong
Chairman of the Board

Shanghai, March 17, 2020

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining a high standard of corporate governance to safeguard the interests of its shareholders and enhance its value and accountability. Since the Listing Date, the Company has adopted the principles and code provisions as set out in the Corporate Governance Code.

During the Relevant Period, the Company has complied with all the applicable code provisions under the Corporate Governance Code with the exception for the deviation from code provision A.2.1 of the Corporate Governance Code.

Code provision A.2.1 of the Corporate Governance Code requires that the roles of chairman of the board of directors and chief executive officer should be separate and should not be performed by the same individual. Mr. SUN Taoyong is the Chairman of the Board and chief executive officer of the Company. Throughout the business history of the Company, Mr. Sun Taoyong has been the key leadership figure of the Group, who has been primarily involved in the strategic development, overall operational management and major decision making of the Group. Taking into account the continuation of the implementation of the Company's business plans, the Directors consider that at the current stage of development of the Group, vesting the roles of both Chairman and the chief executive officer in Mr. SUN Taoyong is beneficial and in the interests of the Company and its shareholders as a whole. The Board will review the current structure from time to time and shall make necessary changes when appropriate and inform the Shareholders accordingly.

The Group will continue to review and monitor its corporate governance practices in order to ensure the compliance with the Corporate Governance Code.

BOARD OF DIRECTORS

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees, including the Audit Committee, the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") (collectively, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

The Company has arranged appropriate insurance coverage in respect of liability arising from legal action against its Directors, and will conduct annual review on such insurance coverage.

BOARD COMPOSITION

As at the date of this annual report, the Board comprised four executive Directors and three independent non-executive Directors as set out below:

Executive Directors:
Mr. SUN Taoyong
Mr. FANG Tongshu
Mr. YOU Fengchun
Mr. HUANG Junwei

Independent Non-executive Directors:
Dr. SUN Mingchun
Dr. LI Xufu
Mr. TANG Wei

The biographies of the Directors are set out under the section headed "Directors and Senior Management" of this annual report.

During the Relevant Period, the Board has met the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules, which relates to the appointment of independent non-executive directors representing at least one-third of the Board.

Each of the independent non-executive Directors has confirmed his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them to be independent.

Save as disclosed in the biographies of the Directors as set out in the section headed "Directors and Senior Management" of this annual report, none of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship) with any other Directors or any chief executive.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and expertise to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the code provision under the Corporate Governance Code requiring directors to disclose the number and nature of offices held in public companies or organizations and other significant commitments as well as their identity and the time involved to the issuer, the Directors have agreed to disclose their commitments to the Company in a timely manner.

BOARD DIVERSITY POLICY

The Company believes that the diversity of Board members will be immensely beneficial for the enhancement of the Company's performance. Therefore, the Company has adopted a board diversity policy (the "**Board Diversity Policy**") to ensure that the Company will, when determining the composition of the Board, consider board diversity in terms of, among other things, age, cultural and educational background, professional experience, skills and knowledge. All appointments by the Board will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Board Diversity Policy is summarized as follows:

The Company has adopted a Board Diversity Policy which sets out the objective and provides that all appointments of the members of the Board should be made on merit, in the content of the talents, skills and experience the Board as a whole requires to be effective. The Nomination Committee will review and assess the composition of the Board and make recommendations to the Board on appointment of members of the Board. Meanwhile, the Nomination Committee will consider the benefits of all aspects of diversity, including without limitation, professional experience, skills, knowledge, education background, age, gender, cultural and ethnicity and length of service, in order to maintain an appropriate range and balance of talents, skills, experience and diversity of perspectives on the Board. Upon Listing, the Nomination Committee has reviewed the Board Diversity Policy and its compliance with the Corporate Governance Code to ensure its continued effectiveness and the Company will disclose in its corporate governance report about the implementation of the Board Diversity Policy on annual basis.

Having reviewed the Board composition, the Nomination Committee recognizes the importance and benefits of the gender diversity at the Board level and shall continue to take initiatives to identify at least one female candidate to enhance the gender diversity among the Board members.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

All newly appointed Directors would be provided with necessary induction and information to ensure that they have a proper understanding of the Company's operations and businesses as well as their responsibilities under relevant statutes, laws, rules and regulations. The Company also arranges regular seminars to provide the Directors with updates on the latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

The Company encourages continuous professional development training for all the Directors to develop and refresh their knowledge and skills. The joint company secretaries of the Company update and provide the Directors with written training materials in relation to their roles, functions and duties from time to time.

Based on the information provided by the Directors, during the year ended December 31, 2019, a summary of training received by the Directors is as follows:

Name of Director	Nature of Continuous Professional Development
Mr. SUN Taoyong	A, B, C and D
Mr. FANG Tongshu	A, B, C and D
Mr. YOU Fengchun	A, B, C and D
Mr. HUANG Junwei	A, B, C and D
Dr. SUN Mingchun	A and B
Dr. LI Xufu	A and B
Mr. TANG Wei	A and B

Notes:

A: attending seminars and/or conferences and/or forums and/or briefings

B: making speeches at seminars and/or conferences and/or forums

C: participating in training provided by law firms and that relating to the business of the Company

D: reading materials on various topics, including corporate governance matters, directors' duties and responsibilities, Listing Rules and other relevant laws

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under Code Provision A.2.1 of the Corporate Governance Code, the roles of chairman of the Board and chief executive officer should be separate and should not be performed by the same individual.

Mr. SUN Taoyong currently serves as the Chairman of the Board and chief executive officer of the Company. He is responsible for formulation of business plans, strategies and other major decisions of the Group, as well as overall management of the Group. The Board believes that at the current stage of development of the Group, vesting the roles of both Chairman and the Chief Executive Officer in the same person provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decisions and strategies. The Board also meets regularly on a quarterly basis to review the operations of the Company led by Mr. SUN. Accordingly, the Board believes that this arrangement will not impact on the balance of power and authorizations between the Board and the management of the Company.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for an initial fixed term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initial fixed term of one year commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

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

Pursuant to the Articles of Association, at every annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Any Director appointed pursuant to Article 16.2 or Article 16.3 shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, and for making recommendations to the Board on the appointment, re-appointment of Directors and succession plans for the Directors.

BOARD MEETINGS

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of no less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board meetings and Board Committee meetings, reasonable notice is generally given by the Company. The agenda and accompanying Board papers are dispatched to the Directors or Board Committee members at least three days before the Board meetings or Board Committee meetings to ensure that the Directors have sufficient time to review the papers and be adequately prepared for the Board meetings or Board Committee meetings. When Directors or Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings shall be kept by the joint company secretaries with copies circulated to all Directors for information and records.

Minutes of the Board meetings and Board Committee meetings are recorded in sufficient detail on the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. The minutes of the Board meetings are open for inspection by all Directors.

During the year ended December 31, 2019, 4 Board meetings were held and one general meeting was convened. Attendance of each Director at the Board meetings and the annual general meeting of the Company held on June 20, 2019 is set out below:

Director	Board Meetings Attended/Eligible to attend	General Meeting Attended/Eligible to attend
Mr. SUN Taoyong	4/4	1/1
Mr. FANG Tongshu	4/4	1/1
Mr. YOU Fengchun	4/4	1/1
Mr. HUANG Junwei	4/4	1/1
Dr. SUN Mingchun	4/4	1/1
Dr. LI Xufu	4/4	1/1
Mr. TANG Wei	4/4	1/1

Apart from regular Board meetings, the Chairman of the Board also holds meetings with the independent non-executive Directors without the presence of other Directors during each year.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made to all Directors and each of the Directors has confirmed that he has complied with the required standards as set out in the Model Code during the Relevant Period.

DELEGATION BY THE BOARD

The Board reserves for its decision on all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. The Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense. The Directors are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

CORPORATE GOVERNANCE FUNCTIONS

The Board confirmed that corporate governance is a collective responsibility of the Directors, whose corporate governance functions include:

(a) review and monitor the Company's policies and practices in complying with legal and regulatory requirements;

(b) review and monitor the training and continuous professional development of the Directors and senior management;

(c) develop, review and monitor the code of conduct and compliance manual applicable to employees and the Directors;

(d) develop and review the Company's corporate governance and practices, make recommendations and report on related issues to the Board;

(e) review the Company's compliance with the corporate governance and disclosures in the Corporate Governance Report; and

(f) review and monitor the Company's compliance with its whistleblowing policy.

THE BOARD COMMITTEES

Audit Committee

The Audit Committee currently consists of Dr. SUN Mingchun, Dr. LI Xufu and Mr. TANG Wei, being all independent non-executive Directors. The Audit Committee is chaired by Mr. TANG Wei.

The primary duties of the Audit Committee are:

Relationship with the Company's auditors

(a) being primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor; and approving the remuneration and terms of engagement of the external auditor, and considering any questions of its resignation or dismissal;

(b) reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(c) developing and implementing policies on engaging an external auditor to supply non-audit services (for this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally) and reporting to the Board and making recommendations on any matters where action or improvement is needed;

(d) discussing with the external auditor the nature and scope of the audit and relevant reporting obligations, and ensuring co-ordination where more than one audit firm is involved before the audit commences;

Review of the Company's financial information

(e) monitoring integrity of the Company's financial statements, annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained therein. In reviewing these statements and reports before submission to the Board, the Audit Committee shall focus particularly on:

    (i) any changes in accounting policies and practices;

    (ii) major judgmental areas;

    (iii) significant adjustments resulting from audit;

    (iv) the going concern assumptions and any qualifications;

    (v) compliance with accounting standards; and

    (vi) compliance with the Listing Rules and any requirements from the Stock Exchange and legal requirements in relation to financial reporting;

(f) regarding (e) above: (i) liaising with the Board and the senior management; (ii) meeting at least twice a year with the Company's auditors; and (iii) considering any significant or unusual items that are, or may need to be, reflected in the financial reports and accounts and giving due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

Oversight of the Company's financial reporting system, risk management and internal control systems

(g) reviewing the Company's financial controls, risk management and internal control systems;

(h) discussing the risk management and internal control systems with the senior management, ensuring that the senior management has performed their duties to establish effective systems and to review annually the effectiveness, adequacy and appropriateness of those systems. This review should include adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function;

(i) conducting research on major investigation findings of risk management and internal control matters and the senior management's response to these findings on its own initiative or as delegated by the Board;

(j) ensuring co-ordination between the internal and external auditors, ensuring that the internal audit function is adequately resourced to operate and has appropriate standing within the Company, and reviewing and monitoring its effectiveness;

(k) reviewing the Company's financial and accounting policies and practices;

(l) reviewing the external auditor's management letter, any material queries raised by the auditor to the senior management about accounting records, financial accounts or systems of control and senior management's response;

(m) ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(n) reporting to the Board on the matters in the terms of reference;

(o) reviewing the following arrangements set by the Company: employees of the Company can raise concerns about possible improprieties in financial reporting, internal control or other matters in confidence; and ensuring that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up actions by the Company;

(p) acting as the key representative body for overseeing the Company's relations with the external auditor;

(q) formulating a whistle-blowing policy and system by the Audit Committee to allow employees and those who have dealings with the Company (such as customers and suppliers) to raise, in confidence, any concern regarding any possible improprieties about the Company to the Audit Committee; and

(r) conducting any other matters related to the Audit Committee in accordance with the instructions from the Board from time to time.

Terms of reference of Audit Committee are available on the websites of the Stock Exchange and the Company.

Two meetings were held by the Audit Committee during the year ended 31 December 2019 and the attendance of each Audit Committee member at the Audit Committee meetings is set out in the table below:

Director	Attended/Eligible to attend
Mr. TANG Wei	2/2
Dr. LI Xufu	2/2
Dr. SUN Mingchun	2/2

During the meetings, the Audit Committee:

- reviewed the annual results of the Group for the year ended 31 December 2018 and the interim results of the Group for the six months ended 30 June 2019 as well as the relevant financial reports;

- reviewed the audit report prepared by the auditor relating to accounting issues and major findings in course of audit; and

- reviewed the financial reporting system, compliance procedures, risk management and internal control systems (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function), risk management systems and processes and the re-appointment of the auditor; the Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of the auditor.

Nomination Committee

The Nomination Committee currently consists of independent non-executive Directors, Dr. SUN Mingchun and Dr. LI Xufu and executive Director, Mr. SUN Taoyong. The Nomination Committee is chaired by Mr. SUN Taoyong.

The primary duties of the Nomination Committee are:

(a) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) making recommendations to the Board on the appointment or re-appointment of Directors and succession plans for Directors, in particular the chairman and the chief executive officer. The Nomination Committee shall make recommendations on appointment of Directors with due regard to the diversity policy of the Company and in accordance with the challenges and opportunities faced by the Company;

(c) identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorship;

(d) assessing the independence of independent non-executive Directors;

(e) before making any appointment recommendations to the Board, evaluating the balance of Directors based on (including but not limited to) gender, age, cultural and educational background or professional experience, and, in light of this evaluation, preparing a description of the role and capabilities required for a particular appointment. In identifying suitable candidates, the Nomination Committee shall:

  (i) use open advertising or the services of external advisors to facilitate the search;

  (ii) consider candidates from a wide range of backgrounds; and

  (iii) consider candidates on merit and against objective criteria, taking care that appointees have enough time available to devote to the position;

(f) reviewing annually the time required from the non-executive Directors. Performance evaluations should be used to assess whether the non-executive Directors are spending enough time in fulfilling their duties; and

(g) ensuring that the Directors receive a formal letter of appointment from the Board setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings.

The Nominating Committee assesses candidates or incumbents on the basis of integrity, experience, skills and time and effort devoted in the performance of their duties. The recommendations of the Nominating Committee will then be submitted to the Board for decision. The terms of reference of Nomination Committee are available on the websites of the Stock Exchange and the Company.

One meeting was held by the Nomination Committee during the year ended 31 December 2019 and the attendance of each Nomination Committee member at the Nomination Committee meetings is set out in the table below:

Director	**Attended/Eligible to attend**
Mr. SUN Taoyong	1/1
Dr. SUN Mingchun	1/1
Dr. LI Xufu	1/1

During the meeting, the Nomination Committee:

- reviewed the structure, size and composition of the Board;
- assessed independence of the independent non-executive Directors;
- reviewed the Nomination Policy;
- reviewed the Board Diversity Policy; and
- considered the re-appointment of the retiring Directors.

Nomination Policy

The Nomination Committee reviews the information and documents provided by the nominated candidate as required by the Nomination Policy for Directorship available on the website of the Company and conducts the following process (in accordance with the following criteria) with a view to assessing and evaluating whether such candidate is suitably qualified to be appointed as a Director before making recommendations to the Board:

1. to assess such candidate's qualifications, skills, knowledge, ability and experience and also potential time commitment and attention to perform director's duties under common law, legislation and applicable rules, regulations and guidance (including without limitation the Listing Rules and the "Guidance for Boards and Directors" published by the Stock Exchange (the "**Guidance for Boards**")), with reference to the corresponding professional knowledge and industry experience which may be relevant to the Company and also the potential contributions that such candidate could bring to the Board (including potential contributions in terms of qualifications, skills, experience, independence and gender diversity);

2. in addition and without prejudice to Paragraph 1 above, to assess such candidate's personal ethics, integrity and reputation (including without limitation to conduct appropriate background checks and other verification processes against such candidate);

3. with reference to the Board Diversity Policy (as adopted and amended by the Board from time to time), to take into account the then current structure, size and composition (including without limitation the balancing of the skills, knowledge, ability, experience and diversity of perspectives appropriate to the requirements of the Company's business) of the Board and the Company's corporate strategy, with due regard for the benefits of the appropriate diversity of the Board and also such candidate's potential contributions thereto;

4. to consider Board succession planning considerations and the long-term needs of the Company;

5. in case of a candidate for an independent non-executive Director, to assess: (i) the independence of such candidate with reference to, among other things, the independence criteria as set out in Rule 3.13 of the Listing Rules; and (ii) the guidance and requirements relating to independent non-executive directors set out in Code Provision A.5.5 of Appendix 14 to the Listing Rules and in the Guidance for Boards; and

6. to consider any other factors and matters as the Nomination Committee may consider appropriate.

Remuneration Committee

The Remuneration Committee currently consists of independent non-executive Directors, Dr. SUN Mingchun and Dr. LI Xufu and executive Director, Mr. SUN Taoyong. The Remuneration Committee is chaired by Dr. SUN Mingchun.

The primary duties of the Remuneration Committee are:

(a) making recommendations to the Board on all the Company's remuneration policy and structure for the Directors and senior management and on the establishment of formal and transparent procedures for developing remuneration policy;

(b) being responsible for either (i) determining, with delegated responsibility by the Board, the remuneration packages of the individual executive Directors and senior management; or (ii) making recommendations to the Board on the remuneration packages of individual executive Directors and senior management (this should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of office or appointment);

(c) making recommendations to the Board on the remuneration of non-executive Directors;

(d) considering salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company;

(e) reviewing and approving the senior management's remuneration proposals with reference to the Board's corporate goals and objectives;

(f) reviewing and approving compensation payable to the executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and reasonable and not excessive;

(g) reviewing and approving compensation arrangements relating to dismissal or removal of the Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

(h) ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration;

(i) advising the Shareholders on how to vote with respect to any service contracts of the Directors that require the Shareholders' approval under the Listing Rules; and

(j) reviewing the Company's policy on expense reimbursements for the Directors and Senior Management.

Terms of reference of Remuneration Committee are available on the websites of the Stock Exchange and the Company.

One meeting was held by the Remuneration Committee during the year ended 31 December 2019 and the attendance of each Remuneration Committee member at the Remuneration Committee meeting is set out in the table below:

Director	Attended/Eligible to attend
Dr. SUN Mingchun	1/1
Mr. SUN Taoyong	1/1
Dr. LI Xufu	1/1

During the meeting, the Remuneration Committee discussed and reviewed the remuneration packages for Directors and senior management of the Company, and made recommendations to the Board on the remuneration packages of individual Directors and senior management.

Remuneration of Directors and Senior Management

The remuneration of Directors and senior management of the Company (whose biographies are set out on pages 26 to 29 of this annual report) by band for the year ended December 31, 2019 is set out below:

Band of remuneration (RMB)	Number of individuals
1 – 500,000	3
500,001 – 1,000,000	4
> 1,000,000	2

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2019 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company has provided all members of the Board with monthly updates on the Company's performance, positions and prospects.

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

The statement by the auditor regarding its reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on page 66 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group is exposed to various risks in its business operations, primarily including: (i) reliance on Tencent's platforms and services to conduct its businesses; (ii) failure to improve and enhance the functionality, performance, reliability, design, security, and scalability of its products and services to suit its clients' evolving needs, (iii) failure to develop and maintain successful relationships with its local channel partners, and (iv) systems disruptions, distributed denial of service attacks, or other hacking and phishing attacks on its systems and security breaches.

The Board acknowledges that it is its responsibility to ensure that the Company establishes and maintains sound risk management and internal control systems within the Group and to review the effectiveness of the systems. Such systems are designed to manage and mitigate risks inherent in the Group's business faced by the Group to an acceptable level, but not eliminating the risk of failure to achieve business objectives, and can only provide reasonable assurance against material misstatement, loss or fraud.

The executive Directors, with the coordination of the management of the Group, strive to develop, implement and maintain an internal control and risk management system by conducting on-going business reviews; evaluating significant risks faced by the Group; formulating appropriate policies, programs and authorization criteria; conducting business variance analyses of actual result versus business plan; undertaking critical path analyses to identify the impediments in attaining the corporate goals and initiating corrective measures; following up on isolated cases; identifying inherent deficiencies in the internal control system; and making timely remedies and adjustments to avoid recurrence of problems.

The Board has entrusted the Audit Committee with the responsibility to oversee the risk management and internal control systems of the Group on an on-going basis and to review the effectiveness of the systems annually. The review covered all material controls, including financial, operational and compliance controls.

Under the Company's risk management and internal control structure, the management is responsible for the design, implementation and maintenance of risk management and internal control systems to ensure, amongst others, (i) appropriate policies and control procedures have been designed and established to safeguard the Group's assets against improper use or disposal; (ii) relevant laws, rules and regulations are adhered to and complied with; and (iii) reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements.

The main features of risk management and internal control structure of the Company are as follows:

- Heads of major operation units or departments manage risks through identification and mitigating risks identified in accordance with the internal guidelines approved by the Board and the Audit Committee; and

- The management ensures appropriate actions are taken on major risks affecting the Group's businesses and operations.

During the Reporting Period, major works performed by the management in relation to risk management and internal control include the following:

- each major operation unit or department was responsible for daily risk management activities, including identifying major risks that may impact on the Group's performance; assessing and evaluating the identified risks according to their likely impacts and the likelihood of occurrence; formulating and implementing measures, controls and response plans to manage and mitigate such risks;

- the management, together with the finance department, monitored and reviewed the risk management and internal control systems on an ongoing basis and reported to the Audit Committee regarding the status of the systems;

- the management periodically followed up and reviewed the implementation of the measures, controls and response plans to major risks identified in order to make sure that sufficient attention, monitor and responses were paid to all major risks identified; the management reviewed the risk management and internal control systems periodically to identify process and control deficiencies, and designed and implemented corrective actions to address such deficiencies; and

- the management ensured appropriate procedures and measures such as safeguarding assets against unauthorized use or disposition, controlling capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publications, etc. are in place.

The internal audit function of the Company monitored the internal governance of the Company and provided independent assurances as to the adequacy and effectiveness of the Company's risk management and internal control systems. The senior executive in charge of the internal audit function reported directly to the Audit Committee. The internal audit reports on control effectiveness were submitted to the Audit Committee in line with agreed audit plan approved by the Board. During the Reporting Period, the internal audit function carried out an analysis and independent appraisal of the adequacy and effectiveness of the risk management and internal control systems of the Company through, amongst others, examination of risk-related documentation prepared by operation units and the management and conducting interviews with employees at all levels. The senior executives in charge of the internal audit function attended meetings of the Audit Committee to explain the internal audit findings and responded to queries from members of the Audit Committee.

The Company has maintained internal guidelines for ensuring that inside information is disseminated to the public in an equal and timely manner in accordance with the applicable laws and regulations. Senior executives of the investor relations, corporate affairs and financial control functions of the Group are delegated with responsibilities to control and monitor the proper procedures to be observed on the disclosure of inside information. Access to inside information is at all times confined to relevant senior executives and confined on "need-to-know" basis. Relevant personnel and other professional parties involved are reminded to preserve confidentiality of the inside information until it is publicly disclosed. Other procedures such as pre-clearance on dealing in the Company's securities by Directors and designated members of the management, notification of regular blackout period and securities dealing restrictions to Directors and employees, and identification of project by code name have also been implemented by the Company to guard against possible mishandling of inside information within the Group.

The Company has adopted arrangement to facilitate employees and other stakeholders to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters. The Audit Committee reviewed such arrangement regularly and ensured that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

During the Reporting Period, the Audit Committee reviewed the effectiveness of the risk management and internal control systems of the Company. The annual review included works such as (i) review of reports submitted by the external professional firm regarding the implementation of the risk management and internal control systems, as well as the respective internal audit findings; (ii) periodic discussions with the Management and senior executives regarding the effectiveness of the risk management and internal control systems and the works of the internal audit function. Such discussions include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting, internal audit and financial reporting functions; (iii) evaluation on the scope and quality of the management's ongoing monitoring of the risks management and internal control systems; (iv) review of the effectiveness of the internal audit function to ensure coordination within the Group and between the Company's internal and external auditors and to ensure the internal audit function is adequately resourced and has appropriate standing within the Group; and (v) provision of recommendations to the Board and the management on the scope and quality of the management's ongoing monitoring of the risk management and internal control systems.

On the basis of the aforesaid, the Audit Committee was not aware of any significant issues that would have an adverse impact on the effectiveness and adequacy of the risk management and internal control of the Company.

The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Group throughout the Reporting Period provides reasonable assurance against material financial misstatements or loss, and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risks.

The Board, through the reviews made by the Audit Committee, had reviewed the effectiveness and the adequacy of the internal control systems of the Group and considered them to have been implemented effectively. Considerations were also given to the adequacy of resources, qualifications, and experience of staff of the Company's accounting and financial reporting function, and their training programs and budget.

AUDITOR'S REMUNERATION

The auditor's approximate remuneration in respect of the audit and non-audit services provided to the Company for the year ended December 31, 2019 is as follows:

Type of services	**Amount** *(RMB'000)*
Audit services	5,255
Non-audit services (internal control consulting and tax consulting)	150
Total	**5,405**

JOINT COMPANY SECRETARIES

Mr. CAO Yi ("**Mr. Cao**") is the joint company secretary of the Company and is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures, and applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engages Ms. NG Sau Mei ("**Ms. Ng**"), an associate director of TMF Hong Kong Limited (a company secretarial service provider), as another joint company secretary of the Company to assist Mr. Cao to discharge his duties as company secretary of the Company. Mr. Cao is her primary contact person in the Company.

During the Reporting Period, Mr. Cao and Ms. Ng have undertaken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONSHIP

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information on the Company for the Shareholders and investors to make informed investment decisions.

The annual general meetings of the Company provide opportunity for Shareholders to communicate directly with the Directors. The chairman of the Company and the chairmen of the Board Committees will attend the annual general meetings to answer the Shareholders' questions. The auditor will also attend the annual general meetings to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor's independence.

To promote effective communication and to build an inter-relationship and communication channel between the Company and the Shareholders, the Company adopts a shareholders' communication policy and maintains a website at www.weimob.com, where the up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

SHAREHOLDERS' RIGHTS

To safeguard the Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

DIVIDEND POLICY

As advised by the Company's Cayman Islands legal advisor, under Cayman Islands law, a position of accumulated losses and net liabilities does not necessarily restrict the Company from declaring and paying dividends to its shareholders out of either its profit or its share premium account, provided that this would not result in the Company being unable to pay its debts as they fall due in the ordinary course of business. As the Company is a holding company incorporated under the laws of the Cayman Islands, the payment and amount of any future dividends will also depend on the availability of dividends received from its subsidiaries. The PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including HKFRS. Any dividends the Company pays will be determined at the absolute discretion of the Board, taking into account factors including the Company's actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that the Board deems to be appropriate. The Shareholders may approve, in a general meeting, any declaration of dividends, which must not exceed the amount recommended by the Board.

CONVENING AN EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS

Pursuant to the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. 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 or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as of 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. General meetings may also be convened on the written requisition of any one member which is a recognized clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as of 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. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

ENQUIRIES TO THE BOARD

Shareholders who intend to put forward their enquiries about the Company to the Board may send their enquiries to the headquarters of the Company at Weimob Building, 258 Changjiang Road, Baoshan District, Shanghai, the PRC through mail (or email box ir@weimob.com).

AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

During the Relevant Period, there was no change on the Articles of Association.

INDEPENDENT AUDITOR’S REPORT

To the Shareholders of Weimob Inc.
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Weimob Inc. (the “Company”) and its subsidiaries (the “Group”) set out on pages 68 to 173, which comprise:

- the consolidated statement of financial position 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 Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) 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 Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. 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 HKICPA’s Code of Ethics for Professional Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code.

INDEPENDENT AUDITOR'S REPORT

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 matter identified in our audit is related to Revenue recognition of target marketing.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition of target marketing Refer to Note 2.25, Note 4(a) and Note 6 to the consolidated financial statements. For the year ended 31 December 2019, the Group recognised revenue of RMB571 million from provision of target marketing service. The Group's target marketing revenue mainly comprises of (a) agreed rebates earned from certain media publishers for which revenue is recognised on net basis, and (b) agreed consideration earned from advertisers for which revenue is recognised on gross basis. The determination of whether revenue should be reported on a gross or net basis is based on the assessment of whether the Group acts as a principal or an agent in the transactions, taking into account of the nature of specified services and whether the Group obtains controls of the specified services before transferring to advertisers. Management considers in combination whether (a) the Group is primarily responsible for fulfilling the promise to provide the target marketing service; (b) the Group bears certain inventory risk, and (c) the Group has discretion in establishing the price. We focused on this area due to the judgements involved in determining the Group's role as a principal or an agent in recognising target marketing revenue which will impact the presentation of revenue and related costs in the consolidated financial statements.	We have performed the following procedures to address this key audit matter: i. We understood, evaluated and tested the key controls in place over management's assessment of revenue recognition, including management approval and review of sales contracts. ii. We discussed with management and understood the indicators and judgement management considered when assessing the revenue recognition on gross or net basis under each different circumstance. iii. We selected sales contracts, on a sample basis, reviewed the relevant contract terms and corroborated with management explanations and other supporting documents regarding the judgement applied for the selected sales contracts. iv. We conducted interviews with different advertisers, on a sample basis, to corroborate the management's explanations of the Group's business arrangements with them. We consider the judgements made by management for the target marketing revenue are supportable by the evidences obtained and procedures performed.

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the corporate governance report and report of the directors, 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 obligation.

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 HKFRSs issued by the HKICPA 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 HKSAs 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 HKSAs, 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 Chan Chiu Kong, Edmond.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 17 March 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	Year ended December 31 2019 RMB'000	2018 RMB'000
Revenue	*6*	**1,436,787**	865,031
Cost of sales	*7*	**(639,657)**	(347,382)
Gross profit		**797,130**	517,649
Selling and distribution expenses	*7*	**(716,907)**	(449,799)
General and administrative expenses	*7*	**(129,936)**	(151,380)
Net impairment losses on financial assets		**(6,630)**	–
Other income	*9*	**67,434**	16,490
Other gains, net	*10*	**26,676**	25,148
Operating gain/(loss)		**37,767**	(41,892)
Finance costs	*11*	**(13,151)**	(5,377)
Finance income	*12*	**1,569**	254
Share of net profit of associates accounted for using the equity method	*21*	**3,941**	–
Change in fair value of redeemable and convertible preferred shares	*3.3, 23*	**298,280**	(1,043,582)
Profit/(loss) before income tax		**328,406**	(1,090,597)
Income tax expense	*13*	**(17,098)**	(610)
Profit/(loss) for the year		**311,308**	(1,091,207)
Profit/(loss) attributable to:			
– Equity holders of the Company		**311,978**	(1,089,206)
– Non-controlling interests		**(670)**	(2,001)
		311,308	(1,091,207)
Other comprehensive income/(loss), net of tax			
Items that will not be subsequently reclassified to profit or loss			
– Change in fair value of financial liabilities from own credit risk	*3.3, 23*	**–**	(3,483)
Total comprehensive income/(loss) for the year		**311,308**	(1,094,690)
Total comprehensive income/(loss) attributable to:			
– Equity holders of the Company		**311,978**	(1,092,689)
– Non-controlling interests		**(670)**	(2,001)
		311,308	(1,094,690)
Earnings/(loss) per share (expressed in RMB per share)			
– Basic earnings/(loss) per share	*15*	**0.15**	(1.59)
– Diluted earnings/(loss) per share	*15*	**0.01**	(1.59)

The notes on pages 75 to 173 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

	Note	As at December 31 2019 RMB'000	 2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	*16*	**21,024**	16,914
Right-of-use assets	*17*	**61,176**	–
Intangible assets	*18*	**138,787**	57,054
Development cost	*19*	**16,944**	27,963
Deferred income tax assets	*24*	**45,184**	59,305
Contract acquisition cost	*6*	**39,549**	63,476
Investments accounted for using the equity method	*21*	**66,441**	–
Financial assets at fair value through profit or loss	*3.3, 23*	**40,885**	–
Deposits	*26*	**1,767**	–
Other non-current assets	*25*	**17,000**	9,700
Total non-current assets		**448,757**	234,412
Current assets			
Trade and notes receivables	*27*	**156,386**	79,287
Contract acquisition cost	*6*	**147,578**	130,495
Prepayments, deposits and other assets	*26*	**1,226,502**	508,968
Financial assets at fair value through profit or loss	*3.3, 23*	**61,364**	–
Term deposits	*28*	**393,000**	–
Cash and cash equivalents	*28*	**870,328**	127,585
Total current assets		**2,855,158**	846,335
Total assets		**3,303,915**	1,080,747
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	*31*	**1,531**	–
Treasury shares	*31*	**(63,143)**	–
Shares held for RSU scheme	*31*	**(38,582)**	–
Share premium	*31*	**4,171,056**	1,049
Other reserves	*32*	**(1,127,164)**	(1,170,341)
Accumulated losses		**(953,595)**	(1,262,090)
		1,990,103	(2,431,382)
Non-controlling interests		**(295)**	(1,154)
Total equity/(deficit)		**1,989,808**	(2,432,536)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

	Note	As at December 31 2019 RMB'000	2018 RMB'000
LIABILITIES			
Non-current liabilities			
Financial liabilities measured at fair value through profit or loss	*3.3, 23*	**18,076**	2,769,905
Lease liabilities	*17*	**35,230**	–
Contract liabilities	*6*	**85,179**	130,071
Other non-current liabilities	*32(i)*	**1,800**	–
Total non-current liabilities		**140,285**	2,899,976
Current liabilities			
Bank borrowings	*29*	**300,000**	80,000
Lease liabilities	*17*	**15,013**	–
Trade and other payables	*30*	**562,674**	270,303
Contract liabilities	*6*	**293,488**	262,792
Current income tax liabilities		**2,647**	212
Total current liabilities		**1,173,822**	613,307
Total liabilities		**1,314,107**	3,513,283
Total equity and liabilities		**3,303,915**	1,080,747

The notes on pages 75 to 173 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 75 to 173 were approved by the Board of Directors on March 17, 2020 and were signed on its behalf:

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2019

		Attributable to equity holders of the Company								
	Note	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Shares held for RSU scheme RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
As at January 1, 2019		–*	1,049	–	–	(1,170,341)	(1,262,090)	(2,431,382)	(1,154)	(2,432,536)
Comprehensive income/(loss)										
Profit/(loss) for the year		–	–	–	–	–	311,978	311,978	(670)	311,308
Total comprehensive income/(loss) for the year		–	–	–	–	–	311,978	311,978	(670)	311,308
Transaction with owners										
Conversion of convertible redeemable preferred share into ordinary shares	*31*	–*	2,471,625	–	–	3,483	(3,483)	2,471,625	–	2,471,625
Share capitalisation	*31*	1,155	(1,155)	–	–	–	–	–	–	–
Issuance of ordinary shares	*31*	381	1,769,185	–	–	–	–	1,769,566	–	1,769,566
Share issuance costs	*31*	–	(42,550)	–	–	–	–	(42,550)	–	(42,550)
Buy-back of shares	*31*	–	–	(90,246)	–	–	–	(90,246)	–	(90,246)
Cancellation of buy-back shares	*31*	(5)	(27,098)	27,103	–	–	–	–	–	–
Contribution from a shareholder in relation to RSU Scheme Trust	*31, 33*	–	–	–	(61,333)	61,333	–	–	–	–
Transfer of vested RSUs	*31, 33*	–	–	–	22,751	(22,751)	–	–	–	–
Share-based compensation expenses	*33*	–	–	–	–	5,641	–	5,641	–	5,641
Acquisition of non-controlling interests	*32*	–	–	–	–	(4,529)	–	(4,529)	1,529	(3,000)
Transactions with owners in their capacity for the year		1,531	4,170,007	(63,143)	(38,582)	43,177	(3,483)	4,109,507	1,529	4,111,036
As at December 31, 2019		1,531	4,171,056	(63,143)	(38,582)	(1,127,164)	(953,595)	1,990,103	(295)	1,989,808

* The relevant amounts are all less than RMB1,000.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2019

		Attributable to equity holders of the Company						
	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
As at January 1, 2018		–	–	(44,163)	(172,884)	(217,047)	2,303	(214,744)
Comprehensive loss								
Loss for the year		–	–	–	(1,089,206)	(1,089,206)	(2,001)	(1,091,207)
Other comprehensive loss								
– change in fair value of redeemable and convertible preferred shares from own credit risk	*3.3, 23*	–	–	(3,483)	–	(3,483)	–	(3,483)
Total comprehensive loss for the year		–	–	(3,483)	(1,089,206)	(1,092,689)	(2,001)	(1,094,690)
Transaction with owners								
Issuance of ordinary shares	*31*	–*	1,049	–	–	1,049	–	1,049
Capital contribution from an investor	*32*	–	–	11,660	–	11,660	–	11,660
Deemed distribution	*32*	–	–	(1,125,614)	–	(1,125,614)	–	(1,125,614)
Share-based compensation expenses for employees	*33*	–	–	8,703	–	8,703	–	8,703
Transactions with non-controlling interests	*32*	–	–	(17,444)	–	(17,444)	(1,456)	(18,900)
Transactions with owners in their capacity for the year		–*	1,049	(1,122,695)	–	(1,121,646)	(1,456)	(1,123,102)
As at December 31, 2018		–*	1,049	(1,170,341)	(1,262,090)	(2,431,382)	(1,154)	(2,432,536)

* The relevant amounts are all less than RMB1,000.

The notes on pages 75 to 173 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

		Year ended December 31	
		2019	2018
	Note	**RMB'000**	RMB'000
Cash flows from operating activities			
Cash used in operations	*34*	**(439,408)**	(258,607)
Interest received	*12*	**1,569**	254
Interest paid	*34*	**(12,964)**	(5,228)
Income tax paid		**(542)**	(42)
Net cash used in operating activities		**(451,345)**	(263,623)
Cash flows from investing activities			
Placements of term deposits		**(724,607)**	–
Receipt from term deposits		**331,607**	–
Purchase of investments measured at fair value through profit or loss (current and non-current portion)	*3.3, 23*	**(84,224)**	–
Proceeds from disposals of investment measured at fair value through profit or loss (current portion)	*3.3*	**11,485**	–
Interest received from term deposits and third parties	*9, 26*	**6,495**	–
Payment to invest in associates	*21*	**(62,500)**	–
Payment for acquisition of a subsidiary		**–**	(1,000)
Prepayment for equity investment	*25*	**(7,300)**	(9,700)
Purchase of property, plant and equipment	*16*	**(11,459)**	(11,114)
Proceeds from disposal of property, plant and equipment	*16*	**143**	353
Purchase of intangible assets	*18*	**(421)**	(203)
Payment for development cost	*19*	**(116,505)**	(62,134)
Loan to third parties	*26*	**(12,550)**	–
Payment to Shanghai Weimob Enterprise Co., Ltd. ("Weimob Enterprise")	*36*	**–**	(27,128)
Repayment from Weimob Enterprise	*26*	**2,175**	–
Net cash used in investing activities		**(667,661)**	(110,926)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	Year ended December 31 2019 RMB'000	2018 RMB'000
Cash flows from financing activities			
Capital contribution from an investor		–	11,660
Proceeds from issuance of ordinary shares	*31(a), (b)*	**1,769,566**	994
Buy-back of shares	*31(d)*	**(90,246)**	–
Proceeds from issuance of redeemable and convertible preferred shares		–	1,914,518
Cash paid in connection with the Reorganisation	*1.2*	–	(1,341,225)
Deemed distribution	*36*	–	(95,150)
Proceeds from bank borrowings	*29*	**330,000**	105,000
Repayments of bank borrowings	*29*	**(110,000)**	(25,000)
Borrowing from related parties	*36*	–	190,000
Repayment to related parties	*36*	–	(264,103)
Borrowing from a third party	*23(ii)*	**12,500**	–
Principal elements of lease payments	*34*	**(12,510)**	–
Payment of listing expenses		**(39,423)**	(3,039)
Acquisition of equity interest from non-controlling interest	*32(i)*	**(3,659)**	(12,820)
Consulting fee paid for financing activities		–	(25,390)
Net cash generated from financing activities		**1,856,228**	455,445
Net increase in cash and cash equivalents		**737,222**	80,896
Effect on exchange rate difference		**5,521**	25,160
Cash and cash equivalents at beginning of the year		**127,585**	21,529
Cash and cash equivalents at end of the year		**870,328**	127,585

The notes on pages 75 to 173 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

Weimob Inc. (the "Company") was incorporated in the Cayman Islands on January 30, 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 P. O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries, including structured entities (collectively, the "Group") are principally engaged in providing a leading cloud-based commerce and marketing solutions for small and medium businesses in People's Republic of China (the "PRC''). The Group offers a wide variety of commerce and marketing solutions to merchants through its software as a service ("SaaS") products offerings and targeted marketing services, collectedly referred to as the "Listing Business" or "B2B Business". Mr. Sun Taoyong ("Mr. Sun"), Mr. You Fengchun ("Mr. You"), Mr. Fang Tongshu ("Mr. Fang") (collectively, the "Substantial Shareholders Group"), who are parties acting in concert in the Group with each other throughout the years ended December 31, 2018 and 2019.

The Company's shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited since January 15, 2019 (the "Listing").

These consolidated financial statements are presented in Renminbi ("RMB") unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on March 17, 2020.

1.2 History and reorganisation of the Group

Prior to the incorporation of the Company and the completion of the reorganisation as discussed below, the Listing Business was mainly operated by Weimob Enterprise, Shanghai Weimob Enterprise Development Co., Ltd. ("Weimob Development") and its PRC subsidiaries (collectively, the "Operating Companies"). Weimob Development was also engaged in the e-commerce business (the "Excluded Business" or "Non-B2B Business") before September 2016.

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION (Continued)

1.2 History and reorganisation of the Group (Continued)

For the purpose of preparing for the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited, the Group underwent a group reorganisation (the "Reorganisation") pursuant to which the Listing Business were transferred to the Company. The Reorganisation involved the followings:

(i) In September 2016, Weimob Enterprise transferred the Listing Business to Weimob Development and Weimob Development transferred all of the Excluded Business to Shanghai Mengdian Information Technology Co., Ltd. ("Mengdian"), a wholly-owned subsidiary of Weimob Enterprise (the "Business Transfer"). Upon the completion of the Business Transfer, the Listing Business was no longer operated by Weimob Enterprise and was mainly operated by Weimob Development and its PRC subsidiaries and the Excluded Business has been transferred out of the Group.

(ii) On January 30, 2018, the Company was incorporated in the Cayman Islands with one share being allotted and issued to the initial subscriber. On the same date, the subscriber share of the Company was transferred at par value of US$0.0001 to Jeff.Fang Holding Limited ("Fang SPV"), which is a special purpose vehicle wholly-owned by Mr. Fang. Between January 30, 2018 to June 30, 2018, 78,328 Shares, 14,203 Shares, 4,444 Shares and 3,025 Shares of the Company were further allotted and issued, all at par value to Yomi.sun Holding Limited ("Sun SPV"), Alter. You Holding Limited ("You SPV"), Fang SPV and Shunfeng.li Holding Limited ("Li SPV"). Since then, the Company was owned as to 96.975% by the Substantial Shareholders Group.

(iii) On February 7, 2018, Weimob Holding Limited ("Weimob Holding") was incorporated in the British Virgin Islands and wholly-owned by the Company.

(iv) On March 6, 2018, Weimob Technology HK Limited ("Weimob HK") was incorporated in Hong Kong and wholly-owned by Weimob Holding.

(v) On April 23, 2018, Weimob HK entered into a sale and purchase agreement with Weimob Enterprise, pursuant to which Weimob HK acquired 52.95% equity interest in Weimob Development from Weimob Enterprise at a consideration of RMB291,225,000. Immediately upon completion of the acquisition, Weimob HK and Weimob Enterprise held 52.95% and 21.05% of the equity interest of Weimob Development respectively and Weimob Development became a subsidiary of Weimob HK.

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION (Continued)

1.2 History and reorganisation of the Group (Continued)

(vi) Between May 21, 2018 and July 16, 2018, Weimob HK entered into a series of sale and purchase agreement and share subscription agreement with the remaining shareholders of Weimob Development and Weimob Development respectively, pursuant to which Weimob HK acquired all of the remaining 47.05% equity interest of Weimob Development for a total consideration, in aggregate, of RMB1,200,000,000, among which RMB1,050,000,000 was paid to the remaining shareholders and RMB150,000,000 was injected into Weimob Development. Upon the completion of the acquisition, Weimob Development is wholly-owned by Weimob HK.

Upon completion of the Reorganisation, the Company became the ultimate holding company of the companies now comprising the Group.

1.3 Basis of presentation

Pursuant to the Group Reorgnisation, the Company became the ultimated holding company of the companies now comprising the Group. The consolidated financial statements of the Group have been prepared as if the Group has always been in the existence throughout both years presented, or since the respective dates of incorporation or establishment of the group companies, rather than from the date when the Company became the holding company pursuant to the Reorgnisation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

2.1 Basis of preparation

The consolidated financial statements of the Company has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements has been prepared on a historical cost basis, except for certain financial assets and liabilities measured at fair value.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 below.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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 January 1, 2019:

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

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on January 1, 2019. This is disclosed in Note 2.2. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on January 1, 2019 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to HKAS 1 and HKAS 8	Definition of Material	January 1, 2020
Amendments to HKFRS 3	Definition of a Business	January 1, 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	January 1, 2020
HKFRS 17	Insurance contracts	January 1, 2021

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

New standards and interpretations not yet adopted (Continued)

The Group has already commenced an assessment of the likely impact of adopting the above new standards but is not yet in a position to state whether they will have a significant impact on the reporting results of operations and financial position. The management of the Group plans to adopt these new standards and amendments to existing standards when they become effective.

2.2 Changes in accounting policies

As indicated in Note 2.1 above, the Group has adopted HKFRS 16 Leases retrospectively from January 1, 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 recognised in the opening balance sheet on January 1, 2019. The new accounting policies are disclosed in Note 2.26.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 6.78%.

(i) Practical expedients applied

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

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at January 1, 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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 HKAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

(ii) Measurement of lease liabilities

	At January 1, 2019 RMB'000
Operating lease commitments excluding lease prepayments disclosed as at December 31, 2018	69,255
Less: associated non-lease components which can not meet the definition of a lease	(506)
Less: short-term leases not recognised as a liability	(1,580)
	67,169
Discounted using the lessee's incremental borrowing rate of at the date of initial application	44,074
Lease liability recognised as at January 1, 2019	44,074
Of which are:	
Current lease liabilities	12,270
Non-current lease liabilities	31,804
	44,074

(iii) Measurement of right-of-use assets

The right-of-use assets were measured on a simplified transition approach without restating comparative amounts, and were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

(iv) Adjustments recognised in the balance sheet on January 1, 2019

The change in accounting policy affected the following items in the consolidated statement of financial position on January 1, 2019:

- right-of-use assets – increase by approximately RMB64,137,000
- lease liabilities (current portion) – increase by approximately RMB12,270,000
- lease liabilities (non-current portion) – increase by approximately RMB31,804,000
- prepayments – decrease by approximately RMB20,063,000

Since the Group applied the simplified transition approach, there has been no impact on retained earnings on January 1, 2019.

2.3 Principle of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured 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 de-consolidated from the date that control ceases.

Other than the Reorganisation, the acquisition method of accounting is used to account for business combinations by the group (refer to Note 2.4).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses 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 profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(ii) 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 (iii) below), after initially being recognised at cost.

The exemption from using the equity method is available if the investments are measured at fair value through profit or loss in accordance with HKFRS 9. The Group make this election separately for each associate at initial recognition.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Principle of consolidation and equity accounting (Continued)

(iii) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses 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 are recognised 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 recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group, unless the investment in associate is held indirectly through venture capital organisations, or mutual funds, unit trusts and similar entities including investment-linked insurance funds, which all qualifies for the investment entities disclosed in Note 2.10. For investment entity associate, the Group could elect to retain the fair value measurement applied by that associate to its interests in subsidiaries. This election is made separately for each investment entity associate, at the latest of the date on which (a) the investment entity associate is initially recognised, (b) the associate becomes an investment entity, and (c) the investment entity associate first becomes a parent.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.11.

(iv) Changes in ownership interests in subsidiaries without change of control

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 recognised in a separate reserve within equity attributable to owners of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Business combinations

Other than the Reorganisation, the acquisition method of accounting is used to account for all business combinations, 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, and
- fair value of any pre-existing equity interest in the subsidiary.

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 recognises 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 recognised 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 recognised 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 losses arising from such remeasurement are recognised in profit or loss.

2.5 Separate financial statements

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Separate financial statements (Continued)

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

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

2.7 Foreign currencies

(i) 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 Company's primary subsidiaries are incorporated in the PRC and these subsidiaries consider RMB as their functional currency. Acting as extension of subsidiaries, the Company and the intermediate investment holding companies elected RMB as their functional currency. The consolidated financial statements is presented in RMB, which is the Company's and the Group's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within "Finance costs" or "Finance income". All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within "Other gains, net".

(iii) Group companies

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Foreign currencies (Continued)

(iii) Group companies (Continued)

(2) income and expenses for each income statement are translated at average exchange rates (unless this average 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 rate on the dates of the transactions); and

(3) all resulting exchange differences are recognised in other comprehensive income.

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. Exchange differences arising are recognised in other comprehensive income.

2.8 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and accumulated impairment. 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 recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the year in which they are incurred.

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

Computer and electronic equipment	3 years
Furniture and fixtures	5 years
Vehicles	5 years
Leasehold improvement	Shorter of estimated useful lives or remaining lease terms

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at 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 (Note 2.11).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains, net" in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Intangible assets

(i) Trademarks and licenses

Separately acquired trademark and licenses are shown at historical cost. Trademarks and licenses acquired in a business combination are recognised at fair value at the acquisition date.

The trademark used to identify and distinguish ("Weimob"; carrying amount of RMB3,398,000) has a remaining legal life of 4.5 years as at December 31, 2019 but is renewable every ten years at little cost and is well established. The Group intends to renew the trademark continuously and evidence supports its ability to do so. An analysis of the Group's business performance provides evidence that the Weimob brand will generate net cash inflows for the Group for an indefinite period. Therefore, the trademark is carried at cost without amortisation, but is tested for impairment in accordance with Note 2.11.

Licenses acquired have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

(ii) Software and capitalisation of development cost

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Intangible assets (Continued)

(ii) Software and capitalisation of development cost (Continued)

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. Costs incurred but relevant intangible assets are not ready for use are recognised as a separate line item of "Development cost" in the consolidated statement of financial position.

Research expenditure and development expenditure that do not meet the criteria in above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Acquired software licenses represent financial system software license purchased from external vendor, which are measured at cost.

(iii) Amortisation methods and periods

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

Acquired software licenses	10 years
Self-developed software	3 years

The acquired software is well-developed off the shelf software used for financial reporting, there is no expiry date of these software licenses, and the Group can use the software as long as it can meet the Group's financial reporting needs. Based on the current functionalities equipped by this software and the daily operation needs, the Group considers a useful life of 10 years is the best estimation under current financial reporting needs.

2.10 Investment entities

An investment entity is an entity that:

- obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- measures and evaluates the performance of substantially all of its investments on a fair value basis.

An investment entity shall measure an investment in a subsidiary at fair value through profit or loss in accordance with HKFRS 9. A parent of an investment entity shall consolidate all entities that it controls, including those controlled through an investment entity subsidiary, unless the parent itself is an investment entity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation 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 recognised 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.

2.12 Financial assets

(i) Classification

The Group classifies its financial assets in the following categories:

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

- those to be measured at amortised 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. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

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

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised 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.

(iii) Measurement

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets (Continued)

(iii) Measurement (Continued)

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

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in "Other income" using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "Other gains, net" together with foreign exchange gains and losses. Impairment losses are presented in "Net impairment losses on financial assets" in the consolidated statement of comprehensive income/(loss).

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the consolidated statement of comprehensive income and recognised in "Other gains, net". Interest income from these financial assets is included in "Other income" using the effective interest rate method.

- FVPL: Assets that do not meet the criteria for amortised cost or financial assets at FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in "Other gains, net" in the period in which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets (Continued)

(iii) Measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investments. Dividends from such investments continue to be recognised in "Other income" when the Group's right to receive payments is established.

Changes in the fair value of financial assets measured at FVPL are recognised in "Other gains, net" as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1 for further details.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities 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.

2.14 Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade 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.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other financial institutions, other short-term highly liquid investments with original maturities of three months or less.

2.16 Share capital and shares held for employee share scheme

Ordinary shares are classified as equity. Redeemable and convertible preferred shares are classified as liabilities.

Incremental costs directly attributable to the issue of new shares 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 employee share trust are disclosed as "Shares held for RSU scheme" and deducted from equity attributable to the owners of the Company.

2.17 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are derecognised when the obligation is discharged, cancelled or expired. The difference between carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Borrowings costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.19 Trade 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. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.20 Financial liabilities measured at fair value through profit or losses

(i) Redeemable and convertible preferred shares

The Company issued certain series of instruments to investors. The instrument holders have the right to require the Group to redeem all of the instruments held by the instrument holders at guaranteed predetermined fixed amount at certain redemption events, which are out of the control of the Group. Upon listing, all the fully-paid instrument had been automatically converted into fully paid ordinary shares at par.

Pursuant to HKFRS 9, the instrument issued to investors are accounted for in their entirety as financial liabilities through profit and loss, with fair value changes reflected in "Change in fair value of redeemable and convertible preferred shares" within the consolidated statement of comprehensive income/(loss), except for the portion attributable to credit risk change that should be charged to other comprehensive income. Accordingly, the embedded conversion features do not require future evaluation, bifurcation, and separate accounting as embedded derivatives as the change in fair value of embedded features are reflected in the change in fair value in the compound instrument under such "whole instrument" approach. Issue costs that are directly attributable to the issue of the instruments, designated as financial liabilities at fair value through profit or loss, are recognized immediately in the consolidated statement of comprehensive income. The instrument 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Financial liabilities measured at fair value through profit or losses (Continued)

(ii) Other financial liabilities at FVPL

Other financial liabilities at FVPL are the investment from a venture capital in a fund consolidated by the Company, and the variable returns belonging to the venture capital given the three-year limited life of the fund, which was subsequent measured based on the fair value of the underlying investment and the predetermined profit distribution mechanism that set out in the fund agreement (Note 23(ii)).

The financing from venture capital is recorded as non-current financial liabilities measured at FVPL as the venture capital is entitled to the return based on the fair value of the underlying investment of the fund.

2.21 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 losses.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet dates 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.

(ii) 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 recognised 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 realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Current and deferred income tax (Continued)

(ii) Deferred income tax (Continued)

Deferred tax liabilities and assets are not recognised 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 realise the asset and settle the liability simultaneously.

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

2.22 Employee benefits

(a) Pension obligations

The Group only operate defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(b) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Employee benefits (Continued)

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) When the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of reporting period are discounted to their present value.

(d) 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 balance sheet date. Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

2.23 Share-based payment

The Group operates an equity-settled share-based compensation plan, under which the Group receives service from its employees in exchange for the equity instruments of the Group. As disclosed in Note 33, Weimob Enterprise granted equity-settled share options to certain employees, which was subsequently replaced by the restricted shares units ("RSUs") granted by the Company. The fair value of the employee service received in exchange for the grant of share options and RSUs is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

(i) Including any market performance conditions (for example, an entity's share price);

(ii) Excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

(iii) Including the impact of any non-vesting conditions.

Non-market performance and service conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Share-based payment (Continued)

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

The grant by the Company of its equity instruments to the employees of its subsidiaries is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity in the parent entity accounts.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognized for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognized over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognized over the remainder of the original vesting period. Furthermore, if the entity modifies the terms or conditions of the equity instruments granted in a manner that reduces the total fair value of the share-based payment arrangement, or is not otherwise beneficial to the employee, the entity shall nevertheless continue to account for the services received as consideration for the equity instruments granted as if that modification had not occurred (other than a cancellation of some or all the equity instruments granted).

At the end of each reporting period, the Group revises its estimates of the number of RSUs that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Equity-settled share-based payments to parties other than employees are measured at the fair value of the goods or services received or, if the fair value of the goods or services received cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group obtains the goods or receives the services.

If the identifiable consideration received by the Group is less than the fair value of the equity instruments granted, the difference, being the unidentifiable goods or services received is charged to the consolidated statement of comprehensive income at the grant date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Provision

Provisions are recognised 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 has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are 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 recognised 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 recognised as interest expense.

2.25 Revenue recognition

The Group provides cloud-based commerce and marketing solutions for small and medium businesses in PRC. The Group offers a wide variety of commerce and marketing solutions to customers through its SaaS products offerings and targeted marketing services. Revenue from providing services is recognised in the accounting period in which the services are rendered. Amounts collected in excess of revenue recognized are included as contract liabilities.

Incremental costs incurred to obtain a contact, if recoverable, are capitalised and presented as assets and subsequently amortised when the related revenue is recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Revenue recognition (Continued)

(i) SaaS products offering

- *Standard cloud-hosted software:*

  The Group offers SaaS products which are cloud-hosted software. The Group sells SaaS products to customers, i.e. the SaaS products user, through its direct sales force or through its channel partners. The Group is responsible for delivering the cloud-hosted software, paying server fees to external cloud server vendors to ensure the cloud-hosted software is accessible and stable, and the Group has discretion in establishing the prices for SaaS products. The channel partners have the contractual obligation to follow the Group's pricing guidance and has no significant performance obligation towards the customers. Therefore the Group is the principal and recognises revenue at the gross amount billed to the customers by the channel partners. The differences between the gross amount billed to the customer by the channel partners and the amount billed to channel partners by the Group are recognised as contract acquisition cost. The Group also capitalizes sales commissions paid to its direct sales force that had a direct and incremental relationship to a specific new revenue contract as contract acquisition cost and amortizes the capitalized amounts when the related revenue is recognized.

  SaaS revenues primarily consist of fees that provide customers access to one or more of the cloud applications for e-commerce, marketing, customer management etc. with routine customer support. Revenue is generally recognized over time on a ratable basis over the contract term beginning on the date that the service is made available to the customer. The Group does not have other right to consideration in exchange for goods or service that the Group has transferred to a customer when that right is conditioned on something other than the passage of time. So the contract acquisition costs are charged into selling and distribution expenses on a ratable basis which is in line with the revenue recognition.

  The Group periodically evaluates whether there have been any changes in its business, the market conditions in which it operates or other events which would indicate that its amortization period of contract acquisition cost should be changed or if there are potential indicators of impairment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Revenue recognition (Continued)

(i) SaaS products offering (Continued)

- *Customised software:*

  The Group develops and sells customised software. Revenue is recognised when control over the customised software has been transferred to the customer. The customers can not receive and consume the benefits simultaneously from the Group as well as control the customized software until the software delivered to the customer. The customised software generally has no alternative use for the Group due to contractual restrictions. However, an enforceable right to payment does not arise until customised software transfer to customer. Therefore, revenue is recognised at a point in time when the customised software is passed to the customer.

  The Group recognises an asset in relation to costs to fulfil its customised software development contracts. The costs relate directly to the contract, generate resources that will be used in satisfying the contract and are expected to be recovered. The contract fulfilment costs are recorded as cost of sales when the customised software is passed to the customer and the revenue is recognised.

- *Other services:*

  Sometimes, the Group also provide merchant operation service to its software users (either cloud-base or customised) and separate service contracts are signed for these services. The service fee is predetermined based on the regular labor cost and reasonable margin, and is recognised as revenue evenly over the service period. The Group also provides technical support service to other SaaS companies, and recognises revenue when relevant service has been rendered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Revenue recognition (Continued)

(ii) Targeted marketing service

The Group provides online marketing service. The Group earns revenue from different business models including (a) agreed rebates earned from certain media publishers or (b) agreed consideration earned from advertisers calculated based on or adjusted by specified actions.

(a) Agreed rebates earned from certain media publishers

The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether the Group is acting as the principal or an agent in the transactions. In determining whether the Group acts as the principal or an agent, the Group follows the accounting guidance for principal-agent considerations in HKFRS 15. Such determination involves judgment and is based on an evaluation of the terms of each arrangement as follows:

In this arrangement, the Group charges the advertisers based on cost per mille ("CPM") or cost per click ("CPC"), which is the same pricing mechanism as how the media publishers will charge to the Group. In some circumstances, the Group offers discounts or rebates to the advertisers as part of its promotion activities. Media publishers grant to the Group rebates in the form of prepayments for the media publishers' services or cash mainly based on the gross spend of the advertisers.

In determination of whether revenue should be reported on a gross or net basis, while none of the factors individually are considered presumptive or determinative, the Group is not the principal in this arrangement as it does not control the specified service before that service is transferred to an advertisers, because (i) the specified service being purchased by the advertiser is the viewership (CPM) or click (CPC) of its advertisement. Media publisher, rather than the Group, is primarily responsible for providing the media publishing service. The Group does not have any commitment to the advertiser about the effectiveness of advertisement; (ii) the media advertisement space is not owned by the Group, and the Group does not have any commitments to purchase the advertising space. As such the Group does not have inventory risk; and (iii) The Group charges the advertisers based on CPM or CPC, which is the same pricing mechanism that the media publishers charge the Group. Although the Group has some discretion in determining the price charged to the advertisers in the form of discounts and rebates given to the advertisers, the Group determines it is the agent in the transaction based on the weight of the aforementioned factors. Therefore, the Group acts as an intermediary in executing transactions with third parties. The Group is not the principal in executing these transactions as the Group is acting on behalf of the media publishers. The Group reports the amount received from the advertisers and the amounts paid to the media publishers related to these transactions on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Revenue recognition (Continued)

(ii) Targeted marketing service (Continued)

(a) Agreed rebates earned from certain media publishers (Continued)

In some circumstance, certain rebates granted by the media publishers are variable which is outside the entity's influence (Note(4)(b)). The Group only recognises the rebates if it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur if estimates of rebates change.

(b) Agreed consideration earned from advertisers calculated based on or adjusted by specified actions

The Group also generates revenue from providing comprehensive advertisement placement services to the advertisers. The Group charges the advertisers based on or adjusted by specified action such as download, installation or registration of the mobile device user ("cost per action" or "CPA") and the media publishers charge the Group based on CPM or CPC. The Group also offers discounts or rebates to the advertisers as part of its promotion activities, and the media publishers grant to the Group rebates in the form of prepayments for the media publishers' services or cash mainly based on the gross spend of the advertisers.

While none of the factors individually are considered presumptive or determinative, the Group is the principal in this arrangement and controls the specified service before that service is transferred to a customer in this arrangement because (i) The specified service being purchased by the advertiser is a successful acquisition or specific action from the mobile device users. The Group is primarily responsible for delivering the specified service to the advertisers. The Group has the discretion to decide which media publisher to use and what type of the advertisement to be placed. The media publishers provide media publishing service to the Group. The Group obtains control of the right to their service and directs that service to be provided on the Group's behalf in order to obtain a successful action from the mobile device user, and has the discretion in determining how much to pay the media publishers based on CPM or CPC. (ii) The Group is subject to certain risk of loss to the extent that the cost paid to the media publishers for clicks or impressions cannot be compensated by the total consideration obtained from the advertisers according to acquisition or specific actions. This is similar to inventory risk. (iii) The Group has the latitude to determine the cost per action charged to the advertiser, and the Group's margin varies as the costs incurred to deliver successful action might vary. Therefore the Group reports revenue earned from the advertisers and costs paid to the media publishers related to these transactions on a gross basis. Under this arrangement, the rebates earned from the media publishers are recorded as reduction of cost of sales.

Incentives offered to the advertisers under both business models are recognised as a deduction of revenue at the time incentives are granted.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Revenue recognition (Continued)

(iii) Contract assets and liabilities

When either party to a contract has performed, the Group presents the contract in the balance sheet as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment. A contract asset is the Group's right to consideration in exchange for services that the Group has transferred to a customer.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers services to the customer, the Group has a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer services to a customer for which the Group has received consideration from the customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

2.26 Leases

The Group adopted HKFRS 16 Leases retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard (Note 2.2).

Until December 31, 2018, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognised 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. For leases of real estate for which the Group is a lessee, it has elected to separate lease and non-lease components and recognizes right-of -use asset and a corresponding liability based on lease components.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Leases (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

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 readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security 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;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

Lease payments are allocated between principal 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)

2.26 Leases (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

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.

Payments associated with short-term leases are recognised 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.

The Group leases office buildings. Rental contracts are typically made for fixed periods of 1 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, but leased assets may not be used as security for borrowing purposes.

2.27 Dividend distribution

Dividends distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial information in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.28 Government grants

Grants from the government are recognised 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.

2.29 Interest 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).

Interest income on bank deposits is presented as "Finance income" where it is earned from financial assets that are held for cash management purposes. Interest income from term deposits and investments measured at FVPL are included in "Other income" and "Other gains, net-Gains from disposal of short-term investments measured at FVPL", respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.30 Earnings per share

(i) 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.

(ii) 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.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: mainly market risk (including foreign exchange risk and fair value 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 minimise potential adverse effects on the Group's financial performance.

(i) Market risk

(a) Foreign exchange risk

The functional currency of the Company and all its subsidiaries is RMB. The majority of the revenues of the Group are derived from operations in the PRC.

Foreign exchange risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect its financial position and results of operations. The foreign exchange risk facing the Group mainly comes from cash and cash equivalents and short-term investments measured at FVPL in the Company dominated in USD or HKD.

The Group does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

As at December 31, 2019, if USD had strengthened/weakened by 5% against RMB with all other variables held constant, the profit for the year ended December 31, 2019 would have approximately RMB30,387,000 (2018: RMB2,597,000) higher/lower, as a result of net foreign exchange gains/(losses) on translation of net monetary assets denominated in USD.

As at December 31, 2019, if HKD had strengthened/weakened by 5% against RMB with all other variables held constant, the profit for the year ended December 31, 2019 would have approximately RMB2,458,000 (2018: nil) higher/lower, as a result of net foreign exchange gains/(losses) on translation of net monetary assets denominated in HKD.

(b) 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 cash and cash equivalents and term deposits, details of which have been disclosed in Note 28.

The Group's exposure to changes in interest rates is also attributable to its borrowings, details of which have been disclosed in Note 29. All the Group's borrowings were carried at fixed rates, which expose the Group to fair value interest-rate risk.

As of December 31, 2019, if the interest rates 5% higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended December 31, 2019 would have been approximately RMB373,000 lower/higher (2018: RMB nil), mainly attributable to the Group's exposure to interest rates on its variable rate bank borrowings.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(ii) Credit risk

The Group is exposed to credit risk in relation to its cash deposits at banks, trade and other receivables. The carrying amounts of cash and cash equivalents at banks represent the Group's maximum exposure to credit risk in relation to financial assets.

(a) Credit risk of cash deposit at banks

To manage this risk, the Group only makes transactions with state-owned banks in the PRC and reputable international banks outside of the PRC. There has been no recent history of default in relation to these banks. The expected credit loss is closed to zero.

(b) Credit risk of trade and notes receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and notes receivables.

The following table summarized customers with greater than 10% of the trade receivables:

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Hubei Toutiao Technology Co., Ltd. ("Toutiao")	**22%**	N/A
Tencent Cloud Computing (Beijing) Co., Ltd. ("Tencent Cloud")	**18%**	N/A
Guangzhou Gewailink Information Technology Co., Ltd. ("Gewailink")	**15%**	2%
Beijing Tencent Culture Media Company Limited ("Tencent")	**6%**	60%
	61%	62%

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(ii) Credit risk (Continued)

(b) Credit risk of trade and notes receivables (Continued)

Except for the revenue generated from Toutiao, Tencent Cloud, Gewailink and Tencent (collectively the "Major Customers"), where the Group earned rebate, provided customized SaaS product and target marketing advertising services to those Major Customers, the Group has a large number of customers and there is no concentration of credit risk. Given the strong business relationship with above Major Customers and their good reputation, the management does not expect that there will be any significant losses from non-performance by Major Customers.

To measure the expected credit losses, trade and notes receivables have been grouped based on shared credit risk characteristics and the days past due.

On that basis, the loss allowance as at December 31 2019 was determined as follows:

	Within credit term	Credit term – 30 days	31 – 90 days	91 days – 120 days	Over 120 days	Total
December 31, 2019						
Expected loss rate	0.10%	0.24%	0.99%	43.44%	94.74%	
Gross carrying amount – trade and notes receivables (in RMB'000)	136,623	17,117	2,761	63	995	157,559
Loss allowance (in RMB'000)	135	41	27	27	943	1,173

As at December 31, 2018, management estimated that the expected credit loss of trade and notes receivables was close to zero.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(ii) Credit risk (Continued)

(b) Credit risk of trade and notes receivables (Continued)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations; and
- actual or expected significant changes in the operating results of customers.

The loss allowances for trade and notes receivables as at December 31 reconcile to the opening loss allowances as follows:

	As at December 31,	
	2019	2018
	RMB'000	RMB'000
At the beginning of the year	–	–
Provision for doubtful receivables	1,173	–
At the end of the year	1,173	–

Trade and notes receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade and notes receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(ii) Credit risk (Continued)

(c) Credit risk of other receivables

Other receivables mainly comprise other receivables in relation to payment on behalf of advertisers, deposits, other receivables due from Weimob Enterprise and other receivables. The directors of the Company consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis for the year. To assess whether there is a significant increase in credit risk the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the third party's ability to meet its obligations;
- actual or expected significant changes in the operating results of the third party;
- significant changes in the expected performance and behavior of the third party, including changes in the payment status of the third party.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment/repayable demanded.

A default on a financial asset is when the counterparty fails to make contractual payments/repayable demanded within 90 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categories a loan or receivable for write off when a debtor fails to make contractual payments repayable demanded greater than 120 days past due. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

To measure the expected credit losses, other receivables have been grouped based on shared credit risk characteristics and the days past due.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(ii) Credit risk (Continued)

(c) Credit risk of other receivables (Continued)

For other receivables in relation to payment on behalf of advertisers, the management considers the credit risk of other receivables is insignificant when they have a low risk of default and the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and the loss allowance recognised is therefore limited to 12 months expected losses.

Movements on the Group's allowance for impairment of other receivables are as follows:

	Other receivables in relation to payment on behalf of advertisers RMB'000
Opening loss allowance as at 1 January, 2019	–
Increase in the allowance recognised in profit or loss during the period	5,457
Closing loss allowance as at 31 December, 2019	5,457

As at December 31, 2018, management estimated that the expected credit loss of other receivables was close to zero.

No significant changes to estimation techniques or assumptions were made during the years ended December 31, 2018 and 2019.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(iii) Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at December 31, 2019					
Trade and other payables (excluding staff costs and welfare accruals, advance from advertisers and other tax payable) *(Note 30)*	253,342	–	–	–	253,342
Bank borrowing (including interest accrual up to maturity) *(Note 29)*	308,881	–	–	–	308,881
Financial liabilities at fair value through profit or loss *(Note 23)*	–	–	18,076	–	18,076
Lease liabilities *(Note 17)*	16,024	10,363	29,812	1,557	57,756
Total	578,247	10,363	47,888	1,557	638,055

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

	Less than 1 years RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at December 31, 2018					
Trade and other payables (excluding staff costs and welfare accruals, advance from advertisers and other tax payable) *(Note 30)*	34,068	–	–	–	34,068
Bank borrowing (including interest accrual up to maturity) *(Note 29)*	82,436	–	–	–	82,436
Total	116,504	–	–	–	116,504

As at December 31, 2018, the Group's financial liabilities also included financial liabilities measured at fair value through profit or loss which represented the redeemable and convertible preferred shares of RMB2,769,905,000, all of which have been converted into ordinary shares of the Company upon completion of the Initial Public Offering ("IPO") on January 15, 2019.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheets plus net debt.

The gearing ratios at December 31, 2018 and 2019 were as follows:

	As at December 31	
	2019	2018
	RMB'000	RMB'000
Net (cash)/debt *(Note 34)*	**(895,009)**	2,722,320
Total equity/(deficit)	**1,989,808**	(2,432,536)
Net debt to equity ratio	**N/A**	N/A

As at December 31, 2018, the Group maintained a net negative equity. As at December 31, 2019, the Group has a net cash position.

3.3 Fair value estimation

Financial instruments carried at fair value or where fair value was disclosed can be categorised by levels of the inputs to valuation techniques used to measure fair value. The inputs are categorised into three levels within a fair value hierarchy as follows:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

(ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value as at December 31, 2019.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets measured at FVPL				
– Non-current *(Note 23(ii))*	–	–	40,885	40,885
– Current *(Note 23(i))*	61,364	–	–	61,364
	61,364	–	40,885	102,249
Liabilities				
Financial liabilities measured at FVPL				
– Non-current *(Note 23(ii))*	–	–	18,076	18,076

The following table presents the Group's financial liabilities that are measured at FVPL as at December 31, 2018.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Liabilities				
Non-current: redeemable and convertible preferred shares *(Note 23(iii))*	–	–	2,769,905	2,769,905

The Group did not hold any financial assets that carried at fair value as at December 31, 2018.

There were no transfers of financial assets and liabilities between level 1, level 2 and level 3 during the year ended December 31, 2018 and 2019.

Financial instruments in level 1

Level 1 financial assets as at December 31, 2019 represented Hong Kong listed equity securities (Note 23(i)).

Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate; and

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

Financial instruments in level 3 (Continued)

- A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc.

The following table presents the changes in level 3 financial instruments for the years ended December 31, 2018 and 2019. As one or more of the significant inputs used in the valuation of these instruments is not based on observable market data, the instruments are included in level 3.

	Current financial assets at FVPL *(a)*	Non-current financial assets at FVPL *(Note 23(ii))*	Non-current financial liabilities measured at FVPL *(Note 23(ii))*	Redeemable and convertible preferred shares *(Note 23(iii))*	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Opening balance as at January 1, 2018	–	–	–	–	–
Issuance of instrument	–	–	–	(2,214,105)	(2,214,105)
Change in fair value of redeemable and convertible preferred shares	–	–	–	(1,043,582)	(1,043,582)
Change in fair value of financial liabilities from own credit risk	–	–	–	(3,483)	(3,483)
Repayment	–	–	–	491,265	491,265
Closing balance as at December 31, 2018	–	–	–	(2,769,905)	(2,769,905)
Net unrealized losses for the year	–	–	–	855,800	855,800
Opening balance as at January 1, 2019	**–**	**–**	**–**	**(2,769,905)**	**(2,769,905)**
Addition	**10,000**	**30,000**	**(12,500)**	**–**	**27,500**
Changes in fair value	**212**	**10,885**	**(5,576)**	**298,280**	**303,801**
Disposals	**(10,212)**	**–**	**–**	**–**	**(10,212)**
Conversion of financial liability into equity	**–**	**–**	**–**	**2,471,625**	**2,471,625**
Closing balance as at December 31, 2019	**–**	**40,885**	**(18,076)**	**–**	**22,809**
Net unrealized gains/(losses) for the year	**–**	**10,885**	**(5,576)**	**–**	**5,309**

(a) Level 3 current financial assets at FVPL represented a bank wealth management product with non-guaranteed principal and floating return. Fair value gain from the investment had been recognised in "Other gains, net" in the consolidated statement of comprehensive income.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

Financial instruments in level 3 (Continued)

(i) *Valuation inputs and relationships to fair value*

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Description	Fair value at 31 Dec 2019 RMB'000	Fair value at 31 Dec 2018 RMB'000	Significant un-observable inputs	Range of inputs (probability-weighted average) 2019	Range of inputs (probability-weighted average) 2018	Relationship of unobservable inputs to fair value
Assets						
Investment in an unlisted company *(Note a)*	40,885	–	Expected volatility	40.02%	NA	The higher the expected volatility, DLOM, WACC, and risk-free rate, the lower the fair value.
			Discount for lack of marketability ("DLOM")	25.00%	NA	
			Weighted average cost of capital ("WACC")	28.00%	NA	
Liabilities						
Other non-current financial liability at FVPL *(Note a)*	18,076	–	Note a			
Redeemable and convertible preferred shares *(Note b)*	–	2,769,905	Expected offering price	NA	HKD3.15	The higher the expected offering price, the higher the fair value.

Note a: Investment in a SaaS Company

As disclosed in Note 23(ii), Weimob Development established and consolidated a 3-year contractual based fund (the "Fund") with a venture capital to invest in a SaaS company, which is a non-public entity. The Fund acquired 27% equity interest with certain preference rights of the SaaS company (the "Investment") at a total consideration of RMB30,000,000. Out of the total amount, RMB25,000,000 has been paid in 2019 and the remaining RMB5,000,000 will be paid in 2020. The Investment is accounted for as financial assets at FVPL. The financing from venture capital is recorded as non-current financial liabilities measured at FVPL as the venture capital is entitled to the return based on the fair value of the underlying investment of the fund.

The Group determined the fair value of the non-current financial liability at FVPL based on the fair value of the underlying Investment and the predetermined profit distribution mechanism that set out in the Fund agreement. Therefore the significant unobservable input of the non-current financial liability is as same as that used in the valuation of underlying Investment.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

Financial instruments in level 3 (Continued)

(i) Valuation inputs and relationships to fair value (Continued)

Note b: Redeemable and convertible preferred shares

As at December 31, 2018, the valuation technique used to value the redeemable and convertible preferred shares is a combination of market approach and equity allocation method of these instruments issued to investors based on available information as at December 31, 2018. The unobservable inputs included expected IPO price, discount for lack of marketability ("DLOM"), and IPO possibility. By December 31, 2018, the offering price had been determined ranging from HK$2.8 to HK$3.5. The appraiser applied the middle offering price, which was the best estimate from market participants' perspective as at December 31, 2018 to determine the fair value of the total equity of the Company. Based on this middle offering price used, the fair value of the redeemable and convertible preferred shares as at December 31, 2018 was RMB2,769,905,000 (Note 23(iii)).

The Company completed the Listing on January 15, 2019, upon which all the redeemable and convertible preferred shares were immediately converted into ordinary shares. The fair value of the redeemable and convertible preferred shares before conversion, measured based on the number of converted ordinary shares multiplied by the Listing offering price of HK$2.8 (at lower end) was RMB2,471,625,000. The change in fair value between December 31, 2018 and January 15, 2019 of RMB298,280,000 was recognised as a gain in the consolidated statement of comprehensive income for the year ended December 31, 2019. Meanwhile, given there was no significant change in the Group's credit risk during the period from December 31, 2018 to January 15, 2019, the fair value changes of redeemable and convertible preferred shares from its own credit risk was insignificant.

(ii) Sensitivity analysis

For the fair value of the Group's level 3 instruments, namely investment in an unlisted company and other non-current financial liability at FVPL, reasonably possible changes at December 31, 2019 to one of the significant unobservable inputs, holding other inputs constant, would have the following effects.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

Financial instruments in level 3 (Continued)

(ii) *Sensitivity analysis (Continued)*

	As at December 31, 2019 Increase/(Decrease) in fair value (in RMB'000)	
Investment in an unlisted company		
– Expected volatility (5% increase/decrease)	**(383)**	**378**
– DLOM (5% increase/decrease)	**(345)**	**343**
– WACC (5% increase/decrease)	**(2,148)**	**2,331**
Other non-current financial liability at FVPL		
– Expected volatility (5% increase/decrease)	**(115)**	**113**
– DLOM (5% increase/decrease)	**(104)**	**103**
– WACC (5% increase/decrease)	**(644)**	**699**
Net Impact		
– Expected volatility (5% increase/decrease)	**(268)**	**265**
– DLOM (5% increase/decrease)	**(241)**	**240**
– WACC (5% increase/decrease)	**(1,504)**	**1,632**

If the high/low end offering price being adopted for valuation, the fair value of the level 3 financial liabilities as at December 31, 2018 will change as illustrated in the table below:

Increase/(Decrease)	As at December 31,2018 RMB'000
Expected offering price – high end	303,736
Expected offering price – low end	(303,108)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

Financial instruments in level 3 (Continued)

(iii) *Valuation processes*

The Group engaged an external, independent and qualified appraiser to carry out the fair value valuation of investments for financial reporting purposes, including level 3 fair values. The appraiser reports directly to the chief financial officer (CFO). Discussions of valuation processes and results are held between the CFO and the appraiser periodically.

Except for the level 3 instruments mentioned above, long-term deposits (Note 26) and non-current liabilities (Note 32(i)), the Group's financial assets and liabilities include cash and cash equivalents, term deposits, trade and other receivables, bank borrowings, lease liabilities, trade and other payables, the carrying values of which approximated their fair values due to their short maturities. The carrying amount of the long-term deposits and non-current liabilities approximates its fair values since it bears an interest rate which approximates market interest rate.

4 CRITICAL ESTIMATES AND JUDGEMENTS

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. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances and the difference could be material.

(a) Gross vs. net judgement in revenue recognition

As disclosed in Note 2.25, the Group provides targeted marketing service to its customers using different business models, which involves the assessment of revenue recognition on a gross or net basis, i.e. principal vs. agent assessment in different business models. The Group follows the accounting guidance for principal-agent considerations to assess whether the Group controls the specified service before it is transferred to the customer, the indicators of which including but not limited to (a) whether the entity is primarily responsible for fulfilling the promise to provide the specified service; (b) whether the entity has inventory risk before the specified service has been transferred to a customer; and (c) whether the entity has discretion in establishing the prices for the specified goods or service. The management considers the above factors in totality, as none of the factors individually are considered presumptive or determinative, and applies judgment when assessing the indicators depending on each different circumstances.

4 CRITICAL ESTIMATES AND JUDGEMENTS (Continued)

(b) Estimation of the rebates earned from media publishers

In the Group's targeted marketing service, certain rebates granted by the media publishers are variable and outside the entity's influence. In some circumstances, such as launch of a new rebate program, whereby the management cannot reasonably estimate the amount of rebates that the Group is expected to earn, the Group only recognises the minimum amount of rebates as agreed by the media publishers, which is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Management updates its estimate at each reporting date when additional information becomes available.

(c) Estimation of the fair value of certain financial assets and liabilities

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement 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 financial assets and liabilities (Note 3.3).

(d) Current and deferred income taxes

The Group is subject to income taxes in the PRC. Judgement is required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilization may be different.

(e) Capitalisation, amortisation and impairment assessment of development costs

Costs incurred on development projects are recognized as intangible assets when it is probable that the projects will be successful considering the criteria set out in in Note 19. Significant judgment is involved in assessing whether the criteria have been met, including the likelihood of the project delivering sufficient future economic benefits, and whether costs, including employment costs, were directly attributable to relevant projects.

4 CRITICAL ESTIMATES AND JUDGEMENTS (Continued)

(e) Capitalisation, amortisation and impairment assessment of development costs (Continued)

Capitalised development costs are amortised from the point at which the asset is ready for use on a straight-line basis over their estimated useful lives. The management determines the estimated useful lives and related amortisation charges for the Group's development costs with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the amortisation charges where useful lives are different to that of previously estimated, or it will write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore amortisation expense in future periods.

Capitalized development costs are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that capitalized development costs value may not be recoverable; (ii) whether the carrying value of capitalized development costs can be supported by the recoverable amount, being the higher of fair value less cost of disposal or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value in 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 projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated statement of comprehensive income.

(f) Classification of investments

The Group made certain investments in the form of investments in mutual funds, partnership companies as general partnership or limited partnership or ordinary shares with preferential rights of investee companies. The Group makes significant judgement on whether the Group controls and should consolidate these funds, whether these investments are in substance existing ownership interests, and whether they are accounted for as hybrid financial instruments, which should be measured at fair value through profit or loss. Different conclusions around these judgements may affect how these investments presented and measured in the consolidated statement of financial position of the Group.

(g) Impairment of receivables

The loss allowances for receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3.1.

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

The Group is principally engaged in the provision of SaaS products and targeted marketing services in the PRC. The executive directors of the Company review the operating results of SaaS products and targeted marketing service separately, which the Group operates under to make decisions about resources to be allocated. Therefore the Group has the following two reporting segments: (i) SaaS products; (ii) targeted marketing service.

The CODM assesses the performance of the operating segments mainly based on segment revenues and segment gross profit. The revenues from external customers reported to CODM are measured as segment revenues, which are the revenues derived from the customers in each segment. The segment gross profit is calculated as segment revenue minus segment cost of sales. Cost of sales for SaaS products segment primarily comprised of employee benefit expenses and other direct services costs. Cost of sales for targeted marketing segment primarily comprised of traffic purchase cost.

As at December 31, 2018 and 2019, substantially all of the non-current assets of the Group were located in the PRC. Therefore, no geographical segments are presented.

Other information, together with the segment information, provided to the CODM, is measured in a manner consistent with that applied in the consolidated financial statements. There were no separate segment assets and segment liabilities information provided to the CODM, as CODM does not use this information to allocate resources to or evaluate the performance of the operating segments.

	SaaS products RMB'000	**Targeted marketing** RMB'000	**Total** RMB'000
Year ended December 31,2019			
Segment revenue	**506,959**	**929,828**	**1,436,787**
Segment cost of sales	**(98,856)**	**(540,801)**	**(639,657)**
Gross profit	**408,103**	**389,027**	**797,130**
Year ended December 31,2018			
Segment revenue	347,067	517,964	865,031
Segment cost of sales	(52,131)	(295,251)	(347,382)
Gross profit	294,936	222,713	517,649

6 REVENUE

Revenue mainly comprises of proceeds from providing SaaS products and targeted marketing related services. An analysis of the Group's revenue by category for the years ended December 31, 2018 and 2019, was as follows:

6.1 Disaggregation of revenue from contracts with customers

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
SaaS products	**506,959**	347,067
Targeted marketing		
– Gross method	**571,382**	316,508
– Net method	**358,446**	201,456
	929,828	517,964
	1,436,787	865,031

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Timing of revenue recognition		
At a point in time	**989,335**	517,964
Over time	**447,452**	347,067
	1,436,787	865,031

6 REVENUE (Continued)

6.2 Assets and liabilities related to contract with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	As at December 31	
	2019	2018
	RMB'000	RMB'000
Contract acquisition cost (current)	**147,578**	130,495
Contract acquisition cost (non-current)	**39,549**	63,476
Total assets related to contracts with customers – SaaS products	**187,127**	193,971
Contract liabilities (current)	**293,488**	262,792
Contract liabilities (non-current)	**85,179**	130,071
Total contract liabilities -SaaS products	**378,667**	392,863

(i) Significant changes in contract liabilities

Contract liabilities of the Group mainly arise from the non-refundable advance payments in relation to SaaS products made by customers.

(ii) Revenue recognised in relation to contract liabilities

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Beginning balance	**392,863**	338,041
Addition	**416,792**	355,310
Recognized in revenue	**(430,988)**	(300,488)
Ending balance	**378,667**	392,863

6 REVENUE (Continued)

6.2 Assets and liabilities related to contract with customers (Continued)

(ii) Revenue recognised in relation to contract liabilities (Continued)

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year	**262,792**	192,934

(iii) Unsatisfied performance obligations

The following table shows unsatisfied performance obligations resulting from SaaS products contracts.

	As at December 31	
	2019	2018
	RMB'000	RMB'000
SaaS products related	**378,667**	392,863

The Company expects that unsatisfied performance obligations of approximately RMB293,488,000 as at December 31, 2019 will be recognized as revenue within 1 year. The remaining unsatisfied performance obligations of approximately RMB85,179,000 will be recognized as revenue in a period more than 1 year and within 3 years.

(iv) Assets recognised from incremental costs to obtain a contract

The Group has recognised assets in relation to incremental costs to acquire the SaaS contracts. This is presented within "Contract acquisition cost" in the consolidated statement of financial position.

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Amortisation recognized as selling expenses related to SaaS products during the year	**197,823**	150,629

6 REVENUE (Continued)

6.2 Assets and liabilities related to contract with customers (Continued)

(v) Assets recognised from costs to fulfil a contract

The Group has also recognised an asset in relation to costs to fulfil its customized SaaS products development contracts. This is presented within "Prepayments, deposits and other assets" in the consolidated statement of financial position.

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Beginning balance	**–**	–
Addition	**14,650**	–
Recognised as cost of providing SaaS products during the year	**(13,337)**	–
Ending balance	**1,313**	–

7 EXPENSES BY NATURE

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Advertising traffic cost for targeted marketing revenue	**524,207**	286,503
Employee benefits expenses *(Note 8)*	**486,643**	322,288
Promotion and advertising expenses	**247,050**	168,118
Depreciation and amortisation	**61,187**	22,026
Utilities and office expenses	**45,131**	40,562
Server and SMS charges related to SaaS revenue	**31,721**	11,618
Depreciation of right-of-use assets	**21,640**	–
Listing expenses	**18,958**	27,297
Contract operation services costs for SaaS revenue	**13,272**	6,913
Travelling and entertainment expenses	**10,994**	4,943
Taxes and surcharges	**6,790**	4,975
Other consulting fees	**6,013**	25,390
Auditors' remuneration	**5,405**	196
Share-based compensation expenses-non employee *(i)*	**–**	17,534
Others	**7,489**	10,198
	1,486,500	948,561

7 EXPENSES BY NATURE (Continued)

(i) As part of the Reorganisation, one investor acquired 1% equity share of Weimob Development in April 2018 for a cash consideration of RMB466,000. The fair value of the equity share issued as of the share issuance date exceeded the cash consideration received and the difference of RMB17,534,000, thereof was charged into the consolidated statement of comprehensive income for the year ended December 31, 2018 given no vesting condition exists.

8 EMPLOYEE BENEFIT EXPENSES

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Wages, salaries and bonuses	**384,225**	229,914
Other social security costs, housing benefits and other employee benefits	**60,925**	49,597
Pension costs-defined contribution plans	**35,852**	27,697
Share-based compensation expenses for employees *(i)*	**5,641**	15,080
	486,643	322,288

(i) Included in the share-based compensation expenses for employees for the year ended December 31, 2018, RMB8,703,000 were related to "Original Option Plan" (Note 33) and RMB6,377,000 were related to one of minority interests of Beijing Weimob.

On June 27, 2018, one of the minority shareholders, who is also one of the employees of Beijing Weimob, subscribed for the Series C preferred shares issued by the Company. The excess of the shares' fair value over the consideration to be received as of the issuance day was charged in the consolidated statement of comprehensive income, amounted to RMB6,377,000.

Share-based compensation expenses for employees for the year ended December 31, 2019 were all related to "Original Option Plan" (Note 33).

8 EMPLOYEE BENEFIT EXPENSES (Continued)

(a) Five highest paid individuals

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

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Salaries and wages	**1,088**	1,286
Bonuses	**100**	100
Pension costs-defined contribution plans	**98**	130
Other social security costs, housing benefits and other employee benefits	**136**	163
Share-based compensation	**1,903**	9,791
	3,325	11,470

The emoluments fell within the following bands:

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**–**	-
HK$3,000,001 to HK$3,500,000	**–**	1
HK$3,500,001 to HK$7,500,000	**–**	–
HK$7,500,001 to HK$8,000,000	**–**	1
	2	3

9 OTHER INCOME

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Super deduction of input VAT	**38,083**	–
Government grants *(i)*	**19,364**	16,490
Interest income from term deposits and loan to third parties	**9,987**	–
	67,434	16,490

(i) Government grants mainly represent value-added tax ("VAT") refund entitlement since June 2017.

10 OTHER GAINS, NET

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Fair value change of listed equity security investment *(Note 23(i))*	**12,140**	–
Fair value change of non-current financial assets related to the Fund *(Note 23(ii))*	**10,885**	–
Foreign exchange gain, net	**8,745**	28,390
Fair value gains from short-term investments measured at FVPL	**1,485**	–
Bank charges	**(780)**	(650)
Fair value change of non-current financial liabilities related to the Fund *(Note 23(ii))*	**(5,576)**	–
Others, net	**(223)**	(2,592)
	26,676	25,148

11 FINANCE COSTS

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Interest expenses on borrowings	**9,955**	5,377
Interest expenses on lease liabilities	**3,196**	–
	13,151	5,377

12 FINANCE INCOME

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Interest income on bank deposits held for cash management purpose	**1,569**	254

13 TAXATION

(a) Value added tax

The Group is mainly subject to 6% and 13% VAT, and surcharges on VAT payments according to PRC tax law.

(b) Income tax

(i) Cayman Islands Income Tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(ii) Hong Kong Profits Tax

No provision for Hong Kong profits tax was made as the Group did not have any assessable income subject to Hong Kong profits tax for the year ended December 31, 2019.

(iii) PRC Enterprise Income Tax

Income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof. The general corporate income tax rate in PRC is 25%. Shanghai Weimob Enterprise Development Co., Ltd. in the PRC was approved as High and New Technology Enterprise, and is subject to a preferential income tax rate of 15% from 2017 to 2020.

13 TAXATION (Continued)

(b) Income tax (Continued)

(iv) PRC withholding Tax

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after January 1, 2008 are generally subject to a 10% withholding income tax. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Current tax	**2,977**	212
Deferred income tax *(Note 24)*	**14,121**	398
Income tax expense	**17,098**	610

The tax on the Group's profit/(loss) before income tax differs from the theoretical amount that would arise using the tax rate of 25% for the years ended December 31, 2018 and 2019, being the tax rate of the major subsidiaries of the Group.

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Profit/(loss) before income tax	**328,406**	(1,090,597)
Tax calculated at PRC statutory income tax rate of 25%	**82,102**	(272,649)
Effects of preferential tax rates applicable to Weimob Development	**(12,681)**	57,884
Accelerated research and development deductible expenses	**(7,217)**	(5,201)
Fair value changes in redeemable and convertible preferred shares not deductible for taxation purpose	**(74,570)**	204,202
Expenses not deductible for taxation purpose	**7,151**	14,198
Temporary differences and tax losses for which no deferred income tax asset was recognized	**22,313**	2,176
Income tax expense	**17,098**	610

14 DIVIDENDS

No dividends have been paid or declared by the Company for the years ended December 31, 2018 and 2019.

15 EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic (loss)/earnings per share for the years ended December 31, 2018 and 2019 are calculated by dividing the profit/(loss) attributable to the Company's equity holders by the weighted average number of ordinary shares and ordinary shares deemed to be in issue during the respective years. For the year ended December 31, 2018, the number of ordinary shares for the purpose of calculating basic earnings/(loss) per share has been retrospectively adjusted for the capitalization issue of 684,478,077 shares of the Company completed on January 15, 2019 (Note 31).

	Year ended December 31	
	2019	2018
Net profit/(loss) attributable to the equity holders of the Company (RMB'000)	**311,978**	(1,089,206)
Weighted average numbers of ordinary shares in issue	**2,046,727,879**	684,615,000
Basic earnings/(loss) per share (expressed in RMB per share)	**0.15**	(1.59)

(b) Diluted

Diluted profit/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the year ended December 31, 2019, redeemable and convertible preferred shares (Note 23(iii)) issued by the Company and restricted stock units ("RSUs") granted to employees (Note 33) are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share from their date of issue. For the RSUs, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding RSUs. The RSUs are assumed to have been fully vested and released from restrictions with no impact on earnings.

As the Group incurred losses for year ended December 31, 2018, the dilutive potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for year ended December 31, 2018 was the same as basic loss per share of the respective period.

15 EARNINGS/(LOSS) PER SHARE (Continued)

(b) Diluted (Continued)

	Year ended December 31	
	2019	2018
Net profit/(loss) attributable to the equity holders of the Company (RMB'000)	**311,978**	(1,089,206)
Impact of change in fair value of redeemable and convertible preferred shares (RMB'000)	**(298,280)**	–
Net profit/(loss) used to determine earnings per share (RMB'000)	**13,698**	(1,089,206)
Weighted average number of ordinary shares in issue	**2,046,727,879**	684,615,000
Adjustments for redeemable and convertible preferred shares	**39,316,603**	–
Adjustments for RSUs	**18,205,214**	–
Weighted average number of ordinary shares for diluted earnings per share	**2,104,249,696**	684,615,000
Diluted earnings/(loss) per share (expressed in RMB per share)	**0.01**	(1.59)

16 PROPERTY, PLANT AND EQUIPMENT

	Computer and electronic equipment RMB'000	Furniture and fixtures RMB'000	Vehicles RMB'000	Leasehold improvement RMB'000	Total RMB'000
Cost					
At January 1, 2019	**8,739**	**2,662**	**809**	**12,815**	**25,025**
Additions	**4,693**	**1,254**	**1,551**	**4,010**	**11,508**
Disposals	**(245)**	**(4)**	**–**	**–**	**(249)**
At December 31, 2019	**13,187**	**3,912**	**2,360**	**16,825**	**36,284**
Accumulated depreciation					
At January 1, 2019	**(3,423)**	**(991)**	**(600)**	**(3,097)**	**(8,111)**
Depreciation	**(2,677)**	**(541)**	**(212)**	**(3,835)**	**(7,265)**
Disposals	**116**	**–**	**–**	**–**	**116**
At December 31, 2019	**(5,984)**	**(1,532)**	**(812)**	**(6,932)**	**(15,260)**
Net carrying amount					
At January 1, 2019	**5,316**	**1,671**	**209**	**9,718**	**16,914**
At December 31, 2019	**7,203**	**2,380**	**1,548**	**9,893**	**21,024**
Cost					
At January 1, 2018	4,041	1,449	809	8,019	14,318
Additions	5,082	1,236	–	4,796	11,114
Disposals	(384)	(23)	–	–	(407)
At December 31, 2018	8,739	2,662	809	12,815	25,025
Accumulated depreciation					
At January 1, 2018	(1,858)	(642)	(429)	(1,665)	(4,594)
Depreciation	(1,603)	(367)	(171)	(1,432)	(3,573)
Disposals	38	18	–	–	56
At December 31, 2018	(3,423)	(991)	(600)	(3,097)	(8,111)
Net carrying amount					
At January 1, 2018	2,183	807	380	6,354	9,724
At December 31, 2018	5,316	1,671	209	9,718	16,914

16 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation of the Group's property, plant and equipment has been recognised as follows:

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Cost of sales	**699**	271
Administrative expenses	**1,677**	804
Selling and marketing expenses	**4,889**	2,498
	7,265	3,573

17 LEASES

(i) Amounts recognised in the balance sheet

The consolidated statement of financial position shows the following amounts relating to leases:

	December 31, 2019	January 1, 2019
	RMB'000	RMB'000
Right-of-use assets		
Buildings	**61,176**	64,137
Lease liability		
Current	**15,013**	12,270
Non-current	**35,230**	31,804
	50,243	44,074

Additions to the right-of-use assets for the year ended December 31, 2019 were approximately RMB18,679,000.

17 LEASES (Continued)

(ii) Amounts recognised in the consolidated statement of comprehensive income/(loss)

The consolidated statement of comprehensive income/(loss) shows the following amounts relating to leases:

	Year ended December 31, 2019 RMB'000
Depreciation charge of right-of-use assets-Buildings	21,640
Interest expense (included in finance cost) *(Note 11)*	3,196
Expense relating to short-term leases (included in administrative expenses)	4,217

The total cash outflow for long-term leases including principal elements and interest expenses as well as short-term leases for the year ended December 31, 2019 was approximately RMB18,525,000.

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

The Group leases office buildings. Rental contracts are typically made for fixed periods of 1 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.

18 INTANGIBLE ASSETS

	Trademarks RMB' 000	Self-developed software RMB' 000	Acquired software licenses RMB' 000	Total RMB' 000
Cost				
At January 1, 2019	3,398	78,306	449	82,153
Other additions	–	–	421	421
Capitalisation of development costs *(Note 19)*	–	135,234	–	135,234
Disposals	–	–	(4)	(4)
At December 31, 2019	3,398	213,540	866	217,804
Accumulated amortization				
At January 1, 2019	–	(25,002)	(97)	(25,099)
Amortisation	–	(53,789)	(133)	(53,922)
Disposals	–	–	4	4
At December 31, 2019	–	(78,791)	(226)	(79,017)
Net carrying amount				
At January 1, 2019	3,398	53,304	352	57,054
At December 31, 2019	3,398	134,749	640	138,787
Cost				
At January 1, 2018	3,398	40,625	246	44,269
Other additions	–	–	203	203
Capitalisation of development costs *(Note 19)*	–	37,681	–	37,681
At December 31, 2018	3,398	78,306	449	82,153
Accumulated amortisation				
At January 1, 2018	–	(6,596)	(50)	(6,646)
Amortisation	–	(18,406)	(47)	(18,453)
At December 31, 2018	–	(25,002)	(97)	(25,099)
Net carrying amount				
At January 1, 2018	3,398	34,029	196	37,623
At December 31, 2018	3,398	53,304	352	57,054

18 INTANGIBLE ASSETS (Continued)

Amortisation of the Group's intangible assets has been recognised as follows:

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Cost of sales	**41,242**	18,406
General and administrative expenses	**12,680**	47
	53,922	18,453

Impairment tests on trademark

The Group carries out its impairment test on trademark ("Weimob", carrying amount of RMB3,398,000) by comparing the recoverable amounts to the carrying amounts as of the end of each reporting period. The recoverable amount was determined based on fair value less costs of disposals calculations. These calculations used post-tax cash flow projections based on financial budgets approved by management. The accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control process established by the Group. The management leveraged their extensive experiences in the industry and provided forecast based on past performance and their business plan and expectation of the market development.

The Group reviews the trademark at the whole Group level (CGU), because the trademark is widely used on the Group's entire business.

Impairment test on trademark of the Group has been conducted by the management as at December 31, 2018 and 2019, according to HKAS 36 "Impairment of Assets". For the purposes of impairment test, the recoverable amount is determined based on fair value less costs of disposals calculations, which is included in level 3 fair value hierarchy inputs. The key assumptions used in calculating recoverable amount of trademark includes post-tax discount rate and royalty rate as follows:

	As at December 31	
	2019	2018
Post-tax discount rate	**19%**	21%
Relief from royalty	**5%**	5%

Recoverable amounts of trademark are determined by the management based on past performance and adjusted for its expectation for market development. The expected sales performance adopted for the recoverable amount determination is consistent with the business plan of the Group. Post-tax discount rates reflect market assessments of the time values and the specific risks relating to the trademark.

No impairment is considered necessary based on the impairment tests performed as at December 31, 2018 and 2019.

18 INTANGIBLE ASSETS (Continued)

Impairment tests on trademark (Continued)

The recoverable amounts of the trademark are shown as below:

	As at December 31	
	2019	2018
	RMB'000	RMB'000
Recoverable amount	**432,840**	351,138

The headroom of the trademark are shown as below:

	As at December 31	
	2019	2018
	RMB'000	RMB'000
Headroom	**429,442**	347,740

As the headroom is far larger than the carrying amount of development cost, the reasonable possible changes in key assumptions would not lead to any impairment as at December 31, 2018 and 2019.

There is no impairment indicator noted for self-developed software and acquired software licenses as at December 31, 2018 and 2019.

19 DEVELOPMENT COST

Development costs that do not meet the criteria in Note 2.9(ii) are recognised as an expense as incurred. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. The self-developed software with development costs occurred but not ready for use is presented in a separate line item "Development costs" in the statement of financial position and subjected to impairment test at each year end.

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
As at January 1	**27,963**	3,510
Development costs capitalized during the year	**124,215**	62,134
Transfer to intangible assets	**(135,234)**	(37,681)
As at December 31	**16,944**	27,963

As at December 31, 2019, development cost of RMB16,944,000 (December 31, 2018: RMB27,963,000) were incurred and met the criteria in Note 2.9(ii), but not ready for use. Based on the impairment assessment result disclosed in Note 18, the directors of the Company considers that no impairment charge was required as at December 31, 2018 and 2019.

20 SUBSIDIARIES

As at December 31, 2019, the Company had direct and indirect interests in the following subsidiaries (including controlled structured entities):

Company name	Place of incorporation/ establishment and operation	Date of incorporation/ establishment	Registered capital	Percentage of attributable equity interest As at December 31, 2019	Percentage of attributable equity interest As at December 31, 2018	Principal activities
Direct interest:						
Weimob Holding Limited	British Virgin Islands ("BVI")	February 7, 2018	USD50,000	100%	100%	Investment holding
Indirect interest:						
Weimob Technology HK Limited ("Weimob HK")	Hong Kong	March 6, 2018	HKD10,000	100%	100%	Investment holding
Shanghai Weimob Enterprise Development Co., Ltd. (上海微盟企業發展有限公司) ("Weimob Development")	The PRC	September 10, 2014	RMB929,352,237	100%	100%	SaaS products offerings and targeted marketing
Beijing Weimob Information Technology Co., Ltd. (北京為盟信息科技有限公司) ("Beijing Weimob")	The PRC	September 9, 2015	RMB1,000,000	100%	100%	SaaS products offerings and targeted marketing
Hangzhou Weimob Information Technology Co., Ltd. (杭州為盟信息科技有限公司) ("Hangzhou Weimob")	The PRC	August 21, 2015	RMB1,000,000	100%	100%	SaaS products offerings and targeted marketing
Guangzhou Weimob Information Technology Co, Ltd. (廣州微盟信息科技有限公司)	The PRC	August 24, 2015	RMB1,000,000	100%	100%	SaaS products offerings and targeted marketing
Shenzhen Weimob Information Technology Co, Ltd. (深圳微盟信息科技有限公司)	The PRC	December 22, 2015	RMB1,000,000	100%	100%	SaaS products offerings and targeted marketing
Sichuan Weimob Enterprise Management Co., Ltd. (四川微盟企業管理有限公司)	The PRC	December 31, 2015	RMB1,000,000	100%	100%	SaaS products offerings and targeted marketing
Shanghai Mengju Weimob Information Technology Co., Ltd. (上海盟聚信息科技有限公司) ("Shanghai Mengju")	The PRC	December 29, 2015	RMB700,000,000	100%	100%	Targeted marketing services

20 SUBSIDIARIES (Continued)

Company name	Place of incorporation/ establishment and operation	Date of incorporation/ establishment	Registered capital	Percentage of attributable equity interest As at December 31, 2019	As at December 31, 2018	Principal activities
Suzhou Weimob Information Technology Co., Ltd. (蘇州盟邦信息科技有限公司)	The PRC	March 29, 2016	RMB1,000,000	100%	100%	SaaS products offerings and targeted marketing
Nanjing Huishuo Information Technology Co., Ltd. (南京暉碩信息科技有限公司) ("Nanjing Huishuo") *(Note 32(i))*	The PRC	April 21, 2016	RMB1,000,000	100%	70%	SaaS products offerings and targeted marketing
Shanghai Mengyao Weimob Information Technology Co, Ltd. (上海盟耀信息科技有限公司) ("Shanghai Mengyao")	The PRC	February 1, 2016	RMB100,000,000	100%	100%	SaaS products related service and targeted marketing
Shanghai Meimeng Weimob Software Technology Co, Ltd. (上海美萌軟件科技有限公司)	The PRC	June 30, 2016	RMB1,000,000	80%	80%	SaaS products offerings
Susong Weimob Software Technology Co., Ltd. (宿松微盟企業發展有限公司)	The PRC	December 27, 2016	RMB1,000,000	100%	100%	SaaS products offerings and targeted marketing
Tianjin Weimob Information Technology Co., Ltd. (天津為盟信息科技有限公司)	The PRC	January 25, 2018	RMB1,000,000	100%	100%	SaaS products offerings and targeted marketing
Anhui Sumeng Software Technology Co., Ltd. (安徽速盟軟件科技有限公司)	The PRC	May 28, 2018	RMB5,000,000	100%	100%	SaaS call center
Shanghai Weimob Culture Media Co., Ltd. (上海微盟文化傳媒有限公司)	The PRC	February 28, 2019	RMB50,000,000	100%	NA	Targeted marketing services
Shanghai Mengzhun Information Technology Co., Ltd. (上海盟准信息科技有限公司)	The PRC	March 21, 2019	RMB50,000,000	100%	NA	Targeted marketing services
Shanghai Weimob Yunbing Information Technology Co., Ltd. (上海微盟雲冰信息科技有限公司) ("Weimob Yunbing")	The PRC	May 10, 2019	RMB10,000,000	100%	NA	Investment activities
Shanghai Weimob Zhiling Information Technology Co., Ltd. (上海微盟智零信息科技有限公司)	The PRC	May 10, 2019	RMB10,000,000	100%	NA	SaaS products offerings

20 SUBSIDIARIES (Continued)

Company name	Place of incorporation/ establishment and operation	Date of incorporation/ establishment	Registered capital	Percentage of attributable equity interest As at December 31, 2019	As at December 31, 2018	Principal activities
Shanghai Mengxiao Information Technology Co., Ltd. (上海盟效信息科技有限公司)	The PRC	May 31, 2019	RMB50,000,000	70%	NA	Targeted marketing services
Shanghai Weimob Huini Information Technology Co., Ltd. (上海微盟慧霓信息科技有限公司)	The PRC	June 19, 2019	RMB10,000,000	100%	NA	SaaS products offerings
Shanghai Weimob Canlin Information Technology Co., Ltd. (上海微盟餐林信息科技有限公司) ("Weimob Canlin")	The PRC	June 19, 2019	RMB10,000,000	100%	NA	SaaS products offerings
Beijing Juke Information Technology Co., Ltd. (北京聚客科技有限公司)	The PRC	August 19, 2019	RMB50,000,000	100%	NA	Targeted marketing services
Shanghai Xiaoke Information Technology Co., Ltd. (上海銷氪信息科技有限公司)	The PRC	November 27, 2019	RMB10,000,000	100%	NA	SaaS products offerings
Shanghai Mengzhi Information Technology Co., Ltd. (上海盟致信息科技有限公司)	The PRC	January 4, 2019	RMB10,000,000	100%	NA	Onshore cash pooling
Consolidated structured entities:						
Weimob Teamwork (PTC) Limited *(Note 33)*	British Virgin Islands ("BVI")	January 15, 2019	N/A	100%	NA	RSU scheme trust
Chuangshi Weimob Yicun Tiered Private Equity Investment Funds (創世微盟一村分級私募股權投資基金) *(Note 23(ii))*	The PRC	January 16, 2019	N/A	50%	NA	Investment activities
Shanghai Weimob Ruanyun Enterprise Development Center (Limited Partnership) (上海微盟軟雲企業發展中心(有限合伙)) *(a)*	The PRC	November 4, 2019	RMB 1,000,000,000	25.67%	NA	Investment activities

20 SUBSIDIARIES (Continued)

(a) November 4, 2019, Weimob Yunbing and Weimob Development, wholly-owned subsidiaries of the Company, entered into a limited partnership agreement with certain third investors to establish a limited partnership ("Partnership"). The total amount of capital to be contributed to the Partnership is RMB1,000,000,000, out of which Weimob Yunbing, as one of the general partners, Weimob Development, as one of the limited partners will contribute RMB6,700,000 and RMB250,000,000, respectively. Considering i) Weimob Yunbing was the executive partner of the Partnership who execute the affairs on behalf of the Partnership ii) The Group holds two out of three seats in the investment committee of the Partnership iii) the Group is exposed to a greater degree of variability of returns and could use its power over the Partnership to affect the amount of the partners' returns. The Group concludes that it controls the Partnership and hence consolidates the Partnership. As at December 31, 2019, the Partnership did not receive any capital injection and did not make any investment yet. The investment commitment of RMB256,700,000 has been disclosed in Note 35.

21 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at December 31,	
	2019	2018
	RMB'000	RMB'000
Investments in associates	**66,441**	–

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000
Weixin *(i)*	**38,938**	–
Changshu Huaying *(ii)*	**27,503**	–
	66,441	–

Set out below are the immaterial associates of the Group as at December 31, 2019. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group.

Name	Date of incorporation	Particulars of issued shares held (RMB'000)	Place of incorporation and principal places of business	Percentage of ownership interest attribution to the Group December 31, 2019	2018	Principal activities
Chuangshi Yicun Weixin Private Equity Investment Funds ("Weixin") *(i)*	June 4, 2019	35,000	China	63.6%	–	Investment
Changshu Meridian Weimob Technology Investment Center (Limited Partnership ("Changshu Huaying") *(ii)*	October 1, 2019	27,500	China	50%	–	Investment

21 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(i) On June 4, 2019, Weimob Development entered into an investment fund agreement with an individual investor and a venture capital to establish a contractual fund to invest in a portfolio of companies (the "Portfolio Companies"), all of which belonged to the Excluded Business.

Pursuant to the investment fund agreement, Weimob Development, the individual investor and the venture capital holds 63.6%, 27.3% and 9.1% of the equity interest, respectively and each enjoys pro rata share of the fund's net assets. The venture capital is the fund manager and responsible for all of the investment affairs. Weimob Development has significant influence in the investment fund, and hence the Group has accounted for the investment using equity method. As at December 31, 2019, Weimob Development has made a total investment of RMB35,000,000.

The investment fund qualifies for the definition of investment entity (Note 2.10), and hence its investment in the Portfolio Companies is measured at FVPL in accordance with HKFRS 9. As at December 31, 2019, the aggregate fair value of Portfolio Companies is RMB334,459,000 and the net profit of the fund for the year ended December 31, 2019 is RMB6,188,000 including RMB6,473,000 fair value gain for the Portfolio Companies. Share of profit of this fund for the year ended December 31, 2019 was RMB3,938,000.

(ii) On October 1, 2019, Weimob Yunbing entered into an investment agreement with Meridian Capital Management Co., Ltd. ("Meridian Capital "), Changshu Kaisheng Equity Investment Fund Co., Ltd. ("Changshu Kaisheng ") and two individual investors (collectively, the "Partnerships"), to establish a limited partnership ("Changshu Huaying") to invest in SaaS companies and respective upstream and downstream sectors.

Pursuant to the Changshu Huaying's agreement, Weimob Yunbing, Meridian Capital, Changshu Kaisheng, and the two individuals holds 50%, 0.1%, 20%, 24.9% and 5% of the equity interest, respectively. Meridian Capital is the general partner and responsible for all of the investment affairs. Weimob Yunbing is the limited partner which has significant influence in the limited partnership, and hence the Group has accounted for the investment using equity method.

The Partnerships followed the predetermined profit distribution mechanism that set out in the Changshu Huaying's agreement, depending on the Changshu Huaying's performance. Therefore, the Group determined the share of Changshu Huaying based on economic share rather than the equity participation. As at December 31, 2019, the Group has 50% of Changshu Huaying's interest.

As at December 31, 2019, Weimob Yunbing has made a total investment of RMB27,500,000 into the limited partnership and the limited partnership has not invested any portfolio companies yet. The net profit of Changshu Huaying and the Company's share of profit was both immaterial for the year ended December 31, 2019.

Individually immaterial associates

	As at December 31,	
	2019	2018
	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial associates	**66,441**	–
Aggregate amounts of the group's share of:		
Profit from continuing operations	**3,941**	–

22 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

		As at December 31,	
		2019	2018
	Note	**RMB'000**	RMB'000
Financial assets			
Financial assets at FVPL (current)	*23(i)*	**61,364**	–
Financial assets at FVPL (non-current)	*23(ii)*	**40,885**	–
Financial assets at amortised cost:			
– Trade and notes receivables	*27*	**156,386**	79,287
– Other receivables (current and non-current portions)	*26*	**620,927**	104,802
– Term deposits		**393,000**	–
– Cash and cash equivalents	*28*	**870,328**	127,585
		2,040,641	311,674
Financial liabilities			
Financial liabilities at FVPL (non-current)	*23(ii)*	**18,076**	2,769,905
Financial liabilities at amortized cost:			
– Trade and other payables (excluding advances from advertisers, payroll and welfare payables and other taxes payable)	*30*	**253,342**	34,068
– Bank borrowings	*29*	**300,000**	80,000
– Lease liabilities (current and non-current portions)	*17*	**50,243**	–
		603,585	114,068

23 FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group classifies the following financial assets and liabilities at fair value through profit or loss:

- debt instruments that do not qualify for measurement at either amortised cost or at fair value through other comprehensive income;
- equity investments that are held for trading; and
- equity investments for which the entity has not elected to recognise fair value gains or losses through other comprehensive income.

Financial assets and liabilities measured at FVPL include the following:

	As at December 31,	
	2019	2018
	RMB'000	RMB'000
Current assets		
Short-term investment measured at FVPL *(i)*	**61,364**	–
Non-current assets		
Long-term investment measured at FVPL *(ii)*	**40,885**	–
Total financial assets	**102,249**	–
Non-current liabilities		
Other financial liabilities measured at FVPL *(ii)*	**18,076**	–
Redeemable and convertible preferred shares *(iii)*	**–**	2,769,905
Total financial liabilities:	**18,076**	2,769,905

23 FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

(i) On December 10, 2019, the Group purchased 8,800,000 ordinary shares of a Hong Kong listed company ("Listed Company") with total consideration of approximately HKD54,736,000 (equivalent to approximately RMB49,224,000), which accounted for 0.93% of the Listed Company's issued and outstanding ordinary shares. As of December 31, 2019, the fair value of the investment in the Listed Company was HKD68,288,000 (equivalent to approximately RMB61,364,000) which was calculated based on its closing share price on December 31, 2019. The fair value gain of RMB12,140,000 was recorded in "Other gains, net" for the year ended December 31, 2019.

(ii) In January 2019, Weimob Development established a 3-year Fund with a venture capital to invest in a SaaS company. According to the investment fund agreement ("Fund Agreement"), Weimob Development takes the subordinate tranche and the venture capital takes the senior tranche, and Weimob Development's investment in the Fund cannot be less than 50% of the total investment in the Fund. As at December 31, 2019, Weimob Development and the venture capital have each made RMB12,500,000 investment into the Fund. The Fund designates one of the Company's directors as a director of the invested SaaS company. The Company concludes that it controls and hence consolidates the Fund. The investment from the venture capital and the variable returns belonging to the venture capital is recorded as non-current financial liability given the three-year limited life of the Fund. Management designated this financial liability as measured at FVPL as the designation significantly reduces accounting mismatch that would otherwise arise from measuring the investment made by the Fund on different basis.

In February 2019, the Fund acquired 27% equity interest of a SaaS company with a total consideration of RMB30,000,000, including a contingent consideration of RMB10,000,000 upon the achievement of certain business performance targets in 2019 by the SaaS company. The SaaS Company has achieved the target business performance in 2019. Therefore, the Fund paid RMB5,000,000 in 2019 and the remaining RMB5,000,000 has been paid in February 2020.

The equity interest acquired by the Fund enjoys certain preferential rights including, but not limited to, redemption rights and liquidation preference etc. Therefore, the investment in the SaaS company is accounted for as financial assets at FVPL. As at December 31, 2019, the directors of the Company assessed the fair value of this investment to be approximately RMB40,885,000 with RMB10,885,000 gain recognized in "Other gains, net" for the year ended December 31, 2019.

As at December 31, 2019, the non-current liabilities at FVPL was RMB18,076,000 which includes the investment cost from the venture capital of RMB12,500,000 and the variable return attributable to the venture capital of RMB5,576,000 was recognized in "Other gain, net" as fair value change loss.

(iii) Before the IPO, the Group completed a series of pre-IPO fund raising at the offshore level in the Company and at the onshore level in Weimob Development, and undertook a corporate Reorganisation whereupon the Company became the holding company and the listing vehicle of the Group. As part of the pre-IPO fund raising and Reorganisation, the Company issued 91,031 Series C and 113,977 series D preferred Shares (collectively the "Preferred Shares") in June 2018 with certain preferential rights of redemption, conversion and liquidation preference. The Company recorded these Preferred Shares as financial liability measured at fair value through profit or loss as at December 31, 2018.

Upon completion of the IPO on January 15, 2019, all of the Preferred Shares were automatically converted and subdivided (pursuant to the share subdivision) to ordinary shares. As a result, 1,025,040,000 ordinary shares in total were issued to Series C and Series D investors immediately after the capitalisation issue. The balance of Preferred Shares was transferred to share capital and share premium of the Company on that date. Consequently, all preferred rights entitled to the Preferred Shares holders lapsed and such holders thereafter hold rights pass to all other ordinary shareholders as of that date.

23 FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

The fair value of the Preferred Shares as at December 31, 2018 and immediately before conversion into ordinary shares as at January 15, 2019 are as follows:

	Number of Preferred Shares before conversion	Number of ordinary shares converted after the capitalisation issue	Fair value as at December 31, 2018 RMB'000	**Fair value immediately before conversion as at January 15, 2019 RMB'000**
Series C Preferred Shares	91,031	455,155,000	1,221,139	**1,097,492**
Series D Preferred Shares	113,977	569,885,000	1,548,766	**1,374,133**
Total	205,008	1,025,040,000	2,769,905	**2,471,625**

The fair value changes between December 31, 2018 and January 15, 2019 of RMB298,280,000 were recorded in the consolidated statements of comprehensive income for the year ended December 31, 2019. The cumulative loss recognised in other comprehensive income related to the Preferred Shares due to changes in the liability's credit risk of RMB3,483,000 was transferred from other reserve to accumulated losses upon conversion.

Movement of financial assets and liabilities at fair value through profit or loss has been analysed in Note 3.3.

24 DEFERRED INCOME TAX ASSETS

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.

The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

	As at December 31	
	2019	2018
	RMB'000	RMB'000
Deferred income tax assets:		
to be recovered after more than 12 months	**9,257**	17,173
to be recovered within 12 months	**35,927**	42,132
	45,184	59,305

The movements in deferred income tax assets and liabilities for each of the years ended December 31, 2018 and 2019 without taking into consideration the offsetting of balances within the same jurisdiction are as follows:

Deferred income tax assets

	Tax losses	Contract liabilities	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2019	**24,863**	**60,063**	**6,195**	**91,121**
Recognized in the profit or loss	**716**	**(9,770)**	**2,556**	**(6,498)**
As at December 31, 2019	**25,579**	**50,293**	**8,751**	**84,623**
As at January 1, 2018	27,839	51,004	5,810	84,653
Recognized in the profit or loss	(2,976)	9,059	385	6,468
As at December 31, 2018	24,863	60,063	6,195	91,121

Deferred income tax assets are recognized for tax losses carrying forwards and deductible temporary differences to the extent that realisation of the related tax benefits through the future taxable profits is probable. As at December 31, 2019, the Group did not recognise net deferred income tax assets in respect of losses and deductible temporary differences of RMB84,292,000 (2018: RMB13,344,000) and RMB54,377,000 (2018: RMB106,000) respectively. These tax losses will expire from 2020 to 2029.

24 DEFERRED INCOME TAX ASSETS (Continued)

Deferred income tax liabilities

	Contract acquisition cost RMB'000	Others RMB'000	Total RMB'000
As at January 1, 2019	**(29,096)**	**(2,720)**	**(31,816)**
Recognised in the profit or loss	**145**	**(7,768)**	**(7,623)**
As at December 31, 2019	**(28,951)**	**(10,488)**	**(39,439)**
As at January 1, 2018	(24,470)	(480)	(24,950)
Recognised in the profit or loss	(4,626)	(2,240)	(6,866)
As at December 31, 2018	(29,096)	(2,720)	(31,816)

25 OTHER NON-CURRENT ASSETS

On May 16, 2018, Weimob Development entered into a share transfer and capital injection agreement (the "Original Agreement") with Guangzhou Xiangminiao Internet Technology Co., Ltd. ("Guangzhou Xiangminiao") and its shareholders. Pursuant to the Original Agreement, Weimob Development agreed to acquire certain equity interests from the shareholders of Guangzhou Xiangminiao for RMB6,000,000 and make capital injection into Guangzhou Xiangminiao of RMB11,000,000 in order to obtain a total 51.50% equity interest in Guangzhou Xiangminiao. As at December 31, 2018, the aggregate cash payment by Weimob Development of RMB9,700,000 was recorded in non-current assets in the consolidated statement of financial position as an advance payment for long-term investment given the closing condition has not been fulfilled as at December 31, 2018.

During the year ended December 31, 2019, Weimob Development made the payment of the remaining RMB7,300,000 under the Original Agreement. As at December 31, 2019, the aggregate cash payment by Weimob Development of RMB17,000,000 was recorded in the non-current assets in the consolidated statement of financial position as an advance payment for the long-term investment as the closing condition has not been fulfilled as of December 31, 2019. The management is of the view that there is no impairment indicator for the advance payment by taking reference to the latest financial forecast of Guangzhou Xiangminiao.

As Guangzhou Xiangminiao intends to introduce a new investor in early 2020, Weimob Development and the shareholders of Xiangminiao mutually agreed to renegotiate the shareholders' right together with the new investor.

26 PREPAYMENTS, DEPOSITS AND OTHER ASSETS

	As at December 31	
	2019	2018
	RMB'000	RMB'000
Non-current		
Deposits – third parties	**1,767**	–
Current		
Prepayments for purchasing advertising traffic related to targeted marketing revenue	**563,677**	342,273
Other receivables in relation to payment on behalf of advertisers – third parties *(i)*	**555,034**	77,503
Recoverable value-added tax	**34,970**	3,727
Other receivables due from Weimob Enterprise	**24,953**	27,128
Other receivables due from third parties	**12,550**	–
Deposits – third parties	**10,729**	4,144
Receivables in relation to value-added tax refund *(Note 9)*	**7,632**	7,119
Prepayments for contract operation service costs	**3,605**	1,584
Interest receivables from term deposits and third parties	**3,492**	–
Prepayments for purchasing advertising services	**2,358**	6,727
Prepayments for rent and property management fee	**1,419**	20,200
Contract fulfillment cost *(Note 6)*	**1,313**	–
Prepaid listing expenses	**–**	6,529
Others	**10,227**	12,034
Less: provision for impairment of other receivables	**(5,457)**	–
	1,226,502	508,968

(i) The Group usually receives advance payment from advertisers before the Group makes prepayment to the media publishers to purchase advertising traffic. Sometimes, the Group makes prepayments to the media publishers on behalf of the advertisers, and subject to internal approval. These prepayments on behalf of advertisers are recognised as other receivables.

27 TRADE AND NOTES RECEIVABLES

	As at December 31	
	2019	2018
	RMB'000	RMB'000
Trade receivables	**153,242**	66,175
Notes receivables	**4,317**	13,112
Less: provision for impairment of trade and notes receivables	**(1,173)**	–
	156,386	79,287

Beginning from January 1, 2018, the Group has applied the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the contract assets and trade and notes receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Movements on the Group's allowance for impairment of trade and notes receivable have been disclosed in Note 3.1(ii).

The Group usually allows a credit period of 30 to 90 days to its customers. Aging analysis of trade and notes receivables (net of allowance for doubtful debts) based on recognition date is as follows have been disclosed in Note 3.1(ii).

As at December 31, 2018 and 2019, the carrying amounts of trade and notes receivables were primarily denominated in RMB and approximated their fair values at each of the reporting dates.

28 CASH AND BANK BALANCES

(a) Cash and cash equivalents

	As at December 31	
	2019	2018
	RMB'000	RMB'000
Cash at bank	**858,435**	124,456
Cash equivalents *(i)*	**11,799**	3,073
Cash on hand	**94**	56
	870,328	127,585
Maximum exposure to credit risk	**870,234**	127,529

(i) Cash equivalents represents cash balances kept in third party payment platform, such as Ali-pay and WeChat account which can be withdrawn by the Group at any time.

Cash and cash equivalents are denominated in the following currencies:

	As at December 31	
	2019	2018
	RMB'000	RMB'000
RMB	**534,526**	75,651
USD	**335,670**	51,934
HKD	**132**	–

(b) Term deposits

An analysis of the Group's term deposits as of December 31, 2018 and 2019 are listed as below:

	As at December 31	
	2019	2018
	RMB'000	RMB'000
Term deposits denominated in USD	**293,000**	–
Term deposits denominated in RMB	**100,000**	–
	393,000	–

28 CASH AND BANK BALANCES (Continued)

(b) Term deposits (Continued)

The effective interest rate for the term deposits of the Group with initial terms of over three months during the year ended December 31, 2019 was 2.52% (2018: nil).

Term deposits with initial terms of over three months were neither past due nor impaired. As at December 31, 2019, the carrying amounts of the term deposits with initial terms of over three months approximated their fair values.

29 BANK BORROWING

	As at December 31	
	2019	2018
	RMB'000	RMB'000
Short-term bank borrowings	**300,000**	80,000

On June 20, 2018, the Group borrowed an unsecured loan of RMB80,000,000 from Bank of Shanghai bearing an interest rate of 6.09% per annum, which has been settled on June 19, 2019.

On March 29, 2019, the Group borrowed an unsecured one-year loan of RMB30,000,000 from Shanghai Pudong Development Bank bearing an interest rate of 4.35% per annum, which has been repaid in full on September 28, 2019.

On June 20, 2019, the Group borrowed an unsecured one-year loan of RMB50,000,000 from China CITIC Bank, bearing an interest rate of 5.87% per annum.

On June 28, 2019, the Group entered into an unsecured one-year loan agreement with Bank of Shanghai, and borrowed RMB150,000,000 bearing an interest rate of 6.09% per annum. This loan is for the sole purpose of purchasing advertising traffic related to targeted marketing.

On September 26, 2019, the Group borrowed an unsecured ten-month loan of RMB50,000,000 from China CITIC Bank, bearing an interest rate of 5.87% per annum.

On December 30, 2019, the Group entered into a one-year agreement with Citibank (China) Co., Ltd., where a loan facility up to RMB50,000,000 was made available to the Group. As at December 31, 2019, the Group borrowed an unsecured three-month loan of RMB25,000,000 and an unsecured six-month loan of RMB25,000,000 from Citibank (China) Co., Ltd. bearing an interest rate of 5.57% per annum under this loan facility agreement. The Group did not have any unutilised bank facilities as at December 31, 2019.

30 TRADE AND OTHER PAYABLES

	As at December 31	
	2019	2018
	RMB'000	RMB'000
Advance from advertisers-third party	**144,892**	130,875
Payroll and welfare payables	**144,695**	100,108
Trade payables for purchasing advertising traffic related to targeted marketing revenue *(i)*	**222,175**	1,088
Other taxes payable	**19,745**	5,229
Deposits	**5,467**	5,477
Investment payable for purchasing equity interest in a SaaS company *(Note 23(ii))*	**5,000**	–
Payable related to purchase non-controlling interest in Beijing Weimob and Nanjing Huishuo (current portion) *(Note 32(i))*	**3,621**	6,080
Accruals for auditors' remuneration	**2,250**	–
Accruals for listing expenses	**88**	12,187
Other payables and accruals	**14,741**	9,259
	562,674	270,303

(i) As at December 31, 2018 and 2019, the aging of the trade payables are all within 3 months.

31 SHARE CAPITAL, SHARE HELD FOR RSU SCHEME, TREASURY SHARES AND SHARE PREMIUM

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000	Shares held for RSU scheme RMB'000	Treasury shares RMB'000	Total RMB'000
As at January 1, 2019	136,923	–*	1,049	–	–	1,049
Conversion of convertible redeemable preferred shares into ordinary shares *(a)*	205,008	–*	2,471,625	–	–	2,471,625
Share capitalisation *(a)*	1,709,313,069	1,155	(1,155)	–	–	–
Issuance of ordinary shares-upon listing *(a)*	301,700,000	204	727,270	–	–	727,474
Issuance of ordinary shares -in the form of vendor placing *(b)*	255,000,000	177	1,041,915	–	–	1,042,092
Share issuance costs *(c)*	–	–	(42,550)	–	–	(42,550)
Buy-back of shares *(d)*	–	–	–	–	(90,246)	(90,246)
Cancellation of buy-back shares *(d)*	(7,993,000)	(5)	(27,098)	–	27,103	–
Contribution from a shareholder in relation to RSU Scheme Trust *(Note 33)*	–	–	–	(61,333)	–	(61,333)
Transfer of vested RSUs *(Note 33)*	–	–	–	22,751	–	22,751
As at December 31, 2019	2,258,362,000	1,531	4,171,056	(38,582)	(63,143)	4,070,862

	Number of ordinary shares	Share capital RMB'000	Share premium RMB'000	Total RMB'000
As at date of incorporation	–	–	–	–
Issuance of ordinary shares	136,923	–*	1,049	1,049
As at December 31, 2018	136,923	–*	1,049	1,049

* The relevant amount are all less than RMB1,000.

31 SHARE CAPITAL, SHARE HELD FOR RSU SCHEME, TREASURY SHARES AND SHARE PREMIUM (Continued)

(a) On January 15, 2019, all of the 205,008 redeemable and convertible preferred shares were converted into the same number of ordinary shares (Note 23(iii)). The fair value of the Preferred Shares immediately before the conversion was RMB2,471,625,000, and the conversion resulted in the increase in share capital of RMB138 and share premium of approximately RMB2,471,625,000.

On January 15, 2019, the Company further issued 1,709,313,069 shares to the then shareholders by way of 1:5000 capitalisation of US$170,931 (equivalent to approximately RMB1,155,000) out of the share premium of the Company. The number of total ordinary shares immediately after the capitalisation issue is 1,709,655,000, being the total ordinary shares of 341,931 immediately before the new share offering multiplied by 5,000.

Upon the listing on the Main Board of the Stock Exchange of Hong Kong Limited on January 15, 2019, the Company issued 301,700,000 new ordinary shares at par value of USD0.0001 per share for cash consideration of HKD2.80 each, and raised gross proceeds of approximately HKD844,760,000 (equivalent to approximately RMB727,474,000). The respective share capital amount was approximately RMB204,000 and share premium arising from the issuance was approximately RMB727,270,000.

(b) On July 30, 2019, a total of 255,000,000 shares held by Yomi.sun Holding Limited, Alter.You Holding Limited and Weimob Teamwork (PTC) Limited, each being a shareholder of the Company (collectively, the "Top-up Vendors") have been placed at the price of HK$4.60 per share to several investors. In connection with this vendor placing, on August 6, 2019, the Company issued a total of 255,000,000 shares to the Top-up Vendors at the same price of HK$4.60 per share and raised gross proceeds of approximately HKD1,173,000,000 (equivalent to approximately RMB1,042,092,000). The respective share capital amount was approximately RMB177,000 and share premium arising from the issuance was approximately RMB1,041,915,000.

(c) Share issuance costs mainly include share underwriting commissions, lawyers' fees, reporting accountant's fee and other related costs associated with the Listing and vendor placing. Incremental costs that are directly attributable to the issue of the new shares amounting to approximately RMB42,550,000 which were accounted for a deduction against the share premium arising from the issuance.

(d) During the year ended December 31, 2019, the Group bought back a total of 27,989,000 ordinary shares that listed on The Stock Exchange of Hong Kong Limited. The total amount paid to buy back these ordinary shares was approximately HKD100,474,000 (equivalent to approximately RMB90,246,000). As at December 31, 2019, 7,993,000 out of 27,989,000 bought back ordinary shares had been cancelled and deducted from the share capital and share premium within shareholders' equity, and the remaining 19,996,000 shares were recorded as "Treasury shares" as at December 31, 2019.

32 OTHER RESERVES

	Capital reserves RMB'000	Financial liability measured at fair value RMB'000	Share-based payments RMB'000	Total RMB'000
As at January 1, 2019	**(1,234,222)**	**(3,483)**	**67,364**	**(1,170,341)**
Transfer unvested RSUs to structured entity of RSU Scheme Trust *(Note 33)*	**61,333**	**–**	**–**	**61,333**
Transfer of vested RSUs *(Note 33)*	**–**	**–**	**(22,751)**	**(22,751)**
Share-based compensation expenses for employees *(Note 33)*	**–**	**–**	**5,641**	**5,641**
Transfer other comprehensive loss into retained earnings *(Note 23(iii))*	**–**	**3,483**	**–**	**3,483**
Acquisition of non-controlling interests *(i)*	**(4,529)**	**–**	**–**	**(4,529)**
As at December 31, 2019	**(1,177,418)**	**–**	**50,254**	**(1,127,164)**
As at January 1, 2018	(102,824)	–	58,661	(44,163)
Capital contribution from a shareholder	11,660	–	–	11,660
Change in fair value from our credit risk	–	(3,483)	–	(3,483)
Deemed contribution *(ii)*	77	–	–	77
Purchase equity interest in Weimob Development during Reorganisation	(1,125,691)	–	–	(1,125,691)
Share-based compensation expenses for employees *(Note 33)*	–	–	8,703	8,703
Acquisition of non-controlling interests *(i)*	(17,444)	–	–	(17,444)
As at December 31, 2018	(1,234,222)	(3,483)	67,364	(1,170,341)

32 OTHER RESERVES (Continued)

(i) Acquisition of non-controlling shareholders

During the year ended December 31, 2019, the Group acquired non-controlling interests in the Group's non-wholly owned subsidiary, Nanjing Huishuo, for total consideration of RMB3,000,000, and the aggregate net excess of carrying amounts of acquired net non-controlling interests over the considerations, being approximately RMB4,529,000, was recognised directly in equity. As at December 31, 2019, RMB659,000 has been paid to non-controlling interests and remaining RMB541,000, RMB1,200,000, RMB600,000 will be paid in 2020, 2021 and 2022, respectively.

During the year ended December 31, 2018, the Group has acquired non-controlling interests in the Group's non-wholly owned subsidiaries, Beijing Weimob and Hangzhou Weimob for total consideration of RMB18,900,000, and the aggregate net excess of carrying amounts of acquired net non-controlling interests over the considerations, being approximately RMB17,444,000, was recognised directly in equity. For the years ended December 31, 2018 and 2019, the Group settled RMB12,820,000, RMB3,000,000 to non-controlling interests, respectively, the remaining RMB3,080,000 will be paid in 2020.

For the years ended December 31, 2018 and 2019, the Group totally paid RMB12,820,000 and RMB3,659,000 for above two acquisitions of non-controlling shareholders, respectively and remaining payment of RMB3,621,000 and RMB1,800,000 have been recorded as "Trade and other payables" and "Other non-current liabilities" as at December 31, 2019.

(ii) Deemed contribution

Other deemed contribution in the year ended December 31, 2018 mainly represents certain top management' salaries and related expenses of the Listing Business paid by Weimob Enterprise after the Business transfer, before those top managements are transferred to Weimob Development.

33 SHARE-BASED PAYMENTS

Weimob Enterprise adopted a share option plan (the "Original Option Plan") since June 30, 2016, under which Weimob Enterprise granted share options to its qualified employees on semi-annual basis. The vesting period of the share options under the Original Option Plan varies from 4 to 6 years. Once vested, the share options remain exercisable until 6 months after the grantee leaves Weimob Enterprise or its subsidiaries. The exercise price of the share options granted under the Original Option Plan is nil.

As part of the Reorganisation, the Original Option Plan was replaced by the newly adopted Restricted Share Unit Scheme of the Company pursuant to a resolution of the Board on July 1, 2018. The vesting conditions of the Restricted Share Unit (the "RSU") remained the same and there was no significant incremental cost upon the modification. The total number of shares underlying the RSU plan shall not exceed the aggregate of 14,099 shares as of the date of adoption of the RSU plan. The vesting period of the RSU plan varies from 2 years to 4 years.

During the Reorganisation, the Company has set up one structured entity ("RSU Scheme Trust"), namely Weimob Teamwork, which is solely for the purpose of administering and holding the Company's shares for the RSU scheme. On June 27, 2018, Yomi.sun Holding Limited transferred 14,099 ordinary shares to the Weimob Teamwork for nil consideration for the purposes of the establishment of the RSU Plan. The Weimob Teamwork has been appointed as the trustee (the "Trustee") pursuant to the trust deed to administrate the RSU Plan immediately after the consummation of the IPO. Prior to the IPO, Mr. Sun Taoyong is the administrator of the RSU Scheme Trust.

33 SHARE-BASED PAYMENTS (Continued)

Since the Company's shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited on January 15, 2019, the Company has the power to direct the relevant activities of the RSU Scheme Trust and it has the ability to use its power over the RSU Scheme Trust to affect its exposure to returns. Therefore, the assets and liabilities of the RSU Scheme Trust are included in the Group's consolidated statement of financial position and the ordinary shares held for the Company's RSU scheme were regarded as treasury shares and presented as a deduction in equity as "Shares held for RSU scheme".

The share-based compensation expenses recognised for the year ended December 31, 2018 and 2019 are summarised in the following table:

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Share-based compensation expenses for employees	**5,641**	8,703

Movements in the number of RSUs granted and not yet vested is as follows:

	Number of RSUs
As at January 1, 2019	**4,913**
Adjusted for the capitalisation issue	**24,560,087**
Vested	**(9,435,000)**
Forfeited	**(815,000)**
As at December 31, 2019	**14,315,000**
As at January 1, 2018	13,666
Granted	366
Forfeited	(99)
Vested	(9,020)
As at December 31, 2018	4,913

No RSUs were expired during the years ended December 31, 2018 and 2019.

As at December 31, 2019, the aggregate number of shares underlying the granted RSUs is 69,670,000 among which 54,540,000 shares were vested and exercisable and 815,000 shares were forfeited.

34 NET CASH USED IN OPERATION

(a) Cash used in operations

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Profit/(loss) before income tax	**328,406**	(1,090,597)
Adjustment for:		
Depreciation of property, plant and equipment *(Note 16)*	**7,265**	3,573
Depreciation of right-of-use assets *(Note 17)*	**21,640**	–
Amortisation of intangible assets *(Note 18)*	**53,922**	18,453
Gain on disposal of property, plant and equipment	**(10)**	(2)
Fair value (gain)/loss on redeemable and convertible preferred shares *(Note 23(iii))*	**(298,280)**	1,043,582
Net fair value gain on other financial assets and liabilities at FVPL *(Note 10)*	**(18,934)**	–
Share-based payment expenses *(Notes 7,8)*	**5,641**	32,614
Interest expenses *(Note 11)*	**13,151**	5,377
Interest income on bank deposits held for cash management purpose *(Note 12)*	**(1,569)**	(254)
Interest income on term deposits and third parties *(Note 9)*	**(9,987)**	–
Foreign exchange gain, net	**(5,521)**	(25,160)
Net impairment losses on financial assets *(Note 3.1(ii))*	**6,630**	–
Share of net profit of investments accounted for using equity method *(Note 21)*	**(3,941)**	–
Consulting fee paid for the Pre-IPO fund raising	**–**	25,390
	98,413	12,976
Changes in working capital:		
Increase in trade and notes receivables	**(78,272)**	(48,640)
(Decrease)/increase in contract liabilities	**(14,196)**	54,822
Increase in prepayments, deposits and other assets	**(737,483)**	(334,431)
Decrease/(increase) in contract acquisition cost	**6,844**	(30,839)
Increase in trade and other payables	**285,286**	87,505
Cash used in operations	**(439,408)**	(258,607)

34 NET CASH USED IN OPERATION (Continued)

(a) Cash used in operations (Continued)

In the consolidated statement of cash flow, proceeds from disposal of property, plant and equipment comprise:

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Net book amount	**133**	351
Net gain on disposal of property, plant and equipment	**10**	2
Proceeds from disposal of property, plant and equipment	**143**	353

(b) Net debt reconciliation

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Cash and cash equivalents	**870,328**	127,585
Term deposits	**393,000**	–
Financial liabilities at FVPL	**(18,076)**	(2,769,905)
Bank borrowings	**(300,000)**	(80,000)
Lease liabilities (current and non-current)	**(50,243)**	–
Net debt	**895,009**	(2,722,320)

34 NET CASH USED IN OPERATION (Continued)

(b) Net debt reconciliation (Continued)

	Cash and cash equivalents RMB'000	Term deposits RMB'000	Leases (principal elements) RMB'000	Borrowings RMB'000	Amount due to related parties RMB'000	Liabilities carried from Excluded Business *(i)* RMB'000	Financial liabilities at FVPL *(Note 23(ii))* RMB'000	Redeemable and convertible preferred shares *(Note 23(iii))* RMB'000	Total RMB'000
Net debt as at January 1, 2019	127,585	–	–	(80,000)	–	–	–	(2,769,905)	(2,722,320)
Recognised on adoption of HKFRS 16 *(Note 2.2)*	–	–	(44,074)	–	–	–	–	–	(44,074)
Cash flows	737,222	393,000	12,510	(220,000)	–	–	(12,500)	–	910,232
Foreign exchange	5,521	–	–	–	–	–	–	–	5,521
Fair value changes	–	–	–	–	–	–	(5,576)	298,280	292,704
Other non-cash movement *(ii)*	–	–	(18,679)	–	–	–	–	2,471,625	2,452,946
Net debt as at December 31, 2019	870,328	393,000	(50,243)	(300,000)	–	–	(18,076)	–	895,009
Net debt as at January 1, 2018	21,529	–	–	–	(74,103)	(95,150)	–	–	(147,724)
Cash flows	80,896	–	–	(80,000)	74,103	95,150	–	(1,914,518)	(1,744,369)
Foreign exchange	25,160	–	–	–	–	–	–	6,790	31,950
Fair value changes	–	–	–	–	–	–	–	(855,800)	(855,800)
Other non-cash movement *(ii)*	–	–	–	–	–	–	–	(6,377)	(6,377)
Net debt as at December 31, 2018	127,585	–	–	(80,000)	–	–	–	(2,769,905)	(2,722,320)

(i) As disclosed in Note 1.2, Weimob Development transferred out all of its Excluded Business in September 2016. During the transition period, Weimob Development collected the payment from certain customers on behalf of the Excluded Business, and recorded such balance as other payables. The payable balance was settled by Weimob Development in March 2018, which is longer than normal operation cycle, and hence it is considered as a financing arrangement to the Listing Business and related cash settlement is presented as financing cash outflow in the Group's consolidated statement of cash flows.

(ii) Other major non-cash movement includes conversion of convertible redeemable preferred shares into ordinary shares and addition of lease liabilities.

35 CAPITAL COMMITMENTS

Significant capital expenditure contracted for at as December 31, 2018 and 2019 but not recognised as liabilities is as follows:

	As at December 31	
	2019	2018
	RMB'000	RMB'000
Long-term investment	**279,200**	7,300

36 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure or rights to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

(a) The directors of the Company are of the view that the following parties/companies were related parties that had transaction or balances with the Group for the years ended December 31, 2018 and 2019:

Name of related parties	Relationship with the Group
Weimob Enterprise	Controlled by Mr. Sun before Feb 25, 2019*
Shanghai Winmart Management Co., Ltd.	Controlled by Mr. Sun before Feb 25, 2019*
Shanghai Mengdian Information Technology Co., Ltd.	Controlled by Mr. Sun before Feb 25, 2019*
Shanghai Mengdian Finance Service Co., Ltd.	Controlled by Mr. Sun before Feb 25, 2019*
Shanghai Jingxin Information Technology Co., Ltd.	Controlled by Mr. Sun before Feb 25, 2019*

* Those entities were originally controlled by Mr. Sun. On February 25, 2019, Mr. Sun sold all its equity interests of those entities to a third party individual, thus they are no longer related parties of the Company since February 25, 2019. The following disclosure of transactions with those entities only covered period from January 1, 2019 to February 25, 2019.

36 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Purchase of advertising traffic on behalf of related parties		
Shanghai Mengdian Information Technology Co., Ltd.	**–**	963
Shanghai Mengdian Finance Service Co., Ltd.	**17**	58
Weimob Enterprise	**–**	20
Shanghai Jingxin Information Technology Co., Ltd.	**–**	83
	17	1,124
Sales of SaaS products and related service to a related party		
Shanghai Jingxin Information Technology Co., Ltd.	**11**	72

The prices for the above service fees and other transactions were determined in accordance with the terms mutually agreed by the contract parties.

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Borrowing from a related party		
Weimob Enterprise	**–**	190,000
Repayment to related parties		
Shanghai Mengdian Information Technology Co., Ltd.	**–**	62,296
Weimob Enterprise	**–**	202,807
Shanghai Mengdian Finance Service Co., Ltd.	**–**	12
	–	265,115
Payment to a related party		
Weimob Enterprise	**–**	27,128
Settlement of liabilities carried from Excluded Business		
Weimob Enterprise	**–**	95,150

36 RELATED PARTY TRANSACTIONS (Continued)

(c) Year-end balances with related parties

	As at December 31	
	2019	2018
	RMB'000	RMB'000
Advance from related parties		
Shanghai Winmart Management Co., Ltd.	–	23
Other receivables from related parties		
Other receivables from related parties (trade in nature)		
Shanghai Mengdian Finance Service Co., Ltd.	–	100
Shanghai Jingxin Information Technology Co., Ltd.	–	71
Other receivables from a related party (non-trade in nature)		
Weimob Enterprise	–	27,128
	–	27,299

Receivables and payables from/(to) the above related parties were unsecured, interest-free and repayable on demand. The amounts due from related parties are neither past due nor impaired. The carrying amounts of the amounts due from/(to) related parties approximate their fair values and are denominated in RMB.

(d) Key management compensation

Key management includes executive directors and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Year ended December 31	
	2019	2018
	RMB'000	RMB'000
Salaries and wages	**3,220**	3,230
Bonuses	**367**	367
Other social security costs, housing benefits and other employee benefits	**408**	332
Pension cost – defined contribution plan	**294**	301
Share-based compensation	**1,951**	3,504
	6,240	7,734

37 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

Remuneration of every director and the chief executive's is set out below:

	Directors' fees	Salaries and wages	Bonuses	Other social security costs housing benefits and other employee benefits	Pension cost-defined contribution plan	Share-based compensation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2019							
Executive director:							
Sun Taoyong	–	435	66	68	49	–	618
Huang Junwei	–	377	67	68	49	48	809
Fang Tongshu	–	559	68	68	49	–	744
You Fengchun	–	561	66	68	49	–	744
Independent non-executive directors ***(i)***							
Sun Mingchun	264	–	–	–	–	–	264
Li Xufu	271	–	–	–	–	–	271
Tang Wei	271	–	–	–	–	–	271
	806	2,132	267	272	196	48	3,721
For the year ended December 31, 2018							
Executive director:							
Sun Taoyong	–	435	66	55	50	–	606
Huang Junwei	–	577	67	55	50	89	838
Fang Tongshu	–	559	68	55	50	–	732
You Fengchun	–	571	66	55	50	–	742
	–	2,142	267	220	200	89	2,918

(i) All the independent non-executive directors were nominated on July 30, 2018. Pursuant to the appointment letters, the nomination of non-executive directors took effect upon Listing, thus no remuneration or directors' fee have been paid to the Company's non-executive directors for the year ended December 31, 2018.

37 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(b) Directors' retirement and termination benefits

No retirement or termination benefits have been paid to the Company's directors for the years ended December 31, 2018 and 2019.

(c) Consideration provided to third parties for making available directors' services

No consideration provided to third parties for making available directors' services subsisted at the end of the year or at any time for the years ended December 31, 2018 and 2019.

(d) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans or other dealings are entered into by the Company in favor of directors, controlled bodies corporate by and connected entities with such directors for the years ended December 31, 2018 and 2019.

(e) Directors' material interests in transactions, arrangements or contract

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 for the years ended December 31, 2018 and 2019.

38 CONTINGENT LIABILITIES

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

39 SUBSEQUENT EVENTS

On February 19, 2020, Weimob Canlin, an indirect wholly-owned subsidiary of the Company, entered into an agreement with one catering SaaS company (the "Target") and its shareholders, according to which, Weimob Canlin has conditionally agreed to purchase and subscribe for shares of the Target. The consideration payable is RMB114,885,869 in total in cash. Following the completion of the transaction, the Group will own 63.83% equity interest in the Target, and the Target will become a subsidiary of the Group.

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continues to be implemented across the country. The Group paid close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorised for issue, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

On February 23, 2020, one employee deliberately sabotaged the Group's production environment and data of SaaS business, resulted in SaaS products being temporarily unavailable to customers (the "Accident"). After repair, the production environment of all of the Group's SaaS business has been restored to normal, and the sabotaged back-up data of SaaS business merchants has been retrieved as well. The Management is of the view that the Accident would not have any impact on the Group's financial statements for the year ended 2019. The Company announced its compensation plan on March 2, 2020 and currently expects that the Accident will have a negative impact on the financial conditions of the Group in 2020 to a certain extent. The Company is in the process of assessing the financial impact of this Accident.

40 FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Financial position of the Company

		As at December 31	
		2019	2018
	Note	**RMB'000**	RMB'000
ASSETS			
Non-current assets			
Investment in a subsidiary	*(i)*	**2,923,015**	1,791,225
Total non-current assets		**2,923,015**	1,791,225
Current assets			
Financial assets at fair value through profit or loss		**61,364**	–
Prepayments, deposits and other assets		**3,638**	3,576
Cash and cash equivalents		**489,186**	49,330
Total current assets		**554,188**	52,906
Total assets		**3,477,203**	1,844,131
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	*31*	**1,531**	–
Treasury shares	*31*	**(63,143)**	–
Shares held for RSU scheme	*31*	**(38,582)**	–
Share premium	*31*	**4,171,056**	1,049
Other reserves	*(b)*	**(383,889)**	(431,595)
Accumulated losses		**(212,071)**	(495,228)
Total equity		**3,474,902**	(925,774)
Current liabilities			
Other payables and accruals		**2,301**	–
Total current liabilities		**2,301**	–
Non-current liabilities			
Redeemable and convertible preferred shares		**–**	2,769,905
Total non-current liabilities		**–**	2,769,905
Total liabilities		**2,301**	2,769,905
Total equity and liabilities		**`3,477,203**	1,844,131

40 FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(a) Financial position of the Company (Continued)

(i) Investment in a subsidiary

As part of the Reorganisation (Note 1.2), Weimob HK acquired the entire equity interest in the Weimob Development with a total consideration of RMB1,341,225,000, all of which were funded by the Company. As the Company has no intention to collect the consideration back from Weimob HK, in substance, the cash funded to Weimob HK is capital injection by the Company.

After the Reorganisation, the Company made an additional capital injection of RMB150,000,000 and RMB300,000,000 on June 28 and November 27, 2018, respectively, to Weimob Development through Weimob HK.

For the year ended December 31, 2019, the Company made an additional capital injection of RMB562,073,000 to Weimob Development through Weimob HK.

For the year ended December 31, 2019, the Company funded RMB360,746,000, RMB183,330,000 and RMB20,000,000, respectively to Weimob Development, Shanghai Mengju and Shanghai Mengyao to support their daily operation. As the Company has no intention to collect the amount back from onshore subsidiaries, in substance, the cash transferred is recognized as investment in a subsidiary.

As disclosed in Note 33, immediately after the consummation of the IPO, Weimob Teamwork started to administrate and hold the RSU Scheme, and are included in the Group's consolidated statement. The RSUs grant by the Company to the employees of its subsidiaries is treated as a capital contribution to subsidiaries. Therefore the Company recognised an increase in the investment in the subsidiaries of RMB5,641,000 during the year ended December 31, 2019.

40 FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(b) Reserve movement of the Company

	Other reserves RMB'000	Accumulated losses RMB'000
As at January 1, 2019	(431,595)	(495,228)
Comprehensive income		
Profit for the year	–	286,640
Total comprehensive income for the year	–	286,640
Transfer other comprehensive loss into retained earnings *(Note 23(iii))*	3,483	(3,483)
Contribution from a shareholder in relation to RSU Scheme Trust *(Note 33)*	61,333	–
Transfer of vested RSUs *(Note 33)*	(22,751)	–
Share-based compensation expenses for employees *(Note 33)*	5,641	–
Total transactions with owners recognized directly in equity for the year	47,706	(3,483)
As at December 31, 2019	(383,889)	(212,071)

40 FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(b) Reserve movement of the Company (Continued)

	Other reserves RMB'000	Accumulated losses RMB'000
As at January 1, 2018	–	–
Comprehensive loss		
Loss for the year	–	(495,228)
Other comprehensive loss-change in fair value of redeemable and convertible preferred shares from own credit risk *(Note 23(iii))*	(3,483)	–
Total comprehensive loss for the year	(3,483)	(495,228)
Deemed distribution during Reorganisation	(428,112)	–
Total transactions with owners recognized directly in equity for the year	(431,595)	(495,228)
As at December 31, 2018 *(i)*	(431,595)	(495,228)

(i) As at December 31, 2018, the reserve in the statement of financial position of the Company represented the differences between consideration of issuance of Series C preferred shares and the fair value of the Series C preferred shares as at the issuance date, amounted to RMB431,595,000, treated as the deemed distribution during Reorganisation.

DEFINITIONS

"AGM"	the forthcoming annual general meeting of the Company
"Articles of Association"	the amended and restated articles of association of the Company
"Board"	the board of Directors of the Company
"Company"	Weimob Inc., an exempted company incorporated in the Cayman Islands with limited liability on January 30, 2018
"Corporate Governance Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Director(s)"	director(s) of the Company
"General Mandate"	the general mandate granted to the Directors by the Shareholders to issue a maximum of 402,271,000 Shares pursuant to an ordinary resolution passed at the annual general meeting of the Company held on June 20, 2019
"Group", "our Group", "the Group", "we", "us" or "our"	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require)
"HKFRS"	Hong Kong Financial Reporting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IPO"	Initial Public Offering
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on January 15, 2019
"Listing Date"	January 15, 2019, the date on which the Shares are listed on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers
"Placing Agents"	China International Capital Corporation Hong Kong Securities Limited, Credit Suisse (Hong Kong) Limited and Haitong International Securities Company Limited

"Placing and Subscription Agreement"	the agreement entered into among the Company, the Top-up Vendors, the Placing Agents in relation to the Vendor Placing and the Subscription on July 26, 2019
"PRC" or "China"	the People's Republic of China. For the purposes of this annual report only and except where the context requires otherwise, excludes Hong Kong, Macau and Taiwan
"Prospectus"	the prospectus of the Company dated December 31, 2018
"Relevant Period"	the period from the Listing Date and up to the date of this annual report
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"Reporting Period"	the year ended December 31, 2019
"RSU"	the restricted stock unit
"SFO"	the Securities and Futures Ordinance
"Shanghai Innovital Capital"	Shanghai Innovital Capital Investment Management Co., Ltd. (上海雙創投資管理有限公司), a company established in the PRC with limited liability
"Share(s)"	ordinary shares in the share capital of the Company with a par value of US$0.0001
"Shareholder(s)"	holder(s) of the Shares
"SMBs"	small and medium businesses, a category of merchants whose annual revenue is less than RMB20 million
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the subscription of the Subscription Shares by the Top-up Vendors
"Subscription Price"	HK$4.60 per Share, which is equal to the Vendor Placing Price
"Subscription Shares"	255,000,000 new Shares to be issued by the Company to the Top-up Vendors under the Subscription pursuant to the General Mandate
"subsidiary(ies)"	has the meaning as ascribed thereto under the Listing Rules
"Substantial Shareholders Group"	Mr. SUN Taoyong, Mr. FANG Tongshu, Mr. YOU Fengchun, a group of individuals acting in concert with each other and the single largest shareholder group of the Company
"Tencent"	Tencent Holdings Limited, a limited liability company organized and existing under the laws of the Cayman Islands and the shares of which are listed on the Main Board (stock code: 700) and/or its subsidiaries

DEFINITIONS

"Top-up Vendors"	Yomi.sun Holding Limited, Alter.You Holding Limited and Weimob Teamwork (PTC) Limited, each being a shareholder of the Company
"VAT"	value-added tax
"Vendor Placing"	the placing of Vendor Placing Shares on the terms and subject to the conditions set out in the Placing and Subscription Agreement
"Vendor Placing Price"	HK$4.60 per Share
"Vendor Placing Share(s)"	the Share(s) to be placed by the Placing Agents under the Vendor Placing pursuant to the Placing and Subscription Agreement
"Weimob Development"	Shanghai Weimob Enterprise Development Co., Ltd.* (上海微盟企業發展有限公司), a company established under the laws of the PRC on September 10, 2014, being a wholly-owned subsidiary of our Company
"Weimob Yunbing"	Shanghai Weimob Yunbing Information Technology Co., Ltd. (上海微盟雲冰信息科技有限公司), a company established in the PRC with limited liability

* *For identification purpose only*

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