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WEIMOB INC.
微盟集團 *

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 2013)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board of directors (the “**Directors**”) (the “**Board**”) of Weimob Inc. (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2020 together with the comparative figures for the year ended 31 December 2019. The Group’s results have been audited by PricewaterhouseCoopers, the independent auditor of the Company, in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA, and have been reviewed by the Audit Committee (as defined below).

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

FINANCIAL PERFORMANCE HIGHLIGHTS

	Year ended 31 December 2020	Year ended 31 December 2019	Year-on-year change
	(RMB in millions, except percentages)		
Revenue	1,968.8	1,436.8	37.0%
Revenue excluding SaaS sabotage event	2,064.4	1,436.8	43.7%
Gross profit	1,002.6	797.1	25.8%
Gross profit excluding SaaS sabotage event	1,098.2	797.1	37.8%
Operating profit	9.0	37.8	(76.2%)
Operating profit excluding SaaS sabotage event	103.3	37.8	173.3%
(Loss)/profit before income tax	(1,144.1)	328.4	N/A
(Loss)/profit for the year	(1,166.4)	311.3	N/A
Total comprehensive (loss)/income for the year	(1,166.4)	311.3	N/A
Non-HKFRS Measures:			
Adjusted EBITDA	299.2	167.8	78.3%
Adjusted net profit	107.5	77.3	39.1%

* For identification purpose only

2020 RESULTS HIGHLIGHTS

In 2020, amid the global economic shock of the COVID-19 epidemic, we implemented the Group's strategy of moving up-market, ecologization and globalization. By comprehensively upgrading the Group's business, we empowered our merchants through Digital Commerce and Digital Media, which fully supported them in achieving digital transformation through digital system, digital marketing and digital operation, and these two businesses have achieved rapid growth. Meanwhile, we invested in and expanded our business footprint in such fields as smart retail, smart catering, live-streaming and short video to realize the full-chain, omni-channel and all-traffic-domain ecological arrangements in intelligent business, which will be of great benefit to the long-term development and sustainable growth of the Group.

In 2020, our adjusted total revenue reached RMB2,064 million, an increase of 43.7% from RMB1,437 million in 2019. Our adjusted gross profit increased by 37.8% from RMB797 million in 2019 to RMB1,098 million in 2020. Our net loss was RMB1,166 million, including the loss of RMB1,086 million due to change in fair value of convertible bonds under HKFRS and the expenses of RMB94 million under the compensation plan due to the SaaS sabotage event. Our adjusted EBITDA increased by 78.3% from RMB168 million in 2019 to RMB299 million in 2020, and adjusted net profit increased by 39.1% from RMB77 million in 2019 to RMB108 million in 2020. As of 31 December 2020, our cash and cash equivalents reached RMB1,824 million, with abundant cash reserves and a healthy financial structure.

For the year ended 31 December 2020, our revenue from Digital Commerce totaled RMB1,246 million, representing a year-on-year increase of 44.0%, with the revenue of RMB718 million from Subscription Solutions, representing a year-on-year increase of 41.6%; the number of paying merchants increased by 23.2% to 98,002; ARPU increased by 15.0% to RMB7,326. The revenue from Merchant Solutions was RMB528 million, representing a year-on-year increase of 47.4%, with the gross billing of RMB9,764 million from targeted placement, representing a year-on-year increase of 111.9%; the number of paying merchants increased by 40.8% to 45,698; ARPU increased by 4.7% to RMB11,560. Our revenue from Digital Media was RMB818 million, representing a year-on-year increase of 43.2%. The number of advertisers using our Digital Media was 2,504, and the average spend per advertiser was RMB365,612, through Merchant Solutions included in Digital Commerce and Digital Media, we assisted 48,000 merchants in total with placement of targeted marketing, with a gross billing of RMB10.68 billion, representing a year-on-year increase of 102.2%.

The rapid and sound development of our businesses has made us continue to be recognized by the capital market. We were included in the MSCI China Small Cap Index in May 2020 and selected for the first batch of Hang Seng TECH Index Constituent Stocks in July 2020. We were also officially included in the MSCI China All Shares Index in February 2021.

Through continuous exploration and innovation in intelligent business sector, we received various awards and honors in 2020, such as "Most Valuable Investment Company of the New Economy in 2020" (「2020年新經濟最具價值投資公司」) by Cls.cn (財聯社), "Best New Economy Company" (「最佳新經濟公司」) by Zhitongcaijing.com (智通財經), "Best Partner of the Year" (「年度最佳合作夥伴」) for regional and medium to long tail channels of Tencent Ads (騰訊廣告), and "Top 50 Online New Economy in Shanghai" (「上海在線新經濟50強」) by Jiemian News (界面新聞).

Note: Please refer to "Non-HKFRS Measures: Adjusted Revenue, Adjusted EBITDA and Adjusted Net Profit/(Loss)" on p.18 of this announcement. All profit and loss figure mentioned under "2020 Results Highlights" in this announcement are excluding impact from SaaS sabotage event.

We actively fulfilled our social responsibilities. During the COVID-19 pandemic, we launched a number of anti epidemic measures by leveraging our inherent advantages as a technology company, including donating RMB10 million, helping the Shanghai Charity Foundation to develop a Mini Program for charitable donations for free, providing our Mini Programs such as Wei Form (微盟表單), Weimob Food Delivery (微盟外賣), Weimob Live (微盟直播) for enterprise merchants, extending additional service period in the smart retail segment and others. In view of our proactive measures in facilitating the prevention and control of the epidemic and in business re-opening of enterprises, in November 2020, we were acknowledged the “Shanghai Advanced Group in Fighting the COVID-19 Epidemic” (「上海市抗擊新冠肺炎疫情先進集體」) by the Shanghai Municipal People’s Government. In addition, in 2020, for the third consecutive year, we participated in the development of a charitable donation Mini Program for the public welfare poverty alleviation project initiated by Shanghai youth volunteers and contributed to poverty alleviation in digital ways.

The production environment and data of our SaaS business was deliberately sabotaged in February 2020. After working with the Tencent Cloud technical team, we recovered the data, and completed the compensation to the merchants as planned within the year. After the event, we comprehensively enhanced data security governance. In addition to improving internal security management system, we fully migrated the data to the Tencent Cloud, and built the remote three-location and multi-cloud disaster backup system. We also implemented the same-city dual-active architecture project, providing technical support for business continuity. Data is the core asset of an enterprise. In the future, we will continue to enhance data security governance to provide customers with more secure and stable system services.

We firmly believe that enterprises will accelerate the process of digitalization and cloudification. We will adhere to a decentralized business model. By providing a complete set of new digital business operating system, we will help customers improve their digital infrastructure to achieve performance enhancement and business growth, thus ensuring our continuous leadership in the enterprise service sector.

BUSINESS REVIEW

In 2020, the outbreak of the COVID-19 epidemic caused a surge in customers’ demands for digital operations. More and more enterprise customers have established direct connections with users through decentralized platforms such as WeChat, which has contributed to the rapid revenue growth of our Digital Commerce and Digital Media to a certain extent.

In terms of Digital Commerce, we comprehensively support enterprises in digital transformation through digital systems, digital marketing and digital operation. We provide SaaS and other software in our Subscription Solutions for e-commerce, retail, catering, hotel, local life and other industries, enabling merchants to carry out private traffic management. We help merchants obtain public domain traffic and support them to achieve digital upgrade with full-chain services and operations through our Merchant Solutions. Subscription Solutions continued to lead the market, with product functions and marketing scenarios being enriched continuously and breakthroughs achieved in WeiMall, Smart Retail, Smart Catering and other businesses. Merchant Solutions connect merchants to major top traffic platforms, and the scale and monetization capabilities has been expanded further.

In the social e-commerce segment, we met the increasing demand of merchants for private domain e-commerce through traffic acquisition and customer management. In terms of traffic acquisition, we continued to strengthen our product deployment within the WeChat ecosystem took the lead in connecting to WeChat Mini Programs for the functions of sharing on Moments and live streaming through Wechat video account, and launch the functions including providing short links that connect to the Mini Programs, thus supporting merchants in comprehensive multi-channel traffic acquisition and private domain management in the Wechat ecosystem. We also actively expanded WeChat external traffic channels, with the Wei Mall solutions connected to QQ browser, QQ mini programs, Douyin Store (抖音小店) and other platforms, so as to assist merchants in the upgrade of omni-channel and all-traffic-domain operation. Moreover, we have launched the “Weimob Live Streaming”, a Mini Program-based live-streaming platform, to explore the interaction between public and private domains, cross-industry cooperation, and other live streaming methods.

In terms of customer management, we upgraded our products in various aspects, including optimizing the visual interaction of decoration and system pages; increasing the promotion and marketing functionalities to improve the conversion rate and the average price per customer transaction; improving the breadth and depth of data analysis, and guiding the operation of merchants. We also launched the “Individual Live-streaming Store” (「個人直播小店」) solutions connected to the Weimob distribution market, so as to provide merchants with high-quality sources of goods, and lower the threshold for an individual to open a store for live streaming; we have created the “Super Alliance” (「超級聯盟」), a platform for cross-industry private domain cooperation, to jointly construct a super private traffic ecosystem by integrating the high-quality brand resources of Weimob, and using marketing, promotion, cross-industry cooperation and other methods. Under the trend of decentralization of e-commerce and digitalization of merchants business, we helped merchants build the infrastructure for the DTC model (“**Direct To Customer**” model for brand merchants) to achieve the decentralization of e-commerce transactions. The revenue in the segment is expected to grow continuously.

In the smart retail sector, despite the adverse impact of COVID-19 epidemic on offline retail operations, our Smart Retail products have played an important role in helping retail enterprises to move operation on our cloud platform and in full-chain digital upgrades. Regarding apparel, sports, home textiles, beauty makeup and skin care, 3C (computer, communication and consumer electronics) and other industries, based on the business models, membership characteristics and marketing focus in different segments, we have launched a digital program that conforms to the corresponding business characteristics in terms of traffic subsidy, mall decoration, product layout, personnel incentives, and shop guide training, and has acquired benchmark customers in each segment.

In 2020, the number of new merchants in the smart retail business increased significantly compared with 2019, the proportion of brand merchants continued to increase, and the average price per customer transaction continued to rise. As of 31 December 2020, the number of merchants in the smart retail segment reached 3,682, and the revenue generated from the smart retail segment was RMB145.2 million, representing an increase of 224.5% from RMB44.7 million in 2019, and accounting for 20.2% of Subscription Solutions revenue. There are 618 brand merchants and the average contract value of brand merchants reached RMB282,000. 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 further enhance our presence in the smart retail sector. In November 2020, we acquired Shanghai Heading Information Engineering Co., Ltd. (上海海鼎信息工程股份有限公司, “**Heading Information**”). Heading Information has

served more than 1,000 brand customers in the retail segments such as commercial real estate, chain supermarkets, and chain convenience stores. This transaction has helped us quickly enter into the retail areas of commercial real estate, chain supermarkets and chain convenience stores, and will significantly expand our overall layout in the smart retail sector, enhance our ability to serve medium and large chain retail customers, and strengthen the competitive advantage of our smart retail solutions and consolidating our leading position in the smart retail sector. At present, Heading Information's Qianfan (千帆) SaaS system has been connected to our Wei Mall, and business integration will be accelerated in the future. We expect that the digital upgrade demands of retail enterprises will continue to grow, and under the guidance of our strategy of moving up-market, our smart retail business will unleash the potential for further growth.

In the smart catering segment, we devised our strategic layout based on two engines of internal growth and external mergers and acquisitions. In terms of product upgrades, Smart Catering has been connected to WeChat Mini Program Live-streaming, WeCom and other functions. In addition, Weimob Smart Catering has connected with Alipay Mini Program. The full-scene technology empower the digital upgrade of catering brands. In 2020, we completed the acquisition of Yazuo (雅座), a comprehensive solution provider in the catering sector, and invested in SYOO (商有), a full-scene digital catering operation service provider. In May 2020, we established a smart catering company. At present, we have completed the integration with Yazuo in products, teams, and organization management. Our three-store integrated solution of "Dining + Takeaway + Mall", which we mainly promote, has been successfully implemented in chain catering brands. As of 31 December 2020, the number of merchants in the catering segment reached 6,996. The revenue generated from the smart catering segment was RMB44.8 million, representing an increase of 13.0% from RMB39.7 million in 2019, and accounting for 6.2% of Subscription Solutions revenue. Despite of the effect of the COVID 19 pandemic the reveune grew steadily. The average contract value per merchant in the catering segment was RMB19 thousand, representing an increase of 46.2%, compared with RMB13 thousand in 2019, showing the initial results of exploring the key account market. We believe that, in term of helping catering merchants achieve decentralized private domain growth, our smart catering product is the forerunner in the industry, and the digital upgrade trend of the catering industry will drive the continued growth of our smart catering business.

In terms of smart hotel and tourism segments, we provided hotel merchants with "Mini Program + Official WeChat Account" integrated smart hotel solutions, to assist hotels with targeted direct sales and increased management efficiency. We provided tourism clients with smart travel solutions, realizing online booking, SCRM customer management and other functions. Xiangminiao Technology (向蜜鳥科技), which we invested in, is a leading digital marketing and technology service provider in China, with a focus on hotel and tourism fields. It helps enterprises construct their private domain ecosystems. Up to now, its business covers hundreds of high-end hotels in South China, East China, and Southwest China. In 2020, Xiangminiao Technology supported merchants in achieving the growth against the trend in spite of the impact of the epidemic. The average annual GMV per hotel exceeded RMB5 million for approximately one hundred full fledged hotels. With the digital solutions of Xiangminiao Technology, the transaction amount of cooperated hotels in WeChat channel accounted for 15% of the total transaction volume, and the percentage of certain hotels reached 30%. Based on DTC via WeChat private domain, Xiangminiao Technology achieved the data integration between Wei Mall and Xiaohongshu channels, and the system cooperation with TikTok, Kuaishou and other platforms were also accelerated, which will continue to promote the direct connection, and efficient conversion, from public domain to private domain, through management of diversified channels.

Our Merchant Solutions mainly provide merchants with a series of value-added services including targeted marketing and merchandise distribution. In 2020, through the Merchant Solutions in our Digital Commerce, the gross billing generated from our targeted placement services offered to merchants to acquire traffic was RMB9.7 billion, representing an increase of 111.9% over 2019. Our Merchant Solutions serve the existing and potential merchants of our Subscription Solutions, and provide merchants with integrated service solutions that combining traffic, tool and operation, as well as a one-stop closed-loop operation covering user identification, demand matching, creativity and photography, targeted placement, data analysis and post-SaaS link conversion. In 2020, we provided services for 45,698 paying merchants, and the average revenue per user increased by 4.7% to RMB11,560. The growth was due to our continued investment in channel expansion, industry penetration, and traffic diversification. In terms of channel expansion, we have further improved the regional layout. At present, we have established branches in many cities across the country. Meanwhile, we continued to penetrate in and form complete solutions for more than 20 industries such as wedding photography, education, home furnishing, FMCG, finance, tourism, online services, games, and e-commerce. In terms of traffic diversification, through in-depth cooperation with Tencent, Toutiao, Baidu and other traffic platforms, our services can meet the diversified traffic promotion needs of merchants. We also continued to strengthen ecological synergy with Subscription Solutions, explored the integrated solution of “Advertising + Mini Program”, and merchants helped to win both brand recognition and customer conversion on performance through full-chain marketing upgrades.

In terms of Digital Media, capitalizing on our advantages of media resources and past placement experience, we provide merchants with advertising services with commitment, by purchasing media platform traffic. At present, our traffic channels cover WeChat Moments, WeChat official account, QQ and Qzone, Tencent News, Tencent Video, Zhihu (知乎), Baidu, TouTiao.com (今日頭條) and other various media resources. Our experienced advertising service team and our mobile marketing experience in various industries support our merchants in achieving their marketing goals efficiently. In 2020, our revenue was RMB818 million, representing an increase of 43.2% compared with 2019, and our gross billing was RMB0.9 billion. We served a total of 2,504 advertisers, with the average spend per advertiser reaching RMB365,612.

In terms of Weimob Cloud Platform, we upgraded the developer platform and provided developers with a series of infrastructures and tools including container, database storage, cache storage, message queue, micro-service governance, and web-IDE, so as to further empower ecological developers, improve the work efficiency of developers and ensure the stability of third-party applications. Meanwhile, we make the internal middle platform with cloud capacity available to ecosystem developers, in fields including but not limited to inventory, transaction, order, member, marketing, advertising, logistics, payment, data BI and decoration, which is expected to contribute to reducing the development workload of developers by over 80%. Heading (海鼎), Demo (達摩), Shuyun (數雲), BAISON (百勝) and other manufacturers have carried out deep integration with Weimob through the cloud platform.

Meanwhile, Weimob Cloud Platform provides merchants with customization and integration services based on standard SaaS products of Weimob. With such services, eco-developers can conveniently carry out expansion based on standard SaaS products of Weimob through Weimob Cloud Platform, and provide customization development, system integration and other services for merchants. At present, we have provided over 100 large merchants such services.

At present, in the service market of Weimob Cloud Platform, there are over 560 active enterprise developers, who have submitted a total of over 1,000 applications. Weimob Cloud Platform is a digital practice platform for our merchants, as well as a value integration platform for our partners. We hope that through the platform our merchants can explore more digital business practices suitable for themselves, and that our partners can obtain more value. In the future, we will continuously strengthen the system capability and service capability of our cloud platform, so as to contribute to the prosperity of the Weimob Cloud ecosystem.

In 2020, we formulated the Group's core strategies of "moving up-market" (「大客化」), "ecosystem build-up" (「生態化」) and "globalization" (「國際化」), and appointed Mr. Yin Shimin (尹世明) as the Chief Operating Officer, who is responsible for overall planning and implementation of these strategies, upgrading and transforming our key account operation system, establishing Weimob's open platform ecosystem, traffic ecosystem, and application ecosystem, and helping us accelerate international deployment leveraged by his rich experience in multinational enterprise operations. At present, our three major strategies have made significant progress.

In terms of moving up-market, driven by Smart Retail, Smart Catering and other businesses, our average price per customer transaction and brand penetration have increased significantly. In 2020, our Smart Retail service served 618 chain brand customers. According to the "2019-2020 China Top 100 Fashion Retail Enterprises List" (「2019-2020年中國時尚零售企業百強榜」) issued by the China Chain Store & Franchise Association, 34% of enterprises chose us. Through acquisition of Heading Information, we smoothly entered the areas of supermarket chains, convenience stores, and commercial real estate, further strengthening our foundation of key account business.

Our strategy of ecosystem build-up is centered around traffic ecosystem, developer ecosystem, and investment ecosystem. In terms of traffic ecosystem, we further deepened the traffic layout within the WeChat ecosystem, accessing to video accounts, and we also accessed to platforms such as QQ Mini Program and QQ Browser Mini Program to help our customers achieve omni-channel operations. Our Wei Mall and Smart Retail have officially connected with Douyin Store. In the future, Kuaishou, Xiaohongshu, Bilibili and other traffic platforms will be important directions for our traffic ecosystem deployment. In terms of developer ecosystem, we have built the SaaS ecosystem by connecting our customers, developers, and service providers via Weimob Cloud Platform and Weimob Service Market. In terms of investment ecosystem, we have now formed a diversified investment system of "Direct Investment + Mergers & Acquisitions + Industrial Funds". In 2020, we acquired Yazuo and Heading Information, and invested directly in outstanding companies in the industry chain, such as SYOO and Clipworks (秒影工場). The industrial fund we jointly established with Meridian Capital (華映資本) completed several investment projects in 2020, such as "Xiaomai Teaching Assistant" (「小麥助教」), "Goumee" (「構美」) and "Beijing Fenxiang" (「北京芬香」). Through investment and mergers and acquisitions, we have greatly enriched the product capabilities and expanded the ecosystem. In the future, we will continue to increase investment and mergers and acquisitions to build an intelligent business ecosystem service matrix.

In terms of globalization, our SaaS business has been deployed and has initial operations in more than ten countries and regions including Australia, Canada, and Japan. As of 31 December 2020, we have served more than 1,000 overseas customers. Our SaaS products currently support multiple currencies such as Hong Kong dollar, US dollar, Japanese Yen, and New Zealand dollar, to facilitate the settlement of transactions for overseas customers.

BUSINESS OUTLOOK

Looking forward to 2021, we will never forget why we started, and accomplish our mission with persistence. In the coming year, facing new opportunities and challenges of global economic recovery, we will focus on five major directions, including enhancing industry penetration and increasing the proportion of key accounts, upgrading full-chain operation capabilities, building an open ecosystem, expanding more cloud service categories, and accelerating globalization layout. Under the background of comprehensive digitalization and enterprise cloudification, we will continue to take the digital transformation of enterprises as our mission, and make active contributions and efforts by providing businesses with a new digital business operating system as the best partner for digital transformation, to provide customers with better services and achieve greater returns for shareholders, employees and society.

1. We will penetrate in industries and increase the proportion of key accounts. We will continue to expand our leading advantages in fashion retail and household daily necessities industries, and meanwhile expand in industries such as shopping malls and fresh convenience stores, to increase the proportion of key accounts.
2. We will upgrade full-chain operation capabilities, provide Integrated Marketing and Sales Smart Growth Solutions including traffic, tools and operation to help our customers achieve business growth.
3. We will continue to build an open ecosystem and increase investment in Weimob Cloud PaaS Platform to promote the Weimob Cloud Platform to become a value integrator of Digital Commerce. Meanwhile, we will enrich our traffic ecology and expand more traffic channels to help our customers achieve omni-channel operations. We will also continue to strengthen the investment ecology and explore more strategic cooperation and acquisition opportunities.
4. We will also add more cloud service categories. In commercial cloud field, we will focus on expanding the beauty industry, education and other industries; in the marketing cloud field, we will provide customers with more digital marketing tools; in terms of sales cloud, we will accelerate the market expansion of products, such as Xiaoke (銷氪).
5. We will also accelerate our globalization, including expanding overseas social platforms, accelerating the deployment of overseas service networks, and exploring international strategic mergers and acquisitions, so as to promote our international business.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Year Ended 31 December 2020 Compared to Year Ended 31 December 2019

	Year ended 31 December	
	2020 (RMB '000)	2019
Revenue	1,968,814	1,436,787
Cost of sales	(966,195)	(639,657)
Gross profit	1,002,619	797,130
Selling and distribution expenses	(919,372)	(716,907)
General and administrative expenses	(260,723)	(129,936)
Net impairment losses on financial assets	(8,597)	(6,630)
Other income	118,200	67,434
Other gains, net	76,870	26,676
Operating gain	8,997	37,767
Finance costs	(55,722)	(13,151)
Finance income	12,376	1,569
Share of net (loss)/profit of associates accounted for using the equity method	(23,408)	3,941
Change in fair value of convertible bonds	(1,086,310)	–
Change in fair value of redeemable and convertible preferred shares	–	298,280
(Loss)/profit before income tax	(1,144,067)	328,406
Income tax expenses	(22,312)	(17,098)
(Loss)/profit and total comprehensive (loss)/income	(1,166,379)	311,308
(Loss)/profit and total comprehensive (loss)/income attributable to:		
– Equity holders of the Company	(1,156,622)	311,978
– Non-controlling interests	(9,757)	(670)

Key Operating Data

The following table sets forth our key operating data for the years ended/as of 31 December 2020 and 2019.

	Year ended/as of 31 December	
	2020	2019
Digital Commerce		
<i>Subscription Solutions</i>		
Addition in number of paying merchants	37,506	29,223
Number of paying merchants	98,002	79,546
Attrition rate ⁽¹⁾	26.1%	22.2%
Revenue ⁽²⁾ (RMB in millions) excluding SaaS sabotage event	717.9	507.0
ARPU ⁽³⁾ (RMB)	7,326	6,373
<i>Merchant Solutions</i>		
Number of paying merchants	45,698	32,458
Revenue (RMB in millions)	528.3	358.4
ARPU (RMB)	11,560	11,043
Gross billing (RMB in millions)	9,764.3	4,608.5
Digital Media		
Number of advertisers	2,504	1,684
Gross billing (RMB in millions)	915.5	672.6
Average spend per advertiser (RMB)	365,612	399,399
Revenue (RMB in millions)	818.2	571.4
ARPU (RMB)	326,741	339,300

Notes:

- (1) Refers to the number of paying merchants not retained over a year divided by the number of paying merchants as of the end of the previous year.
- (2) Refer to revenue for Subscription Solutions excluding SaaS sabotage event under non-HKFRS measures.
- (3) Refers to the average revenue per paying merchant, which equals revenue of Subscription Solutions excluding SaaS sabotage event for the year divided by the number of paying merchants as of the end of such year.

Key Financial Ratios

	Year ended 31 December		2019
	2020	%	%
	<i>Per financial statements</i>	<i>Excluding sabotage event</i>	
Total revenue growth	37.0	43.7	66.1
– Digital Commerce	33.0	44.0	57.8
– Digital Media	43.2	43.2	80.5
Gross margin ⁽¹⁾	50.9	53.2	55.5
– Digital Commerce	83.9	85.2	88.4
– Digital Media	4.5	4.5	5.6
Adjusted EBITDA margin ⁽²⁾	14.5	14.5	11.7
Net margin ⁽³⁾	(59.2)	(59.2)	21.7
Adjusted net margin ⁽⁴⁾	5.2	5.2	5.4

Notes:

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

Revenue

Our total revenue increased by 37.0% from RMB1,436.8 million in 2019 to RMB1,968.8 million in 2020, primarily due to the increases in our revenues generated from both our Digital Commerce and Digital Media which were offset by deduction from compensation due to SaaS sabotage event. Excluding SaaS sabotage event, our total revenue increased by 43.7%. The following table sets forth a breakdown of our revenue by business segment for the years indicated.

Revenue	Year ended 31 December				
	2020 (RMB in millions, except percentages)			2019	
	<i>Revenue per financial statement</i>	<i>SaaS sabotage event</i>	%	<i>Revenue</i>	%
– Subscription Solutions	622.4	717.9	34.8%	507.0	35.3%
– Merchant Solutions	528.3	528.3	25.6%	358.4	24.9%
Digital Commerce	1,150.7	1,246.2	60.4%	865.4	60.2%
Digital Media	818.2	818.2	39.6%	571.4	39.8%
Total	1,968.8	2,064.4	100%	1,436.8	100%

Digital Commerce – Subscription Solutions

Subscription Solutions mainly comprise our commerce and marketing SaaS products and ERP solutions including WeiMall (微商城), Smart Retail (智慧零售), Smart Catering (智慧餐飲), Smart Hotel (智慧酒店), Heading ERP (海鼎ERP) and others. Based on our Weimob Cloud and PaaS, we also provide key accounts customization services, and offer applications developed by third-party vendors on the Weimob Cloud Service Market.

Revenue from Subscription Solutions increased by 22.8% from RMB507.0 million in 2019 to RMB622.4 million in 2020. Excluding the impact from SaaS sabotage event, our Subscription Solutions revenue increased by 41.6% from RMB507.0 million in 2019 to RMB717.9 million in 2020, primarily due to the increased number of paying merchants for our Subscription Solutions from 79,546 in 2019 to 98,002 in 2020, and the increased ARPU of our Subscription Solutions from RMB6,373 in 2019 to RMB7,326 in 2020.

The following table sets forth a breakdown of the gross billing and revenue by business segment for the years indicated.

Digital Commerce – Merchant Solutions

Merchant Solutions	Year ended 31 December		
	Year-on-year		
	2020	2019	change
<i>(RMB in millions, except percentages)</i>			
Gross billing	9,764.3	4,608.5	111.9%
Revenue	528.3	358.4	47.4%

Merchant Solutions mainly comprise value-added services offered to merchants as part of the integral solutions to meet merchants' online Digital Commerce and marketing needs, including mainly targeted marketing services that enable merchants to acquire online customer traffic in various top online advertising platforms.

Gross billing from our Merchant Solutions increased significantly from RMB4,608.5 million in 2019 to RMB9,764.3 million in 2020, primarily due to the increase in the number of paying merchants from 32,458 in 2019 to 45,698 in 2020, as well as an increase in average spend per paying merchant from RMB141,983 in 2019 to RMB213,672 in 2020.

Revenue from Merchant Solutions represents net rebate earned from advertising platforms by providing services to enable merchants to acquire online customer traffic, and it increased by 47.4% from RMB358.4 million in 2019 to RMB528.3 million in 2020, in line with the increase in gross billing.

Digital Media

Digital Media	Year ended 31 December		
	Year-on-year		
	2020	2019	change
<i>(RMB in millions, except percentages)</i>			
Gross billing	915.5	672.6	36.1%
Revenue	818.2	571.4	43.2%

Digital Media mainly comprise our advertisement placement services offered to certain merchants in which specified results or actions are committed.

Gross billing from our Digital Media increased from RMB672.6 million in 2019 to RMB915.5 million in 2020, primarily due to the increase in the number of advertisers from 1,684 in 2019 to 2,504 in 2020, while we had a decrease in average spend per advertiser from RMB399,399 in 2019 to RMB365,612 in 2020.

Revenue from Digital Media represents revenue from advertisers for targeted marketing services recognized using gross billing net off taxes and discounts and it increased by 43.2% from RMB571.4 million in 2019 to RMB818.2 million in 2020, also in line with the increase in gross billing.

Cost of Sales

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

	Year ended 31 December	
	2020	2019
<i>(RMB in millions, except percentages)</i>		
Cost of sales		
Advertising traffic cost for		
Digital Media	750.5	77.7%
Staff costs	38.5	4.0%
Broadband and hardware costs	50.5	5.2%
Contract operation services costs	36.4	3.8%
Amortization of intangible assets	83.4	8.6%
Taxes and surcharges	6.0	0.6%
Depreciation	0.9	0.1%
Total	966.2	100.0%
	639.7	100.0%

Our cost of sales increased by 51.0% from RMB639.7 million in 2019 to RMB966.2 million in 2020, primarily because (i) our advertising traffic cost for Digital Media increased by 43.2% from RMB524.2 million in 2019 to RMB750.5 million in 2020, in line with the growth of our Digital Media business, (ii) our broadband and hardware costs increased from RMB31.7 million in 2019 to RMB50.5 million in 2020, primarily as a result of increased use of hardware and broadband services due to the business expansion of our SaaS products clients, (iii) our amortization of intangible assets increased from RMB41.2 million in 2019 to RMB83.4 million in 2020, which represents the amortization of our intangible assets relating to self-developed software, and (iv) our staff costs increased from RMB21.8 million in 2019 to RMB38.5 million in 2020, mainly due to the increase in our operation staff for Digital Media business.

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

	Year ended 31 December	
	2020	2019
<i>(RMB in millions, except percentages)</i>		
Cost of sales		
– Subscription Solutions	183.1	18.9%
– Merchant Solutions	1.6	0.2%
Digital Commerce	184.7	19.1%
Digital Media	781.5	80.9%
Total	966.2	100%
	639.7	100%

Digital Commerce – Subscription Solutions

Cost of sales of our Subscription Solutions increased by 85.2% from RMB98.9 million in 2019 to RMB183.1 million in 2020, primarily due to (i) an increase of RMB18.8 million in broadband and hardware cost primarily as a result of increased use of hardware and broadband services due to business expansion, as well as database security upgrade, (ii) an increase of RMB42.2 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; (iii) an increase of RMB16.7 million in our staff cost relating to business operation, and (iv) an increase of RMB23.1 million in our contract operation services cost, all in line with our business growth.

Digital Commerce – Merchant Solutions

The revenue of our Merchant Solutions was recognized using net rebate and therefore the related cost was immaterial.

Digital Media

Cost of sales of our Digital Media which mainly represent cost of traffic purchased increased by 45.0% from RMB539.1 million in 2019 to RMB781.5 million in 2020 which was in line with the growth of Digital Media revenue.

Gross Profit and Gross Margin

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

	Year ended 31 December						2019 Gross margin %	
	2020		2019		Gross profit (RMB in millions, except percentages)	Gross margin %		
	Gross profit per financial statements	Gross profit excluding SaaS sabotage event %	Gross margin excluding SaaS sabotage event %	Gross profit %				
- Subscription Solutions	439.2	534.8	-	74.5%	408.1	-	80.5%	
- Merchant Solutions	526.7	526.7	-	99.7%	356.8	-	99.5%	
Digital Commerce	965.9	1,061.5	96.7	85.2%	764.9	96.0	88.4%	
Digital Media	36.7	36.7	3.3	4.5%	32.3	4.0	5.6%	
Total	1,002.6	1,098.2	100.0	53.2%	797.2	100.0	55.5%	

Our overall gross profit increased by 25.8% from RMB797.2 million in 2019 to RMB1,002.6 million in 2020. Excluding the impact from SaaS sabotage event, our overall gross profit increased by 37.8% to RMB1,098.2 million in 2020.

Our overall gross margin decreased from 55.5% in 2019 to 50.9% in 2020. Excluding the impact from SaaS sabotage event, our overall gross margin was 53.2% in 2020.

The gross margin of our Subscription Solutions decreased from 80.5% in 2019 to 70.6% in 2020 due to (i) compensation for SaaS sabotage event, excluding the impact from which, gross margin of SaaS products was 74.5% in 2020, and (ii) strengthened investment on research and development activities and therefore increased amortization from capitalized intangible assets.

The gross margin of our Merchant Solutions was near 100%, as net rebate was recognized as revenue and the related cost was minimal.

The gross margin of our Digital Media decreased from 5.6% in 2019 to 4.5% in 2020 primarily due to increased cost of operation staff.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 28.2% from RMB716.9 million in 2019 to RMB919.4 million in 2020, primarily due to the increases in (i) staff costs for our sales and marketing personnel from RMB399.7 million in 2019 to RMB524.0 million in 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) marketing and promotion costs from RMB49.2 million in 2019 to RMB83.7 million in 2020, and (iii) contract acquisition costs from RMB197.8 million in 2019 to RMB238.1 million in 2020, all in line with business expansion.

General and Administrative Expenses

Our general and administrative expenses increased by 100.8% from RMB129.9 million in 2019 to RMB260.7 million in 2020, primarily due to the increase in staff cost from RMB65.1 million in 2019 to RMB201.2 million in 2020, which was in turn caused by the increase in number of R&D staff.

Research and Development Expenditure

	Year ended 31 December	
	2020	2019
	<i>(RMB in millions, except percentages)</i>	
Research and development expenditure		
Research and development expenditure capitalized in development cost & intangible assets	161.3	124.2
Research and development expenditure in general & administrative expenses	89.7	20.0
Total research and development expenditure	251.0	144.2

Research and development expenditure increased from RMB144.2 million in 2019 to RMB251.0 million in 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 RMB8.6 million in 2020, primarily as a result of the general provision for credit loss from our trade receivables, notes receivables, other receivables and financial assets measured at fair value through other comprehensive income.

Other Income

Our other income increased significantly from RMB67.4 million in 2019 to RMB118.2 million in 2020, primarily due to an increase of RMB5.9 million in government grants provided to us in the form of VAT refunds and an increase of RMB43.9 million in input VAT super deduction.

Other Gains, net

Our other net gains increased from RMB26.7 million in 2019 to RMB76.9 million in 2020, mainly due to an increase of RMB77.8 million in fair value change of our investments netting off donation made to the Shanghai Charity Foundation to support the COVID-19 relief of RMB10.0 million and unfavorable foreign exchange variance of RMB15.3 million.

Operating Profit

As a result of the foregoing, we had an operating profit of RMB9.0 million in 2020 while we had an operating profit of RMB37.8 million in 2019.

Finance Costs

Our finance costs increased significantly from RMB13.2 million in 2019 to RMB55.7 million in 2020, primarily due to (i) an increase of RMB10.4 million in our interest expenses from our bank borrowings due to our increased bank borrowings for business expansion and (ii) the interest expenses related to receivable management of RMB6.9 million and (iii) the convertible bonds issuance cost of RMB23.8 million.

Finance Income

Our finance income increased significantly from RMB1.6 million in 2019 to RMB12.4 million in 2020, primarily due to an increased interest income on our bank deposits as a result of an increase in the average balance of our bank deposits in 2020.

Share of Net (Loss)/Profit of Associates Accounted for Using the Equity Method

We recorded share of net loss of associates accounted for using the equity method of RMB23.4 million in 2020, which represented our share of loss from two contractual funds and an associated company.

Change in Fair Value of Convertible Bonds

We recorded a loss of RMB1,086.3 million in change in fair value of convertible bonds due to the change in fair value and an income of RMB77.1 million due to change in foreign exchange rate, which basically reflected the appreciation in value of the convertible bonds.

Change in Fair Value of Redeemable and Convertible Preferred Shares

All redeemable and convertible preferred shares have been converted into ordinary shares upon our listing in 2019. We had no redeemable and convertible preferred shares outstanding as of 31 December 2020.

Income Tax Expense

We recorded income tax expense of RMB17.1 million in 2019 while we recorded income tax expense of RMB22.3 million in 2020, primarily due to the increased fair value gain of financial assets at fair value through profit or loss, resulting in the increase in deferred income tax expense netting off the increase in the recognition of tax losses resulting from the increased loss in our subsidiaries in PRC.

(Loss)/Profit for the Year

As a result of the foregoing, we recorded a loss of RMB1,166.4 million in 2020 while we recorded a profit of RMB311.3 million in 2019.

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

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

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

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

	Year ended 31 December	
	2020	2019
	<i>(RMB in millions)</i>	
Adjusted revenue		
Reconciliation of Subscription Solutions revenue per financial statements to adjusted SaaS revenue:		
Subscription Solutions revenue per financial statements	622.4	507.0
Add:		
Compensation for SaaS sabotage event	95.5	—
Adjusted SaaS revenue	717.9	507.0
Adjusted EBITDA		
Reconciliation of operating profit to EBITDA and adjusted EBITDA:		
Operating profit for the year:	9.0	37.8
Add:		
Depreciation	41.2	28.9
Amortization	83.8	53.9
EBITDA	133.9	120.6
Add:		
Share-based compensation	45.6	5.6
Listing and other one-off expenses	25.3	41.6
Compensation due to SaaS sabotage event	94.3	—
Adjusted EBITDA	299.2	167.8
Adjusted net profit		
Reconciliation of net (loss)/profit to adjusted net profit:		
Net (loss)/profit for the year	(1,166.4)	311.3
Add:		
Share-based compensation	45.6	5.6
Listing and other one-off expenses ⁽¹⁾	25.3	41.6
Compensation due to SaaS sabotage event	94.3	—
Change in fair value of redeemable and convertible preferred shares	—	(298.3)
Change in fair value of convertible bonds	1,086.3	—
Tax effects	22.3	17.1
Adjusted net profit	107.5	77.3

Note:

(1) Refer to one-off expenses related to issuance of convertible bonds and SaaS sabotage event in 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 31 December 2020, we had cash and cash equivalents of RMB1,824.0 million.

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

	As of 31 December 2020	As of 31 December 2019
	<i>RMB'000</i>	
Net debt/(cash)	737,345	(895,009)
Total equity	1,252,490	1,989,808
Total capital	1,989,835	N/A
Net debt to equity ratio	37%	N/A

As of 31 December 2020, we had bank loan of approximately RMB465.1 million. The table below sets forth our mainly long-term and short-term bank loans:

Bank	Loan Balance (RMB)	Loan Period	Interest Rate (per annum unless otherwise stated)
Long-term bank loan			
SPD Silican Valley Bank	40,000,000.00	2 years	5.00%
Short-term bank loans			
Bank of Shanghai (Puxi Branch)	150,000,000.00	1 year	4.79%
China CITIC Bank	50,000,000.00	1 year	4.62%
Shanghai Rural Commercial Bank (Songnan Branch)	90,000,000.00	1 year	4.58%
China CITIC Bank	50,000,000.00	1 year	4.62%
SPD Silican Valley Bank	80,000,000.00	1 year	5.00%
Bank of Shanghai (Baoshan Branch)	5,000,000.00	1 year	4.35%

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 years indicated:

	Year ended 31 December	
	2020	2019
	<i>(RMB in millions)</i>	
Fixed assets	15.0	11.5
Intangible assets	161.5	124.6
Total	176.5	136.1

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

There were no significant investments held, nor were there material acquisitions or disposals of subsidiaries, associates or joint ventures by the Group during the year ended 31 December 2020. Apart from those disclosed in this announcement, there were no material investments or additions of capital assets authorised by the Board as at the date of this announcement.

Pledge of Assets

As of 31 December 2020, we did not pledge any of our assets.

Foreign Exchange Risk Management

We mainly carry out our operations in the PRC with most transactions settled in Renminbi, and we are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar and the Hong Kong dollar. Therefore, foreign exchange risk primarily arose from our recognized assets and liabilities when receiving or to receive foreign currencies from, or paying or to pay foreign currencies to, overseas business partners. In 2020, we did not adopt any long-term contracts, currency borrowings or other means to hedge our foreign currency exposure.

Contingent Liabilities

As of 31 December 2020, we did not have any material contingent liabilities.

Employees

As of 31 December 2020, we had 5,796 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 centre, 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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

		Year ended December 31	
		2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue	<i>Note</i>	1,968,814	1,436,787
Cost of sales	5	(966,195)	(639,657)
Gross profit		1,002,619	797,130
Selling and distribution expenses	5	(919,372)	(716,907)
General and administrative expenses	5	(260,723)	(129,936)
Net impairment losses on financial assets		(8,597)	(6,630)
Other income	6	118,200	67,434
Other gains, net	7	76,870	26,676
Operating gain		8,997	37,767
Finance costs	8	(55,722)	(13,151)
Finance income	9	12,376	1,569
Share of net (loss)/profit of associates accounted for using the equity method		(23,408)	3,941
Change in fair value of convertible bonds		(1,086,310)	–
Change in fair value of redeemable and convertible preferred shares		–	298,280
(Loss)/profit before income tax		(1,144,067)	328,406
Income tax expenses	10	(22,312)	(17,098)
(Loss)/profit and total comprehensive (loss)/income		(1,166,379)	311,308
(Loss)/profit and total comprehensive (loss)/income attributable to:			
– Equity holders of the Company		(1,156,622)	311,978
– Non-controlling interests		(9,757)	(670)
		(1,166,379)	311,308
(Loss)/earnings per share (expressed in RMB per share)			
– Basic (loss)/earnings per share	12	(0.52)	0.15
– Diluted (loss)/earnings per share	12	(0.52)	0.01

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

		As at December 31	
	Note	2020	2019
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		63,645	21,024
Right-of-use assets		114,229	61,176
Investment properties		32,401	–
Intangible assets		1,015,779	138,787
Development cost		38,701	16,944
Deferred income tax assets		44,370	45,184
Contract acquisition cost		40,841	39,549
Investments accounted for using the equity method		47,033	66,441
Financial assets at fair value through profit or loss		215,094	40,885
Prepayments, deposits and other assets		4,087	1,767
Other non-current assets		17,000	17,000
Total non-current assets		1,633,180	448,757
Current assets			
Trade and notes receivables	13	239,478	156,386
Contract acquisition cost		156,746	147,578
Prepayments, deposits and other assets	14	1,758,204	1,226,502
Financial assets at fair value through profit or loss		182,328	61,364
Financial assets at fair value through other comprehensive income		44,834	–
Derivative financial instruments		15,468	–
Term deposits		–	393,000
Cash and cash equivalents		1,823,976	870,328
Total current assets		4,221,034	2,855,158
Total assets		5,854,214	3,303,915

	Note	As at December 31	2020	2019
			RMB'000	RMB'000
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital		1,529	1,531	
Treasury shares		-	(63,143)	
Shares held for RSU scheme		(15,819)	(38,582)	
Share premium		4,278,775	4,171,056	
Other reserves		(1,106,251)	(1,127,164)	
Accumulated losses		(2,110,217)	(953,595)	
Non-controlling interests		1,048,017	1,990,103	
		204,473	(295)	
Total equity		1,252,490	1,989,808	
LIABILITIES				
Non-current liabilities				
Bank borrowings		40,000	-	
Financial liabilities measured at fair value through profit or loss		1,947,553	18,076	
Lease liabilities		71,260	35,230	
Contract liabilities		105,098	85,179	
Deferred income tax liabilities		67,188	-	
Other non-current liabilities	15(ii)	600	1,800	
Total non-current liabilities		2,231,699	140,285	
Current liabilities				
Bank borrowings		425,050	300,000	
Lease liabilities		31,093	15,013	
Trade and other payables	15	1,490,440	562,674	
Contract liabilities		376,256	293,488	
Current income tax liabilities		821	2,647	
Financial liabilities measured at fair value through profit or loss		46,365	-	
Total current liabilities		2,370,025	1,173,822	
Total liabilities		4,601,724	1,314,107	
Total equity and liabilities		5,854,214	3,303,915	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

Attributable to equity holders of the Company												
Note	Shares held										Non-controlling interests	Total
	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Treasury shares <i>RMB'000</i>	for RSU scheme <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Sub-total <i>RMB'000</i>					
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 year	-	-	-	-	-	(1,156,622)	(1,156,622)		(9,757)		(1,166,379)	
Total comprehensive loss for the year	-	-	-	-	-	(1,156,622)	(1,156,622)		(9,757)		(1,166,379)	
Transaction with owners												
Cancellation of buy-back shares	(14)	(63,129)	63,143	-	-	-	-	-	-	-	-	
Conversion of convertible bonds	12	170,848	-	-	-	-	170,860	-	-	170,860		
Transfer of vested RSUs	-	-	-	22,763	(22,763)	-	-	-	-	-	-	
Share-based compensation expenses for employees	-	-	-	-	42,544	-	42,544	3,071	45,615			
Capital injection from non-controlling interests	-	-	-	-	-	-	-	1,000	1,000			
Transaction with non-controlling interests	-	-	-	-	1,132	-	1,132	(1,132)	-			
Non-controlling interests from acquisition of subsidiaries	-	-	-	-	-	-	-	211,586	211,586			
Transactions with owners in their capacity for the year	(2)	107,719	63,143	22,763	20,913	-	214,536	214,525	429,061			
As at December 31, 2020	1,529	4,278,775	-	(15,819)	(1,106,251)	(2,110,217)	1,048,017	204,473	1,252,490			

* The relevant amounts are all less than RMB 1,000.

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

* The relevant amounts are all less than RMB 1,000.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

		Year ended December 31	
		2020 <i>Note</i>	2019 <i>RMB'000</i>
Cash flows from operating activities			
Cash used in operations		(24,592)	(439,408)
Interest received	9	12,376	1,569
Interest paid		(33,630)	(12,964)
Income tax paid		<u>(2,059)</u>	<u>(542)</u>
Net cash used in operating activities		(47,905)	(451,345)
Cash flows from investing activities			
Placements of term deposits		–	(724,607)
Receipt from term deposits		393,000	331,607
Purchase of investments measured at fair value through profit or loss		(110,900)	(84,224)
Proceeds from disposals of investments measured at fair value through profit or loss		–	11,485
Interest received from term deposits and loan to third parties		5,590	6,495
Payment to invest in associates		(4,000)	(62,500)
Payment for acquisition of subsidiaries, net of cash acquired		(210,151)	–
Prepayment for equity investment		–	(7,300)
Purchase of property, plant and equipment		(14,133)	(11,459)
Proceeds from disposal of property, plant and equipment		123	143
Purchase of intangible assets		(195)	(421)
Payment for development cost		(156,314)	(116,505)
Loan to third parties		(8,400)	(12,550)
Principle repayment of loan from third parties		22,600	2,175
Loan to related parties		<u>(24,000)</u>	<u>–</u>
Net cash used in investing activities		(106,780)	(667,661)

	<i>Note</i>	Year ended December 31	
		2020	2019
		RMB'000	RMB'000
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		–	1,769,566
Proceeds from issuance of convertible bonds		1,064,040	–
Issuance costs of convertible bonds		(23,754)	–
Buy-back of shares		–	(90,246)
Proceeds from bank borrowings		610,000	330,000
Repayments of bank borrowings		(450,128)	(110,000)
Borrowing from a third party		2,500	12,500
Principal elements of lease payments		(25,880)	(12,510)
Redemption of preferred shares in a subsidiary		(11,110)	–
Payment of listing expenses		–	(39,423)
Acquisition of equity interest from non-controlling interests	15(ii)	(3,080)	(3,659)
Capital contribution from non-controlling shareholders		1,000	–
Net cash generated from financing activities		1,163,588	1,856,228
Net increase in cash and cash equivalents		1,008,903	737,222
Effect on exchange rate difference		(55,255)	5,521
Cash and cash equivalents at beginning of the year		870,328	127,585
Cash and cash equivalents at end of the year		1,823,976	870,328

NOTES TO THE 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 leading Digital Commerce and media services for merchants in the People’s Republic of China (the “PRC”). The Group offers integrated Digital Commerce services to merchants including software as a service (“SaaS”) products offering, customised software development, operation and marketing support services etc. The Group also offer Digital Media services through its targeted marketing services.

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

These consolidated financial statements are presented in Renminbi (“RMB”) unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on March 17, 2021.

2. BASIS OF PREPARATION

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

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2020:

- Definition of Material – amendments to HKAS 1 and HKAS 8
- Definition of a Business – amendments to HKFRS 3
- Interest Rate Benchmark Reform – amendments to HKFRS 9, HKAS 39 and HKFRS 7
- Revised Conceptual Framework for Financial Reporting

For Amendments to HKFRS 16 – Covid-19-related Rent Concessions which is effective for annual periods beginning on or after June 1, 2020, the Group has not early adopted the amendments and treat the rent concessions as leases modification. The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on January 1, 2020 and have not been early adopted by the Group:

	Effective for annual periods beginning on or after
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Accounting Guideline 5 (revised)	Revised Accounting Guideline 5 Merger
Annual improvement project	Annual improvements to HKFRSs 2018-2020
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 17	Amendments to HKFRS 17
Amendments to HKAS 1	Classification of liabilities as current or non-current
HKFRS 17	Insurance contracts
Hong Kong Interpretation 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture
	To be determined

For the amendment which is effective after January 1, 2021, the Group has assessed and concluded that it has no material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods. For those amendments which have not been effective as of the report date, the Group is still assessing the likely impact of adopting the above new standards. The management of the Group plans to adopt these new standards and amendments to existing standards when they become effective.

3. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the 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. Prior to year 2020, the executive directors of the Company reviewed the operating results of SaaS products and targeted marketing service separately, based on which the Group assessed performance and allocated resources. Therefore, the Group had the following two reporting segments: (i) SaaS products; (ii) targeted marketing services for the year ended December 31, 2019.

Since late 2020, the Group restructured its operating segments and enhanced its service offering by providing integrated products of SaaS and targeting marketing services, in order to better empower digital transformation for SMBs through offering diverse business solution. The Group re-organized its operating segment to “Subscription solutions” and “Merchant solutions” as the core, and “Digital Media” as the supplement, both in the internal reports to CODM and in the consolidated financial statements of the Group. “Subscription solutions” mainly comprise the Group’s standard cloud-hosted commerce and marketing SaaS products, customised software such as ERP solutions and other software related services. “Merchant solutions” mainly comprise value-added services offered to merchants as part of the holistic solutions to meet merchants’ online Digital Commerce and marketing needs, including assisting merchants to purchase online advertising traffic in various media platforms. “Digital Media” mainly comprise advertisement placement services offered to certain merchants in which specified results or actions are committed. The comparative figures in the consolidated income statement and the notes have been restated to conform with the new presentation. The Board believes that the above changes in segment information better reflect the resource allocation and future business development of the Group.

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

As at December 31, 2019 and 2020, substantial majority 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.

	Subscription Solutions (Note a) RMB'000	Merchant Solutions RMB'000	Digital Media RMB'000	Total RMB'000
Year ended December 31, 2020				
Segment revenue (Note a)	622,384	528,271	818,159	1,968,814
Segment cost of sales	(183,130)	(1,603)	(781,462)	(966,195)
Gross profit	439,254	526,668	36,697	1,002,619
Year ended December 31, 2019 (restated)				
Segment revenue	506,959	358,446	571,382	1,436,787
Segment cost of sales	(98,858)	(1,694)	(539,105)	(639,657)
Gross profit	408,101	356,752	32,277	797,130

Note a: A deduction of approximately RMB95,548,000 has been reflected in Subscription Solutions revenue due to SaaS sabotage event (Note 7(ii)) for the year ended December 31, 2020.

The following table summarized customers contributing to more than 10% of the total revenue recognized by the Group:

	Year ended December 31	
	2020	2019
	RMB'000	RMB'000
Beijing Tencent Culture Media Company Limited (“Tencent”)	21%	22%
Beijing Dajia Internet Information Technology Co., Ltd. (“Dajia”)	19%	—
	40%	22%

Except for the revenue generated from Tencent where the Group provides Merchant Solutions to advertisers acting as the agent of Tencent and earns rebate, and revenue generated from Dajia, where the Group provides Digital Media services and earns advertising service revenue, there is no concentration risk as no revenue from a single external customer was more than 10% of the Group’s total revenue for the years ended December 31, 2019 and 2020, respectively.

4. REVENUE

Revenue mainly comprises of proceeds from providing Subscription Solutions, Merchants Solutions and Digital Media services. An analysis of the Group’s revenue by category for the years ended December 31, 2019 and 2020, is as follows:

	Year ended December 31	
	2020	2019
	RMB'000	RMB'000
Digital Commerce		
– Subscription solutions		
Revenue before deducting compensation for SaaS sabotage event (<i>Note 7(ii)</i>)	717,932	506,959
Less: compensation deducted from revenue due to SaaS sabotage event (<i>Note 7(ii)</i>)	(95,548)	—
– Merchant solutions	528,271	358,446
	1,150,655	865,405
Digital Media	818,159	571,382
	1,968,814	1,436,787

5. EXPENSES BY NATURE

	Year ended December 31	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefits expenses	763,644	486,643
Advertising traffic cost for Digital Media	750,504	524,207
Promotion and advertising expenses including amortisation of contract acquisition cost	321,750	260,491
Depreciation and amortisation	94,251	61,187
Server and SMS charges related to Subscription Solutions revenue	50,455	31,721
Utilities and office expenses	39,951	31,690
Outsourced service fee	36,424	13,272
Depreciation of right-of-use assets	30,648	21,640
Travelling and entertainment expenses	24,374	10,994
Other consulting fees	11,821	6,013
Auditors' remuneration	6,302	5,405
Listing expenses	—	18,958
Others	16,166	14,279
	<hr/>	<hr/>
	2,146,290	1,486,500

6. OTHER INCOME

	Year ended December 31	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Super deduction of input VAT ⁽ⁱ⁾	82,014	38,083
Government grants ⁽ⁱⁱ⁾	32,528	19,364
Interest income from term deposits and loan to related and third parties	3,658	9,987
	<hr/>	<hr/>
	118,200	67,434

(i) Pursuant to the ‘Announcement on Relevant Policies for Deepening the Value-added Tax Reform’ (Cai Shui Haiguan [2019] 39) jointly issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs, the Group, as a service company, qualifies for additional 10% deduction of input value-added tax (“Super Deduction of input VAT”) from output VAT since April 1, 2019.

(ii) Government grants mainly represent VAT refund entitlement.

7. OTHER GAINS, NET

	Year ended December 31	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Fair value change of non-current financial assets	116,209	10,885
Fair value gain on derivative financial instruments	15,468	—
Gains from disposal of short-term investments measured at FVPL	—	1,485
Realised gain from transfer equity interest of		
Shanghai Mengyou Network Technology Co., Ltd (“Mengyou”) to		
Shanghai Syoo Network Technology Co., Ltd. (“Syoo”)	2,000	—
Bank charges	(1,436)	(780)
Foreign exchange (losses)/gain, net	(6,533)	8,745
Donation ⁽ⁱ⁾	(10,000)	—
Fair value (losses)/gains from short-term investments measured at FVPL	(24,144)	12,140
Fair value change of financial liabilities measured at FVPL	(13,679)	(5,576)
Expenses related to SaaS sabotage event ⁽ⁱⁱ⁾	(827)	—
Others, net	(188)	(223)
	<hr/>	<hr/>
	76,870	26,676
	<hr/>	<hr/>

- (i) On January 28, 2020, the Group donated RMB10,000,000 to support Shanghai Charity Foundation.
- (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 either (i) cash compensation plan, under which the Group will compensate for the contribution margin of the merchants during the system unavailable period or (ii) traffic compensation plan, under which the Group will offer 50,000 times of advertisement exposure on Tencent and extend the validity period of SaaS services by two months. The Group’s executive directors were committed to bear 1/3 of the potential cash and traffic compensation up to RMB50 million arisen from such event.

The compensation plan offered to the merchants was treated as contract modification of the existing 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 the contract amount. The excessive compensation over the contract amount and the amount bore by executive directors, was recorded as expenses included in “Other gains, net”. For those merchants who selected option (ii) “traffic compensation plan”, the contract acquisition cost and contract liabilities immediately before SaaS sabotage event occurred, were recognised over the remaining contract period and the two-month extension under traffic compensation plan.

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

Year ended December 31, 2020	Total RMB'000	SaaS products revenue deduction RMB'000	Selling and distribution expenses RMB'000	Other gains, net RMB'000
Total fair value of compensation	(116,210)	(76,902)	–	(39,308)
Revenue impact due to the two-month extension of SaaS services	(18,646)	(18,646)	–	–
Less: decrease in amortisation of contract acquisition cost due to the two-month extension of SaaS services	2,083	–	2,083	–
Less: portion bore by executive directors	38,481	–	–	38,481
Net impact on net (loss)/profit	(94,292)	(95,548)	2,083	(827)

As at December 31, 2020, the executive directors have paid RMB11,544,000 compensation to the Group and the remaining RMB26,937,000 has been settled in March 2021.

8. FINANCE COSTS

	Year ended December 31	
	2020 RMB'000	2019 RMB'000
Issuance cost for convertible bonds offering	23,754	–
Interest expenses on borrowings	20,324	9,955
Interest expenses on factoring	6,873	–
Interest expenses on lease liabilities	4,771	3,196
	55,722	13,151

9. FINANCE INCOME

	Year ended December 31	
	2020 RMB'000	2019 RMB'000
Interest income on bank deposits held for cash management purpose	12,376	1,569

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. The Group enjoyed Super Deduction of input VAT since April 2019 (Note 6(i)).

(b) Income tax

(i) Cayman Islands Income Tax

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

(ii) Hong Kong Profits Tax

No provision for Hong Kong profits tax was made as the Group did not have any assessable income subject to Hong Kong profits tax for the year ended December 31, 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 the PRC is 25%. Certain subsidiaries of the Group in the PRC including Weimob Development and Heading and Shanghai Heading Information Technology Co., Ltd. (“Heading Technology”) are qualified as “high and new technology enterprises” and they were subject to a preferential income tax rate of 15% for the years ended December 31, 2019 and 2020.

(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%. There is no provision of withholding tax made for the years ended 31 December 2019 and 2020 as majority subsidiaries incorporated in the PRC have accumulated losses as at 31 December 2019 and 2020.

	Year ended December 31	
	2020	2019
	RMB'000	RMB'000
Current tax	233	2,977
Deferred income tax	22,079	14,121
 Income tax expenses	 22,312	 17,098

The tax on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the tax rate of 25% for the years ended December 31, 2019 and 2020, being the tax rate of the major subsidiaries of the Group.

11. DIVIDENDS

No dividends have been paid or declared by the Company for the years ended December 31, 2019 and 2020.

12. (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic earnings/(loss) per share for the years ended December 31, 2019 and 2020 are calculated by dividing the profit/(loss) attributable to the Company's equity holders by the weighted average number of ordinary shares and ordinary shares deemed to be in issue during the respective years.

	Year ended December 31	
	2020	2019
Net (loss)/profit attributable to the equity holders of the Company (RMB'000)	(1,156,622)	311,978
Weighted average numbers of ordinary shares in issue	2,234,377,308	2,046,727,879
 Basic (loss)/earnings per share (expressed in RMB per share)	 (0.52)	 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.

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

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

For the year ended December 31, 2020, convertible bonds issued by the Company and RSUs granted to employees are considered to be potential ordinary shares. As the Group incurred losses for the year ended December 31, 2020, the dilutive potential ordinary shares of convertible bonds and RSUs were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive.

13. TRADE AND NOTES RECEIVABLES

	As at December 31	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables	243,382	153,242
Notes receivables	2,508	4,317
Less: provision for impairment of trade and notes receivables	(6,412)	(1,173)
	239,478	156,386

(i) Derecognition of financial assets

During the year ended December 31, 2020, the Group entered into certain factoring agreements with Sinopharm Rosino (Shanghai) Commercial Factoring Co., Ltd. (the “Factor”). Pursuant to these agreements, the Group transferred the risk and rewards of certain trade receivables with an aggregated amount of RMB490,951,000 to the Factor in exchange for equivalent amount of cash. As substantially all the risks and rewards of ownership of these receivables were transferred to the Factor, the Group therefore derecognised these receivables in its consolidated statement of financial position. The finance cost of RMB6,873,000 related to the factoring are paid or payable to the Factor and are expensed off as “Finance cost”.

(ii) Impairment of trade and notes receivables

Beginning from January 1, 2018, the Group has applied the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of trade and notes receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rate is updated and changes in the forward-looking estimates are analysed.

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

14. PREPAYMENTS, DEPOSITS AND OTHER ASSETS

	As at December 31	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Non-current		
Deposits-third parties	4,087	1,767
Current		
Other receivables in relation to payment on behalf of advertisers-third parties ⁽ⁱ⁾	912,740	555,034
Prepayments for purchasing advertising traffic	665,183	563,677
Recoverable value-added tax	36,142	34,970
Other receivable related to SaaS sabotage event bore by executive directors (<i>Note 7 (ii)</i>)	26,937	–
Other loan receivables due from third parties	8,858	40,995
Other loan receivables due from related parties	25,102	–
Deposits-third parties	22,155	10,729
Receivables in relation to value-added tax refund (<i>Note 6</i>)	21,788	7,632
Contract fulfillment cost	14,124	1,313
Prepayments for contract operation service costs	8,084	3,605
Prepayments for rent and property management fee	4,401	1,419
Prepayments for purchasing advertising services	2,225	2,358
Prepayment to a related party	2,060	–
Prepayments to other vendors	12,390	7,888
Others	4,731	2,339
Less: provision for impairment of other receivables	(8,716)	(5,457)
	1,758,204	1,226,502

- (i) The Group usually receives advance payment from advertisers before the Group makes prepayment to the media publishers to purchase advertising traffic. Sometimes, the Group makes prepayments to the media publishers on behalf of the advertisers, and subject to internal approval. These prepayments on behalf of advertisers are recognised as other receivables.

15. TRADE AND OTHER PAYABLES

	As at December 31	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Advance from advertisers-third party	507,941	144,892
Trade payables for purchasing advertising traffic ⁽ⁱ⁾	322,023	222,175
Payable related to investments	279,093	5,000
Payroll and welfare payables	239,278	144,695
Other taxes payable	64,354	19,745
Amount due to related parties	11,934	–
Payment received from end customers through e-commerce platform on behalf of merchants	9,678	–
Commission payables to merchants	9,470	–
Deposits	6,869	5,467
Payable related to factoring cost	4,500	–
Auditors' remuneration accrual	4,342	2,250
Payable related to purchase non-controlling interests (current portion) ⁽ⁱⁱ⁾	1,741	3,621
Other payables and accruals	29,217	14,829
	1,490,440	562,674

(i) As at December 31, 2019 and 2020, the aging of the trade payables is 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 December 31, 2020, RMB659,000 has been paid to non-controlling interests and remaining RMB1,741,000, RMB600,000 will be due for payment in 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 December 31, 2020, respectively.

During the year ended December 31, 2018, the Group acquired non-controlling interests in the Group's non-wholly owned subsidiaries, Beijing Weimob and Hangzhou Weimob for total consideration of RMB18,900,000. The Company paid RMB12,820,000, RMB3,000,000 and RMB3,080,000 in 2018, 2019 and 2020, respectively.

ISSUE OF CONVERTIBLE BONDS

Reference is made to the announcements of the Company dated 7 May 2020 and 15 May 2020, respectively. On 15 May 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 of the shares of the Company 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, (i.e. 6 May 2020) 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 18 May 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.

On 29 June 2020, 6 July 2020, 14 July 2020, 23 July 2020 and 30 July 2020, the Company received conversion notices from the bondholders in relation to the exercise of the conversion rights attached to the convertible bonds, to convert the convertible bonds in the principal amount of US\$3.0 million, US\$1.4 million, US\$7.0 million, US\$2.0 million and US\$1.0 million, respectively, at the conversion price of HK\$6.72 per share (the “**Conversion**”). Accordingly, 3,460,714 shares, 1,615,000 shares, 8,075,000 shares, 2,307,142 shares and 1,153,571 shares of the Company (the “**Conversion Shares**”) were allotted to the respective bondholders on 7 July 2020, 9 July 2020, 21 July 2020, 30 July 2020 and 5 August 2020, respectively, pursuant to the terms and conditions of the convertible bonds. As a result of the Conversion, the Company allotted and issued a total of 16,611,427 Conversion Shares under the general mandate, representing approximately 0.74% of the number of issued shares of the Company as enlarged by the allotment and issue of the Conversion Shares. The Conversion Shares rank *pari passu* with all existing shares of the Company at the date of allotment and issue, and among themselves in all respects. Save as disclosed in this announcement, there had not been any exercise of the convertible bonds as of 31 December 2020, and no redemption right had been exercised by the bondholders or the Company as of the same date.

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 15 January 2019, the 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 disclosed in the Interim Report 2020 of the Company, the net proceeds from the global offering were utilized as following and had been fully utilized as of 30 June 2020:

- 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 centre, 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 31 December 2020, the Company had utilized approximately HK\$444.1 million as intended. The Company will apply the remaining net proceeds for the purposes as disclosed in the announcement of the Company dated 26 July 2019. The Company intends to fully utilize the net proceeds by 31 December 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 31 December 2020, the Company had not utilized such proceeds. The Company will apply the net proceeds for the purposes as disclosed in the announcement of the Company dated 7 May 2020. The Company intends to fully utilize the net proceeds by 31 December 2021.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 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 year ended 31 December 2020, 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 BY DIRECTORS

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 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 year ended 31 December 2020.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES

Save as disclosed in this announcement, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company’s listed securities during the year ended 31 December 2020.

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, together with the senior management of the Company and the external auditor of the Company, reviewed the accounting principles and practices adopted by the Group as well as the audited consolidated financial statements of the Group for the year ended 31 December 2020.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group’s consolidated statement of comprehensive income and consolidated statement of financial position and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

PUBLICATION OF ANNUAL RESULTS AND 2020 ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.weimob.com). The annual report of the Company for the year ended 31 December 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
17 March 2021

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.