

# Weimob 微盟

## WEIMOB INC. 微盟集團\*

(Incorporated in the Cayman Islands with limited liability)

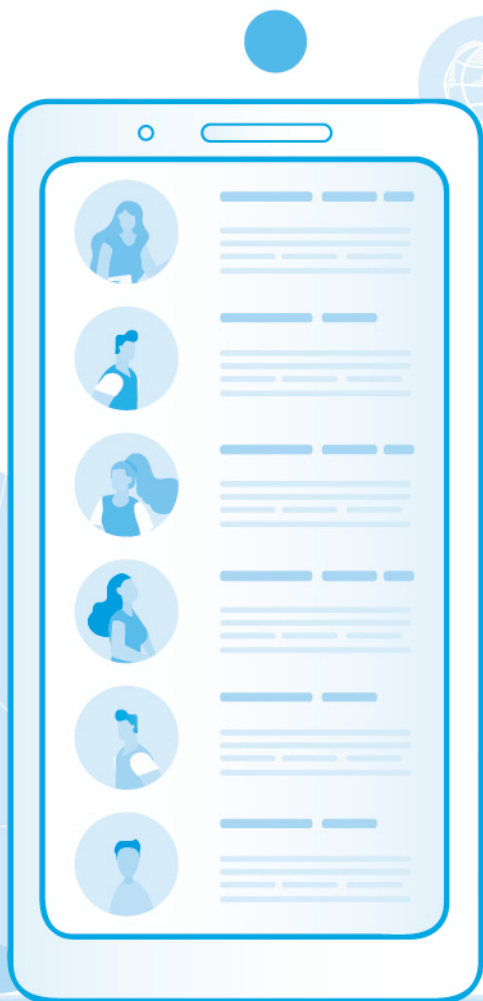
(於開曼群島註冊成立之有限公司)

Stock Code 股份代號 : 2013

Interim Report 中期報告 2020



\*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, Uglan 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](http://www.weimob.com)

# FINANCIAL HIGHLIGHTS

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

	Six months ended June 30,		Year-on-year change
	2020 (Unaudited)	2019 (Unaudited)	
	<i>(RMB in millions, except percentages)</i>		
Revenue	957.1	656.7	45.7%
Revenue excluding SaaS sabotage event	1,049.9	656.7	59.9%
Gross profit	421.5	365.4	15.4%
Gross profit excluding SaaS sabotage event	514.4	365.4	40.8%
Operating loss	(47.6)	(2.5)	1,832.5%
Operating profit/(loss) excluding SaaS sabotage event	39.3	(2.5)	(1,694.2%)
(Loss)/profit before income tax	(557.5)	291.7	(291.1%)
(Loss)/profit for the period	(545.7)	288.1	(289.4%)
Adjusted EBITDA	114.8	68.3	68.0%
Adjusted net profit	52.3	29.5	77.4%

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of June 30, 2020 (Unaudited)	As of December 31, 2019 (Audited)	Change
	<i>(RMB in millions)</i>		
Assets			
Non-current assets	658.2	448.8	46.7%
Current assets	4,152.3	2,855.2	45.4%
Total assets	4,810.5	3,303.9	45.6%
Equity			
Capital and reserves attributable to the equity holders of the Company	1,447.9	1,990.1	(27.2%)
Non-controlling interests	1.4	(0.3)	(586.4%)
Total equity	1,449.4	1,989.8	(27.2%)
Liabilities			
Non-current liabilities	1,724.6	140.3	1,129.3%
Current liabilities	1,636.5	1,173.8	39.4%
Total liabilities	3,361.1	1,314.1	155.8%
Total equity and liabilities	4,810.5	3,303.9	45.6%

# CHAIRMAN'S STATEMENT

## RESULTS HIGHLIGHTS FOR THE FIRST HALF OF 2020

In the first half of 2020, as the global economy was severely impacted by the COVID-19 pandemic, we provided in time enterprise customers with online, digital and intelligent business solutions following the rapid growth trend of online demand, which helped reduce unfavorable impact of COVID-19 on customers. Therefore, we have achieved growth against downtrend in SaaS products and targeted marketing services. In terms of expanding and extending business lines, we have also intensified our investments, mergers and acquisitions. Through our investment in vertical segments including smart catering, live-streaming e-commerce and short videos, we will achieve synergic development with existing businesses, and explore business models of online new economies by expanding our cloud services.

Our adjusted total revenue<sup>1</sup> increased by 59.9% from RMB657 million in the first half of 2019 to RMB1,050 million in the first half of 2020. Our adjusted gross profit increased by 40.8% from RMB365 million in the first half of 2019 to RMB514 million in the first half of 2020. Our net loss was RMB546 million, including the loss of RMB496 million due to a change in fair value of financial liabilities recognized for convertible bonds under HKFRS and the profit and loss impact of RMB87 million under the compensation plan due to the SaaS sabotage event. The loss in fair value of financial liabilities recognized for convertible bonds reflects the increase in price of convertible bonds due to the rise in stock price. We have made corresponding provisions in the current period for the estimated total expenses under the compensation plan, and such estimated compensation will not have a significant impact on the profit and loss of subsequent years, nor will affect the long-term development and value of the Company. Our adjusted EBITDA increased by 68.0% from RMB68 million in the first half of 2019 to RMB115 million in the first half of 2020, and adjusted net profit increased by 77.4% from RMB30 million in the first half of 2019 to RMB52 million in the first half of 2020. As of June 30, 2020, we had cash and cash equivalents of RMB2,148 million with abundant cash reserves and sound financial structure.

For the six months ended June 30, 2020, the number of paying merchants of our SaaS products increased by 26.4% to 88,463 as compared to the first half of 2019, and the average revenue per user (the “ARPU”) of our SaaS products increased by 10.2% to RMB3,447 as compared with the first half of 2019. The number of advertisers using our targeted marketing services increased by 33.5% to 26,084, and the average spend per advertiser increased by 92.1% to RMB176,772. The gross billing of our targeted marketing increased by 156.5% to RMB4,611 million due to the increase in the number of advertisers using our targeted marketing services and in the average spend per advertiser.

We have been focusing on SaaS business and targeted marketing services. With the rapid and healthy development of our business, we continued to be recognized in the capital market. In May 2020, we were successfully included in the MSCI China Small Cap Index; in July 2020, we were selected as the first batch of constituent stocks upon the launch of the Hang Seng Technology Index. Through continuous exploration in service, technology and innovation, we received various awards and honors in the first half of 2020, such as the “2020 China SaaS Influential Enterprise” (「2020中國SaaS影響力企業」) by SOFT6.COM (中國軟件網) and the “Best New Economy Company” (「最佳新經濟公司」) by Zhitongcaijing.com (智通財經).

1 Please refer to Non-HKFRS Measures on page 23. All profit and loss figures mentioned in Results Highlights are excluding impact from SaaS sabotage event.



## CHAIRMAN'S STATEMENT

We actively fulfilled our social responsibilities. During the COVID-19 pandemic in 2020, we have contributed our part to the fight against the pandemic leveraging our advantages as a technology company. We donated RMB10 million to the Shanghai Charity Foundation and developed a Mini Program for its online charitable donations, which provided a donation channel for the public. We also provided our Wei Form (微盟表單) Mini Program for free to relevant government departments and enterprises to support the information collection and registration work covering mask appointment and statistics of returned personnel. For hard-hit industries such as catering and retail, we provided our Weimob food delivery Mini Program for free for three months, extended an additional two-month service period for merchants in the smart retail segment, and offered Weimob live-streaming Mini Program. In addition, we launched Weimob "Battle" Courses (微盟「戰疫」公開課) and our Weimob University learning platform, so as to provide guidance and practical operating instructions on online operations during the outbreak, thus working through the difficulties with enterprises.

The production environment and data of our SaaS business was deliberately sabotaged on February 23, 2020. After working with the Tencent Cloud technical team, we completed the data recovery. Meanwhile, we launched the compensation system. Currently, the compensation plan is in progress and we have made corresponding provisions. The total amount of compensation is expected to be RMB127 million, of which RMB87 million will be borne by the Company and RMB40 million will be borne by the management of the Company. We have also obtained the understanding of the merchants. No class action has occurred and the overall risk is under control. We have also strengthened the internal management, launched the data security assurance plan, fully migrated the data to the Tencent Cloud, and built the remote and multi-cloud disaster backup system. We have also invited external data security experts to evaluate the data security plan, so as to prevent the recurrence of similar accident.

Looking ahead, the acceleration of enterprise digital transformation will bring long-term structured growth opportunities for our SaaS products and targeted marketing business.

## BUSINESS REVIEW

In the first half of 2020, due to the impact of COVID-19 and other factors, the demand for the online marketing from enterprise customers increased significantly and digital transformation of enterprises accelerated, which promoted both of our SaaS products and targeted marketing business to achieve growth despite the market downturn. In terms of SaaS products, we continued to take Commerce Cloud (商業雲), Marketing Cloud (營銷雲) and Sales Cloud (銷售雲) as our core strategies, and constantly diversified functions of our products and marketing scenarios, thus steadily promoting various businesses. In the Commerce Cloud segment, we provided vertical industry solutions covering social e-commerce, smart retail and smart catering. These solutions played an important role in helping merchants' rapid transformation into online operation and supporting the recovery of the real economy. Merchants showed strong willingness to carry out digital transformation and upgrading through our SaaS products.



## CHAIRMAN'S STATEMENT

In social e-commerce sector, the live-streaming e-commerce developed rapidly in the first half of 2020 and provided additional support to the development of online new economies. As WeChat Mini Programs launched Mini Program live-streaming function in February 2020, we took the lead in the connection to live-streaming plug-ins of WeChat Mini Program. At the same time, our “Weimob Live” (「微盟直播」), a live-streaming platform based on Mini Program, lowered the threshold for live-streaming shows and has become a preferred live-streaming Mini Program for many e-commerce and retail companies. In March 2020, we launched the “Super Live Room” (「超級直播間」) program to support brands from multiple dimensions including traffic, operation and training, which created a closed loop from advertising traffic to purchases via live-streaming interaction. In June 2020, we held the first “616 Retail Shopping Festival” (「616零售購物節」). We held “Talk Show Live-streaming Promotion” (「脫口秀直播帶貨大會」) in cooperation with tens of thousands of stores from nearly 100 retail companies to explore the private domain live-streaming mode, achieving sound results. We believe that there will be more and more merchants who will participate in the private domain live-streaming shows in Mini Program platforms and drive the online new economies. Under our business mode, we combine our SaaS products with live-streaming tools, and provide precise marketing services, which are quite attractive to merchants.

In terms of smart retail segment, through the in-depth development of product functions that meet the demand of our major customers, we have established cooperation relationships with more and more large retail companies, leading to continuous and stable growth in our smart retail business. In the first half of 2020, our newly signed brand customers continued to increase. We have signed contracts with numerous renowned brand customers in apparel, sports, home textiles, beauty makeup and skin care, 3C (computer, communication and consumer electronics) and other industries. As of June 30, 2020, the number of merchants in the smart retail segment reached 2,260. For the first half of 2020, the revenue generated from the smart retail segment was RMB46.06 million, representing an increase of 701.0% from RMB5.750 million for the first half of 2019. The results for the first half of this year have exceeded the results for the whole year of 2019, accounting for 15.1% of the total revenue from SaaS, with 457 brand merchants and the average contract value of brand merchants reaching RMB0.227 million. At the same time, we continued to maintain good cooperation with Tencent Smart Retail (騰訊智慧零售) in customer acquisition, product research and development, and operational services to provide retail companies with full-chain digital solutions. In the future, we will further improve and perfect our products and services in the smart retail segment, and continue to maintain our leading position in the industry. We expect that our revenue of the smart retail segment will continue to grow.





## CHAIRMAN'S STATEMENT

In the smart catering segment, as of June 30, 2020, the number of merchants in the catering segment reached 6,532. For the first half of 2020, the revenue generated from the smart catering segment was RMB22.118 million, representing an increase of 69.3% from RMB13.068 million for the first half of 2019 and accounting for 7.3% of the total revenue from SaaS, with the average contract value of the catering merchants reaching RMB0.016 million. As the catering industry was severely affected by the COVID-19 outbreak, and merchants were under significant operating pressure, we provided our Weimob food delivery Mini Program for free for three months. Though it did not generate revenue in the short term, it reflects our commitment to social responsibilities and expanded our customer base. Meantime, we are committed to the integration work following the acquisition of Wuxi Yazuo Zaixian Technology Co., Ltd. (無錫雅座在線科技股份有限公司, “**Yazuo**”) in the first half of 2020. These factors have contributed to the revenue growth of our smart catering segment to some extent. In the smart catering segment, we devised our strategic layout based on the mode of internal growth and external mergers and acquisitions. We acquired “Yazuo”, a comprehensive solution provider in the catering sector in March 2020, and invested in SYOO (「商有」), a full-scene digital catering services operator in April 2020. In May 2020, we established a smart catering company to integrate our five business lines, i.e. smart catering, Yazuo cashier, Yazuo membership, cost steward and SYOO food delivery. We thus created a smart catering solution which integrated membership, cashier, food delivery, shopping mall, meal ordering, reservation and supply chain management. As the demand of merchants in the catering segment for digital solutions increases, our smart catering business will continue to grow. We will rely on WeChat's characteristics of decentralization and private domain traffic to achieve a diversified competition with the ecological closed loop of the centralized platform.

In terms of smart hospitality and tourism segments, we provided hotel merchants with WeChat direct sales solutions, including online room booking, online mall, membership marketing and other services. By far, we have served 351 high-end star-rated hotels. In addition, we established a direct sales team for Smart Hotel to serve the medium to long tail hospitality market.

In terms of Marketing Cloud and Sales Cloud segments, we have marketing tools and products including Wei Station (微站), Smart Marketing (智營銷), Xiaoke (銷氣) and Wei Form, which can help enterprise users upgrade their marketing and promotion and sales management models. We have upgraded Sales Pusher (銷售推) to Xiaoke, an independent sales cloud solution, which covers functional modules such as automation sales, smart customer acquisition, call center and collaborative office. It can help companies improve the efficiency of customer acquisition and sales performance.



## CHAIRMAN'S STATEMENT

In terms of targeted marketing, we achieved excellent results in the first half of 2020, with the gross billing significantly increasing by 156.5% to RMB4,611 million. We have expanded our presence into more than 20 industries including e-commerce, finance and FMCG. Our advertisers, mainly small and medium businesses in the first half of 2019, have been diversified to consist of both small and medium businesses and key accounts, with the average spend per advertiser increasing by 92.1% to RMB176,772. Meanwhile, we made prominent progress in traffic diversification, with deep cooperation with many traffic platforms including Tencent and Toutiao. The main reasons for high growth of our businesses are as follows: firstly, we enhanced our efficiency in acquiring customers through regional expansion and the development of operational and value-added teams to cover third-tier and lower-tier cities, the sales teams' direct reach to advertisers, timely analysis of the demand of advertisers and the provision of targeted operation plan; secondly, we continued to increase our regional licenses and obtained various licenses in key areas including Beijing and Guangzhou, thus expanding our scope of business; thirdly, we increased our investment in short videos, with the monthly production of over ten thousand new short videos, so as to precisely meet the demand of advertisers and improve the efficiency of our targeted marketing. Through improving the efficiency and effect of our targeted marketing, we facilitated more rapid breakthroughs in e-commerce, online education, self-media, online services and other industries. We also continued to enhance the synergy between targeted marketing and SaaS products, and deeply explored the integrated solution of "Advertising + Mini Program", so as to enable our advertisers to manage traffic and achieve closed-loop marketing with our SaaS products while placing advertisements. With the expansion of our business scope and scale of business, our share in Tencent Ads (騰訊廣告) system has gradually increased, thus consolidating our position as a leading service provider in the system of Tencent Ads. In addition, we were also seeking cooperation with more traffic platforms.

In terms of cloud platform, by far we have amassed more than 500 third-party developers who offered a total of approximately over 900 applications. At present, in addition to standard SaaS solutions, we can also offer personalized and tailored solutions to serve large customers together with our partners through the Weimob Cloud Platform. Our PaaS platform has served many large customers, and its privatization deployment was completed.

In addition to consolidating our internal core businesses, we were also actively seeking investments in quality projects which will be incorporated into our Weimob ecosystem, and strengthening cooperation with excellent investment institutions in the industry. In the Commerce Cloud segment, we diversified our SaaS layout in the catering industry through the control of Yazuo and strategic investment in SYOO. For medium and large catering companies seeking for full-process SaaS services from independent third parties, our solutions can help them build private domain assets and digitize offline traffic, thereby improving their anti-risk capabilities and profitability. In Marketing Cloud segment, we invested in "Clipworks" (「秒影工場」), a one-stop short video creation and production platform. Clipworks can be used to classify and label the methods of production and profile advertisers and products through its self-developed technologies and intelligent algorithm platform, which can precisely match front-end demands.

In terms of cooperation between investment institutions, the industrial fund jointly established by us and Meridian Capital (華映資本) has witnessed the implementation of projects in the first half of this year. In terms of SaaS solutions for vertical industries, our industry fund took lead in the investment in "Xiaomai Education Assistant" (「小麥助教」), an "Intelligent Education + Education and Training" (「智能教務+教培」) SaaS provider. Our industry fund has also successfully participated in the approximately RMB100 million A-round financing of "Goumee" (「構美」), a live-streaming e-commerce service provider. Leveraging on its full-chain solutions, Goumee can integrate brands and effects with new live-streaming traffic, which will help brands capture live-streaming opportunities in the post-pandemic era.



## CHAIRMAN'S STATEMENT

### BUSINESS OUTLOOK

As China vigorously promotes new infrastructures such as 5G, big data centers, artificial intelligence and industrial Internet as well as online new economies, we will continue to take supporting the digital transformation of enterprises as our core strategy. In the second half of 2020, we will continue to expand the categories of our cloud services and explore business models of online new economies, strengthen the monetization of existing customers, enhance external cooperation, build an open and cooperative ecosystem of Weimob Cloud Platform, and explore more strategic cooperation and acquisition opportunities. We will continue to focus on empowering business through the decentralization business model and build our intelligent business ecosystem around Commerce Cloud, Marketing Cloud, Sales Cloud and Service Cloud.

In the Commerce Cloud segment, we will continue to be deeply engaged in verticals including e-commerce, retail, catering, hotel and local life, gradually expand into industries such as education and beauty, and explore new smart marketing formats including live-streaming e-commerce, social e-commerce, social group e-commerce and Mini Program e-commerce. Through our products and technologies, we will support the digital transformation and upgrading of enterprises and promote the development of online new economies.

In the Marketing Cloud segment, we help customers build a customer data platform (CDP) and a content innovation platform, and provide omni-channel contact points and marketing automation tools. Our Sales Cloud will focus on one-stop smart sales management for small and medium businesses. We possess natural advantages in customer acquisition based on the established sales network system of Weimob. In terms of Sales Cloud and Service Cloud, we will seek more strategic cooperation, investments and acquisitions to quickly enter into new service fields and realize rapid business development through outward expansion.

In terms of customer services, we will increase monetization of our SaaS products and targeted marketing through cross-marketing among different products and services. We will always be an enabler to the merchants through decentralization. Through providing a series of smart business solutions, we always adhere to empower the customers under the decentralization business model, continue to create values for our customers, support the digital transformation of enterprises and make business more intelligent.



## CHAIRMAN'S STATEMENT

Adhering to the concept of open and win-win cooperation, we will continue to maintain close cooperation with Tencent and other platforms to build our own ecosystem of 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 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 cooperate with the developers in building our ecosystem.

Our SaaS business is trying to march towards internationalization. At present, we have been engaged in market layout and initial operation in Australia, Canada, Japan, South Korea, Hong Kong and other countries and regions. In the future, we will continue to increase investment in internationalization, which will be our long-term strategy.

**Mr. Sun Taoyong**

*Chairman and Chief Executive Officer*

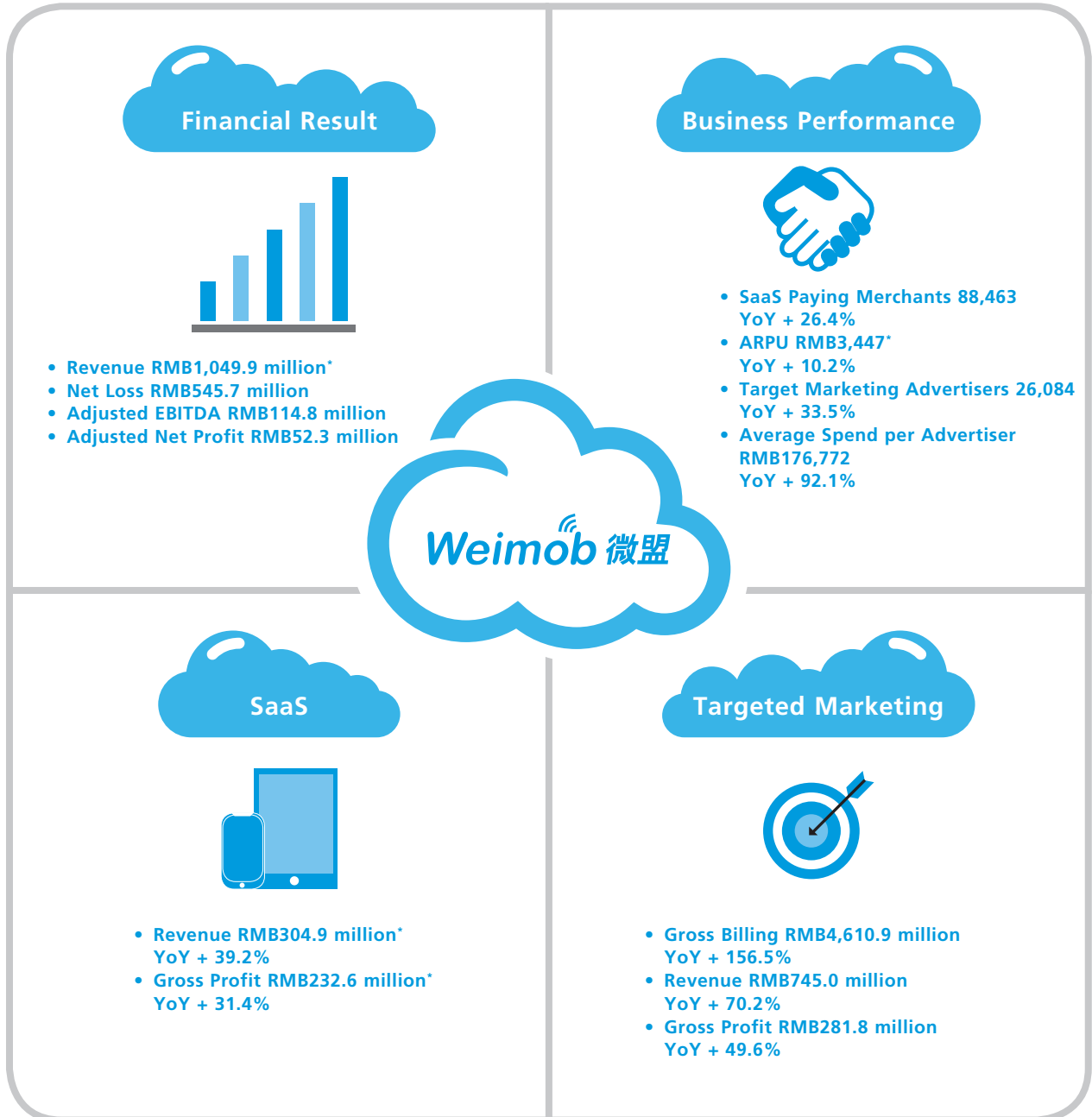
# MANAGEMENT DISCUSSION AND ANALYSIS

## Six Months Ended June 30, 2020 Compared to Six Months Ended June 30, 2019

	Six months ended June 30,	
	2020 (Unaudited) (RMB'000)	2019 (Unaudited) (RMB'000)
<b>Revenue</b>	<b>957,051</b>	656,695
Cost of sales	<b>(535,517)</b>	(291,311)
<b>Gross profit</b>	<b>421,534</b>	365,384
Selling and distribution expenses	<b>(386,720)</b>	(322,887)
General and administrative expenses	<b>(107,802)</b>	(62,567)
Net impairment losses on financial assets	<b>(18,095)</b>	(2,718)
Other income	<b>52,999</b>	19,515
Other (losses)/gains, net	<b>(9,551)</b>	808
<b>Operating loss</b>	<b>(47,635)</b>	(2,465)
Finance costs	<b>(13,242)</b>	(4,371)
Finance income	<b>1,021</b>	240
Share of net loss of associates accounted for using the equity method	<b>(1,956)</b>	–
Change in fair value of convertible bonds	<b>(495,662)</b>	–
Change in fair value of redeemable and convertible preferred shares	<b>–</b>	298,280
<b>(Loss)/profit before income tax</b>	<b>(557,474)</b>	291,684
Income tax credit/(expenses)	<b>11,811</b>	(3,607)
<b>(Loss)/profit and total comprehensive (loss)/income for the period</b>	<b>(545,663)</b>	288,077
(Loss)/profit and total comprehensive (loss)/income attributable to:		
– Equity holders of the Company	<b>(543,672)</b>	288,960
– Non-controlling interests	<b>(1,991)</b>	(883)
	<b>(545,663)</b>	288,077

# MANAGEMENT DISCUSSION AND ANALYSIS

Six months ended June 30, 2020



\* Excluding SaaS Sabotage Event

## MANAGEMENT DISCUSSION AND ANALYSIS

### Key Operating Data

The following table sets forth our key operating data for the six months ended/as of June 30, 2020 and 2019.

	Six months ended/as of June 30,	
	2020	2019
<b>SaaS products</b>		
Addition in number of paying merchants	15,726	11,087
Number of paying merchants	88,463	70,006
Attrition rate <sup>(1)</sup>	10.6%	8.9%
Revenue (RMB in millions) excluding SaaS sabotage event <sup>(2)</sup>	304.9	219.1
	<b>(unaudited)</b>	(unaudited)
ARPU <sup>(3)</sup> (RMB)	3,447	3,129
<b>Targeted marketing</b>		
Addition in number of advertisers	10,811	13,670
Number of advertisers	26,084	19,537
Repurchase rate (Number of repurchased advertisers <sup>(4)</sup> /advertisers)	67.2%	56.7%
Gross billing (RMB in millions)	4,610.9	1,797.4
Average spend per advertiser (RMB)	176,772	91,997

#### Notes:

- (1) Refer to the number of paying merchants not retained over a period divided by the number of paying merchants as of the end of the previous period.
- (2) Refer to revenue for SaaS products excluding SaaS sabotage event under non-HKFRS measures.
- (3) Refer to the average revenue per paying merchant, which equals revenue of SaaS products excluding SaaS sabotage event for the period divided by the number of paying merchants as of the end of such period.
- (4) Refer to advertisers who used our targeted marketing more than once during the period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Key Financial Ratios

	Six months ended June 30,		2019
	2020 per financial statements %	2020 excluding SaaS sabotage event %	
Total revenue growth	45.7	59.9	97.8
– SaaS products	(3.2)	39.2	41.1
– Targeted marketing	70.2	70.2	147.5
Gross margin <sup>(1)</sup>	44.0	49.0	55.6
– SaaS products	65.9	76.3	80.8
– Targeted marketing	37.8	37.8	43.0
Adjusted EBITDA margin <sup>(2)</sup>	10.9	10.9	10.4
Adjusted net margin <sup>(3)</sup>	5.0	5.0	4.5

### Notes:

- (1) Equals gross profit divided by revenue for the period and multiplied by 100%.
- (2) Equals adjusted EBITDA divided by revenue excluding SaaS sabotage event for the period and multiplied by 100%. For the reconciliation from operating profit/(loss) to EBITDA and adjusted EBITDA, see “– Non-HKFRS Measures: Adjusted Revenue, Adjusted EBITDA and Adjusted Net Profit/(Loss)” below.
- (3) Equals adjusted net profit/(loss) divided by revenue excluding SaaS sabotage event for the period and multiplied by 100%. For the reconciliation from net profit/(loss) to adjusted net profit/(loss), see “– Non-HKFRS Measures: Adjusted Revenue, Adjusted EBITDA and Adjusted Net Profit/(Loss)” below.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Revenue

Our total revenue increased by 45.7% from RMB656.7 million in the six months ended June 30, 2019 to RMB957.1 million in the six months ended June 30, 2020, primarily due to the increases in our revenues generated from both SaaS and targeted marketing, which was offset by deduction from compensation due to SaaS sabotage event. Excluding SaaS sabotage event, our total revenue increased by 59.9%. The following table sets forth a breakdown of our revenue by business segment for the periods indicated.

	<b>Six months ended June 30,</b>			
	<b>2020</b>		2019	
	<b>(Unaudited)</b>		(Unaudited)	
	<i>(RMB in millions, except percentages)</i>			
<b>Revenue</b>				
SaaS products excluding SaaS sabotage event	<b>304.9</b>		219.1	
Less: revenue deducted due to SaaS sabotage event	<b>(92.9)</b>		–	
SaaS products per financial statements	<b>212.0</b>	<b>22.2%</b>	219.1	33.4%
Targeted marketing	<b>745.0</b>	<b>77.8%</b>	437.6	66.6%
Total	<b>957.1</b>	<b>100.0%</b>	656.7	100.0%

### SaaS products

Revenue from our SaaS products decreased by 3.2% from RMB219.1 million in the six months ended June 30, 2019 to RMB212.0 million in the six months ended June 30, 2020, primarily due to deduction in revenue as a result of compensation of RMB92.9 million due to SaaS sabotage event. Excluding the impact from SaaS sabotage event, our SaaS revenue increased by 39.2% from RMB219.1 million in the six months ended June 30, 2019 to RMB304.9 million in the six months ended June 30, 2020, primarily due to the increased number of paying merchants for our SaaS products from 70,006 in the six months ended June 30, 2019 to 88,463 in the six months ended June 30, 2020, and the increased ARPU of our SaaS products from RMB3,129 in the six months ended June 30, 2019 to RMB3,447 in the six months ended June 30, 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth a breakdown of our revenue from SaaS products by product for the periods indicated.

	Six months ended June 30,			
	2020 (Unaudited)		2019 (Unaudited)	
	<i>(RMB in millions, except percentages)</i>			
<b>Revenue<sup>(1)</sup></b>				
Commerce Cloud	247.1	81.0%	169.5	77.4%
Marketing Cloud <sup>(2)</sup>	57.8	19.0%	49.6	22.6%
<b>Total</b>	<b>304.9</b>	<b>100.0%</b>	219.1	100.0%

Notes:

- (1) Refer to SaaS revenue excluding SaaS sabotage event.
- (2) Revenue from Marketing Cloud includes our revenue from Sales Pusher (销售推) of RMB6.6 million in the six months ended June 30, 2020.

### Targeted marketing

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

	Six months ended June 30,			
	2020 (Unaudited)		2019 (Unaudited)	
	<i>(RMB in millions, except percentages)</i>			
<b>Gross billing</b>				
Gross method	545.5	11.8%	329.1	18.3%
Net method	4,065.4	88.2%	1,468.3	81.7%
<b>Total</b>	<b>4,610.9</b>	<b>100.0%</b>	1,797.4	100.0%

The gross billing of our targeted marketing increased significantly from RMB1,797.4 million in the six months ended June 30, 2019 to RMB4,610.9 million in the six months ended June 30, 2020, primarily due to the increase in the number of advertisers who purchased our targeted marketing from 19,537 in the six months ended June 30, 2019 to 26,084 in the six months ended June 30, 2020, as well as an increase in average spend per advertiser from RMB91,997 in the six months ended June 30, 2019 to RMB176,772 in the six months ended June 30, 2020.

Revenue from our targeted marketing increased by 70.2% from RMB437.6 million in the six months ended June 30, 2019 to RMB745.0 million in the six months ended June 30, 2020, which was in line with the increase in the gross billing.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

	Six months ended June 30,			
	2020 (Unaudited)		2019 (Unaudited)	
	<i>(RMB in millions, except percentages)</i>			
<b>Revenue</b>				
Gross method	494.8	66.4%	279.0	63.8%
Net method	250.2	33.6%	158.6	36.2%
Total	745.0	100.0%	437.6	100.0%

Our revenue from targeted marketing recognized on a gross basis increased by 77.3% from RMB279.0 million in the six months ended June 30, 2019 to RMB494.8 million in the six months ended June 30, 2020, while our revenue from targeted marketing recognized on a net basis increased by 57.8% from RMB158.6 million in the six months ended June 30, 2019 to RMB250.2 million in the six months ended June 30, 2020.

### Cost of Sales

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

	Six months ended June 30,			
	2020 (Unaudited)		2019 (Unaudited)	
	<i>(RMB in millions, except percentages)</i>			
<b>Cost of sales</b>				
Advertising traffic cost for targeted marketing revenue	446.6	83.4%	241.2	82.8%
Staff costs	20.4	3.8%	11.9	4.1%
Broadband and hardware costs	19.7	3.7%	10.0	3.4%
Contract operation services costs	11.9	2.2%	5.2	1.8%
Amortization of intangible assets	32.5	6.1%	20.9	7.2%
Taxes and surcharges	3.9	0.7%	2.1	0.7%
Depreciation and amortization	0.5	0.1%	0.0	0.0%
Total	535.5	100.0%	291.3	100.0%

## MANAGEMENT DISCUSSION AND ANALYSIS

Our cost of sales increased by 83.8% from RMB291.3 million in the six months ended June 30, 2019 to RMB535.5 million in the six months ended June 30, 2020, primarily because (i) our advertising traffic cost for targeted marketing revenue increased by 85.2% from RMB241.2 million in the six months ended June 30, 2019 to RMB446.6 million in the six months ended June 30, 2020, in line with the growth of our targeted marketing business, (ii) our broadband and hardware costs increased from RMB10.0 million in the six months ended June 30, 2019 to RMB19.7 million in the six months ended June 30, 2020, and amortization of our intangible assets increased from RMB20.9 million in the six months ended June 30, 2019 to RMB32.5 million in the six months ended June 30, 2020, which demonstrated the strengthened investment in our research and development capability.

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

	Six months ended June 30,			
	2020 (Unaudited)		2019 (Unaudited)	
	<i>(RMB in millions, except percentages)</i>			
<b>Cost of sales</b>				
SaaS products	72.3	13.5%	42.0	14.4%
Targeted marketing	463.2	86.5%	249.3	85.6%
Total	535.5	100.0%	291.3	100.0%

### *SaaS products*

Cost of sales of our SaaS products increased by 72.1% from RMB42.0 million in the six months ended June 30, 2019 to RMB72.3 million in the six months ended June 30, 2020, primarily due to (i) an increase of RMB9.7 million in broadband and hardware cost as a result of increased use of hardware and broadband services due to business expansion, as well as database security upgrade, and (ii) an increase of RMB11.6 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 85.8% from RMB249.3 million in the six months ended June 30, 2019 to RMB463.2 million in the six months ended June 30, 2020, primarily due to an increase in our advertising traffic costs of RMB205.5 million for targeted marketing revenue recognized on a gross basis as of June 30, 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Gross Profit and Gross Margin

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

	2020		2019			
	Gross profit	%	Gross margin	Gross profit	%	Gross margin
	(Unaudited)		(Unaudited)			
	<i>(RMB in millions, except percentages)</i>					
SaaS products excluding SaaS sabotage event	232.6		76.3%	177.0		80.8%
Less: revenue deducted due to SaaS sabotage event	(92.9)		–	–		–
SaaS products per financial statements	139.7	33.1	65.9%	177.0	48.5	80.8%
Targeted marketing	281.8	66.9	37.8%	188.4	51.5	43.0%
Total per financial statements	421.5	100.0	44.0%	365.4	100.0	55.6%
Total excluding SaaS sabotage event	514.4		49.0%	365.4		55.6%

Our overall gross profit increased by 15.4% from RMB365.4 million in the six months ended June 30, 2019 to RMB421.5 million in the six months ended June 30, 2020, primarily due to the increase in total revenue offset by RMB92.9 million SaaS sabotage event compensation. Excluding the impact from SaaS sabotage event, our overall gross profit increased by 40.8% to RMB514.4 million in the six months ended June 30, 2020.

Our overall gross margin decreased from 55.6% in the six months ended June 30, 2019 to 44.0% in the six months ended June 30, 2020, primarily due to deduction in revenue as a result of compensation due to SaaS sabotage event. Excluding the impact from SaaS sabotage event, our overall gross margin was 49.0% in the six months ended June 30, 2020.

The gross margin of our SaaS products decreased from 80.8% in the six months ended June 30, 2019 to 65.9% in the six months ended June 30, 2020 due to compensation for SaaS sabotage event, excluding the impact from which, gross margin of SaaS products was 76.3% in the six months ended June 30, 2020.

The gross margin of our targeted marketing decreased from 43.0% in the six months ended June 30, 2019 to 37.8% in the six months ended June 30, 2020 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 19.8% from RMB322.9 million in the six months ended June 30, 2019 to RMB386.7 million in the six months ended June 30, 2020, primarily due to the increases in (i) staff costs for our sales and marketing personnel from RMB175.3 million in the six months ended June 30, 2019 to RMB225.8 million in the six months ended June 30, 2020 mainly as a result of the annualization effect of the costs of our increased sales and marketing staff in the second half of 2019, (ii) rental and property service expenses from RMB22.7 million in the six months ended June 30, 2019 to RMB29.9 million in the six months ended June 30, 2020, and (iii) marketing and promotion costs from RMB23.2 million in the six months ended June 30, 2019 to RMB29.9 million in the six months ended June 30, 2020, all in line with business expansion.

### General and Administrative Expenses

Our general and administrative expenses increased by 72.3% from RMB62.6 million in the six months ended June 30, 2019 to RMB107.8 million in the six months ended June 30, 2020, primarily due to the increase in staff costs for our administrative and research and development personnel from RMB30.5 million in the six months ended June 30, 2019 to RMB62.0 million in the six months ended June 30, 2020.

### Research and Development Expenditure

	<b>Six months ended June 30,</b>	
	<b>2020</b>	2019
	<b>(Unaudited)</b>	(Unaudited)
	<i>(RMB in millions, except percentages)</i>	
Research and development expenditure capitalized in development cost & intangible assets	<b>64.6</b>	49.6
Research and development expenditure in general & administrative expenses	<b>25.2</b>	10.4
<b>Total research and development expenditure</b>	<b>89.8</b>	60.0

Research and development expenditure increased from RMB60.0 million in the six months ended June 30, 2019 to RMB89.8 million in the six months ended June 30, 2020, primarily attributable to the strengthened investment in our research and development capability.

### Net Impairment Losses on Financial Assets

We had net impairment losses on financial assets of RMB18.1 million in the six months ended June 30, 2020, primarily as a result of the general provision for credit loss from our trade receivables, notes receivables and other receivables.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Other Income

Our other income increased significantly from RMB19.5 million in the six months ended June 30, 2019 to RMB53.0 million in the six months ended June 30, 2020, primarily due to an increase of RMB26.7 million in input VAT super deduction.

### Other (Losses)/Gains, net

Our other net (losses)/gains decreased from a gain of RMB0.8 million in the six months ended June 30, 2019 to a loss of RMB9.6 million in the six months ended June 30, 2020, mainly due to donation made to the Shanghai Charity Foundation to support the COVID-19 relief of RMB10.0 million and compensation due to SaaS sabotage event of RMB0.7 million.

### Operating Loss

As a result of the foregoing, our operating loss increased from RMB2.5 million in the six months ended June 30, 2019 to RMB47.6 million in the six months ended June 30, 2020.

Excluding SaaS sabotage event, our operating profit was RMB39.3 million in the six months ended June 30, 2020.

### Finance Costs

Our finance costs increased significantly from RMB4.4 million in the six months ended June 30, 2019 to RMB13.2 million in the six months ended June 30, 2020, primarily due to (i) an increase of RMB6.7 million in our interest expenses from our bank borrowings due to our increased bank borrowings to support target marketing business expansion, and (ii) the interest expenses on lease liabilities of RMB1.4 million which primarily relate to our leased office buildings.

### Finance Income

Our finance income increased significantly from RMB0.2 million in the six months ended June 30, 2019 to RMB1.0 million in the six months ended June 30, 2020, primarily due to an increased interest income on our bank deposits, reflecting an increase in the average balance of our bank deposits in the six months ended June 30, 2020.

### Share of Net Loss of Associates Accounted for Using the Equity Method

We recorded share of net loss of associates accounted for using the equity method of RMB2.0 million in the six months ended June 30, 2020, which represented our share of loss from the investments held by two contractual funds and an associate.

### Change in Fair Value of Convertible Bonds

We recorded a loss of RMB495.7 million due to the change in fair value of convertible bonds issued on May 15, 2020, which basically reflected the appreciation in value of the convertible bonds.

### Change in Fair Value of Redeemable and Convertible Preferred Shares

We recorded change in fair value of redeemable and convertible preferred shares of RMB nil in the six months ended June 30, 2020, primarily because redeemable and convertible preferred shares have been converted into ordinary shares upon our listing in 2019. We have no redeemable and convertible preferred shares outstanding as of June 30, 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Income Tax Credit/(Expense)

We recorded income tax expense of RMB3.6 million in the six months ended June 30, 2019 while we recorded income tax credit of RMB11.8 million in the six months ended June 30, 2020, primarily due to the increases in the recognition of deductible temporary differences resulting from the accrued compensation expenses due to SaaS sabotage event and the provision for impairment of trade and notes receivables.

### (Loss)/Profit for the Period

As a result of the foregoing, we recorded a loss of RMB545.7 million in the six months ended June 30, 2020 while we recorded a profit of RMB288.1 million in the six months ended June 30, 2019.

Excluding SaaS sabotage event and change in fair value of convertible bonds, our profit was RMB36.9 million in the six months ended June 30, 2020.

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

To supplement our condensed consolidated interim financial statements, which are presented in accordance with HKFRS, we also use adjusted revenue, 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 period to period 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 revenue, 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.

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

### Adjusted Revenue

	Six months ended June 30,	
	2020	2019
	<i>(RMB in millions)</i>	
Reconciliation of SaaS revenue per financial statements to adjusted SaaS revenue:		
SaaS revenue per financial statements	212.0	219.1
Add:		
Compensation for SaaS sabotage event	92.9	–
<b>Adjusted SaaS revenue</b>	<b>304.9</b>	219.1



## MANAGEMENT DISCUSSION AND ANALYSIS

### Adjusted EBITDA

	Six months ended June 30,	
	2020	2019
	<i>(RMB in millions)</i>	
Reconciliation of operating loss to EBITDA and adjusted EBITDA:		
Operating loss for the period:	(47.6)	(2.5)
Add:		
Depreciation	15.6	13.7
Amortization	32.7	21.0
<b>EBITDA</b>	<b>0.7</b>	32.3
Add:		
Share-based compensation	1.8	2.9
Listing and other one-off expenses	25.4 <sup>(1)</sup>	33.1
Compensation due to SaaS sabotage event	86.9	–
<b>Adjusted EBITDA</b>	<b>114.8</b>	68.3

### Adjusted net profit

	Six months ended June 30,	
	2020	2019
	<i>(RMB in millions)</i>	
Reconciliation of net (loss)/profit to adjusted net profit:		
Net (loss)/profit for the period	(545.7)	288.1
Add:		
Share-based compensation	1.8	2.9
Listing and other one-off expenses <sup>(1)</sup>	25.4	33.1
Compensation due to SaaS sabotage event	86.9	–
Change in fair value of convertible bonds and redeemable and convertible preferred shares	495.7	(298.3)
Tax effects	(11.8)	3.6
<b>Adjusted net profit</b>	<b>52.3</b>	29.5

Note:

- (1) Refer to one-off expenses related to issuance of convertible bonds and SaaS sabotage event in six months ended June 30, 2020, and IPO expenses in 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Liquidity and Financial Resources

We fund our cash requirements principally from proceeds from our business operations, bank borrowings, other debt financing and shareholder equity contribution. As of June 30, 2020, we had cash and cash equivalents of RMB2,148.1 million and term deposit of RMB nil.

We monitor capital on the basis of the gearing ratio. Our gearing ratio is calculated as net debt divided by total capital at the end of the period. Net debt equals to our total borrowing, lease liabilities and financial liabilities measured at fair value through profit or loss less our cash and cash equivalents. Total capital is calculated as "equity" as shown in the condensed consolidated statement of financial position plus net debt.

The following table sets forth our gearing ratios as of December 31, 2019 and June 30, 2020, respectively.

	<b>As of June 30, 2020 RMB'000 (Unaudited)</b>	As of December 31, 2019 RMB'000 (Audited)
Net cash	(99,731)	(895,009)
Total equity	1,449,377	1,989,808
<b>Net debt to equity ratio</b>	<b>N/A</b>	<b>N/A</b>

As of June 30, 2020, we had a short-term bank loan of approximately RMB390.1 million. The table below sets forth our major short-term bank loans as of June 30, 2020:

<b>Bank</b>	<b>Loan Balance</b>	<b>Loan Period</b>	<b>Interest Rate</b>
	<i>(RMB)</i>		<i>(per annum unless otherwise stated)</i>
China CITIC Bank	50,000,000.00	10 months	5.87%
Bank of Shanghai (Puxi Branch)	150,000,000.00	1 year	4.79%
Shanghai Rural Commercial Bank	90,000,000.00	1 year	4.58%
China CITIC Bank	50,000,000.00	1 year	4.62%
Citibank (China) Co., Ltd.	50,000,000.00	3 months	4.85%

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

	Six months ended June 30,	
	2020	2019
	<i>(RMB in millions)</i>	
Fixed assets	3.4	2.6
Intangible assets	64.6	49.6
Total	68.0	52.2

### Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

There were no significant investments held, nor were there material acquisitions or disposals of subsidiaries, associates or joint ventures by the Group during the six months ended June 30, 2020.

### Pledge of Assets

As of June 30, 2020, we did not pledge any of our assets.

### Future Plans for Material Investments or Capital Assets

As of June 30, 2020, we did not have any plans for material investments and capital 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 the six months ended June 30, 2020, we did not adopt any long-term contracts, currency borrowings or other means to hedge our foreign currency exposure.

### Contingent Liabilities

As of June 30, 2020, we did not have any material contingent liabilities.

### Employees

As of June 30, 2020, we had 4,433 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.



## OTHER INFORMATION

### CORPORATE GOVERNANCE

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. The Company has adopted the principles and code provisions as set out in the Corporate Governance Code.

During the Reporting 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.

### MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made to all the 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 Reporting Period.

### INTERIM DIVIDEND

The Board did not declare any interim dividend for the six months ended June 30, 2020.



## OTHER INFORMATION

### AUDIT COMMITTEE

The Board has established the Audit Committee, comprising of three independent non-executive Directors, namely, Mr. Tang Wei (Chairman), Mr. Sun Mingchun and Mr. Li Xufu. The primary duties of the Audit Committee are to review and supervise the Company's financial reporting process, risk management and internal controls.

The Audit Committee has reviewed the accounting policies adopted by the Group with the management. They also discussed risk management, internal controls of the Group and financial reporting matters, including having reviewed and agreed to the unaudited interim results and the interim report of the Group for the six months ended June 30, 2020.

### CHANGES TO DIRECTORS' INFORMATION

Save as disclosed herein, the Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, save as disclosed herein, none of the Company or any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

### ISSUE OF GUARANTEED CONVERTIBLE BONDS

On May 15, 2020, Weimob Investment Limited (the "**Bond Issuer**"), a wholly-owned subsidiary of the Company, completed the issue of convertible bonds in an aggregate principal amount of US\$150,000,000 with the guarantee provided by the Company (the "**convertible bonds**"). The last closing share price as quoted on the Stock Exchange on the trading day on which the subscription agreement was signed was HK\$5.95 per Share, and the initial conversion price is HK\$6.72 per Share. Based on such initial conversion price and assuming full conversion of the convertible bonds at the initial conversion price, the convertible bonds will be convertible into a maximum of 173,035,715 new Shares. The gross proceeds from the issue of convertible bonds were US\$150.0 million. The net proceeds from the issue of convertible bonds were approximately US\$146.6 million. The Company intends to use the net proceeds for improving the Group's comprehensive research and development capabilities which mainly includes purchasing hardware equipment and paying employees' remuneration, upgrading the Group's marketing system, establishing industry funds, supplementing working capital and general corporate purposes. For more information on the use of such net proceeds, see "Use of Proceeds from Listing, Top-up Placing and Issue of Guaranteed Convertible Bonds" below. Based on such net proceeds and assuming the full conversion of the convertible bonds, the net price per new Share will be approximately HK\$6.57.

The convertible bonds have been offered and sold to no less than six independent placees (who are independent individual, corporate and/or institutional investors). The convertible bonds were listed on the Stock Exchange on May 18, 2020.

There had not been any exercise of the convertible bonds as of June 30, 2020, and no redemption right had been exercised by the bondholders or the Company as of June 30, 2020.

## OTHER INFORMATION

Assuming the convertible bonds were fully exercised on June 30, 2020, the shareholdings of the Company immediately before and after the full exercise of the convertible bonds are set out below for illustration purposes:

Shareholder	Shareholding immediately before the full exercise of the convertible bonds		Assuming the convertible bonds are fully converted into new Shares at the initial conversion price of HK\$6.72 each	
	No. of Shares	% of issued ordinary share capital of the Company	No. of Shares	% of issued ordinary share capital of the Company
<b>Shares held by Substantial Shareholders Group<sup>(1)</sup></b>				
Yomi.sun Holding Limited <sup>(2)</sup>	321,145,000	14.35%	321,145,000	13.32%
Jeff.Fang Holding Limited <sup>(3)</sup>	18,220,000	0.81%	18,220,000	0.76%
Alter.You Holding Limited <sup>(4)</sup>	67,015,000	2.99%	67,015,000	2.78%
<b>Sub-total:</b>	406,380,000	18.16%	406,380,000	16.85%
<b>Shares held by public Shareholders</b>				
Bondholders	–	–	173,035,715	7.18%
Other public Shareholders	1,831,986,000	81.84%	1,831,986,000	75.97%
<b>Sub-total:</b>	1,831,986,000	81.84%	2,005,021,715	83.15%
<b>Total</b>	2,238,366,000	100.00%	2,411,401,715	100.00%

### Notes:

- (1) Mr. Sun Taoyong, Mr. Fang Tongshu and Mr. You Fengchun 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 Taoyong, Mr. Fang Tongshu and Mr. You Fengchun is deemed to be interested in the Shares held by other members of the Substantial Shareholders Group.
- (2) Yomi.sun Holding Limited 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 Taoyong as the settlor, appointor and investment manager. Cantrust (Far East) Limited is the trustee of the Youmi Trust, and Mr. SUN Taoyong and his family members are the beneficiaries of the Youmi Trust. Mr. SUN Taoyong is also a director of the Yomi.sun Holding Limited. As such, each of Mr. SUN Taoyong, Cantrust (Far East) Limited and Youmi Investment Limited is deemed to be interested in the Shares held by Yomi.sun Holding Limited.
- (3) Jeff.Fang Holding Limited is wholly-owned by Mr. Fang Tongshu who is an executive Director.
- (4) Alter.You Holding Limited is wholly-owned by Fount Investment Limited. Fount Investment Limited is beneficially owned by the Fount Trust, which was established by Mr. You Fengchun as the settlor, appointor and investment manager. Infiniti Trust (Asia) Limited is the trustee of the Fount Trust, and Mr. You Fengchun and his family members are the beneficiaries of the Fount Trust. Mr. You Fengchun is also a director of Alter. You Holding Limited. As such, each of Mr. You Fengchun, Infiniti Trust (Asia) Limited and Fount Investment Limited is deemed to be interested in the Shares held by Alter.You Holding Limited. Mr. You Fengchun is an executive Director.



## OTHER INFORMATION

By issue of convertible bonds, the Company wishes to further implement its business plans, including: (i) to get prepared to carry out mergers and acquisitions at an appropriate time in the future; (ii) to continuously improve and deepen the SaaS technology, thus maintaining its market leading position; and (iii) to comprehensively optimize and enhance its targeted marketing system. The Directors consider the issue of convertible bonds is an appropriate means of raising additional capital since (i) it can provide the Company with additional funds at lower funding cost for the said purposes; (ii) it will not have an immediate dilution effect on the shareholding of the Company's existing shareholders; and (iii) in the event that the convertible bonds are converted into the new Shares, the Company can improve its capital base, benefiting the long-term development of the Company.

Based on the cash and cash equivalents as at June 30, 2020 and the cash flow from operating activities of the Company, the Company has the ability to meet its redemption obligation under the convertible bonds.

Pursuant to the terms and conditions of the convertible bonds, the implied rate of return of the convertible bonds is nil.

Details of the convertible bonds were disclosed in the announcements of the Company dated May 7, 2020 and May 15, 2020.

### USE OF PROCEEDS FROM LISTING, TOP-UP PLACING AND ISSUE OF GUARANTEED CONVERTIBLE BONDS

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 June 30, 2020, the Group had utilized:

- Approximately HK\$227.5 million for enhancing research and development capabilities and improving technology infrastructure;
- Approximately HK\$189.6 million for strategic investments;
- Approximately HK\$113.7 million for investments in advertising and digital marketing, hotline sales center, and channel partner recruiting;
- Approximately HK\$75.8 million for purchasing social media advertising traffic for targeted marketing business;
- Approximately HK\$75.8 million for expanding the Marketing and Sales Clouds product offerings and the sales channels; and
- Approximately HK\$75.8 million for working capital and general corporate use.

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 June 30, 2020, the Company had utilized approximately HK\$59.2 million as intended. The Company will apply the remaining net proceeds for the purposes as disclosed in the announcement of the Company dated July 26, 2019. The Company intends to fully utilize the net proceeds by December 31, 2021.

In May 2020, the Bond Issuer completed the issue of convertible bonds. The net proceeds from the issue of convertible bonds amounted to approximately US\$146.6 million. As of June 30, 2020, 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 May 7, 2020. The Company intends to fully utilize the net proceeds by December 31, 2021.

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

As of June 30, 2020, 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 <sup>(1)</sup> ; interest held jointly with other persons <sup>(2)</sup>	406,380,000	18.16	Long position
Mr. FANG Tongshu ("Mr. FANG")	Interest in controlled corporation <sup>(3)</sup> ; interest held jointly with other persons <sup>(2)</sup>	406,380,000	18.16	Long position
Mr. YOU Fengchun ("Mr. YOU")	Settlor of a discretionary trust <sup>(4)</sup> ; interest held jointly with other persons <sup>(2)</sup>	406,380,000	18.16	Long position
Mr. HUANG Junwei	Beneficial owner <sup>(5)</sup>	16,940,000	0.76	Long position

### Notes:

- 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.
- 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.
- 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.
- 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.
- Mr. HUANG Junwei is granted to RSUs equivalent to 16,940,000 Shares (subject to vesting conditions), in which 15,246,000 Shares have been vested as of June 30, 2020.



## OTHER INFORMATION

Save as disclosed above, as of June 30, 2020, 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.

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

As of June 30, 2020, 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 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:

#### 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 <sup>(1)</sup>	321,145,000	14.35	Long position
		116,000,000	5.18	Short position
Youmi Investment Limited	Interest in controlled corporation <sup>(1)</sup>	321,145,000	14.35	Long position
		116,000,000	5.18	Short position
Sun SPV	Beneficial interest <sup>(1)</sup>	321,145,000	14.35	Long position
		116,000,000	5.18	Short position
Tencent Mobility Limited	Beneficial interest <sup>(2)</sup>	58,665,000	2.62	Long position
THL H Limited	Beneficial interest <sup>(2)</sup>	122,220,000	5.46	Long position
Tencent Holdings Limited	Interest in controlled corporation <sup>(2)</sup>	180,885,000	8.08	Long position
Credit Suisse Group AG	Interest in controlled corporation; investment manager <sup>(3)</sup>	228,389,788	10.20	Long position
		186,516,664	8.33	Short position
BlackRock, Inc.	Interest in controlled corporation <sup>(4)</sup>	117,791,400	5.26	Long position
		4,949,000	0.22	Short position
JPMorgan Chase & Co.	Interest in controlled corporation; approved lending agent <sup>(5)</sup>	117,444,817	5.25	Long position
		57,688,948	2.58	Short position
		10,314,311	0.46	Lending pool

### 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. Credit Suisse Group AG holds equity interests in the shares of the Company through the companies controlled or indirectly controlled by it.
4. BlackRock, Inc holds equity interests in the shares of the Company through the companies controlled or indirectly controlled by it.
5. JPMorgan Chase & Co. holds equity interests in the shares of the Company through the companies directly controlled by it.

Save as disclosed above, as of June 30, 2020, 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.

### 2018 RESTRICTED STOCK UNIT PLAN

The 2018 restricted stock unit plan (the “**2018 RSU Plan**”) of the Company was approved and adopted by the Board on July 1, 2018 (the “**2018 RSU Plan Adoption Date**”). The 2018 RSU Plan is not subject to the provisions of chapter 17 of the Listing Rules. The purpose of the 2018 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 2018 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 2018 RSU Plan, the 2018 RSU Plan shall be valid and effective for a period of 10 years commencing on the 2018 RSU Plan 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 2018 RSU Plan may continue to be valid and exercisable in accordance with their respective terms of grant.



## OTHER INFORMATION

### Administration

The 2018 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 certain members appointed by the Board from time to time, in accordance with the terms and conditions of the 2018 RSU Plan. The Administrator may, from time to time, select the participants to whom a grant of a RSU (the “**Awards**”) may be granted.

The Administrator shall have the sole and absolute right to (a) interpret and construe the provisions of the 2018 RSU Plan, (b) determine the persons who will be granted Awards under the 2018 RSU Plan, the terms and conditions on which Awards are granted and when the RSUs granted pursuant to the 2018 RSU Plan may vest, (c) make such appropriate and equitable adjustments to the terms of the Awards granted under the 2018 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 2018 RSU Plan (the “**2018 RSU Plan 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 2018 RSU Plan (“**2018 RSU Limit**”) shall not exceed the aggregate of 14,099 Shares as of the date of adoption of the 2018 RSU Plan initially held by the Weimob Teamwork as transferred from a company wholly-owned by Mr. Sun Taoyong, representing 4.12% of the issued Shares as of the 2018 RSU Plan Adoption Date (on a fully diluted and as-converted basis assuming all the Shares underlying the 2018 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 3.15% of the issued Shares as of June 30, 2020. Weimob Teamwork has been appointed as the trustee pursuant to the trust deed to administrate the 2018 RSU Plan.

**Details of the RSUs granted under the RSU Plan**

As of June 30, 2020, the aggregate number of Shares underlying the granted RSUs was 69,670,000 Shares, representing approximately 3.11% of the issued share capital of the Company as of June 30, 2020, and the aggregate number of Shares underlying the vested RSUs was 61,485,000 Shares. As of the date of this interim 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 2018 RSU Plan to the Director are set out below:

<b>Name of Director</b>	<b>Number of Shares underlying the RSUs granted as of June 30, 2020</b>	<b>Approximate percentage of shareholding as of June 30, 2020<sup>(1)</sup></b>	<b>Grant date</b>	<b>Vesting period (subject to other conditions in the RSU Plan)</b>
Mr. HUANG Junwei	16,940,000 <sup>(1)</sup>	0.76%	July 1, 2018	80% of which vested on July 6, 2018 10% of which vested on July 1, 2019 10% of which vested on July 1, 2020

*Note:*

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



## OTHER INFORMATION

### 2020 RESTRICTED SHARE UNIT SCHEME

The 2020 restricted share unit scheme (the “**2020 RSU Scheme**”) of the Company (including the RSU Scheme Annual Mandate, as defined below) was adopted by the Board on May 25, 2020 and was approved and adopted by the Shareholders at the annual general meeting of the Company held on June 29, 2020 (the “**2020 RSU Scheme Adoption Date**”). The 2020 RSU Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules and is a discretionary scheme of the Company. The purpose of the 2020 RSU Scheme is to recognize and reward participants for their contribution to the Group, to attract best available personnel, 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 2020 RSU Scheme, please refer to the announcement and the circular of the Company dated May 25, 2020 and May 28, 2020, respectively. Certain principal terms and details of the 2020 RSU Scheme are summarized as follows:

#### Effectiveness and Duration

Subject to any early termination as may be determined by the Board pursuant to terms of the 2020 RSU Scheme, the 2020 RSU Scheme 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 the 2020 RSU Scheme shall in all other respects remain in full force and effect and the awards granted during the term of the 2020 RSU Scheme may continue to be valid and exercisable in accordance with their respective terms of grant.

#### Administration

The 2020 RSU Scheme shall be subject to the administration of the administrator (the “**2020 RSU Scheme Administrator**”), being the Board or a committee comprising of certain members appointed by the Board from time to time, in accordance with the terms and conditions of the 2020 RSU Scheme. The 2020 RSU Scheme Administrator may, from time to time, select the participants to whom a grant of a restricted stock unit (the “**2020 RSU Awards**”) may be granted.

The 2020 RSU Scheme Administrator shall have the sole and absolute right to (a) interpret and construe the provisions of the 2020 RSU Scheme, (b) determine the persons who will be granted 2020 RSU Awards under the 2020 RSU Scheme, the terms and conditions on which 2020 RSU Awards are granted and when the RSUs granted pursuant to the 2020 RSU Scheme may vest, (c) make such appropriate and equitable adjustments to the terms of the 2020 RSU Awards granted under the 2020 RSU Scheme 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). All the decisions, determinations and interpretations made by the 2020 RSU Scheme Administrator in accordance with this Scheme shall be final, conclusive and binding on all parties.

#### Who may join

Those eligible to participate in the 2020 RSU Scheme (the “**2020 RSU Scheme 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 2020 RSU Scheme 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

No Award shall be granted pursuant to the 2020 RSU Scheme if as a result of such grant (assumed accepted), the aggregate number of Shares underlying all grants made pursuant to the 2020 RSU Scheme (excluding 2020 RSU Awards that have lapsed or been cancelled in accordance with the rules of the 2020 RSU Scheme) will exceed 3% of the total issued Shares at the relevant date of Shareholders' approval (the "**RSU Mandate Limit**").

The RSU Mandate Limit may be refreshed from time to time subject to prior approval of the Shareholders, but in any event, the total number of Shares that may underlie the 2020 RSU Awards granted following the date of approval of the refreshed limit (the "**New Approval Date**") as refreshed from time to time must not exceed 3% of the total issued Shares at the relevant date of Shareholders' approval. Shares underlying the RSUs granted pursuant to the 2020 RSU Scheme (including those outstanding, cancelled, lapsed or vested) prior to the New Approval Date will not be counted for the purpose of determining the maximum aggregate number of Shares that may underlie the RSUs granted following the New Approval Date under the limit as renewed.

To the extent that the Company may, during the Relevant Period (as defined below), grant RSUs pursuant to the 2020 RSU Scheme which may be satisfied by the Company allotting and issuing new Shares upon the vesting of the RSUs, the Company shall at its general meeting propose for the Shareholders to consider and, if thought fit, pass an ordinary resolution approving a mandate specifying:

- (i) the maximum number of new Shares that may underlie RSUs granted pursuant to the 2020 RSU Scheme during the Relevant Period; and
- (ii) that the Board has the power to allot and issue Shares, procure the transfer of Shares and otherwise deal with Shares pursuant to the vesting of RSUs that are granted pursuant to the 2020 RSU Scheme during the Relevant Period as and when the RSUs vest.

The above mandate shall remain in effect during the period commencing from the date of the general meeting at which the ordinary resolution granting the mandate is passed until the earliest of:

- (a) the conclusion of the first annual general meeting of the Company following the passing of the above resolution;
- (b) the end of the period within which the Company is required by any applicable laws or by the memorandum and articles of association of the Company to hold the next annual general meeting of the Company; and
- (c) the date on which such mandate is varied or revoked by an ordinary resolution of the Shareholders in a general meeting.

(the "**Relevant Period**")

### Details of the RSUs granted under the 2020 RSU Scheme

As of June 30, 2020, the Company had not granted any RSUs under the 2020 RSU Scheme.

## SUBSEQUENT EVENTS

Save as disclosed in this interim report, there were no other significant events that might affect the Group after June 30, 2020 and up to the date of this interim report.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE (LOSS)/INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2020

	Note	Six months ended June 30,	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>Revenue</b>	8	957,051	656,695
Cost of sales	9	(535,517)	(291,311)
<b>Gross profit</b>		421,534	365,384
Selling and distribution expenses	9	(386,720)	(322,887)
General and administrative expenses	9	(107,802)	(62,567)
Net impairment losses on financial assets	25, 26	(18,095)	(2,718)
Other income	10	52,999	19,515
Other (losses)/gains, net	11	(9,551)	808
<b>Operating loss</b>		(47,635)	(2,465)
Finance costs	12	(13,242)	(4,371)
Finance income	13	1,021	240
Share of net loss of associates accounted for using the equity method	21	(1,956)	–
Change in fair value of convertible bonds	22(iii)	(495,662)	–
Change in fair value of redeemable and convertible preferred shares	6.3	–	298,280
<b>(Loss)/profit before income tax</b>		(557,474)	291,684
Income tax credit/(expenses)	14	11,811	(3,607)
<b>(Loss)/profit and total comprehensive (loss)/income for the period</b>		(545,663)	288,077
<b>(Loss)/profit and total comprehensive (loss)/income attributable to:</b>			
– Equity holders of the Company		(543,672)	288,960
– Non-controlling interests		(1,991)	(883)
		(545,663)	288,077
<b>(Loss)/earnings per share (expressed in RMB per share)</b>			
– Basic (loss)/earnings per share	16(a)	(0.24)	0.15
– Diluted (loss)/earnings per share	16(b)	(0.24)	(0.005)

The accompanying notes on pages 45 to 98 form an integral part of this interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2020

	<i>Note</i>	<b>As at June 30, 2020 RMB'000 (Unaudited)</b>	<b>As at December 31, 2019 RMB'000 (Audited)</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	17	20,748	21,024
Right-of-use assets	18	61,103	61,176
Intangible assets	19	234,764	138,787
Development costs	20	69,638	16,944
Deferred income tax assets	23	57,063	45,184
Contract acquisition cost	8	34,742	39,549
Investments accounted for using the equity method	21	68,485	66,441
Financial assets at fair value through profit or loss	6.3, 22	92,885	40,885
Prepayments, deposits and other assets	25	1,767	1,767
Other non-current assets	24	17,000	17,000
<b>Total non-current assets</b>		<b>658,195</b>	448,757
<b>Current assets</b>			
Trade and notes receivables	26	309,091	156,386
Contract acquisition cost	8	150,847	147,578
Prepayments, deposits and other assets	25	1,484,758	1,226,502
Financial assets at fair value through profit or loss	6.3, 22	59,483	61,364
Term deposits	27(b)	–	393,000
Cash and cash equivalents	27(a)	2,148,114	870,328
<b>Total current assets</b>		<b>4,152,293</b>	2,855,158
<b>Total assets</b>		<b>4,810,488</b>	3,303,915
<b>EQUITY</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>			
Share capital	30	1,517	1,531
Treasury shares	30	–	(63,143)
Shares held for RSU scheme	30	(21,835)	(38,582)
Share premium	30	4,107,927	4,171,056
Other reserves	31	(1,142,399)	(1,127,164)
Accumulated losses		(1,497,267)	(953,595)
<b>Non-controlling interests</b>		<b>1,447,943</b>	1,990,103
		<b>1,435</b>	(295)
<b>Total equity</b>		<b>1,449,378</b>	1,989,808



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT JUNE 30, 2020

	<i>Note</i>	<b>As at June 30, 2020 RMB'000 (Unaudited)</b>	<b>As at December 31, 2019 RMB'000 (Audited)</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Financial liabilities measured at fair value through profit or loss	<i>6.3, 22</i>	<b>1,604,602</b>	18,076
Lease liabilities	<i>18</i>	<b>38,682</b>	35,230
Contract liabilities	<i>8</i>	<b>80,688</b>	85,179
Other non-current liabilities	<i>29(ii)</i>	<b>600</b>	1,800
<b>Total non-current liabilities</b>		<b>1,724,572</b>	140,285
<b>Current liabilities</b>			
Bank borrowings	<i>28</i>	<b>390,125</b>	300,000
Lease liabilities	<i>18</i>	<b>14,974</b>	15,013
Trade and other payables	<i>29</i>	<b>910,833</b>	562,674
Contract liabilities	<i>8</i>	<b>319,683</b>	293,488
Current income tax liabilities		<b>923</b>	2,647
<b>Total current liabilities</b>		<b>1,636,538</b>	1,173,822
<b>Total liabilities</b>		<b>3,361,110</b>	1,314,107
<b>Total equity and liabilities</b>		<b>4,810,488</b>	3,303,915

The accompanying notes on pages 45 to 98 form an integral part of this interim financial information.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2020

		Attributable to equity holders of the Company							Non-controlling interests	Total
	Note	Share capital	Share premium	Treasury shares	Shares held for RSU scheme	Other reserves	Accumulated losses	Sub-total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>(Unaudited)</b>										
<b>As at January 1, 2020</b>										
		1,531	4,171,056	(63,143)	(38,582)	(1,127,164)	(953,595)	1,990,103	(295)	1,989,808
<b>Comprehensive loss</b>										
Loss for the period		-	-	-	-	-	(543,672)	(543,672)	(1,991)	(545,663)
<b>Total comprehensive loss for the period</b>										
		-	-	-	-	-	(543,672)	(543,672)	(1,991)	(545,663)
<b>Transaction with owners</b>										
Cancellation of buy-back shares	30	(14)	(63,129)	63,143	-	-	-	-	-	-
Transfer of vested RSUs	30, 32	-	-	-	16,747	(16,747)	-	-	-	-
Share-based compensation expenses for employees	32	-	-	-	-	1,438	-	1,438	352	1,790
Transaction with non-controlling interests	32	-	-	-	-	74	-	74	(74)	-
Non-controlling interests on acquisition of a subsidiary	36	-	-	-	-	-	-	-	3,443	3,443
<b>Transactions with owners in their capacity for the period</b>										
		(14)	(63,129)	63,143	16,747	(15,235)	-	1,512	3,721	5,233
<b>As at June 30, 2020</b>										
		1,517	4,107,927	-	(21,835)	(1,142,399)	(1,497,267)	1,447,943	1,435	1,449,378

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED JUNE 30, 2020

	Attributable to equity holders of the Company								
	Note	Share capital RMB '000	Share premium 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
<b>(Unaudited)</b>									
<b>As at January 1, 2019</b>		–*	1,049	–	(1,170,341)	(1,262,090)	(2,431,382)	(1,154)	(2,432,536)
<b>Comprehensive income/(loss)</b>									
Profit/(loss) for the period		–	–	–	–	288,960	288,960	(883)	288,077
<b>Total comprehensive income/(loss) for the period</b>		–	–	–	–	288,960	288,960	(883)	288,077
<b>Transaction with owners</b>									
Conversion of convertible redeemable preferred shares into ordinary shares	30	–*	2,471,625	–	3,483	(3,483)	2,471,625	–	2,471,625
Share capitalisation	30	1,155	(1,155)	–	–	–	–	–	–
Issuance of ordinary shares	30	204	727,270	–	–	–	727,474	–	727,474
Share issuance costs	30	–	(32,374)	–	–	–	(32,374)	–	(32,374)
Contribution from a shareholder in relation to RSU Scheme Trust	30, 32	–	–	(61,333)	61,333	–	–	–	–
Transfer of vested RSUs	30, 32	–	–	17,012	(17,012)	–	–	–	–
Share-based compensation expenses	32	–	–	–	2,924	–	2,924	–	2,924
<b>Transactions with owners in their capacity for the period</b>		1,359	3,165,366	(44,321)	50,728	(3,483)	3,169,649	–	3,169,649
<b>As at June 30, 2019</b>		1,359	3,166,415	(44,321)	(1,119,613)	(976,613)	1,027,227	(2,037)	1,025,190

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

The accompanying notes on pages 45 to 98 form an integral part of this interim financial information.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2020

	Note	Six months ended June 30,	
		2020	2019
		RMB '000	RMB '000
		(Unaudited)	(Unaudited)
<b>Cash flows from operating activities</b>			
Cash used in operations		(131,683)	(409,115)
Interest received		1,021	240
Interest paid		(10,761)	(4,331)
Income tax paid		(1,792)	(542)
<b>Net cash used in operating activities</b>		<b>(143,215)</b>	<b>(413,748)</b>
<b>Cash flows from investing activities</b>			
Placements of term deposits		–	(452,775)
Receipt from term deposits		393,000	315,281
Purchase of investments measured at fair value through profit or loss (current and non-current portion)	22(ii)	(34,000)	(30,000)
Interest received from term deposits and loan to third parties		5,809	1,544
Payment to invest in associates	21(i), (iii)	(4,000)	(35,000)
Payment for acquisition of a subsidiary, net of cash acquired	36	(1,180)	–
Prepayment for equity investment		–	(4,000)
Purchase of property, plant and equipment		(3,428)	(4,021)
Proceeds from disposal of property, plant and equipment		5	–
Purchase of intangible assets		–	(53)
Payment for development costs		(76,592)	(49,562)
Loan to third parties	25	(6,000)	–
Repayment from third parties	25	15,000	1,000
Loan to a related party	25	(4,000)	–
<b>Net cash generated from/(used in) investing activities</b>		<b>284,614</b>	<b>(257,586)</b>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED JUNE 30, 2020

	Note	Six months ended June 30,	
		2020	2019
		RMB '000	RMB '000
		(Unaudited)	(Unaudited)
<b>Cash flows from financing activities</b>			
Proceeds from issuance of ordinary shares		–	727,474
Proceeds from issuance of convertible bonds	22(iii)	1,064,040	–
Issuance costs of convertible bonds	9	(20,674)	–
Proceeds from bank borrowings	28	365,000	230,000
Repayments of bank borrowings	28	(275,053)	(80,000)
Borrowing from a third party	22(ii)	2,500	10,000
Payment of listing expenses		–	(15,460)
Principal elements of lease payments		(9,020)	(5,410)
Acquisition of equity interest from non-controlling interests	29(ii)	(3,080)	–
<b>Net cash generated from financing activities</b>		<b>1,123,713</b>	866,604
<b>Net increase in cash and cash equivalents</b>		<b>1,265,112</b>	195,270
Effect on exchange rate difference		12,674	115
<b>Cash and cash equivalents at beginning of the period</b>		<b>870,328</b>	127,585
<b>Cash and cash equivalents at end of the period</b>		<b>2,148,114</b>	322,970

The accompanying notes on pages 45 to 98 form an integral part of this interim financial information.

# NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

## 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 the 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. 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 periods ended June 30, 2019 and 2020.

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”).

The condensed consolidated interim financial information comprises the condensed consolidated statement of financial position as at June 30, 2020, the related condensed consolidated statement of comprehensive loss for the six-month period then ended, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the “Interim Financial Information”). The Interim Financial Information is presented in Renminbi (“RMB”), unless otherwise stated.

The Interim Financial Information has been approved for issue by the Board of Directors on August 17, 2020.

## 2 BASIS OF PREPARATION

The Interim Financial Information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 ‘Interim Financial Reporting’ issued by the Hong Kong Accounting Standards Board and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended December 31, 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), as set out in the 2019 annual report of the Company dated March 17, 2020 (the “2019 Financial Statements”).



## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those used in the 2019 Financial Statements, as described in those annual financial statements, except for the newly added accounting policies in goodwill and convertible bonds, critical accounting estimation of the provision for SaaS sabotage event, the purchase price allocation in the business combination and goodwill impairment, and the adoption of new and amended standards as set out below.

#### 3.1 New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period, which did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

#### 3.2 New standards and amendments to standards that have been issued but not effective

A number of new standards and amendments to standards have not come into effect for the financial year beginning January 1, 2020 and have not been early adopted by the Group in preparing the condensed consolidated financial statements. None of these is expected to have a significant effect on the condensed consolidated financial statements of the Group.

### 4 OTHER KEY ACCOUNTING POLICIES

#### 4.1 Intangible assets – goodwill

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments. Impairment losses recognised in respect of goodwill are not permitted to be reversed.

# NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

## 4 OTHER KEY ACCOUNTING POLICIES (Continued)

### 4.2 Convertible bonds

Convertible bonds that can be converted into ordinary shares at the option of the holder, where the number of shares to be issued is not fixed, are accounted for as compound derivative financial instruments.

At initial recognition the convertible bonds is measured at fair value as a whole. Transaction cost related to the issuance is charged to profit and loss immediately.

Subsequent to initial recognition, the convertible bonds are measured at fair value with changes in fair value recognised in the profit and loss, except that the fair value change due to the own credit risk is presented in other comprehensive income.

If the bonds are converted, the shares issued are measured at fair value and any difference between the fair value of shares issued and the carrying amounts of the convertible bonds is recognised in profit or loss. If the bonds are redeemed, any difference between the amount paid and the carrying amounts of the convertible bonds is recognised in profit or loss.

## 5 ESTIMATES

The preparation of Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2019 Financial Statements except for the newly added critical judgements and significant estimation as below.

### 5.1 Estimation of provision related to SaaS sabotage event

As disclosed in Note 11, the Group announced a compensation plan to compensate the losses for its SaaS merchants resulting from the unavailability of the SaaS system. The Company offered two options for the affected SaaS business merchants. Each merchant can choose either cash compensation or traffic compensation through the Company's newly developed online compensation system during the period from April 1, 2020 to September 30, 2020. Management made its best estimates for future claims based on available information as of June 30, 2020. The key assumptions included the number of claims for each compensation option and the average claim cost etc. Changes in these assumptions and estimates could materially affect the Group's net profit and respective liabilities.





## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 5 ESTIMATES (Continued)

#### 5.2 Business combination

The Group accounts for business combinations by using acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The determination and allocation of fair values to the identifiable assets acquired and liabilities assumed is based on various assumptions and valuation methodologies requiring considerable management judgment. The most significant variables in these valuations are discount rates, the forecasted cash flows and terminal values, as well as the assumptions and estimates used based on the risk inherent in the related activity's current business model and industry comparisons.

#### 5.3 Estimation of goodwill impairment

The Group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management. Changing the assumptions selected by management in assessing impairment could materially affect the result of the impairment test and as a result affect the Group's financial condition and results of operations.

### 6 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

#### 6.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and fair value interest rate risk), credit risk and liquidity risk.

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's 2019 Financial Statements.

There have been no changes in the risk management policies during the six months ended June 30, 2020.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 6 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

#### 6.2 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
<b>(Unaudited)</b>					
<b>As at June 30, 2020</b>					
Trade and other payables (excluding staff costs and welfare accruals, advance from advertisers and other tax payable) (Note 29)	444,123	-	-	-	444,123
Bank borrowing (including interest accrual up to maturity) (Note 28)	397,653	-	-	-	397,653
Lease liabilities (Note 18)	16,138	13,877	30,053	-	60,068
<b>Total</b>	<b>857,914</b>	<b>13,877</b>	<b>30,053</b>	<b>-</b>	<b>901,844</b>
	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

#### **(Audited)**

#### **As at December 31, 2019**

Trade and other payables (excluding staff costs and welfare accruals, advance from advertisers and other tax payable) (Note 29)	253,342	-	-	-	253,342
Bank borrowing (including interest accrual up to maturity) (Note 28)	308,881	-	-	-	308,881
Lease liabilities (Note 18)	16,024	10,363	29,812	1,557	57,756
<b>Total</b>	<b>578,247</b>	<b>10,363</b>	<b>29,812</b>	<b>1,557</b>	<b>619,979</b>

# NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

## 6 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

### 6.2 Liquidity risk (Continued)

As at June 30, 2020 and December 31, 2019, the Group's financial liabilities at fair value through profit or loss (FVPL) amounted to RMB1,604,602,000 and RMB18,076,000, respectively (Note 22). The financial liabilities at FVPL have not been included in above tables because the contractual maturities are not essential for an understanding of the timing of the cash flows. These liabilities are managed on a fair value basis rather than by maturity date.

### 6.3 Fair values 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:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- 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); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and liabilities that are measured at fair values as at June 30, 2020.

	Level 1 RMB' 000	Level 2 RMB' 000	Level 3 RMB' 000	Total RMB' 000
<b>(Unaudited)</b>				
<b>Assets</b>				
Financial assets measured at FPVL				
– Non-current ( <i>Note 22(ii)</i> )	–	–	92,885	92,885
– Current ( <i>Note 22(i)</i> )	59,483	–	–	59,483
	59,483	–	92,885	152,368
<b>Liabilities</b>				
Financial liabilities measured at FVPL				
– Non-current ( <i>Note 22(ii)(iii)</i> )	1,559,702	–	44,900	1,604,602

## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 6 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

#### 6.3 Fair values estimation (Continued)

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

	Level 1 RMB' 000	Level 2 RMB' 000	Level 3 RMB' 000	Total RMB' 000
<b>(Audited)</b>				
<b>Assets</b>				
Financial assets measured at FVPL				
– Non-current ( <i>Note 22(ii)</i> )	–	–	40,885	40,885
– Current ( <i>Note 22(i)</i> )	61,364	–	–	61,364
	61,364	–	40,885	102,249
<b>Liabilities</b>				
Financial liabilities measured at FVPL				
– Non-current ( <i>Note 22(ii)</i> )	–	–	18,076	18,076

There were no transfers of financial assets and liabilities between level 1, level 2 and level 3 during the six months ended June 30, 2019 and 2020.

#### *Financial instruments in level 1*

Level 1 financial assets as at June 30, 2020 and December 31, 2019 represented Hong Kong listed equity securities (*Note 22(i)*).

Level 1 financial liability as at June 30, 2020 represented convertible bonds with quoted price in Hong Kong active market (*Note 22(iii)*).

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

## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 6 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

#### 6.3 Fair values estimation (Continued)

##### *Financial instruments in level 3 (Continued)*

The following table presents the changes in level 3 financial instruments for the six months ended June 30, 2019 and 2020. 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 measured at FVPL (a) RMB' 000	Non-current financial assets measured at FVPL (Note 22(ii)) RMB' 000	Current financial liabilities measured at FVPL RMB' 000	Non-current financial liabilities measured at FVPL (Note 22(ii)) RMB' 000	Redeemable and convertible preferred shares (b) RMB' 000	Total RMB' 000
<b>Opening balance as at</b>						
January 1, 2020	–	40,885	–	(18,076)	–	22,809
Addition	–	52,000	–	(26,824)	–	25,176
<b>Closing balance as at</b>						
June 30, 2020	–	92,885	–	(44,900)	–	47,985
Net unrealized gains for the period	–	–	–	–	–	–
<b>Opening balance as at</b>						
January 1, 2019	–	–	–	–	(2,769,905)	(2,769,905)
Addition	10,000	30,000	(10,000)	(10,000)	–	20,000
Changes in fair value	166	–	–	–	298,280	298,446
Conversion of financial liability into equity	–	–	–	–	2,471,625	2,471,625
<b>Closing balance as at</b>						
June 30, 2019	10,166	30,000	(10,000)	(10,000)	–	20,166
Net unrealized gains for the period	166	–	–	–	–	166

(a) Level 3 current financial assets at FVPL as at June 30, 2019 represented a bank wealth management product with non-guaranteed principal and floating return. Fair value gain from the investment had been recognised in "Other (losses)/gains, net" in the condensed consolidated statement of comprehensive income.

(b) All of the Company's redeemable and convertible preferred shares had been converted into ordinary shares of the Company upon the completion of Listing on January 15, 2019.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 6 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

#### 6.3 Fair values 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:

Note a: Investment in Demo

Description	Fair value at		Significant un-observable inputs	Range of inputs (probability-weighted average)		Relationship of unobservable inputs to fair value
	30 Jun 2020	31 Dec 2019		30 Jun 2020	31 Dec 2019	
	RMB' 000	RMB' 000				
<b>Assets/(Liabilities)</b>						
Investment in an unlisted company-Demo	40,885	40,885	Expected volatility	40.02%	40.02%	The higher the expected volatility, DLOM, WACC, and risk-free rate, the lower the fair value.
Other non-current financial liability at FVPL-Demo (Note a)	(20,576)	(18,076)	Discount for lack of marketability ("DLOM")	25.00%	25.00%	
			Weighted average cost of capital ("WACC")	28.00%	28.00%	

As disclosed in Note 22(ii), Shanghai Weimob Enterprise Development Co., Ltd. ("Weimob Development") established and consolidated a 3-year contractual based fund (the "Fund") with a venture capital to invest in a SaaS company, Zhejiang Demo Network Technology Co., Ltd. ("Demo"), which is a non-public entity. The Fund acquired 27% equity interest with certain preference rights of the SaaS company (the "Demo 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 has been paid in February 2020. The Demo 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 Demo 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 Demo Investment.

# NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

## 6 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

### 6.3 Fair values estimation (Continued)

#### *Financial instruments in level 3 (Continued)*

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

*Note b:* Investment in Syoo

As disclosed in Note 22(ii), Shanghai Weimob Canlin Information Technology Co., Ltd., (“Weimob Canlin”), an indirect wholly-owned subsidiary of the Company, invested in another non-public SaaS company, Shanghai Syoo Network Technology Co., Ltd. (“Syoo”), in April 2020. Weimob Canlin acquired 40% equity interest with certain preference rights of Syoo (the “Syoo Investment”) at a total consideration of RMB46,000,000, among which RMB10,000,000 is contingent consideration upon the achievement of certain business performance targets over the period from May 2020 to April 2021 by Syoo. Syoo Investment is accounted for as financial assets at FVPL while the contingent payment is recorded as non-current financial liabilities measured at FVPL to be settled over one year.

As at June 30, 2020, the directors of the Company assessed the fair value of Syoo Investment approximates the total initial consideration of RMB46,000,000 as the investment was made in April 2020. As at June 30, 2020, the directors of the Company estimate that Syoo can achieve the business performance targets, thus the fair value of the contingent consideration approximates to RMB10,000,000.

*Note c:* Investment in Clipworks

As disclosed in Note 22(ii), Shanghai Weimob Yunbing Information Technology Co., Ltd. (“Weimob Yunbing”), an indirect wholly-owned subsidiary of the Company, invested in another non-public short video making company (“Clipworks”) in June 2020. Weimob Yunbing acquired 15% equity interest with certain preference rights of Clipworks (the “Clipworks Investment”) at a total consideration of RMB6,000,000 in cash. Clipworks Investment is accounted for as financial assets at FVPL.

As at June 30, 2020, the directors of the Company assessed the fair value of this investment approximates the total initial consideration of RMB6,000,000 as the investment was made in June 2020.

*Note d:* Other non-current financial liability at FVPL-Yunxin

In 2015, Yunxin Investment Management Co., Ltd. (“Yunxin”) acquired 20% equity interest of Wuxi Yazuo Zaixian Technology Co., Ltd. and its subsidiaries (“Wuxi Yazuo”) with certain preference rights of Wuxi Yazuo. Wuxi Yazuo accounted for the investment from Yunxin as non-current financial liabilities at FVPL. In March 2020, the financial liabilities at FVPL was taken by the Group arising from Wuxi Yazuo’s business combination (Note 36).

As at June 30, 2020, fair value of preference shares of Yunxin is RMB14,324,000, which was developed through the application of the valuation technique which has taken into account purchase price allocation method.

# NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

## 6 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

### 6.3 Fair values estimation (Continued)

#### *Financial instruments in level 3 (Continued)*

##### *(ii) 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 25) and non-current liabilities (Note 29(ii)), 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.

## 7 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 revenues. 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 June 30, 2020 and as at December 31, 2019, substantially all of the non-current assets of the Group were located in the PRC. Therefore, no geographical segments are presented.



## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 7 SEGMENT INFORMATION (Continued)

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.

	<b>SaaS products (Note a) RMB' 000</b>	<b>Targeted marketing RMB' 000</b>	<b>Total RMB' 000</b>
<b>(Unaudited)</b>			
<b>Six months ended June 30, 2020</b>			
Segment revenue (Note a)	212,026	745,025	957,051
Segment cost of sales	(72,312)	(463,205)	(535,517)
Gross profit	139,714	281,820	421,534
<b>(Unaudited)</b>			
<b>Six months ended June 30, 2019</b>			
Segment revenue	219,068	437,627	656,695
Segment cost of sales	(42,037)	(249,274)	(291,311)
Gross profit	177,031	188,353	365,384

*Note a:* A deduction of approximately RMB92,865,000 has been reflected in SaaS products revenue due to SaaS sabotage event (Note 11(ii)) for the six months ended June 30, 2020.



## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 8 REVENUE (Continued)

#### 8.2 Assets and liabilities related to contract with customers

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

	As at June 30, 2020 RMB' 000 (Unaudited)	As at December 31, 2019 RMB' 000 (Audited)
Contract acquisition cost (current)	150,847	147,578
Contract acquisition cost (non-current)	34,742	39,549
Total assets related to contracts with customers – SaaS products	185,589	187,127
Contract liabilities – current	319,683	293,488
Contract liabilities – non-current	80,688	85,179
Contract liabilities – SaaS products	400,371	378,667

(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*

	Six months ended at June 30, 2020 RMB' 000 (Unaudited)	2019 RMB' 000 (Unaudited)
Beginning balance	378,667	392,863
Addition	268,078	189,550
Recognised in revenue	(246,374)	(201,600)
Ending Balance	400,371	380,813

## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 8 REVENUE (Continued)

#### 8.2 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.

	<b>Six months ended June 30,</b>	
	<b>2020</b>	2019
	<b>RMB' 000</b>	RMB' 000
	<b>(Unaudited)</b>	(Unaudited)
Revenue recognised that was included in the balance of contract liabilities at the beginning of the period	<b>172,058</b>	158,258

##### (iii) Unsatisfied performance obligations

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

	<b>As at</b>	As at
	<b>June 30,</b>	December 31,
	<b>2020</b>	2019
	<b>RMB' 000</b>	RMB' 000
	<b>(Unaudited)</b>	(Audited)
SaaS products related	<b>400,371</b>	378,667

The Company expects that unsatisfied performance obligations of approximately RMB319,683,000 as at June 30, 2020 will be recognised as revenue within 1 year. The remaining unsatisfied performance obligations of approximately RMB80,688,000 will be recognised between 1 to 3 years.

# NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

## 8 REVENUE (Continued)

### 8.2 Assets and liabilities related to contract with customers (Continued)

#### (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 condensed consolidated statement of financial position.

	Six months ended June 30,	
	2020 RMB' 000 (Unaudited)	2019 RMB' 000 (Unaudited)
Amortisation recognised as selling expenses related to SaaS products during the period	99,466	95,071

#### (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 condensed consolidated statement of financial position.

	Six months ended June 30,	
	2020 RMB' 000 (Unaudited)	2019 RMB' 000 (Unaudited)
Beginning balance	1,313	–
Addition	6,746	–
Recognised as cost of providing SaaS products during the period	(6,262)	–
Ending balance	1,797	–

## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 9 EXPENSES BY NATURE

	Six months ended June 30,	
	2020 RMB' 000 (Unaudited)	2019 RMB' 000 (Unaudited)
Advertising traffic cost for targeted marketing revenue	446,648	241,157
Employee benefits expenses	308,161	217,648
Promotion and advertising expenses including amortisation of contract acquisition cost	120,161	118,304
Depreciation and amortisation	36,931	24,731
Server and SMS charges related to SaaS revenue	32,123	15,257
Utilities and office expenses	28,119	17,824
Issuance cost for convertible bonds offering	23,754	–
Depreciation of right-of-use assets	11,402	9,998
Travelling and entertainment expenses	8,064	4,535
Other consulting fees	7,353	2,486
Taxes and surcharges	3,880	2,093
Auditors' remuneration	2,000	4,611
Listing expenses	–	16,937
Others	1,443	1,184
	<b>1,030,039</b>	<b>676,765</b>

#### 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:

	Six months ended June 30,	
	2020 RMB' 000 (Unaudited)	2019 RMB' 000 (Unaudited)
Salaries, wages and bonus	2,081	1,794
Other social security costs, housing benefits and other employee benefits	148	179
Pension cost – defined contribution plan	24	153
Share-based compensation	490	976
	<b>2,743</b>	<b>3,102</b>

## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 10 OTHER INCOME

	Six months ended June 30,	
	2020 RMB' 000 (Unaudited)	2019 RMB' 000 (Unaudited)
Super deduction of input VAT (i)	35,013	8,270
Government grants (ii)	15,018	9,344
Interest income from term deposits and loan to third parties	2,968	1,901
	<b>52,999</b>	19,515

(i) The Group has been entitled to super deduction of input value-added tax ("VAT") since April 2019.

(ii) Government grants mainly represent VAT refund entitlement.

### 11 OTHER (LOSSES)/GAINS, NET

	Six months ended June 30,	
	2020 RMB' 000 (Unaudited)	2019 RMB' 000 (Unaudited)
Donation (i)	(10,000)	–
Fair value change of listed equity security investment (Note 22(i))	(1,881)	–
Bank charges	(868)	(338)
Expenses related to SaaS sabotage event (ii)	(659)	–
Foreign exchange gain/(loss), net	1,827	(255)
Realised gain from transfer equity interest of Mengyou to Syoo (Note 22(ii))	2,000	–
Fair value change of short-term investment measured at FVPL	–	1,438
Others, net	30	(37)
	<b>(9,551)</b>	808

(i) On January 28, 2020, the Group donated RMB10,000,000 to Charity Foundation Shanghai Branch to fight against COVID-19.

(ii) 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 ("SaaS sabotage event"). The Group announced its compensation plan on March 2, 2020 and offered two options for the affected SaaS business merchants. Each merchant could choose option (i) cash compensation plan, which the Group will compensate for the contribution margin of the merchants during the system unavailability period or option (ii) traffic compensation plan, which the Group will offer 50,000 times of exposure of advertisements on Beijing Tencent Culture Media Company Limited ("Tencent") as well as extend the validity period of SaaS services for two months. The Group's executive directors committed to bear 1/3 of the potential cash and traffic compensation that might arise out of SaaS sabotage event to a cap of RMB50 million.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 11 OTHER (LOSSES)/GAINS, NET (Continued)

The compensation plan offered to the merchants was treated as contract modification linked to the past delivered distinct SaaS service. Therefore the Group accounted for the modification prospectively in accordance with HKFRS 15, and recognised the fair value of compensation in profit and loss when the compensation plan being announced. The fair value of compensation was recorded as deduction of revenue to the extent of current contract sum, and the extra, offsetting by the portion executive directors bore, was presented within "Other (losses)/gains, net". For those merchants selected option (ii) "traffic compensation plan", the contract liabilities immediately before SaaS sabotage event occurred, were recognised over the remaining contract period with the two-month extension under traffic compensation plan. The rebate earned from additional advertising traffic expenditures under traffic compensation plan has been reflected in SaaS products segment because it is incurred related to SaaS sabotage event.

The total impact of SaaS sabotage event has been summarised as following:

Six months ended June 30, 2020	Total RMB' 000 (Unaudited)	SaaS	Selling and	Other
		products revenue deduction RMB' 000 (Unaudited)	distribution expenses RMB' 000 (Unaudited)	(losses)/ gains, net RMB' 000 (Unaudited)
Total fair value of expected compensation	(119,428)	(78,960)	–	(40,468)
Revenue impact due to the two-month extension of SaaS services	(13,905)	(13,905)	–	–
Less: decrease in amortisation of contract acquisition cost due to the two-month extension of SaaS services	6,592	–	6,592	–
Less: portion bore by executive directors	39,809	–	–	39,809
Net impact on net (loss)/profit	(86,932)	(92,865)	6,592	(659)



## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 12 FINANCE COSTS

	Six months ended June 30,	
	2020 RMB' 000 (Unaudited)	2019 RMB' 000 (Unaudited)
Interest expenses on borrowings	9,459	2,789
Interest expenses on factoring (Note 26)	2,373	–
Interest expenses on lease liabilities (Note 18)	1,410	1,582
	13,242	4,371

### 13 FINANCE INCOME

	Six months ended June 30,	
	2020 RMB' 000 (Unaudited)	2019 RMB' 000 (Unaudited)
Interest income on bank deposits held for cash management purpose	1,021	240

### 14 INCOME TAX CREDIT/(EXPENSES)

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

**(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 six months ended June 30, 2020.

**(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 period, based on the existing legislation, interpretations and practices in respect thereof. The general corporate income tax rate in PRC is 25%. Weimob Development and Wuxi Yazuo were approved as High and New Technology Enterprise and are subject to a preferential income tax rate of 15% from 2017 to 2020. The management is of the view that there is high possibility for these two subsidiaries to successfully renew the qualification as High and New Technology Enterprise. Hence the Group still applies 15% income tax rate when calculating deferred income tax assets for these two subsidiaries.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 14 INCOME TAX CREDIT/(EXPENSES) (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%.

	Six months ended June 30,	
	2020	2019
	RMB' 000	RMB' 000
	(Unaudited)	(Unaudited)
Current tax	68	1,001
Deferred income tax (Note 23)	(11,879)	2,606
Income tax (credit)/expenses	(11,811)	3,607

### 15 DIVIDENDS

No dividends have been paid or declared by the Company for the six months ended June 30, 2019 and 2020.

### 16 (LOSS)/EARNINGS PER SHARE

#### (a) Basic

Basic (loss)/earnings per share for the six months ended June 30, 2019 and 2020 are calculated by dividing the (loss)/profit attribute 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 periods.

	Six months ended June 30,	
	2020	2019
	RMB' 000	RMB' 000
	(Unaudited)	(Unaudited)
Net (loss)/profit attributable to the equity holders of the Company (RMB' 000)	(543,672)	288,960
Weighted average numbers of ordinary shares in issue	2,222,390,024	1,885,271,188
Basic (loss)/earnings per share (expressed in RMB per share)	(0.24)	0.15

## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 16 (LOSS)/EARNINGS PER SHARE (Continued)

#### (b) Diluted

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

As the Group incurred losses for the six months ended June 30, 2020, the dilutive potential ordinary shares of convertible bonds and restricted stock units ("RSUs") were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the six months ended June 30, 2020 was the same as basic loss per share of the respective period.

For the six months ended June 30, 2019, redeemable and convertible shares issued by the Company are considered to be potential ordinary shares and have been included in the determination of diluted loss per share from their date of issue. The redeemable and convertible shares have not been included in the determination of basic earnings per share.

For the six months ended June 30, 2019, the dilutive potential ordinary shares of RSUs granted to employees were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive.

	<b>Six months ended June 30,</b>	
	<b>2020</b>	2019
	<b>RMB' 000</b>	RMB' 000
	<b>(Unaudited)</b>	(Unaudited)
Net (loss)/profit attributable to the equity holders of the Company	<b>(543,672)</b>	288,960
Impact of change in fair value of redeemable and convertible preferred shares	–	(298,280)
Net loss used to determine loss per share	<b>(543,672)</b>	(9,320)
Weighted average number of ordinary shares in issue	<b>2,222,390,024</b>	1,885,271,188
Adjustments for redeemable and convertible preferred shares	–	79,284,862
Weighted average number of ordinary shares for diluted loss per share	<b>2,222,390,024</b>	1,964,556,050
Diluted loss per share (expressed in RMB per share)	<b>(0.24)</b>	(0.005)

## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 17 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
<b>(Unaudited)</b>					
<b>Cost</b>					
At January 1, 2020	13,187	3,912	2,360	16,825	36,284
Additions	1,505	20	–	1,854	3,379
Business combination (Note 36)	184	305	–	41	530
Disposals	(11)	(3)	–	–	(14)
At June 30, 2020	14,865	4,234	2,360	18,720	40,179
<b>Accumulated depreciation</b>					
At January 1, 2020	(5,984)	(1,532)	(812)	(6,932)	(15,260)
Depreciation	(1,815)	(386)	(189)	(1,793)	(4,183)
Disposals	11	1	–	–	12
At June 30, 2020	(7,788)	(1,917)	(1,001)	(8,725)	(19,431)
<b>Net carrying amount</b>					
At January 1, 2020	7,203	2,380	1,548	9,893	21,024
At June 30, 2020	7,077	2,317	1,359	9,995	20,748
<b>(Unaudited)</b>					
<b>Cost</b>					
At January 1, 2019	8,739	2,662	809	12,815	25,025
Additions	1,051	369	–	1,208	2,628
Disposals	(10)	–	–	–	(10)
At June 30, 2019	9,780	3,031	809	14,023	27,643
<b>Accumulated depreciation</b>					
At January 1, 2019	(3,423)	(991)	(600)	(3,097)	(8,111)
Depreciation	(1,229)	(254)	(71)	(2,172)	(3,726)
Disposals	10	–	–	–	10
At June 30, 2019	(4,642)	(1,245)	(671)	(5,269)	(11,827)
<b>Net carrying amount</b>					
At January 1, 2019	5,316	1,671	209	9,718	16,914
At June 30, 2019	5,138	1,786	138	8,754	15,816

## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 18 LEASES

(i) **Amounts recognised in the balance sheet**

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

	<b>As at June 30, 2020 RMB' 000 (Unaudited)</b>	As at December 31, 2019 RMB' 000 (Audited)
<b>Right-of-use assets</b>		
Buildings	<b>61,103</b>	61,176
<b>Lease liability</b>		
Current	<b>14,974</b>	15,013
Non-current	<b>38,682</b>	35,230
	<b>53,656</b>	50,243

Additions including business combination to the right-of-use assets for the six months ended June 30, 2019 and 2020 were approximately RMB9,594,000 and RMB14,360,000, respectively.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 18 LEASES (Continued)

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

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

	<b>Six months ended June 30,</b>	
	<b>2020</b>	2019
	<b>RMB' 000</b>	RMB' 000
	<b>(Unaudited)</b>	(Unaudited)
Depreciation charge of right-of-use assets-Buildings	<b>11,402</b>	9,998
Interest expenses (included in finance cost) <i>(Note 12)</i>	<b>1,410</b>	1,582
Expense relating to short-term leases (included in administrative expenses)	<b>3,915</b>	1,580

The total cash outflow for leases including principal elements and interest expenses as well as short-term leases for the six months ended June 30, 2019 and 2020 was approximately RMB8,572,000 and RMB14,345,000, respectively.

**(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.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 19 INTANGIBLE ASSETS

	Goodwill (i) RMB'000	Trademarks RMB'000	Self- developed software RMB'000	Acquired software licenses RMB'000	Total RMB'000
<b>(Unaudited)</b>					
<b>Cost</b>					
At January 1, 2020	–	3,398	213,540	866	217,804
Additions	–	–	–	–	–
Business combination (Note 36)	99,962	–	16,702	158	116,822
Capitalisation of development costs (Note 20)	–	–	11,903	–	11,903
At June 30, 2020	99,962	3,398	242,145	1,024	346,529
<b>Accumulated amortisation</b>					
At January 1, 2020	–	–	(78,791)	(226)	(79,017)
Amortisation	–	–	(32,615)	(133)	(32,748)
At June 30, 2020	–	–	(111,406)	(359)	(111,765)
<b>Net carrying amount</b>					
At January 1, 2020	–	3,398	134,749	640	138,787
At June 30, 2020	99,962	3,398	130,739	665	234,764
<b>(Unaudited)</b>					
<b>Cost</b>					
At January 1, 2019	–	3,398	78,306	449	82,153
Additions	–	–	–	53	53
Capitalisation of development costs (Note 20)	–	–	53,805	–	53,805
Disposals	–	–	–	(4)	(4)
At June 30, 2019	–	3,398	132,111	498	136,007
<b>Accumulated amortisation</b>					
At January 1, 2019	–	–	(25,002)	(97)	(25,099)
Amortisation	–	–	(20,948)	(57)	(21,005)
Disposals	–	–	–	4	4
At June 30, 2019	–	–	(45,950)	(150)	(46,100)
<b>Net carrying amount</b>					
At January 1, 2019	–	3,398	53,304	352	57,054
At June 30, 2019	–	3,398	86,161	348	89,907

## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 19 INTANGIBLE ASSETS (Continued)

- (i) Goodwill is monitored by management at the level of operating segments identified in Note 7. As at June 30, 2020, the goodwill represented premium paid in the acquisition of Wuxi Yazuo in March 2020 (Note 36), and is allocated to the Group's catering products cash-generating unit ("CGU").

As the acquisition was completed in March 2020 and the consideration is determined based on arm's length transaction. The management is of the view that there is no impairment indicator for the goodwill by taking reference to the latest financial forecast of the Group's SaaS catering CGU.

### 20 DEVELOPMENT COSTS

Development costs that do not meet the criteria of capitalisation 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.

	Six months ended June 30,	
	2020 RMB' 000 (Unaudited)	2019 RMB' 000 (Unaudited)
As at January 1	16,944	27,963
Development costs capitalised during the period	64,597	49,562
Transfer to intangible assets (Note 19)	(11,903)	(53,805)
As at June 30	69,638	23,720



## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 21 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at June 30, 2020 RMB' 000 (Unaudited)	As at December 31, 2019 RMB' 000 (Audited)
Investments in associates	68,485	66,441
	As at June 30, 2020 RMB' 000 (Unaudited)	As at December 31, 2019 RMB' 000 (Audited)
Chuangshi Yicun Weixin Private Equity Investment Funds ("Weixin") (i)	38,763	38,938
Nanjing Chuangyi Meridian Weimob Emerging Industry Equity Investment Fund Partnership (Limited Partnership) ("Nanjing Chuangyi") (ii)	28,322	27,503
Shanghai Xiaoke Information Technology Co., Ltd. ("Xiaoke") (iii)	1,400	–
	68,485	66,441

## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 21 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

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		Principal activities
				As at June 30, 2020	As at December 31, 2019	
				Weixin (i)	June 4, 2019	
Nanjing Chuangyi (ii)	October 1, 2019	28,500	China	25.25%	25.25%	Investment
Xiaoke (iii)	November 27, 2019	3,000	China	30%	100%	SaaS products offerings

- (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 e-commerce business originally controlled by Mr. Sun before the Listing.

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 June 30, 2020, Weimob Development has made a total investment of RMB35,000,000 (December 31, 2019: RMB35,000,000).

The investment fund qualifies for the definition of investment entity, and hence its investment in the Portfolio Companies is measured at FVPL in accordance with HKFRS 9. As at June 30, 2020, the aggregate fair value of Portfolio Companies is RMB334,459,000 and the net loss of the fund for the six months ended June 30, 2020 is RMB274,000 mainly arising from management and other operating expenses. Share of loss of this fund attributable to the Group for the six months ended June 30, 2020 was approximately RMB175,000.

# NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

## 21 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

- (ii) On November 30, 2019, Weimob Yunbing invested in a limited partnership (“Nanjing Chuangyi”) through another two limited partnership, Changshu Meridian Weimob Technology Investment Center (Limited Partnership) (“Changshu Huaying”) and Nanjing Meridian Equity Investment Management Partnership (Limited Partnership) (“Nanjing Meridian”), to invest in SaaS companies and respective upstream and downstream sectors. As at June 30, 2020, Weimob Yunbing has made a total investment of RMB28,500,000 to Nanjing Chuangyi through Changshu Huaying and Nanjing Meridian, and indirectly holds 25.25% of the equity interest of Nanjing Chuangyi. Among the total investment of RMB28,500,000, RMB27,500,000 and RMB1,000,000 have been paid by Weimob Yunbing during the year ended December 31, 2019 and six months ended June 30, 2020, respectively.

Meridian Capital Management Co., Ltd. (“Meridian Capital”) is the general partner and responsible for all of the investment affairs of Nanjing Chuangyi, Changshu Huaying and Nanjing Meridian. Weimob Yunbing is the limited partner which has significant influence in the three partnership companies, and hence the Group has accounted for the investments using equity method.

The partnerships of the three partnership companies followed the predetermined profit distribution mechanism that set out in the investment agreement, depending on Nanjing Chuangyi’s performance. Therefore, the Group determined the share of Nanjing Chuangyi based on economic share rather than the equity participation. As at June 30, 2020, the Group has 24.62% of Nanjing Chuangyi’s interest.

Nanjing Chuangyi qualifies for the definition of investment entity, and hence its investments in the portfolio companies are measured at FVPL in accordance with HKFRS 9. For the six months ended June 30, 2020, Nanjing Chuangyi has newly invested three portfolio companies and the aggregate fair value of portfolio companies is RMB47,600,000 as at June 30, 2020 and the net loss of Nanjing Chuangyi for the six months ended June 30, 2020 is RMB735,000. Share of loss of Nanjing Chuangyi attributable to the Group for the six months ended June 30, 2020 is RMB181,000.

- (iii) On November 27, 2019, Weimob Development established a new subsidiary, Xiaoke with original registered capital of RMB10,000,000 and planned principal activities of development and selling Customer Relationship Management (“CRM”) products. The Company did not make any investment to Xiaoke as at December 31, 2019.

On March 17, 2020, Weimob Development reached a share transfer agreement with a third party, Shanghai Binsong Technology Information Co., Ltd. (“Bin Song”). Pursuant to the agreement, Weimob Development sold 70% equity interest of Xiaoke to Bin Song with nil consideration as Xiaoke remained dormant without any operations at that time.

As at June 30, 2020, Weimob Development and Bin Song has made capital injection of RMB3,000,000 and RMB5,000,000 to Xiaoke, respectively. The net loss of Xiaoke for the six months ended June 30, 2020 is RMB4,267,000. Following the agreement, Weimob Development and Bin Song enjoy the net assets of Xiaoke according to the proportion of paid in capital contribution. Hence share of loss of Xiaoke attributable to the Group for the six months ended June 30, 2020 was RMB1,600,000.

The aggregate amounts of the Group’s share of loss from continuing operations of the above immaterial associates are set out below.

	<b>Six months ended June 30,</b>	
	<b>2020</b>	2019
	<b>RMB’000</b>	RMB’000
	<b>(Unaudited)</b>	(Unaudited)
Aggregate amounts of the Group’s share of:		
Loss from continuing operations	<b>(1,956)</b>	–

## NOTES TO THE INTERIM FINANCIAL INFORMATION

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### 22 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 June 30, 2020 RMB' 000 (Unaudited)	As at December 31, 2019 RMB' 000 (Audited)
<b>Current assets</b>		
Short-term investment measured at FVPL (i)	59,483	61,364
<b>Non-current assets</b>		
Long-term investments measured at FVPL (ii)	92,885	40,885
<b>Total financial assets</b>	<b>152,368</b>	102,249
<b>Non-current liabilities</b>		
Convertible bonds (iii)	1,559,702	–
Contingent payable for investment in Syoo (ii)	10,000	–
Other financial liabilities measured at FVPL-Demo (ii)	20,576	18,076
Other financial liabilities measured at FVPL-Yunxin (iv)	14,324	–
	<b>1,604,602</b>	18,076

- (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 at December 31, 2019 and June 30, 2020, the fair value of the investment in the Listed Company was HKD68,288,000 (equivalent to approximately RMB61,364,000) and HKD65,120,000 (equivalent to approximately RMB59,483,000), respectively, which was calculated based on its closing share price on December 31, 2019 and June 30, 2020. The fair value loss of RMB1,881,000 was recorded in "Other (losses)/gains, net" for the six months ended June 30, 2020.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 22 FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

(ii) *Long-term investments measured at FVPL*  
*Investment in a SaaS Company "Demo"*

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 June 30, 2020, Weimob Development and the venture capital have each made RMB15,000,000 investment into the Fund (December 31, 2019: RMB12,500,000). The Fund designates one of the Company's directors as a director of the invested SaaS company. As the Fund's sole objective is to invest in this 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 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 June 30, 2020, the directors of the Company assessed the fair value of this investment approximates to the fair value as at December 31, 2019 which was RMB40,885,000.

As at June 30, 2020, the non-current liabilities at FVPL was RMB20,576,000 which includes the investment cost from the venture capital of RMB15,000,000 and the variable return attributable to the venture capital of RMB5,576,000.

*Investment in a SaaS company "Syoo"*

In April 2020, Weimob Canlin acquired 40% equity interest of another SaaS company, Syoo with a total consideration of RMB46,000,000 including RMB44,000,000 in cash and 40% equity interests of Shanghai Mengyou Network Technology Co., Ltd ("Mengyou") valued at RMB2,000,000. After the transaction, Mengyou became a wholly-owned subsidiary of Syoo.

The equity interest acquired by Weimob Canlin enjoys certain preferential rights including, but not limited to, redemption rights and liquidation preference etc. Therefore, the investment in Syoo is accounted for as financial assets at FVPL. As at June 30, 2020, the directors of the Company assessed the fair value of this investment approximates the total initial consideration of RMB46,000,000.

As at June 30, 2020, 40% equity interests of Mengyou has been transferred from Weimob Canlin to Syoo and Weimob Canlin recognised a gain of RMB2,000,000 upon the transfer as the original equity investment cost of Mengyou was nil. Out of the cash consideration of RMB44,000,000, RMB10,000,000 is contingent upon the achievement of certain business performance targets in the period from May, 2020 to April, 2021 by Syoo. As at June 30, 2020, Weimob Canlin has paid RMB26,000,000 in cash, the remaining payment of RMB8,000,000 which is expected to be paid within 2020 and contingent payable of RMB10,000,000 which is expected to be settled in July 2021 were recorded as "Trade and other payables" and "Non-current financial liabilities at FVPL", respectively.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 22 FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

(ii) *Long-term investments measured at FVPL (Continued)*

*Investment in a short-video-making company "Clipworks"*

In April 2020, Weimob Yunbing acquired 15% equity interest of a short video making company, Clipworks with a total consideration of RMB6,000,000 in cash.

The equity interest acquired by Weimob Yunbing enjoys certain preferential rights including, but not limited to, redemption rights and liquidation preference etc. Therefore, the investment in Clipworks is accounted for as financial assets at FVPL. As at June 30, 2020, the directors of the Company assessed the fair value of this investment approximates initial consideration of RMB6,000,000.

As at June 30, 2020, Weimob Yunbing has paid RMB3,000,000 and the remaining payment of RMB3,000,000 has been recorded as "Trade and other payables".

(iii) *Convertible bonds*

On May 15, 2020 ("Issue Date"), Weimob Investment Limited ("Bond Issuer"), a wholly-owned subsidiary of the Company ("Guarantor") issued USD150 million (equal to approximately RMB1,064,040,000) of guaranteed convertible bonds (the "Bonds"), which matured on May 15, 2025 ("Maturity Date"). The interest rate was 1.5% per annum payable semi-annually in arrear on May 15 and November 15 in each year.

*Conversion price*

Initial conversion price is HKD6.72 per share, which is subject to adjustment for consolidation, subdivision, redesignation or reclassification of shares, and other events as described in the terms and conditions of the Bonds.

*Redemption for delisting or change of control*

The Bonds holders have the option to require the Group to repurchase the Bonds, in whole or in part, in the event of i) when the shares cease to be listed or admitted to trading or suspended for trading for a period equal to or exceeding 30 consecutive trading days on the Hong Kong Stock Exchange; or ii) when there is a change of control (collectively as "Relevant Events") for an amount equal to the 100% of the principal amount and any accrued and unpaid interest in the Relevant Events occurs. Management assessed that the likelihood of Relevant Events is remote.

*Redemption at the option of the Bonds holders*

The Bonds holders will have the right to require the Group to repurchase for cash all or any portion of their Bonds on May 15, 2023 at a repurchase price equal to 106.27% of the principal amount of the Bonds, together with interest accrued but unpaid up to but excluding such date.

*Redemption at the option of the Bond Issuer*

The Bond Issuer will have the right to repurchase for cash in whole i) may at any time after 29 May 2023 and prior to the Maturity Date redeem in whole, but not in part, the Bonds for the time being outstanding at the early redemption amount, together with interest accrued but unpaid to but excluding the date fixed for redemption, provided that the closing price of the shares for each of 20 out of 30 consecutive trading days, the last of which occurs not more than five trading days prior to the date upon which notice of such redemption is published was at least 130% of the applicable early redemption amount for each bond divided by the conversion ratio then applicable; or ii) may at any time prior to the Maturity Date redeem in whole, but not in part, the Bonds for the time being outstanding at the early redemption amount, together with interest accrued but unpaid to but excluding the date fixed for redemption, provided that prior to the date of such notice at least 90% in principal amount of the Bonds originally issued has already been converted, redeemed or purchased and cancelled.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 22 FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

(iii) *Convertible bonds (Continued)*

*Final Redemption*

Unless previously redeemed, converted or purchased and cancelled, the Bond Issuer will redeem each Bond at 110.83% of its principal amount together with accrued and unpaid interest thereon on the Maturity Date.

*Accounting for the Bonds*

The issuer had the contractual obligation to repay the principal upon maturity if the holders chose not to exercise the conversion option. Therefore, the host contract of the Bonds should be classified as a financial liability.

The conversion feature is an embedded derivative, since it cannot be contractually transferable independently which is not considered closely related to the host contract. The Bond Issuer has RMB as its functional currency and the Bonds are denominated in USD. As a result, it is determined that the conversion features of the Bonds violate the equity classification.

The redemption option by the holders/issuers involves put of both the host contract and the derivative conversion feature, the redemption option and conversion feature are considered interdependent with each other and should be treated as a single compound embedded derivative.

Therefore, the Bonds are considered as having a host debt instrument and a single compound embedded derivative which is not closely related to the debt host. In accordance with HKFRS, the Group could designate the whole Bonds at fair value through profit or loss or bifurcate the embedded derivative at fair value through profit or loss and host debt at amortised costs. The Group elected to measure the Bonds in its entirety at fair value initially. Transaction cost related to the issuance is charged to profit and loss immediately.

Subsequent to initial recognition, the Bonds are measured at fair value with changes in fair value recognised in the profit and loss, except that the fair value change due to the own credit risk is presented in other comprehensive income.

As at June 30, 2020, by taking reference to the average quoted bid and ask price in Hong Kong active market, the estimated fair value of the Bonds amounted to approximately RMB1,559,702,000, which increased by 146.875% compared to that on Issue Date. The directors of the Company assessed there was no significant fair value change due to the own credit risk.

Hence the Company recorded loss from change in fair value of the Bonds of RMB495,662,000 and nil in net income and other comprehensive income for the six months ended June 30, 2020, respectively.

(iv) *Yunxin's preferred shares in Wuxi Yazuo*

One of the minority shareholders of Wuxi Yazuo, named Yunxin enjoys certain preferential rights including, but not limited to, redemption rights and liquidation preference etc, which does not meet the definition of equity. Therefore, Wuxi Yazuo accounted for the investment from Yunxin as non-current financial liabilities at FVPL. In March 2020, the financial liabilities at FVPL was taken by the Group upon the completion of acquisition of Wuxi Yazuo (Note 36).

As at June 30, 2020, fair value of preference shares of Yunxin is RMB14,324,000, which was developed through the application of the valuation technique which has taken into account purchase price allocation method.

Movement of financial assets and liabilities at fair value through profit or loss has been analysed in Note 6.3.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 23 DEFERRED INCOME TAXES

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 condensed consolidated statement of financial position:

	<b>As at June 30, 2020 RMB' 000 (Unaudited)</b>	As at December 31, 2019 RMB' 000 (Audited)
Deferred income tax assets:		
to be recovered after more than 12 months	14,212	9,257
to be recovered within 12 months	42,851	35,927
	<b>57,063</b>	45,184

The movements in deferred income tax assets and liabilities during the periods without taking into consideration the offsetting of balances within the same jurisdiction are as follows:

#### Deferred income tax assets

	Tax losses RMB' 000	Contract liabilities RMB' 000	Others RMB' 000	Total RMB' 000
<b>(Unaudited)</b>				
As at January 1, 2020	25,579	50,293	8,751	84,623
Recognised in the profit or loss	(978)	1,148	9,997	10,167
Business combination (Note 36)	-	-	2,505	2,505
As at June 30, 2020	<b>24,601</b>	<b>51,441</b>	<b>21,253</b>	<b>97,295</b>
<b>(Unaudited)</b>				
As at January 1, 2019	24,863	60,063	6,195	91,121
Recognised in the profit or loss	(1,043)	(3,538)	31	(4,550)
As at June 30, 2019	23,820	56,525	6,226	86,571



## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 23 DEFERRED INCOME TAXES (Continued)

#### Deferred income tax assets (Continued)

Deferred income tax assets are recognised 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 June 30, 2020, the Group did not recognise net deferred income tax assets in respect of losses and deductible temporary differences of RMB77,030,000 (including the tax losses of the newly acquired subsidiary Wuxi Yazuo) and RMB6,123,000 respectively. These tax losses will expire from 2021 to 2030.

#### Deferred income tax liabilities

	Contract acquisition cost RMB' 000	Others RMB' 000	Total RMB' 000
<b>(Unaudited)</b>			
As at January 1, 2020	(28,951)	(10,488)	(39,439)
Recognised in the profit or loss	236	1,476	1,712
Business combination (Note 36)	–	(2,505)	(2,505)
As at June 30, 2020	(28,715)	(11,517)	(40,232)
<b>(Unaudited)</b>			
As at January 1, 2019	(29,096)	(2,719)	(31,815)
Recognised in the profit or loss	2,027	(83)	1,944
As at June 30, 2019	(27,069)	(2,802)	(29,871)

### 24 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, 2019 and June 30, 2020, 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 at December 31, 2019 and June 30, 2020.

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 2020, Weimob Development and the shareholders of Xiangminiao mutually agreed to renegotiate the shareholders' right together with the new investor.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 25 PREPAYMENTS, DEPOSITS AND OTHER ASSETS

	As at June 30, 2020 RMB' 000 (Unaudited)	As at December 31, 2019 RMB' 000 (Audited)
<b>Non-current</b>		
Deposits – third parties	1,767	1,767
Other receivables in relation to prepayment on behalf of advertisers – third parties	682,341	555,034
Prepayments for purchasing advertising traffic related to targeted marketing revenue	666,651	563,677
Other receivable related to SaaS sabotage event bore by executive directors ( <i>Note 11(ii)</i> )	39,809	–
Other loan receivables due from third parties	28,503	37,503
Recoverable value-added tax	22,632	34,970
Deposits – third parties	22,344	10,729
Receivables in relation to value-added tax refund ( <i>Note 10</i> )	9,682	7,632
Prepayments for contract operation service costs	6,174	3,605
Other loan receivables due from a related party – Syoo ( <i>Note 34(c)</i> )	4,000	–
Prepayments for rent and property management fee	2,514	1,419
Prepayments for purchasing advertising services	2,124	2,358
Contract fulfilment cost ( <i>Note 8</i> )	1,797	1,313
Interest receivables from term deposits and third parties	651	3,492
Others	15,718	10,227
Less : Provision for impairment of other receivables	(20,182)	(5,457)
	<b>1,484,758</b>	1,226,502

## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 26 TRADE AND NOTES RECEIVABLES

	As at June 30, 2020 RMB' 000 (Unaudited)	As at December 31, 2019 RMB' 000 (Audited)
Trade receivables	309,254	153,242
Notes receivables	4,380	4,317
Less: Provision for impairment of trade and notes receivables	(4,543)	(1,173)
	<b>309,091</b>	156,386

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:

	As at June 30, 2020 RMB' 000 (Unaudited)	As at December 31, 2019 RMB' 000 (Audited)
0 – 90 days	309,071	156,261
90 – 180 days	4	77
over 180 days	16	48
	<b>309,091</b>	156,386

#### (i) Derecognition of financial assets

On June 24, 2020, the Group entered into a factoring agreement with Sinopharm Rosino (Shanghai) Commercial Factoring Co., Ltd. (the "Factor"). Pursuant to the agreement, the Group has transferred the relevant receivables amounting to RMB200,000,000 and substantially all the risks and rewards of ownership of those receivables to the Factor in exchange for cash of RMB200,000,000. The Group therefore derecognised the transferred assets in their entirety in its balance sheet and finance cost of RMB2,373,000 related to the factoring are expensed as "Finance cost" in the period in which they are incurred.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 26 TRADE AND NOTES RECEIVABLES (Continued)

#### (ii) Fair values of trade receivables

The relevant carrying amounts are as follows:

As at June 30, 2020 and December 31, 2019, the carrying amounts of trade receivables were primarily denominated in RMB and approximated their fair values at each of the reporting dates.

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.

### 27 CASH AND BANK BALANCES

#### (a) Cash and cash equivalents

	<b>As at June 30, 2020 RMB' 000 (Unaudited)</b>	As at December 31, 2019 RMB' 000 (Audited)
Cash at bank	2,135,967	858,435
Cash equivalents (i)	12,059	11,799
Cash on hand	88	94
	<b>2,148,114</b>	870,328
Maximum exposure to credit risk	<b>2,148,026</b>	870,234

(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.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 27 CASH AND BANK BALANCES (Continued)

#### (a) Cash and cash equivalents (Continued)

Cash and cash equivalents are denominated in the following currencies:

	<b>As at June 30, 2020 RMB' 000 (Unaudited)</b>	As at December 31, 2019 RMB' 000 (Audited)
RMB	1,049,193	534,526
USD	1,098,800	335,670
HKD	121	132

#### (b) Term deposits

An analysis of the Group's term deposits as at December 31, 2019 and June 30, 2020 are listed as below:

	<b>As at June 30, 2020 RMB' 000 (Unaudited)</b>	As at December 31, 2019 RMB' 000 (Audited)
Term deposits denominated in USD	–	293,000
Term deposits denominated in RMB	–	100,000
	–	393,000

The effective interest rate for the term deposits of the Group with initial terms of over three months during the six months ended June 30, 2019 was 2.52%.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 28 BANK BORROWINGS

	<b>As at June 30, 2020 RMB' 000 (Unaudited)</b>	As at December 31, 2019 RMB' 000 (Audited)
Short-term bank borrowings	<b>390,125</b>	300,000

For the six months ended June 30, 2020, the Company settled short-term bank borrowings as at December 31, 2019 amounting RMB250,000,000 and the outstanding borrowings as at June 30, 2020 consists of the following:

- i) 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, which has been settled in July 2020.
- ii) 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. On March 20, 2020, the Group borrowed an unsecured three-month loan of RMB25,000,000 from Citibank (China) Co., Ltd. bearing an interest rate of 5.57% per annum, which have been settled on June 28, 2020. In June 2020, the Group borrowed another unsecured three-month loan of RMB50,000,000 from Citibank (China) Co., Ltd. bearing an interest rate of 4.85% per annum under this loan facility agreement. The Group did not have any unutilised bank facilities as at June 30, 2020.
- iii) On April 23, 2019, Wuxi Yazuo borrowed an unsecured two-years loan of RMB300,000 from Shenzhen Qianhai WeBank Co., Ltd. bearing an interest rate of 0.05% per day to support its daily operations. In March 2020, the loan was taken up by the Group arising from Wuxi Yazuo's business combination amounting to RMB178,000. Wuxi Yazuo repaid RMB53,000 in April 2020. As at June 30, 2020, the loan balance was RMB125,000 which would be due in April 2021.
- iv) In June, 2020, the Group entered into certain unsecured one-year loan agreements with Shanghai Rural Commercial Bank, Bank of Shanghai and China CITIC Bank and borrowed RMB90,000,000, RMB150,000,000 and RMB50,000,000, bearing an interest rate of 4.58%, 4.79% and 4.62%, respectively per annum. These loans are for the sole purpose of purchasing advertising traffic related to targeted marketing.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 29 TRADE AND OTHER PAYABLES

	As at June 30, 2020 RMB' 000 (Unaudited)	As at December 31, 2019 RMB' 000 (Audited)
Trade payables for purchasing advertising traffic related to targeted marketing revenue (i)	284,260	222,175
Advance from advertisers – third parties	240,198	144,892
Payroll and welfare payables	172,150	144,695
Payable related to SaaS sabotage event	74,536	–
Other taxes payable	54,362	19,745
Payable related to investments (Note 21(ii), Note 36)	43,768	5,000
Deposits	5,365	5,467
Auditors' remuneration accrual	3,490	2,250
Accruals for convertible bonds issuance cost	3,080	–
Accruals for finance cost for factoring (Note 26)	2,373	–
Payable related to purchase non-controlling interests (current portion) (ii)	1,741	3,621
Other payable and accruals	25,510	14,829
	<b>910,833</b>	562,674

(i) As at December 31, 2019 and June 30, 2020, the aging of the trade payables are all within 3 months.

(ii) 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 June 30, 2020, 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. The remaining payment of RMB1,741,000 and RMB600,000 have been recorded as "Trade and other payables" and "Other non-current liabilities" as at June 30, 2020.

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. The Company settled RMB15,820,000 and RMB3,080,000 in 2019 and June 2020, respectively.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 30 SHARE CAPITAL, SHARES 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
<b>(Unaudited)</b>						
<b>As at January 1, 2020</b>	2,258,362,000	1,531	4,171,056	(38,582)	(63,143)	4,070,862
Cancellation of buy-back shares (c)	(19,996,000)	(14)	(63,129)	-	63,143	-
Transfer of vested RSUs (Note 32)	-	-	-	16,747	-	16,747
<b>As at June 30, 2020</b>	2,238,366,000	1,517	4,107,927	(21,835)	-	4,087,609

	Number of ordinary shares	Share capital RMB' 000	Share premium RMB' 000	Shares held for RSU scheme RMB' 000	Total RMB' 000
<b>(Unaudited)</b>					
<b>As at January 1, 2019</b>	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 (a)	301,700,000	204	727,270	-	727,474
Share issuance costs (b)	-	-	(32,374)	-	(32,374)
Contribution from a shareholder in relation to RSU Scheme Trust (Note 32)	-	-	-	(61,333)	(61,333)
Transfer of vested RSUs (Note 32)	-	-	-	17,012	17,012
<b>As at June 30, 2019</b>	2,011,355,000	1,359	3,166,415	(44,321)	3,123,453

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



## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 30 SHARE CAPITAL, SHARES 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. 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) Share issuance costs mainly include share underwriting commissions, lawyers' fees, reporting accountant's fee and other related costs associated with the Listing. Incremental costs that are directly attributable to the issue of the new shares amounting to approximately RMB32,374,000 which were treated as a deduction against the share premium arising from the issuance.
- (c) 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. As at December 31, 2019, 7,993,000 out of 27,989,000 bought back ordinary shares were cancelled and deducted from the share capital and share premium within shareholders' equity, and the remaining 19,996,000 shares was recorded as "Treasury Shares".

As at June 30, 2020, the remaining 19,996,000 out of 27,989,000 bought back ordinary shares were cancelled and deducted from the share capital, share premium and treasury shares within shareholders' equity.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 31 OTHER RESERVES

	Capital reserves RMB' 000	Financial liability measured at fair value RMB' 000	Share-based payments RMB' 000	Others RMB' 000	Total RMB' 000
<b>(Unaudited)</b>					
<b>As at January 1, 2020</b>	<b>(1,177,418)</b>	<b>–</b>	<b>50,254</b>	<b>–</b>	<b>(1,127,164)</b>
Share-based compensation expenses for employees ( <i>Note 32</i> )	–	–	1,438	–	1,438
Transfer of vested RSUs ( <i>Note 32</i> )	–	–	(16,747)	–	(16,747)
Transaction with non-controlling interests ( <i>Note 36</i> )	–	–	–	74	74
<b>As at June 30, 2020</b>	<b>(1,177,418)</b>	<b>–</b>	<b>34,945</b>	<b>74</b>	<b>(1,142,399)</b>
<b>(Unaudited)</b>					
<b>As at January 1, 2019</b>	(1,234,222)	(3,483)	67,364	–	(1,170,341)
Contribution from a shareholder in relation to RSU Scheme Trust ( <i>Note 32</i> )	61,333	–	–	–	61,333
Share-based compensation expenses for employees ( <i>Note 32</i> )	–	–	2,924	–	2,924
Transfer of vested RSUs ( <i>Note 32</i> )	–	–	(17,012)	–	(17,012)
Transfer other comprehensive loss into retained earnings	–	3,483	–	–	3,483
<b>As at June 30, 2019</b>	<b>(1,172,889)</b>	<b>–</b>	<b>53,276</b>	<b>–</b>	<b>(1,119,613)</b>

# NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

## 32 SHARE-BASED PAYMENTS

### (a) Share-based compensation plans of the Company

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 before Listing, 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 (equivalent to 70,495,000 ordinary shares after capitalisation issue) 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.

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 condensed 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”.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 32 SHARE-BASED PAYMENTS (Continued)

#### (a) Share-based compensation plans of the Company (Continued)

The share-based compensation expenses recognised for the six months ended June 30, 2019 and 2020 are summarised in the following table:

	Six months ended June 30,	
	2020 RMB' 000 (Unaudited)	2019 RMB' 000 (Unaudited)
Share-based compensation expenses for employees	1,438	2,924

Movements in the number of RSUs granted and not yet vested is as follows:

	Number of RSUs
<b>(Unaudited)</b>	
As at January 1, 2020	14,315,000
Vested	(6,945,000)
As at June 30, 2020	7,370,000

No RSUs were expired during the six months ended June 30, 2019 and 2020.

On May 25, 2020, the Board of the Company has approved the adoption of the 2020 Restricted Share Unit Scheme (the "2020 RSU Scheme"), which is subject to grant awards to the Group's employees and business partners such as suppliers, customers or any persons who provide the technical support, consultancy or other services to the Group.

The maximum number of new shares issued under 2020 RSU Scheme will be 44,767,320 shares, representing 2% of the total number of the Company's issued shares. The Group is still in the process of identifying the potential grantees based on their respective work performance and contribution to the Group.

As at June 30, 2020, the aggregate number of shares underlying the granted RSUs is 69,670,000 among which 61,485,000 shares were vested and 815,000 shares were forfeited.

# NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

## 32 SHARE-BASED PAYMENTS (Continued)

### (b) Share-based compensation plans of Wuxi Yazuo

On February 19, 2020, Weimob Canlin entered into a share purchase agreement with selling shareholders and Wuxi Yazuo to acquire 63.83% of total shares in Wuxi Yazuo (Note 36). The acquisition was completed on March 17, 2020 (the "Acquisition Date").

Pursuant to the share purchase and subscription agreement, the co-founders of Wuxi Yazuo committed a five-years post-combination services period. If the co-founders resign from Wuxi Yazuo before March 17, 2025, they shall transfer certain common shares of Wuxi Yazuo to Weimob Canlin for free. The number of shares subject to transfer is calculated on a time proportion basis. Immediately after the acquisition, the co-founders hold 8.93% common shares of Wuxi Yazuo. The post-combination services commitment was treated as service condition of the share-based compensation to the co-founders, and the fair value of the common shares held by the co-founders at the Acquisition Date will be amortised into profit and loss during the 5-year period since Acquisition Date.

The fair value of the common shares on the Acquisition Date was developed through the application of the valuation technique which has taken into account purchase price allocation method.

For the six months ended June 30, 2020, the co-founders have earned back 0.5% common shares of Wuxi Yazuo, the service expenses amounting to approximately RMB352,000 (for the period from 17 March, 2020 to June 30, 2020) was charged to "general and administrative expenses" in the condensed consolidated statement of comprehensive income and credited to "Non-controlling interests" as consideration settled by equity of Wuxi Yazuo instead of the Company's common shares.

The difference of RMB74,000 between the amount of changes in non-controlling interests and the cost of common share vested is recognised in reserve within equity attributable to owners of the Group.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 33 CAPITAL COMMITMENTS

Significant capital expenditure contracted for at as December 31, 2019 and June 30, 2020 but not recognised as liabilities is as follows:

	As at June 30, 2020 RMB' 000 (Unaudited)	As at December 31, 2019 RMB' 000 (Audited)
Long-term investment	22,500	22,500

### 34 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 six months ended June 30, 2019 and 2020:

Name of related parties	Relationship with the Group
Shanghai Mengdian Finance Service Co., Ltd.	Controlled by Mr. Sun before Feb 25, 2019 (i)
Shanghai Jingxin Information Technology Co., Ltd.	Controlled by Mr. Sun before Feb 25, 2019 (i)
Xiaoke	Associate of the Group since March 17, 2020 (ii)
Syoo	Associate of the Group since April 10, 2020 (iii)

(i) The two entities were originally controlled by Mr. Sun. On February 25, 2019, Mr. Sun sold all its equity interests of these 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 these entities only covered period from January 1, 2019 to February 25, 2019.

(ii) Xiaoke became the Group's associate since March 17, 2020 (Note 21(iii)).

(iii) Syoo became the Group's associate since April 10, 2020 (Note 22(ii)).

## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 34 RELATED PARTY TRANSACTIONS (Continued)

#### (b) Transactions with related parties

	Six months ended June 30,	
	2020 RMB' 000	2019 RMB' 000
<b>Purchase of advertising traffic on behalf of a related party</b>		
Shanghai Mengdian Finance Service Co., Ltd.	–	17

	Six months ended June 30,	
	2020 RMB' 000	2019 RMB' 000
<b>Sales of SaaS products and related service to related parties</b>		
Xiaoke	4,290	–
Syoo	3,738	–
Shanghai Jingxin Information Technology Co., Ltd.	–	11
	<b>8,028</b>	<b>11</b>

The prices for the above service fees and other transactions were determined in accordance with the terms mutually agreed by the contract parties.

	Six months ended June 30,	
	2020 RMB' 000	2019 RMB' 000
<b>Loan to a related party</b>		
Syoo	4,000	–

## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 34 RELATED PARTY TRANSACTIONS (Continued)

#### (c) Year-end balances with related parties

	As at June 30, 2020 RMB' 000	As at December 31, 2019 RMB' 000
<b>Trade receivables from related parties</b>		
Xiaoke	4,547	–
Syoo	3,962	–
	<b>8,509</b>	–
<b>Other receivable from a related party</b>		
Syoo	4,000	–

Trade receivables from related parties were unsecured, interest-free and repayable on demand.

Other receivable from Syoo of RMB4,000,000 was non-trade in nature and unsecured, bearing a fixed interest rate of 7% per annum and will be repayable on December 31, 2020.

The amounts due from related parties are neither past due nor impaired. The carrying amounts of the amounts due from related parties approximate their fair values and are denominated in RMB.

### 35 CONTINGENT LIABILITIES

The Group has no material contingent liabilities as at June 30, 2020.



## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 36 BUSINESS COMBINATION

On February 19, 2020, Weimob Canlin, a wholly-owned subsidiary of the Company, entered into an agreement with the selling shareholders ("Seller") and Wuxi Yazuo to purchase 63.83% of the total shares in Wuxi Yazuo. According to the agreement, the consideration payable is RMB114,886,000 including the consideration for purchasing the shares held by existing shareholders of RMB34,886,000 and the consideration for subscribing the new shares of Wuxi Yazuo with the amount of RMB80,000,000. Upon the completion of the transaction on March 17, 2020, Weimob Canlin owns 63.83% of the total shares in Wuxi Yazuo, and Wuxi Yazuo became a subsidiary of the Company.

As mentioned in Note 32(b), the co-founders of Wuxi Yazuo hold 8.93% common share of Wuxi Yazuo after the transaction. Due to their post-combination service commitment, the 8.93% common share was deemed as being transferred to Weimob Canlin at the acquisition date.

As mentioned in Note 22(iv), one of the minority shareholders of Wuxi Yazuo, named Yunxin holds 10.46% shares in Wuxi Yazuo, enjoys certain preferential rights, which resulted in a debt classification in Wuxi Yazuo's financial position.

As at June 30, 2020, Weimob Canlin has paid RMB30,000,000 for subscribing for the new shares and RMB2,118,000 for purchasing sales shares. The remaining unpaid RMB50,000,000 consideration for subscribing for the new shares was eliminated at Group level and the Group accounted for remaining unpaid consideration of RMB32,768,000 for purchasing the sales shares as "Trade and other payables".

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	RMB' 000
<b>(Unaudited)</b>	
Purchase consideration	
By cash	114,886

## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 36 BUSINESS COMBINATION (Continued)

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

	As at March 17, 2020 Fair value RMB'000
Cash and cash equivalents	938
Prepayments, deposits and other assets	81,578
Trade and notes receivable	858
Property, plant and equipment	530
Right-of-use assets	324
Intangible assets (i)	16,860
Bank borrowings	(178)
Trade payables	(6,976)
Other payables and accruals	(53,124)
Financial liabilities measured at FVPL (Note 22(iv))	(14,324)
Contract liabilities	(6,692)
Lease liabilities	(1,427)
<b>Total identifiable net assets</b>	<b>18,367</b>
Less: non-controlling interests	(3,443)
Add: goodwill	99,962
	<b>114,886</b>

The goodwill is attributable to Wuxi Yazuo's strong position in SaaS catering sector and synergies expected to arise after the acquisition. It has been allocated to the Group's SaaS catering CGU. None of the goodwill is expected to be deductible for tax purposes.

## NOTES TO THE INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

### 36 BUSINESS COMBINATION (Continued)

(i) *Identified intangible assets*

The identified intangible assets for the acquisition primarily consist of self-developed software of approximately RMB16,702,000. They are initially recognised and measured at fair value. The recognition of self-developed software as part of the acquisition arose mainly from the cost saving by owning the self-developed software rather than licensing it. The fair value of self-developed software was developed through the application of the valuation technique which has taken into account the replacement cost method.

(ii) *Acquisition-related costs*

Acquisition-related costs of RMB1,667,000 are included in general and administrative expenses in profit or loss.

(iii) *Acquired receivables*

The fair value of trade and other receivables is RMB82,187,000, mainly including the capital injection of RMB80,000,000 to be paid by Weimob Canlin to Wuxi Yazuo, as part of the acquisition transaction.

(iv) *Non-controlling interests*

The group has chosen to recognise the non-controlling interest at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

## DEFINITIONS

“ Audit Committee ”	the audit committee 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
“ Group ”, “ our Group ”, “ the Group ”, “ we ”, “ us ” or “ our ”	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require)
“ IPO ”	Initial Public Offering
“ Listing ”	the listing of the Shares on the Main Board of the Stock Exchange on January 15, 2019
“ 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
“ PRC ” or “ China ”	the People’s Republic of China. For the purposes of this interim 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
“ Reporting Period ”	the six months ended June 30, 2020
“ Renminbi ” or “ RMB ”	Renminbi, the lawful currency of the PRC
“ RSU ”	the restricted stock unit
“ SFO ”	the Securities and Futures Ordinance



## DEFINITIONS

“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning as ascribed thereto under the Listing Rules
“Substantial Shareholders Group”	Mr. SUN Taoyong, Mr. FANG Tongshu, and Mr. YOU Fengchun, a group of individuals acting in concert with each other and the single largest shareholder group of the Company

\* *For identification purpose only*

# WEIMOB INC. 微盟集團

