Weimob 微盟

WEIMOB INC.

微盟集團**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2013)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2020

The board of directors (the "**Directors**") (the "**Board**") of Weimob Inc. (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended June 30, 2020 together with the comparative figures for the six months ended June 30, 2019 as follows:

In this announcement, "we", "us", and "our" refer to the Company and where the context otherwise requires, the Group.

FINANCIAL PERFORMANCE HIGHLIGHTS

	Six months ended June 30,		Year-on-year
	2020	2019	**change**
	(Unaudited)	*(Unaudited)*	
	(RMB in millions, except percentages)		
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 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%

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[1] 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 P16. All profit and loss figures mentioned in Results Highlights are excluding impact from SaaS sabotage event.

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.

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" (「脱口秀直播帶貨大會」) 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.

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 (銷氪) 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.

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.

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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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
SaaS products		
Addition in number of paying merchants	**15,726**	11,087
Number of paying merchants	**88,463**	70,006
Attrition rate[(1)]	**10.6%**	8.9%
Revenue (RMB in millions) excluding SaaS sabotage event[(2)]	**304.9**	219.1
	(unaudited)	(unaudited)
ARPU[(3)] (RMB)	**3,447**	3,129
Targeted marketing		
Addition in number of advertisers	**10,811**	13,670
Number of advertisers	**26,084**	19,537
Repurchase rate		
(Number of repurchased advertisers[(4)]/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.

Key Financial Ratios

	Six months ended June 30,		
	2020 per financial statements	**2020 excluding SaaS sabotage event**	2019
	%	%	%
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(1)	**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(2)	**10.9**	**10.9**	10.4
Adjusted net margin(3)	**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.

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 target 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.

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

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		2019	
	(Unaudited)		*(Unaudited)*	
	(RMB in millions, except percentages)			
Revenue[1]				
Commerce Cloud	**247.1**	**81.0%**	169.5	77.4%
Marketing Cloud[2]	**57.8**	**19.0%**	49.6	22.6%
Total	**304.9**	**100.0%**	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 (銷售推) 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		2019	
	(Unaudited)		*(Unaudited)*	
	(RMB in millions, except percentages)			
Gross billing				
Gross method	**545.5**	**11.8%**	329.1	18.3%
Net method	**4,065.4**	**88.2%**	1,468.3	81.7%
Total	**4,610.9**	**100.0%**	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.

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		2019	
	(Unaudited)		*(Unaudited)*	
	(RMB in millions, except percentages)			
Revenue				
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		2019	
	(Unaudited)		*(Unaudited)*	
	(RMB in millions, except percentages)			
Cost of sales				
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%

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		2019	
	(Unaudited)		*(Unaudited)*	
	(RMB in millions, except percentages)			
Cost of sales				
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.

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.

	Six months ended June 30,					
	2020			2019		
	Gross profit	**%**	**Gross margin**	Gross profit	%	Gross margin
	(Unaudited)			*(Unaudited)*		
	(RMB in millions, except percentages)					
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.

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

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

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.

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 recognization 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
	(RMB in millions)	
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**	–
Adjusted SaaS revenue	**304.9**	219.1

Adjusted EBITDA

	Six months ended June 30, 2020	2019
	(RMB in millions)	
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
EBITDA	**0.7**	32.3
Add:		
Share-based compensation	**1.8**	2.9
Listing and other one-off expenses	**25.4**[(1)]	33.1
Compensation due to SaaS sabotage event	**86.9**	–
Adjusted EBITDA	**114.8**	68.3

Adjusted net profit

	Six months ended June 30, 2020	2019
	(RMB in millions)	
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[(1)]	**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
Adjusted net profit	**52.3**	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.

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.

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:

Bank	**Loan Balance** *(RMB)*	**Loan Period**	**Interest Rate** *(per annum unless otherwise stated)*
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.

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

	Six months ended June 30,	
	2020	2019
	(RMB in millions)	
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 and Future Plans for Material Investments or Capital Assets

There were no significant investments held, nor were there material acquisitions or disposals of subsidiaries, associates or joint ventures by the Group during the six months ended June 30, 2020. Apart from those disclosed in this announcement, there were no material investments or additions of capital assets authorised by the Board at the date of this announcement.

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.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2020

	Note	Six months ended June 30, 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	*4*	**957,051**	656,695
Cost of sales	*5*	**(535,517)**	(291,311)
Gross profit		**421,534**	365,384
Selling and distribution expenses	*5*	**(386,720)**	(322,887)
General and administrative expenses	*5*	**(107,802)**	(62,567)
Net impairment losses on financial assets		**(18,095)**	(2,718)
Other income	*6*	**52,999**	19,515
Other (losses)/gains, net	*7*	**(9,551)**	808
Operating loss		**(47,635)**	(2,465)
Finance costs	*8*	**(13,242)**	(4,371)
Finance income	*9*	**1,021**	240
Share of net loss of associates accounted for using the equity method		**(1,956)**	–
Change in fair value of convertible bonds		**(495,662)**	–
Change in fair value of redeemable and convertible preferred shares		**–**	298,280
(Loss)/profit before income tax		**(557,474)**	291,684
Income tax credit/(expenses)	*10*	**11,811**	(3,607)
(Loss)/profit and total comprehensive (loss)/income for the period		**(545,663)**	288,077
(Loss)/profit and total comprehensive (loss)/income attributable to:			
– Equity holders of the Company		**(543,672)**	288,960
– Non-controlling interests		**(1,991)**	(883)
		(545,663)	288,077
(Loss)/earnings per share (expressed in RMB per share)			
– Basic (loss)/earnings per share	*12(a)*	**(0.24)**	0.15
– Diluted (loss)/earnings per share	*12(b)*	**(0.24)**	(0.005)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2020

	Note	**As at June 30, 2020** *RMB'000* *(Unaudited)*	As at December 31, 2019 *RMB'000* *(Audited)*
ASSETS			
Non-current assets			
Property, plant and equipment		**20,748**	21,024
Right-of-use assets		**61,103**	61,176
Intangible assets		**234,764**	138,787
Development costs		**69,638**	16,944
Deferred income tax assets		**57,063**	45,184
Contract acquisition cost		**34,742**	39,549
Investments accounted for using the equity method		**68,485**	66,441
Financial assets at fair value through profit or loss		**92,885**	40,885
Prepayments, deposits and other assets		**1,767**	1,767
Other non-current assets		**17,000**	17,000
Total non-current assets		**658,195**	448,757
Current assets			
Trade and notes receivables	*13*	**309,091**	156,386
Contract acquisition cost		**150,847**	147,578
Prepayments, deposits and other assets		**1,484,758**	1,226,502
Financial assets at fair value through profit or loss		**59,483**	61,364
Term deposits		**–**	393,000
Cash and cash equivalents		**2,148,114**	870,328
Total current assets		**4,152,293**	2,855,158
Total assets		**4,810,488**	3,303,915
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**1,517**	1,531
Treasury shares		**-**	(63,143)
Shares held for RSU scheme		**(21,835)**	(38,582)
Share premium		**4,107,927**	4,171,056
Other reserves		**(1,142,399)**	(1,127,164)
Accumulated losses		**(1,497,267)**	(953,595)
		1,447,943	1,990,103
Non-controlling interests		**1,435**	(295)
Total equity		**1,449,378**	1,989,808

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2020

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

For the six months ended June 30, 2019

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2020

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Cash flows from operating activities		
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)
Net cash used in operating activities	**(143,215)**	(413,748)
Cash flows from investing activities		
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)	**(34,000)**	(30,000)
Interest received from term deposits and loan to third parties	**5,809**	1,544
Payment to invest in associates	**(4,000)**	(35,000)
Payment for acquisition of a subsidiary, net of cash acquired	**(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	**(6,000)**	–
Repayment from third parties	**15,000**	1,000
Loan to a related party	**(4,000)**	–
Net cash generated from/(used in) investing activities	**284,614**	(257,586)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	**–**	727,474
Proceeds from issuance of convertible bonds	**1,064,040**	–
Issuance costs of convertible bonds	**(20,674)**	–
Proceeds from bank borrowings	**365,000**	230,000
Repayments of bank borrowings	**(275,053)**	(80,000)
Borrowing from a third party	**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	**(3,080)**	–
Net cash generated from financing activities	**1,123,713**	866,604
Net increase in cash and cash equivalents	**1,265,112**	195,270
Effect on exchange rate difference	**12,674**	115
Cash and cash equivalents at beginning of the period	**870,328**	127,585
Cash and cash equivalents at end of the period	**2,148,114**	322,970

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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").

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 the estimation of goodwill impairment, and the adoption of new and amended standards as set out below.

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.

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.

3. 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.

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

	SaaS products[1] *RMB'000*	**Targeted marketing** *RMB'000*	**Total** *RMB'000*
(Unaudited)			
Six months ended June 30, 2020			
Segment revenue (Note 1)	**212,026**	**745,025**	**957,051**
Segment cost of sales	**(72,312)**	**(463,205)**	**(535,517)**
Gross profit	**139,714**	**281,820**	**421,534**
(Unaudited)			
Six months ended June 30, 2019			
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:

(1) A deduction of approximately RMB92,865,000 has been reflected in SaaS products revenue due to SaaS sabotage event (Note 7(ii)) for the six months ended June 30, 2020.

4. REVENUE

Revenue mainly comprises of proceeds from providing SaaS products and targeted marketing related service. An analysis of the Group's revenue by category for the six months ended June 30, 2019 and 2020 was as follows:

4.1 Disaggregation of revenue from contracts with customers

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
SaaS products		
Revenue before deducting compensation for SaaS sabotage event (Note 7(ii))	**304,891**	219,068
Less: compensation deducted from revenue due to SaaS sabotage event (Note 7(ii))	**(92,865)**	–
	212,026	219,068
Targeted marketing		
– Gross method	**494,825**	279,040
– Net method	**250,200**	158,587
	745,025	437,627
	957,051	656,695

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Timing of revenue recognition		
At a point in time	**777,533**	448,389
Over time	**272,383**	208,306
Total revenue before deducting compensation for SaaS sabotage event	**1,049,916**	656,695

4.2 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	As at December 31, 2019
	RMB'000	*RMB'000*
	(Unaudited)	*(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	2019
	RMB'000	*RMB'000*
	(Unaudited)	*(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

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

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

(iii) Unsatisfied performance obligations

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

	As at June 30, 2020	As at December 31, 2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
SaaS products related	**400,371**	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.

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

5. 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
	1,030,039	676,765

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
	2,743	3,102

6. 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
	52,999	19,515

Notes:

(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.

7. OTHER (LOSSES)/GAINS, NET

	Six months ended June 30,	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Donation[(i)]	**(10,000)**	–
Fair value change of listed equity security investment	**(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	**2,000**	–
Fair value change of short-term investment measured at FVPL	**–**	1,438
Others, net	**30**	(37)
	(9,551)	808

Notes:

(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.

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 products revenue deduction** ***RMB'000*** ***(Unaudited)***	**Selling and distribution expenses** ***RMB'000*** ***(Unaudited)***	**Other (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)**

8. FINANCE COSTS

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

9. FINANCE INCOME

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

10. TAXATION

(a) Value-added tax

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

(b) Income tax

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.

(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	**(11,879)**	2,606
Income tax (credit)/expenses	**(11,811)**	3,607

11. DIVIDENDS

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

12. (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

(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.

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

13. TRADE AND NOTES RECEIVABLES

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

(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.

14. TRADE AND OTHER PAYABLES

	As at June 30, 2020	As at December 31, 2019
	RMB'000	*RMB'000*
	(Unaudited)	*(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 (Note 7(ii))	**74,536**	–
Other taxes payable	**54,362**	19,745
Payable related to investments	**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 13)	**2,373**	–
Payable related to purchase non-controlling interests (current portion)(ii)	**1,741**	3,621
Other payable and accruals	**25,510**	14,829
	910,833	562,674

Notes:

(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.

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 The Stock Exchange of Hong Kong Limited (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. 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.

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.

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.

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.

INTERIM DIVIDEND

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

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 contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") (the "**Corporate Governance Code**").

During the six months ended June 30, 2020 (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 for Securities Transactions by Directors of Listed Issuers (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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

AUDIT COMMITTEE

The Board has established the Audit Committee (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 our Company's financial reporting process, risk management and internal controls.

The Audit Committee has reviewed the accounting policies adopted by the Company 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 condensed consolidated financial statements for the period under review.

PUBLICATION OF INTERIM RESULTS AND 2020 INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.weimob.com). The interim report of the Company for the six months ended June 30, 2020 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the above websites in due course.

By Order of the Board
Weimob Inc.
SUN Taoyong
Chairman of the Board and Chief Executive Officer

Shanghai, the PRC
August 17, 2020

As at the date of this announcement, the Board comprises Mr. SUN Taoyong, Mr. FANG Tongshu, Mr. YOU Fengchun and Mr. HUANG Junwei as executive Directors; and Mr. SUN Mingchun, Mr. LI Xufu and Mr. TANG Wei as independent non-executive Directors.

* *For identification purpose only*