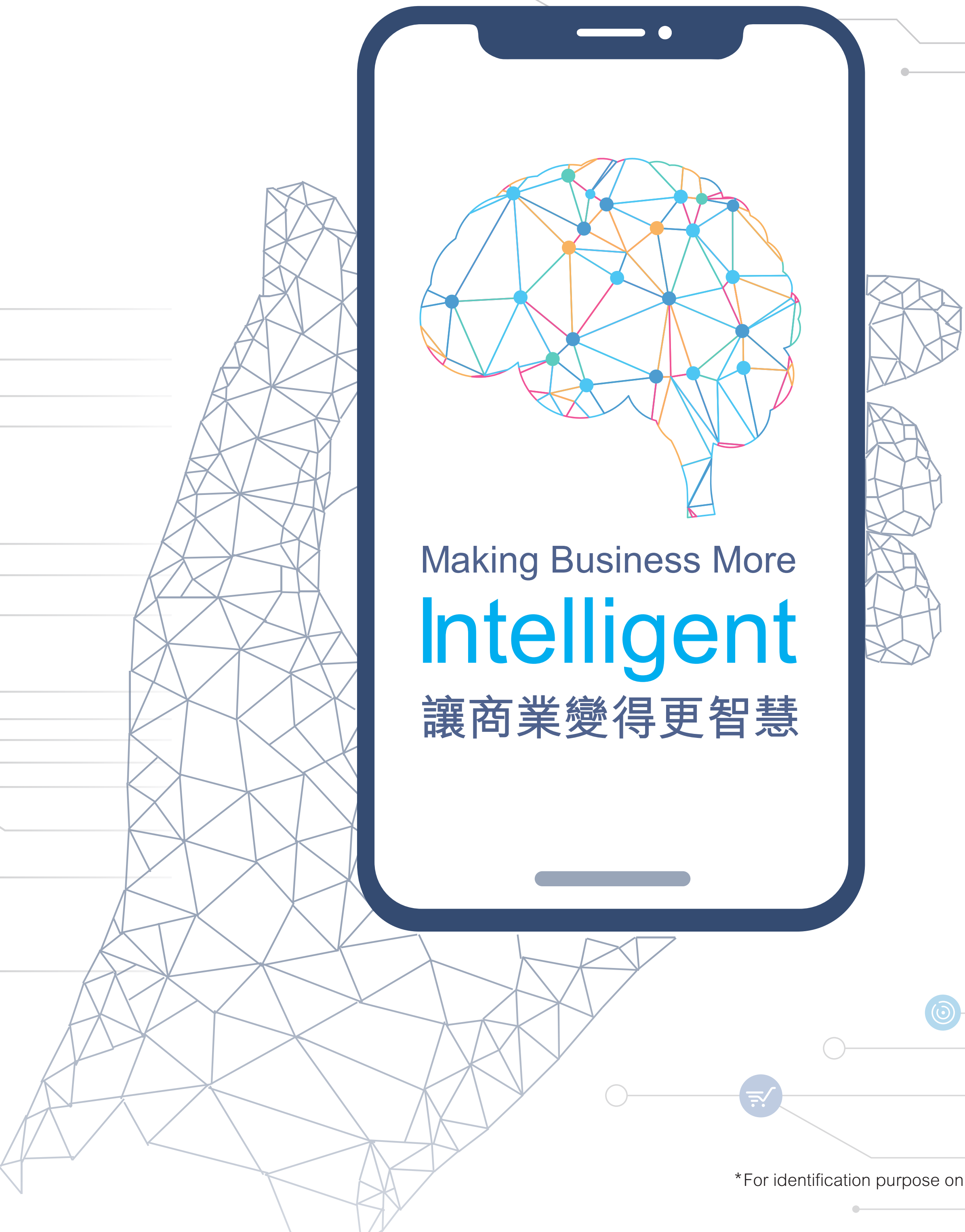
Weimob 微盟

WEIMOB INC.
微盟集團*

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

Stock Code 股份代號：2013

Annual Report 年報 2018



*For identification purpose only 僅供識別

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

JOINT COMPANY SECRETARIES

Mr. CAO Yi
Ms. NG Sau Mei *(ACIS, ACS)*

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22/F Prince's Building
Central
Hong Kong

LEGAL ADVISOR

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

As to Cayman Islands law:
Maples and Calder (Hong Kong) LLP
53/F, The Center
99 Queen's Road Central
Hong Kong

COMPLIANCE ADVISOR

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

PRINCIPAL BANKERS

Bank of Shanghai Co., Ltd.
Pilot Free Trade Zone Branch
1/F, China Aluminium High Building
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PRC

China Construction Bank Corporation
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CORPORATE INFORMATION

AUTHORIZED REPRESENTATIVES

Mr. SUN Taoyong
Ms. NG Sau Mei

REGISTERED OFFICE

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Grand Cayman, KY1-1104
Cayman Islands

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PRC

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CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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HONG KONG SHARE REGISTRAR

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Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

STOCK CODE

2013

COMPANY'S WEBSITE

www.weimob.com

FINANCIAL SUMMARY AND OPERATIONAL HIGHLIGHTS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

CHAIRMAN'S STATEMENT

2018 is a year of significance as well as a year of breakthrough growth of Weimob Inc. We formally started the Hong Kong listing plan in 2018 and were successfully listed on the Main Board of the Stock Exchange on January 15, 2019. Our successful listing enhances our capital strength and brand recognition, which will help us capture development opportunities from intelligent business, further improve our innovation and service capabilities and support more enterprises in digital transformation, promote business innovation through technology and make business more intelligent. I hereby present to shareholders, the first annual report for the year ended December 31, 2018 after the listing.

Our SaaS products and targeted marketing services are the core businesses, and include providing enterprises with various intelligent business solutions tailored for industry verticals, and offering targeted marketing services through Tencent and other social media platforms to advertise to selected audience. With our cloud-based commerce and marketing service platforms, we connect merchants, consumers and social media platforms, establish a vibrant ecosystem, and provide a decentralized digital business platform, allowing enterprises to directly contact and communicate with customers and manage their interaction and relationships with customers through online and offline channels. In 2018, we continued to focus on our strategy of intelligent business ecosystem, achieved a significant growth in results with simultaneous development of all business lines, thus improved our business value. We expanded Marketing Cloud and Sales Cloud, both are our new cloud service products, and deeply explored new industry verticals through mergers, acquisitions and strategic cooperation, and at the same time, enhanced monetization of our client base, improved our sales channels, and deepened our collaboration with Tencent and other decentralized mobile platforms; and maintained the leading position of the Company in the cloud-based commerce and marketing service industries for SMBs.

I hereby report the financial position, operating highlights and business review of the Company for 2018, and summarize strategies and outlook of the Company for 2019.

CHAIRMAN'S STATEMENT

2018 RESULTS HIGHLIGHTS

Our total revenue increased by 62.0% from RMB534 million in 2017 to RMB865 million for the year ended December 31, 2018. Our gross profit for the same period increased by 50.4% from RMB344 million in 2017 to RMB518 million in 2018. Our net loss was RMB1,091 million. The net loss was mainly attributable to a loss of RMB1,044 million from the change in fair value of financial liabilities other than from own credit risk related to our preferred shares under HKFRS, the listing and other one-off expenses of RMB60 million and share-based compensation of RMB33 million. Adjusted EBITDA increased by 213.1% from RMB23 million in 2017 to RMB73 million in 2018. Adjusted net profit increased by 355.3% from RMB11 million in 2017 to RMB51 million in 2018.

Our adjusted EBITDA margin increased from 4.3% in 2017 to 8.4% in 2018, and adjusted net margin increased from 2.1% in 2017 to 5.9% in 2018.

For the year ended December 31, 2018, we had 2.8 million registered merchants for our SaaS products and targeted marketing. The number of paying merchants of our SaaS products increased by 25.6% to 64,695, compared to the number as of December 31, 2017, and the ARPU of our SaaS products increased by 5.2% to RMB5,365. The number of advertisers using our targeted marketing increased by 61.7% to 28,589, and the average spend per advertiser increased by 65.2% to RMB87,185, compared to 2017. The gross billing of our targeted marketing significantly increased by 167.2% to RMB2,493 million compared to 2017.

Through our unremitting efforts to pursue excellence in terms of services, technology and innovation, we received various awards and recognitions in 2018, including "Best Service Provider" in Regional and Industry Channels of Tencent Social Advertising (騰訊廣告區域及行業渠道「年度最佳服務商」), "Enterprise Service Innovation Award" in the 13th iResearch Awards in 2018 (2018第十三屆金瑞獎「企業服務創新獎」), "Top 50 Retail Digitalization Enabling Service Providers" in Luming Awards at Silu Retail Digitalization Service Conference 2018 (2018思路零售數字化服務大會路鳴獎「零售數字化賦能服務商TOP50」), "Top 100 Innovative Enterprises Most Worthy of Investment 2017-2018" (「2017-2018年度最具投資價值創新企業百強」) by CLPA, and "China's Most Innovative Enterprises of Smart Enterprise Service in 2018" (「2018中國智慧企業服務年度創新力企業榜單」) by Yi Ou.

BUSINESS REVIEW

In 2018, we achieved excellent business performance and results, with simultaneous growth in all business lines. In terms of SaaS products, our cloud service offerings, namely Commerce Cloud, Marketing Cloud, and Sales Cloud, achieved stable growth by closely focusing on product upgrades and launch of new products. In 2018, we had ten Commerce Cloud solutions, three Marketing Cloud solutions and one Sales Cloud solution. For the Commerce Cloud, Wei Mall (微商城), the core product of our new retail series, was successfully migrated to a new cloud in 2018, thus significantly improving our user experience. Moreover, our Smart Retail (智慧零售), Smart Store (智慧門店) and other solutions were recognized by a great number of retail brands. Our in-store offerings were extended to Smart Restaurant (智慧餐廳), Ke Lai Dian (客來店), Smart Food Delivery (智慧外賣), Smart Leisure (智慧休娛), Smart Traveling (智慧旅遊) and other solutions, and gradually became a new revenue growth engine. For the Marketing Cloud, with rapid iteration, our Wei Station (微站) became the first choice for enterprises building a WeChat Mini Program-based website. And our Marketing Assistant (廣告助手) helped enterprises to build their private customer data platform, as well as optimize their advertising strategies and marketing automation. For the Sales Cloud, we launched Sales Pusher (銷售推), a WeChat Mini Program-based business card product that helped improve the customer acquisition capability of sales force of enterprises, thus forming a complete enterprise service product matrix.

In terms of targeted marketing, we adopted the strategies of industry vertical segmentation and channel penetration, and at the same time, focused on improving value-added services to customers and tool empowerment, and empowered our merchants by developing tools and marketing technologies with focus on the specific industries for advertising services. We took the lead in adopting a strategy of combining tools with marketing services and achieved a rapid development of our targeted marketing business. In 2018, we achieved an explosive growth in our revenue from targeted marketing business. We were awarded the Best Service Provider in Regional and Industry Channels of Tencent Social Advertising again. Our leading position in the industry for three consecutive years and our collaborative relationship with Tencent enabled us to capture the future growth potential of mobile social commerce via WeChat. Meanwhile, we have been seeking more cooperation with media publishers, and have achieved satisfactory progress.

In terms of cloud platform, in 2018, our PaaS, Weimob Cloud platform, had amassed more than 400 developers and offered approximately 600 applications developed by third-party developers, which represents a milestone, as we no longer only provide standard solutions to serve small and medium businesses, but are able to provide customized solutions to serve larger customers, together with our partners.

In terms of strategic acquisition and investment, we reached a deal with Guangzhou Xiangminiao in 2018 to acquire the majority interests in it, which forms part of our strategy to expand into new industry verticals including hotel and hospitality and traveling, and is expected to support our Smart Hotel (智慧酒店) business. In the future, we plan to carry out mergers, acquisitions and investments in more industry verticals to expand our product offerings, and achieve a rapid business development through endogenous growth and outward expansion.

CHAIRMAN'S STATEMENT

BUSINESS OUTLOOK

Looking forward to 2019, we will expand cloud service offerings, enhance monetization for existing customers, enhance the cooperation with Tencent and other decentralized platforms, construct an open and cooperative ecosystem of Weimob Cloud platform, explore more strategic cooperation and acquisition opportunities and insist on business empowerment in the decentralized business form.

We will always keep focusing on cloud services as the core businesses of the Company, and will put more force on Marketing Cloud, Sales Cloud and Service Cloud (服務雲), while utilizing existing competitive edges of Commerce Cloud. In the Commerce Cloud segment, we will focus on five major business lines, namely e-commerce, retail, catering, leisure and hotel and traveling, to provide our intelligent commerce solutions, and may expand our businesses into education, beauty, self-media and other industries in the future; in the Marketing Cloud segment, we help customers build a customer data platform (the "**CDP**") and a content innovation platform, and provide omni-channel contact points and marketing automation tools to improve the effect of customers' advertisements. In terms of Service Cloud and Sales Cloud, we will seek more strategic cooperation, investments and acquisitions to gain rapid entry into a new service field and realize rapid business development through outward expansion.

In addition, we will enhance monetization for existing customers. As of December 31, 2018, we had 2.8 million registered merchants for our diverse products and services. Our vast client base lays a solid foundation from which we can further make profits on a recurring basis. We will increase monetization of our SaaS products and targeted marketing through cross-marketing and cross-selling among different products and services.

We will enhance the cooperation with Tencent and other decentralized platforms, and cooperate in depth with Tencent in WeChat Mini Programs, Social Advertising, Smart Retail, WeChat Pay, Tencent Cloud and other business lines. We will promote the data sharing and relevant data product cooperation with Tencent to assist customers in providing more precisely targeted advertising and optimized marketing strategies. We will also enhance the cooperation with other leading decentralized platforms, such as Baidu, Zhihu, Douyin and Kuaishou.

We will further encourage third-party developers to develop applications on our Weimob Cloud platform, so as to expand our product offerings to customers. We no longer merely provide standard solutions to serve small and medium businesses, but are able to provide customized solutions, together with our partners, to serve key customers. In the next step, we will emphasize more on cultivating the ecosystem of our developers and open more public capabilities to build our ecosystem with developers.

We will explore more strategic cooperation and acquisition opportunities as we will expand our business along with our four clouds, namely the Commerce Cloud, Marketing Cloud, Service Cloud and Sales Cloud. For the Commerce Cloud, we will seek opportunities in industry verticals such as catering, retail, beauty, and hotel and hospitality. For the Marketing Cloud, we will closely focus on MarTech and seek opportunities in CDP, marketing automation, data analysis, and business intelligence. For Service Cloud, we will seek opportunities in smart customer service robot, cloud call, online customer service platform, ticket system, and cloud call out. For Sales Cloud, we will focus on SCRM, sales management, and office collaboration. We will look for the best enterprise service companies in China to arrange enterprise service ecosystems together.

We will always insist on merchant empowerment in the decentralized form. We believe that each enterprise should have control over its own members, data and private domain traffic. Through the establishment of direct connection between merchants and customers, Weimob Cloud provides a series of intelligent business solutions to support enterprises in digital transformation and make business more intelligent.

APPRECIATION

Finally, I would like to take this opportunity to express my heartfelt thanks to the management and all staff for their contributions, assumption of responsibilities and unremitting efforts, our Board for its guidance and support, and our Shareholders for their confidence in Weimob Inc. From the new starting point of a new journey, we will never forget why we started, keep our passions, and overcome the challenges ahead. We will empower business through the decentralized business form, and provide a series of intelligent business solutions to support enterprises in digital transformation and make business more intelligent. We will enhance our competitive edge as a leader in the cloud-based commerce and marketing services market for SMBs in China. We will enhance product innovation and diversified channel cooperation, promote the sound development, optimization and upgrade of the industry, and create real long-term value for Shareholders and investors.

Mr. Sun Taoyong
Chairman and Chief Executive Officer

MANAGEMENT DISCUSSION AND ANALYSIS

YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

	Year ended December 31,	
	2018	**2017**
	(RMB'000)	
Revenue	**865,031**	534,011
Cost of sales	**(347,382)**	(189,800)
Gross profit	**517,649**	344,211
Selling and distribution expenses	**(449,799)**	(299,191)
General and administrative expenses	**(151,380)**	(59,730)
Other income	**16,490**	14,762
Other gains, net	**25,148**	2,703
Operating (loss)/profit	**(41,892)**	2,755
Finance costs	**(5,377)**	–
Finance income	**254**	78
Change in fair value of financial liabilities other than from own credit risk	**(1,043,582)**	–
(Loss)/profit before income tax	**(1,090,597)**	2,833
Income tax expense	**(610)**	(196)
(Loss)/profit for the year	**(1,091,207)**	2,637
Other comprehensive (loss)/income, net of tax		
Change in fair value of financial liabilities from own credit risk	**(3,483)**	–
Total comprehensive (loss)/income for the year	**(1,094,690)**	2,637
Attributable to:		
– Equity holders of the Company	**(1,092,689)**	2,831
– Non-controlling interests	**(2,001)**	(194)
	(1,094,690)	2,637

Year ended December 31, 2018

Revenue
RMB **865** Million
YoY + **62%**

Adjusted net profit
RMB **50.8** Million
YoY + **355.3%**

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SaaS
Revenue RMB **347** Million
Registered Merchants **2.8** Million
Paying Merchants **64,695**

Targeted Marketing
Gross Billing RMB **2,492.5** Million
Revenue RMB **518** Million
Advertisers **28,589**

Key Operating Data

The following table sets forth our key operating data for the years ended/as of December 31, 2017 and 2018.

	Year ended/as of December 31,	
	2018	**2017**
SaaS products		
Addition in number of paying merchants	**26,995**	25,035
Number of paying merchants	**64,695**	51,494
Attrition rate[(1)]	**26.8%**	27.2%
Revenue (RMB in millions)	**347.1**	262.6
ARPU[(2)] (RMB)	**5,365**	5,100
Targeted marketing		
Addition in number of advertisers	**23,521**	16,447
Number of advertisers	**28,589**	17,681
Repurchase rate (Number of repurchased advertisers[(3)]/advertisers)	**55.4%**	50.6%
Gross billing (RMB in millions)	**2,492.5**	933.0
Average spend per advertiser (RMB)	**87,185**	52,767

Notes:

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

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

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

Key Financial Ratios

	Year ended December 31,	
	2018	2017
	%	
Total revenue growth	62.0	182.2
– SaaS products	32.1	49.5
– Targeted marketing	90.9	1,910.4
Gross margin(1)	59.8	64.5
– SaaS products	85.0	87.0
– Targeted marketing	43.0	42.6
Adjusted EBITDA margin(2)	8.4	4.3
Net margin(3)	(126.1)	0.5
Adjusted net margin(4)	5.9	2.1

Notes:

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

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

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

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

Revenue

Our total revenue increased by 62.0% from RMB534.0 million in 2017 to RMB865.0 million in 2018, primarily due to the increases in our revenues generated from both our SaaS products and targeted marketing. The following table sets forth a breakdown of our revenue by business segment for the years indicated.

	Year ended December 31,			
	2018		2017	
	(RMB in millions, except percentages)			
Revenue				
SaaS products	**347.1**	**40.1%**	262.6	49.2%
Targeted marketing	**518.0**	**59.9%**	271.4	50.8%
Total	**865.0**	**100.0%**	534.0	100.0%

SaaS products

Revenue from our SaaS products increased by 32.1% from RMB262.6 million in 2017 to RMB347.1 million in 2018, primarily due to the increased number of paying merchants for our SaaS products from 51,494 in 2017 to 64,695 in 2018, and the increased ARPU of our SaaS products from RMB5,100 in 2017 to RMB5,365 in 2018.

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

	Year ended December 31,			
	2018		2017	
	(RMB in millions, except percentages)			
Revenue				
Commerce Cloud	**266.3**	**76.7%**	191.4	72.9%
Marketing Cloud[(1)]	**80.8**	**23.3%**	71.2	27.1%
Total	**347.1**	**100.0%**	262.6	100.0%

Note:

(1) Revenue from Marketing Cloud includes our revenue from Sales Pusher (銷售推) of RMB0.9 million in 2018.

Targeted marketing

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

	Year ended December 31,			
	2018		2017	
	(RMB in millions, except percentages)			
Gross billing				
Gross method	383.7	15.4%	206.3	22.1%
Net method	2,108.8	84.6%	726.7	77.9%
Total	2,492.5	100.0%	933.0	100.0%

The gross billing of our targeted marketing increased significantly from RMB933.0 million in 2017 to RMB2,492.5 million in 2018, primarily due to the increase in the number of advertisers who purchased our targeted marketing from 17,681 in 2017 to 28,589 in 2018, as well as an increase in average spend per advertiser from RMB52,767 in 2017 to RMB87,185 in 2018.

Revenue from our targeted marketing increased by 90.9% from RMB271.4 million in 2017 to RMB518.0 million in 2018, which was in line with the increase in the gross billing.

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

	Year ended December 31,			
	2018		2017	
	(RMB in millions, except percentages)			
Revenue				
Gross method	316.5	61.1%	176.6	65.1%
Net method	201.5	38.9%	94.8	34.9%
Total	518.0	100.0%	271.4	100.0%

Our revenue from targeted marketing recognized on a gross basis increased by 79.2% from RMB176.6 million in 2017 to RMB316.5 million in 2018, while our revenue from targeted marketing recognized on a net basis increased by 112.5% from RMB94.8 million in 2017 to RMB201.5 million in 2018.

Cost of Sales

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

	Year ended December 31,			
	2018		2017	
	(RMB in millions, except percentages)			
Cost of sales				
Advertising traffic cost for targeted marketing revenue	**286.5**	**82.5%**	154.4	81.4%
Staff costs	**18.7**	**5.4%**	16.0	8.4%
Broadband and hardware costs	**11.6**	**3.3%**	9.5	5.0%
Contract operation services costs	**6.9**	**2.0%**	1.7	0.9%
Amortization of intangible assets	**18.4**	**5.3%**	5.4	2.8%
Taxes and surcharges	**5.0**	**1.4%**	2.7	1.4%
Depreciation and amortization	**0.3**	**0.1%**	0.1	0.1%
Total	**347.4**	**100.0%**	189.8	100.0%

Our cost of sales increased by 83.0% from RMB189.8 million in 2017 to RMB347.4 million in 2018, primarily because (i) our advertising traffic cost for targeted marketing revenue increased by 85.6% from RMB154.4 million in 2017 to RMB286.5 million in 2018, in line with the growth of our targeted marketing business, and (ii) our amortization of intangible assets increased significantly from RMB5.4 million in 2017 to RMB18.4 million in 2018, which represents the amortization of our intangible assets relating to self-developed software.

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

	Year ended December 31,			
	2018		2017	
	(RMB in millions, except percentages)			
Cost of sales				
SaaS products	**52.1**	**15.0%**	34.0	17.9%
Targeted marketing	**295.3**	**85.0%**	155.8	82.1%
Total	**347.4**	**100.0%**	189.8	100.0%

SaaS products

Cost of sales of our SaaS products increased by 53.1% from RMB34.0 million in 2017 to RMB52.1 million in 2018, primarily due to an increase of RMB13.0 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 and, to a lesser extent, an increase of RMB5.2 million in our contract operation services costs for SaaS products.

Targeted marketing

Cost of sales of our targeted marketing increased by 89.6% from RMB155.8 million in 2017 to RMB295.3 million in 2018, primarily due to an increase in our advertising traffic costs of RMB132.1 million for targeted marketing revenue recognized on a gross basis in 2018.

Gross Profit and Gross Margin

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

	Year ended December 31,					
	2018			2017		
	Gross profit	%	Gross margin	Gross profit	%	Gross margin
	(RMB in millions, except percentages)					
SaaS products	294.9	57.0	85.0%	228.6	66.4	87.0%
Targeted marketing	222.7	43.0	43.0%	115.6	33.6	42.6%
Total	517.6	100.0	59.8%	344.2	100.0	64.5%

Our overall gross profit increased by 50.4% from RMB344.2 million in 2017 to RMB517.6 million in 2018, primarily due to the increase in our total revenue.

Our overall gross margin decreased from 64.5% in 2017 to 59.8% in 2018, primarily due to the increased proportion of our revenue from targeted marketing where we generally have a lower gross margin. The gross margin of our SaaS products decreased from 87.0% in 2017 to 85.0% in 2018 mainly due to an increase in amortization of our intangible assets relating to our self-developed software for SaaS products, thereby driving the cost of sales of our SaaS products at a greater rate than revenue from our SaaS products. The gross margin of our targeted marketing slightly increased from 42.6% in 2017 to 43.0% in 2018 primarily due to an increase in the proportion of our revenue from targeted marketing recognized on a net basis as compared with revenue from targeted marketing recognized on a gross basis.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 50.3% from RMB299.2 million in 2017 to RMB449.8 million in 2018, primarily due to the increases in (i) staff costs for our sales and marketing personnel from RMB139.5 million in 2017 to RMB243.0 million in 2018 mainly as a result of the increase in the number of our sales and marketing staff, and (ii) contract acquisition costs for the sales of our SaaS products from RMB111.6 million in 2017 to RMB150.6 million in 2018. These increases were in tandem with the expansion of each of our business segments.

General and Administrative Expenses

Our general and administrative expenses increased significantly from RMB59.7 million in 2017 to RMB151.4 million in 2018, primarily due to (i) an increase of RMB27.3 million in listing expenses and RMB25.4 million in consulting fee in connection with other fund raising activities relating to our pre-IPO investments incurred in 2018, (ii) an amount of RMB17.5 million in share-based payment expenses to Tencent Venture Base in 2018, and (iii) an increase of RMB16.1 million in staff costs as a result of our overall business growth.

Other Income

Our other income increased by 11.7% from RMB14.8 million in 2017 to RMB16.5 million in 2018, primarily due to the increase in government grants provided to us in the form of VAT refunds in relation to our SaaS products.

Other Gains, net

Our other net gains increased significantly from RMB2.7 million in 2017 to RMB25.1 million in 2018, mainly due to a foreign exchange gain related to our receipt of proceeds from our pre-IPO investments which were denominated in U.S. dollars. This increase was partially offset by the decrease in a gain of RMB3.6 million on the modification of instruments issued to investors, given it was a one-off gain due to the cancelation of all preferential rights granted to our then existing instrument holders in 2017. We did not have any such gain in 2018.

Operating (Loss)/Profit

As a result of the foregoing, we had an operating loss of RMB41.9 million in 2018 while we had an operating profit of RMB2.8 million in 2017.

Finance Costs

We incurred finance costs of RMB5.4 million in 2018, primarily due to interest expenses from our bank borrowing and our issuance of redeemable and convertible preferred shares in 2018.

Finance Income

Our finance income increased significantly from RMB0.1 million in 2017 to RMB0.3 million in 2018, primarily due to an increased interest income on our bank deposits, reflecting an increase in the average balance of our bank deposits in 2018.

Change in Fair Value of Financial Liabilities Other than from Own Credit Risk

We recorded change in fair value of financial liabilities other than from own credit risk of RMB1,043.6 million in 2018, primarily due to the fair value change of the financial instruments issued to our Series C and Series D investors. Upon completion of our IPO on January 15, 2019, such preferred shares were converted to ordinary shares, and therefore, no change in fair value of financial liabilities will incur thereafter.

Income Tax Expense

Our income tax expense increased from RMB0.2 million in 2017 to RMB0.6 million in 2018, primarily due to the increased taxable income of our subsidiaries in the PRC, resulting in the increases in both current income tax expense and deferred income tax expense by utilization of tax loss carried from the previous year.

Change in Fair Value of Financial Liabilities from Own Credit Risk

We recorded change in fair value of financial liabilities from own credit risk of RMB3.5 million, primarily due to the fair value change of the financial instruments issued to our Series C and Series D investors. Upon completion of our IPO on January 15, 2019, such preferred shares were converted to ordinary shares, and therefore, no change in fair value of financial liabilities will incur thereafter.

(Loss)/Profit for the Year

As a result of the foregoing, we recorded a loss of RMB1,091.2 million in 2018 while we recorded a profit of RMB2.6 million in 2017.

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

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

However, our presentation of adjusted EBITDA and adjusted net (loss)/profit 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 (loss)/profit for the periods presented to the most directly comparable financial measures calculated and presented in accordance with HKFRS, which are operating (loss)/profit for the period and net (loss)/profit for the period:

	Year ended December 31,	
	2018	**2017**
	(RMB in millions)	
Reconciliation of operating (loss)/profit to EBITDA and adjusted EBITDA:		
Operating (loss)/profit for the year:	**(41.9)**	2.8
Add:		
Depreciation	**3.6**	3.1
Amortization	**18.4**	5.4
EBITDA	**(19.9)**	11.3
Add:		
Share-based compensation	**32.6**	11.9
Listing and other one-off expenses[1]	**59.9**	–
Adjusted EBITDA	**72.6**	23.2

	Year ended December 31,	
	2018	**2017**
	(RMB in millions)	
Reconciliation of net (loss)/profit to adjusted net (loss)/profit:		
Net (loss)/profit for the year	**(1,091.2)**	2.6
Add:		
Share-based compensation	**32.6**	11.9
Listing and other one-off expenses[1]	**59.9**	–
Interest expenses[2]	**5.4**	–
Change in fair value of financial liabilities other than from own credit risk	**1,043.6**	–
Gain on modification of instruments issued to investors	**–**	(3.6)
Tax effects	**0.6**	0.2
Adjusted net (loss)/profit	**50.8**	11.2

Notes:

(1) Mainly include listing expenses of RMB27.3 million and consulting fee in connection with other fund raising activities of RMB25.4 million.

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

Liquidity and Financial Resources

We fund our cash requirements principally from proceeds from our business operations, bank borrowings, and shareholder equity contribution. As of December 31, 2018, we had cash and cash equivalents of RMB127.6 million.

As of December 31, 2018, we had a short-term bank loan of RMB80.0 million as we entered into a one-year loan agreement with Bank of Shanghai in June 2018 with an interest rate of 6.09% per annum guaranteed by Weimob Development. As of December 31, 2018, we had redeemable and convertible preferred shares of RMB2,769.9 million, all of which had been converted to ordinary shares upon completion of our IPO on January 15, 2019. Therefore, upon our listing on the Main Board of the Stock Exchange, we have turned into a positive equity position.

Capital Expenditures

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

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

	Year ended December 31,	
	2018	**2017**
	(RMB in millions)	
Fixed assets	**11.1**	4.5
Intangible assets	**62.3**	27.9
Total	**73.5**	32.4

Significant Investments

For the year ended December 31, 2018, we did not have any significant investment.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

For the year ended December 31, 2018, we did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Pledge of Assets

As of December 31, 2018, we did not pledge any of our assets.

Future Plans for Material Investments or Capital Assets

As of December 31, 2018, we did not have any plans for material investments and capital assets.

Foreign Exchange Risk Management

We mainly carry out our operations in the PRC with most transactions settled in Renminbi, and we are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar and the Hong Kong dollar. Therefore, foreign exchange risk primarily arose from our recognized assets and liabilities when receiving or to receive foreign currencies from, or paying or to pay foreign currencies to, overseas business partners. In 2018, we did not adopt any long-term contracts, currency borrowings or other means to hedge our foreign currency exposure.

Contingent Liabilities

As of December 31, 2018, we did not have any material contingent liabilities.

Employees

As of December 31, 2018, we had 2,843 full-time employees, the majority of whom are based in Shanghai, China.

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

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

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

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

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. SUN Taoyong (孫濤勇), aged 31, is the Founder of our Group. Mr. Sun currently serves as the Chairman of the Board, executive Director and the Chief Executive Officer of our Company. Mr. Sun also serves as an executive director and the chief executive officer of Weimob Development and holds various directorships in our subsidiaries. Mr. Sun is responsible for formulation of business plans, strategies and other major decisions of our Group, as well as overall management of our Group. In recognition of his innovation, entrepreneurship and contributions, Mr. Sun has received numerous awards and recognitions, including "Top 10 Young IT Pioneers in Shanghai" (上海IT青年新鋭獎) by Shanghai Informatization Youth Talent Association in 2015, "100 Most Innovative Individual in PRC Business of 2015" (2015中國商業最具創意人物100) by Fast Company Magazine in 2016, "China E-Commerce Innovation Best Person of the Year – Service Vendor" (年度電商創新服務商人物) by International E-Commerce Innovation Association (IECIA) in 2016, "Person of the Year in Anhui Province" (安徽年度新聞人物) by Anhui TV Station in 2016, "2016 Entrepreneurs Under 30" (2016年30歲以下創業新貴) by CYZone (創業邦) in 2016, and "Forbes 30 Under 30 Asia List" by Forbes in 2017 (福布斯亞洲30歲以下傑出人物榜), and was selected to the "2018 Shanghai Leading Talents Training Program" (2018上海領軍人才培養計劃). Mr. Sun was also the national champion of the first season of "I am the Founder" (我是創始人), a competitive reality TV show for technology entrepreneurs. Mr. Sun is also a representative of the eighth Shanghai Baoshan District People's Congress.

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

Mr. FANG Tongshu (方桐舒), aged 34, is the co-founder of our Group. Mr. Fang currently serves as an executive Director and Senior Vice President of our Company. Mr. Fang also serves as the senior vice president at Weimob Development since September 2014. Mr. Fang is mainly responsible for overall operation and management of the software business. Prior to joining our Group, from March 2006 to March 2007, Mr. Fang served as a general sales manager at Hotsales Software Technology Co., Ltd. (上海火速軟件技術有限公司). From April 2007 to March 2013, Mr. Fang served as a general sales and operations manager at Hotsales Network Technology Co., Ltd. (上海火速網絡科技有限公司).

Mr. Fang is currently attending junior college programs in business administration at Nankai University (南開大學) through online courses with an expected graduation date in June 2019.

Mr. YOU Fengchun (游鳳椿), aged 30, is the co-founder of our Group. Mr. You currently serves as an executive Director and Senior Vice President of our Company. Mr. You also serves as the senior vice president at Weimob Development since December 2015. Mr. You is mainly responsible for overall planning and operation of the targeted marketing business. Prior to joining our Group, from May 2012 to December 2015, Mr. You served as a Vice President of Shanghai Fuda Medical Group Co., Ltd. (上海復大醫療集團有限公司).

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

Mr. HUANG Junwei (黃駿偉), aged 39, is an executive Director and the Chief Technology Officer of our Company. Mr. Huang also serves as the vice president and chief technology officer of Weimob Development since September 2014. Mr. Huang is mainly responsible for overall technological policies, product research and development, and the establishment of technological platforms. Mr. Huang has over 10 years of experience in software product research and development.

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. SUN Mingchun (孫明春), aged 47, is an independent non-executive Director of our Company. Dr. Sun has over 20 years of experience in finance.

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

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

Dr. LI Xufu (李緒富), aged 52, is an independent non-executive Director of our Company. Dr. Li was formerly known as Li Xufu (李緒付). Dr. Li has 24 years of experience in the securities and investment industry.

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

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

Mr. TANG Wei (唐偉), aged 43, is an independent non-executive Director of our Company.

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

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

SENIOR MANGEMENT

Mr. CAO Yi (曹懿), aged 41, is the Chief Financial Officer of our Company and one of our joint company secretaries. Mr. Cao has also been the vice president and chief financial officer of Weimob Development since August 2016. Mr. Cao is primarily responsible for the overall financial management, financial matters and strategic development of our Group. He has 15 years of experience in the financial management and accountancy industry.

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

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

Mr. FEI Leiming (費雷鳴), aged 38, is the Chief Human Resources Officer of our Company. Mr. Fei has also been the vice president and chief human resources officer of Weimob Development since January 2017. Mr. Fei is mainly responsible for the planning and operation of human resources. He has more than 10 years of experience in human resources and administration.

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

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

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

GLOBAL OFFERING

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

PRINCIPAL ACTIVITIES

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

RESULTS

The results of the Group for the year ended December 31, 2018 are set out in the consolidated statement of comprehensive income on page 61 of this annual report.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended December 31, 2018.

DIVIDEND POLICY

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

BUSINESS REVIEW

The business review and performance analysis of the Group for the Reporting Period is set out in the section headed "Chairman's Statement" from pages 5 to 9 and "Management Discussion and Analysis" from pages 10 to 22 of this annual report. A description of the Group's future business development is set out in the section headed "Chairman's Statement" from pages 8 to 9 of this annual report.

Compliance with Laws and Regulations

During the year ended December 31, 2018, as far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material aspects.

Environmental Policies and Performance

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

For details of the Company’s environmental policies and performance, and the important relationship between the Company and its employees, customers and suppliers, please refer to the Environmental, Social and Governance Report of the Company for the year ended December 31, 2018 to be published on the website of the Stock Exchange (http://www.hkexnews.hk) and the Company’s own website (http://www.weimob.com) according to the Listing Rules.

Principal Risks and Uncertainties

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

FINANCIAL SUMMARY

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

USE OF PROCEEDS FROM LISTING

The Company was successfully listed on the Main Board of the Stock Exchange on January 15, 2019. As of the date of this annual report, the proceeds had not been utilized. The Company intends to apply such proceeds as disclosed in the Prospectus dated December 31, 2018 as follows:

– Approximately 30.0% for enhancing our research and development capability and improving our technology infrastructure, including:

    (i) Approximately 25.0% for recruiting more talents in the areas of AI, machine learning and smart hardware with competitive compensation to develop intelligent business algorithm database, enhance Weimob Cloud platform and develop intelligent business solutions integrating software and hardware;

    (ii) Approximately 5.0% for investment in big data center including purchase of IT servers and equipment to set up more server and real-time computing nodes to increase the data storage capacity and enhance real-time computing capability;

– Approximately 25.0% for pursuing strategic cooperation, investments and acquisitions that we believe can expand our products and offerings, allow us to enter new industry verticals, strengthen our technological and research and development capabilities, or investing in other mobile or digital sectors that are complementary to our current businesses;

– Approximately 15.0% for investment in improving sales and marketing capabilities, including:

  (i) Approximately 5.0% for increasing advertising spending to enhance our brand awareness;

  (ii) Approximately 5.0% for increasing digital marketing spending on search engines to acquire more clients;

  (iii) Approximately 3.0% for establishment of hotline sales centers to enhance our direct sales capabilities and recruit more qualified personnel for such hotline sales centers; and

  (iv) Approximately 2.0% for recruiting more channel partners with industry expertise and strong merchant relationships;

– Approximately 10.0% for purchasing social media advertising traffic for targeted marketing business to enhance our cooperation with Tencent and other leading social media platforms in China;

– Approximately 10.0% for expanding our Marketing Cloud and Sales Cloud product offerings, and expanding our sales channel to enlarge the client base of our cloud offerings; and

– Approximately 10.0% for working capital and general corporate use.

The Company will use the proceeds following the expected implementation timetable as disclosed on page 285 of the Prospectus.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year ended December 31, 2018, the transaction amounts of the Group's top five customers accounted for 42.6% (2017: 37.0%) of the Group's total revenues while the transaction amounts of our single largest customer, Beijing Tencent Culture Media Company Limited, accounted for 22.7% (2017: 17.1%) of the Group's total revenues.

Major Suppliers

For the year ended December 31, 2018, the transaction amounts of the Group's top five suppliers accounted for 85.8% (2017: 84.0%) of the total purchases while the transaction amounts of our single largest supplier, Beijing Tencent Culture Media Company Limited, accounted for 82.1% (2017: 79.9%) of the Group's total purchases.

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

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the Company's share capital during the Reporting Period are set out in note 30 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group during the Reporting Period are set out in the consolidated statement of changes in equity on page 64 of this annual report.

BANK BORROWING

Particulars of bank borrowing of the Company and the Group as of December 31, 2018 are set out in note 27 to the consolidated financial statements.

DIRECTORS

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

Executive Directors:

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

Independent Non-executive Directors:

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

In accordance with the Article 16.2 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

Accordingly, Mr. SUN Taoyong, Mr. FANG Tongshu, Mr. YOU Fengchun, Mr. HUANG Junwei, Dr. SUN Mingchun, Dr. LI Xufu and Mr. TANG Wei shall retire at the AGM and they being eligible, offer themselves for re-election.

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

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 23 to 26 of this annual report.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENTS

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

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

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

None of the Directors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the year ended December 31, 2018 and up to the date of this annual report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period and up to the date of this annual report.

EMOLUMENT POLICY

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

Details of the emoluments of the Directors, and the five highest paid individuals during the Reporting Period are set out in notes 8 and 36 to the consolidated financial statements.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in notes 8 and 36 to the consolidated financial statements.

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

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

Interests in Shares of the Company

Name of Director	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding (%)	Long/ short position
Mr. SUN Taoyong ("**Mr. SUN**")	Settlor of a discretionary trust[(1)(2)]; interest held jointly with other persons[(3)]	484,875,000	24.11	Long position
Mr. FANG Tongshu ("**Mr. FANG**")	Interest in controlled corporation[(4)]; interest held jointly with other persons[(3)]	484,875,000	24.11	Long position
Mr. YOU Fengchun ("**Mr. YOU**")	Settlor of a discretionary trust[(5)]; interest held jointly with other persons[(3)]	484,875,000	24.11	Long position
Mr. HUANG Junwei	Beneficial owner[(6)]	16,940,000	0.84	Long position

Notes:

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

(2) Mr. SUN is the settlor of the RSU Plan (as defined hereinafter) and is deemed to be interested in the shares held by the Weimob Teamwork. Further details of the RSU Plan are set out in the section headed "Restricted Stock Unit Plan" of the Directors' Report from pages 34 to 35 of this annual report.

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

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

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

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

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

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

Interests in Shares of the Company

Name of Shareholder	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding (%)	Long/ short position
Cantrust (Far East) Limited	Trustee [(1)]	321,145,000	15.97	Long position
Youmi Investment Limited	Interest in controlled corporation [(1)]	321,145,000	15.97	Long position
Sun SPV	Beneficial interest [(1)]	321,145,000	15.97	Long position
City-Scape Pte. Ltd.	Beneficial interest [(2)]	142,470,000	7.08	Long position
GIC (Ventures) Pte. Ltd.	Interest in controlled corporation [(2)]	142,470,000	7.08	Long position
GIC Private Limited	Interest in controlled corporation [(2)]	142,470,000	7.08	Long position
GIC Special Investments Private Limited	Investment manager[(2)]	142,470,000	7.08	Long position
CP Wisdom Singapore Pte. Ltd.	Beneficial interest [(3)]	142,470,000	7.08	Long position
WSDN Enterprises (S) Pte. Ltd.	Interest in controlled corporation [(3)]	142,470,000	7.08	Long position
Crescent Point Group	Interest in controlled corporation [(3)]	142,470,000	7.08	Long position
Shanghai Mingying Enterprise Management Partnership Enterprise (Limited Partnership)	Beneficial interest[(4)]	113,480,000	5.64	Long position
Beijing Yiming Investment Management Center (LLP)	Interest in controlled corporation[(4)]	113,480,000	5.64	Long position
Suzhou Industrial Park 825 New Media Investment Co. (LLP)	Interest in controlled corporation[(4)]	113,480,000	5.64	Long position

Notes:

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

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

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

(4) Shanghai Mingying Enterprise Management Partnership Enterprise (Limited Partnership) is a limited partnership established under the laws of the PRC, the limited partners of which are Suzhou Industrial Park 825 New Media Investment Co. (LLP) and Beijing Yiming Investment Management Center (LLP) who hold 41.9% and 58.0% of the economic interests of Shanghai Mingying Enterprise Management Partnership Enterprise (Limited Partnership), respectively. Accordingly, each of Suzhou Industrial Park 825 New Media Investment Co. (LLP) and Beijing Yiming Investment Management Center (LLP) is deemed to be interested in the shares held by Shanghai Mingying Enterprise Management Partnership Enterprise (Limited Partnership).

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

RESTRICTED STOCK UNIT PLAN

The restricted stock unit plan (the "**RSU Plan**") of the Company was approved and adopted by the Board on July 1, 2018 (the "**Adoption Date**"). The purpose of the RSU Plan is to recognize and reward participants for their contribution to the Group, to attract best available personnel to provide services to the Group, and to provide additional incentives to them to remain with and further promote the success of the Group's business. For more information on the RSU Plan, please refer to the section headed "F. RSU PLAN" under Statutory and General Information in Appendix IV of the Prospectus. Certain principal terms and details of the RSU Plan are summarized as follows:

Effectiveness and Duration

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

Administration

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

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

Who may join

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

Maximum number of shares

The total number of shares underlying the RSU Plan ("**RSU Limit**") shall not exceed the aggregate of 14,099 shares as of the date of adoption of the RSU Plan initially held by the Weimob Teamwork as transferred from a company wholly-owned by Mr. Sun Taoyong (the "**Settlor**"), representing 4.12% of the issued shares of the Company as of the Adoption Date of the RSU Plan (on a fully diluted and as-converted basis assuming all the shares underlying the RSU Plan have been issued). Weimob Teamwork has been appointed as the trustee (the "**Trustee**") pursuant to the trust deed to administrate the RSU Plan.

Details of the RSUs granted under the RSU Plan

As of December 31, 2018, the aggregate number of Shares underlying the granted RSUs was 13,933, representing approximately 4.07% of the issued share capital of the Company as of December 31, 2018, and the aggregate number of Shares underlying the vested RSUs was 9,020. As of the date of this annual report, the aggregate number of Shares underlying the granted RSUs and the aggregate number of Shares underlying the vested RSUs remained unchanged.

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

Name of Director	Number of Shares underlying the RSUs granted as of December 31, 2018[(1)]	Approximate percentage of shareholding as of December 31, 2018[(1)]	Grant date	Vesting period (subject to other conditions in the RSU Plan)
Mr. HUANG Junwei	3,388	0.99%	July 1, 2018	80% of which vested on July 6, 2018 10% of which will vest on July 1, 2019 10% of which will vest on July 1, 2020

Note:

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

EQUITY-LINKED AGREEMENT

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

PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES

From the Listing Date and up to the date of this annual report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

From the Listing Date and up to the date of this annual report, none of the Directors or their respective associates had any interests in businesses, which compete or are likely to compete either directly or indirectly, with the businesses of the Group.

CONTINUING CONNECTED TRANSACTIONS

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

Non-exempt Continuing Connected Transactions

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

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

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

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

The proposed annual caps for the purchase of advertising traffic on behalf of WE Group under the Advertising Cooperation Framework Agreement for the three years ended/ending December 31, 2020 are RMB18.2 million, RMB18.2 million and RMB18.2 million, respectively. The actual transaction amount for the year ended December 31, 2018 was approximately RMB1.1 million.

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

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

(ii) on normal commercial terms or better; and

(iii) according to the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

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

a. nothing has come to its attention that causes it to believe that the above non-exempt continuing connected transactions have not been approved by the Board;

b. for transactions involving the provision of goods or services by the Group, nothing has come to its attention that causes it to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

c. nothing has come to its attention that causes it to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreement governing such transactions; and

d. with respect to the aggregate amount of the above non-exempt continuing connected transactions, nothing has come to its attention that causes it to believe that the above non-exempt continuing connected transactions have exceeded the annual cap as set by the Company.

Certain related party transactions mentioned in note 35 to the consolidated financial statements constituted the connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, and are in compliance with the disclosure requirements in Chapter 14A of the Listing Rules.

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

DONATIONS

During the Reporting Period, the charitable and other donations made by the Group amounted to RMB888,999.99.

MATERIAL LEGAL PROCEEDINGS

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

PERMITTED INDEMNITY PROVISIONS

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

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has, together with the Board and the external auditor of the Company, reviewed the accounting principles and practices adopted by the Group as well as the audited consolidated financial statements of the Group for the year ended December 31, 2018.

CORPORATE GOVERNANCE

The Company is committed to maintaining high level of corporate governance practices. Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 39 to 54 of this annual report.

PUBLIC FLOAT

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

AUDITOR

PricewaterhouseCoopers is appointed as auditor of the Company for the year ended December 31, 2018. PricewaterhouseCoopers has audited the accompanying financial statements which were prepared in accordance with the HKFRS.

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

By order of the Board
Sun Taoyong
Chairman of the Board

Hong Kong, March 22, 2019

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining a high standard of corporate governance to safeguard the interests of its shareholders and enhance its value and accountability. Since the Listing Date, the Company has adopted the principles and code provisions as set out in the Corporate Governance Code. During the Relevant Period, the Company has complied with all the applicable code provisions under the Corporate Governance Code with the exception for the deviation from code provision A.2.1 of the Corporate Governance Code.

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

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

BOARD OF DIRECTORS

Responsibilities

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

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

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

BOARD COMPOSITION

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

Executive Directors:

Mr. SUN Taoyong
Mr. FANG Tongshu
Mr. YOU Fengchun
Mr. HUANG Junwei

Independent Non-executive Directors:

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

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

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

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

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

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

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

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

Board Diversity Policy

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

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

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

Based on the information provided by the Directors, during the year ended December 31, 2018, a summary of training received by the Directors is as follows:

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

Notes:

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

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

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

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

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

BOARD MEETINGS

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

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

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

During the year ended December 31, 2018, two Board meetings were held and no general meeting was convened. Since the Listing Date, one Board meeting was held to consider and approve the annual results of the Group for the year ended December 31, 2018. All Directors attended the Board meetings.

Going forward, regular Board meetings will be held at least four times a year. Apart from regular Board meetings, the Chairman of the Board will also hold meetings with the independent non-executive Directors without the presence of other Directors during each year.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

DELEGATION BY THE BOARD

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

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

CORPORATE GOVERNANCE FUNCTION

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

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

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

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

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

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

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

THE BOARD COMMITTEES

Audit Committee

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

The primary duties of the Audit Committee are:

Relationship with the Company's auditors

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

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

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

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

Review of the Company's financial information

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

   (i) any changes in accounting policies and practices;

   (ii) major judgmental areas;

   (iii) significant adjustments resulting from audit;

   (iv) the going concern assumptions and any qualifications;

   (v) compliance with accounting standards; and

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

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

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

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

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

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

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

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

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

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

(n) reporting to the Board on the matters in these Terms;

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

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

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

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

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

As the Company was listed on the Stock Exchange on January 15, 2019, the Audit Committee did not hold any meeting during the year ended December 31, 2018.

NOMINATION COMMITTEE

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

The primary duties of the Nomination Committee are:

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

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

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

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

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

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

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

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

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

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

Terms of Reference of Nomination Committee are available on the websites of the Stock Exchange and the Company.

As the Company was listed on the Stock Exchange on January 15, 2019, the Nomination Committee did not hold any meeting during the year ended December 31, 2018.

Nomination Policy

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

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

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

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

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

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

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

REMUNERATION COMMITTEE

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

The primary duties of the Remuneration Committee are:

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

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

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

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

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

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

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

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

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

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

Terms of Reference of Nomination Committee are available on the websites of the Stock Exchange and the Company.

As the Company was listed on the Stock Exchange on January 15, 2019, the Nomination Committee did not hold any meeting during the year ended December 31, 2018.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration of Directors and senior management of the Company (whose biographies are set out on pages 23 to 26 of this annual report) by band for the year ended December 31, 2018 is set out below:

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

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2018 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

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

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

The statement by the auditor regarding its reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on page 59 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

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

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

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

- Internal auditors provide independent assurance to the Board, the Audit Committee and the management concerning the effectiveness of risk management and internal control systems.

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

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

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

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

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

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

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

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

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

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

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

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

AUDITOR'S REMUNERATION

The auditor's approximate remuneration in respect of the audit and non-audit services provided to the Company for the year ended December 31, 2018 is as follows:

Type of services	**Amount** *(RMB'000)*
Audit services (including audit for the Company's IPO)	5,200
Non-audit services (internal control consulting and tax consulting)	780
Total	**5,980**

JOINT COMPANY SECRETARIES

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONSHIP

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

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

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

SHAREHOLDERS' RIGHTS

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

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

CONVENING AN EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS

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

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

ENQUIRIES TO THE BOARD

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

AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

The Company adopted the Amended and Restated Memorandum and Articles of Association of the Company on December 6, 2018, effective from the Listing Date. During the Relevant Period, there was no change on the Amended and Restated Memorandum and Articles of Association of the Company.

INDEPENDENT AUDITOR'S REPORT

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

OPINION

What we have audited

The consolidated financial statements of Weimob Inc. (the "Company") and its subsidiaries (the "Group") set out on pages 61 to 144, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition of target marketing
- Capitalisation and impairment assessment of internal development costs

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition of target marketing Refer to Note 2.22, Note 4(a) and Note 6 to the consolidated financial statements. For the year ended 31 December 2018, the Group recognised revenue of RMB518 million from provision of target marketing service, representing 60% of the revenue reported by the Group. The Group earns target marketing revenue from different business models including (a) agreed rebates earned from certain media publishers for which revenue is recognised on net basis, and (b) agreed consideration earned from advertisers calculated based on or adjusted by specified actions for which revenue is recognised on gross basis. The determination of whether revenue should be reported on a gross or net basis is based on the assessment of whether the Group acts as a principal or an agent in the transactions, taking into account of the nature of specified services and whether the Group obtains controls of the specified services before transferring to advertisers. Management considers in combination whether (a) the Group is primarily responsible for fulfilling the promise to provide the target marketing service; (b) the Group bears certain inventory risk, and (c) the Group has discretion in establishing the price. We focused on this area due to (a) the significance of the revenue amount, (b) the judgements involved in determining the Group's role as a principal or an agent in recognising target marketing revenue which will impact the presentation of revenue and related costs in the consolidated financial statements, and (c) the chance of calculation error arising from manual processes involved in the calculation of the period-end revenue adjustments to record the revenue on gross and net basis.	We have performed the following procedures to evaluate management's assessment of the recognition basis of target marketing revenue, on gross or on net, and the procedures in relation to the manual process of period-end revenue adjustments, for target marketing: i. We understood and evaluated the controls in place over management's assessment of revenue recognition, tested key controls including appropriate approval and adequate review of sales contracts. ii. We selected sales contracts, on a sample basis, discussed relevant contract terms with the management, and understood the indicators management considered before applying judgement when assessing the revenue recognition on gross or net basis under each different circumstance in accordance with HKFRS15. iii. We conducted interviews with different advertisers, on a sample basis, to corroborate the understanding of the Group's business arrangements with them. iv. We obtained management proposed period-end revenue adjustments of target marketing and discussed with management about the rationale of the manual adjustments. v. We tested the calculations of management's proposed period-end revenue adjustments and cross-checked the key data to relevant working sheets and data source. We consider the judgements made by management and the manual period-end revenue adjustments for the target marketing revenue are supportable by the evidences obtained and procedures performed.

Key Audit Matter	How our audit addressed the Key Audit Matter
Capitalisation and impairment assessment of internal development costs Refer to Note 2.6, Note 2.7, Note 4(e), and Note 18 to the consolidated financial statements. During the year ended 31 December 2018, the Group capitalised internal development costs of approximately RMB62 million in relation to staff costs of the development team incurred on the SaaS (software as a service) products. The capitalisation of the internal development costs involved management's judgments in assessing whether the criteria set out in the relevant accounting standards required for capitalisation of such costs have been met, including but not limited to whether the SaaS products under development can generate probable future economic benefits, and whether costs incurred were directly attributable to the development of the SaaS products. Based on management's impairment assessment results, no impairment losses were recorded during the year. The impairment assessments based on value in use require the Group to estimate the future cash flows arising from the cash-generating units to which the SaaS products belong to and the use of suitable discount rates in order to calculate the present value. We focused on this area due to the high degree of judgement required in management's assessment on the capitalisation of internal development costs and the assumptions made in its estimates on value in use.	We have performed the following procedures to assess management's judgments on the capitalisation of internal development costs and the assumptions made in its estimates on impairment assessments. **Capitalisation** i. We understood, evaluated and tested the key controls in place over management's capitalisation assessments and recording of development costs by each SaaS product. ii. We obtained the breakdown of all individual internal development costs capitalised during the year and reconciled them to the amounts recorded in the general ledger, and tested the capitalised items, on a sample basis, by including: – discussing with management to understand their basis of capitalisation of the internal development costs according to the specific requirements of the relevant accounting standards and checking the relevant feasibility study reports and project approvals to understand the nature of the SaaS products under development and corroborating the understanding with management's explanations to support the capitalisation of the costs; – reviewing the profit forecasts used in the feasibility study reports, including evaluating the reasonableness of key assumptions used by comparing them to historical results; – agreeing the capitalisation amounts to supporting documents, such as the detailed monthly salary sheets.

Key Audit Matter	How our audit addressed the Key Audit Matter
	Impairment assessment i. We obtained management's impairment calculation sheets of each internally developed SaaS product. We have assessed the reasonableness of the methodologies adopted, compared the key assumptions used in the future cash flows to available market information and checked the mathematical accuracy of the calculations of value in use in the management's impairment assessments. ii. We have involved our internal valuation experts in reviewing the discount rates used in determining the present values. iii. We performed a sensitivity analysis around the key assumptions adopted to assess the potential adverse impact of a range of possible outcomes. We found that management's judgments on the capitalisation of internal development costs and the assumptions made in relation to the value in use for impairment assessment were properly supported by available evidence.

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

When we read the Chairman's statement, corporate governance report and report of the directors, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee and take appropriate action considering our legal rights and obligation.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Chiu Kong, Edmond.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 22 March 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2018

	Note	Year ended December 31, 2018 RMB'000	2017 RMB'000
Revenue	6	**865,031**	534,011
Cost of sales	7	**(347,382)**	(189,800)
Gross profit		**517,649**	344,211
Selling and distribution expenses	7	**(449,799)**	(299,191)
General and administrative expenses	7	**(151,380)**	(59,730)
Other income	9	**16,490**	14,762
Other gains, net	10	**25,148**	2,703
Operating (loss)/profit		**(41,892)**	2,755
Finance costs	11	**(5,377)**	–
Finance income	12	**254**	78
Change in fair value of financial liabilities other than from own credit risk	3.3, 26	**(1,043,582)**	–
(Loss)/profit before income tax		**(1,090,597)**	2,833
Income tax expense	13	**(610)**	(196)
(Loss)/profit for the year		**(1,091,207)**	2,637
(Loss)/profit attributable to:			
– Equity holders of the Company		**(1,089,206)**	2,831
– Non-controlling interests		**(2,001)**	(194)
		(1,091,207)	2,637
Other comprehensive (loss)/income, net of tax			
Items that will not be subsequently reclassified to profit or loss			
– Change in fair value of financial liabilities from own credit risk	3.3, 26	**(3,483)**	–
Total comprehensive (loss)/income for the year		**(1,094,690)**	2,637
Total comprehensive (loss)/income attributable to:			
– Equity holders of the Company		**(1,092,689)**	2,831
– Non-controlling interests		**(2,001)**	(194)
		(1,094,690)	2,637
(Loss)/Earnings per share (expressed in RMB per share)			
Basic and diluted	15	**(1.59)**	0.004

The notes on pages 67 to 144 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2018

	Note	As at December 31, 2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**16,914**	9,724
Intangible assets	17	**57,054**	37,623
Development cost	18	**27,963**	3,510
Deferred income tax assets	21	**59,305**	59,703
Contract assets	6	**63,476**	69,581
Other non-current assets	22	**9,700**	–
Total non-current assets		**234,412**	180,141
Current assets			
Trade and notes receivables	24	**79,287**	30,647
Contract assets	6	**130,495**	93,551
Prepayments, deposits and other assets	23	**508,968**	140,880
Cash and cash equivalents	25	**127,585**	21,529
Total current assets		**846,335**	286,607
Total assets		**1,080,747**	466,748
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	30	**–**	–
Share premium	30	**1,049**	–
Reserves	31	**(1,170,341)**	(44,163)
Accumulated losses		**(1,262,090)**	(172,884)
		(2,431,382)	(217,047)
Non-controlling interests		**(1,154)**	2,303
Total deficit		**(2,432,536)**	(214,744)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2018

		As at December 31,	
		2018	2017
	Note	**RMB'000**	RMB'000
LIABILITIES			
Non-current liabilities			
Redeemable and convertible preferred shares	*26*	**2,769,905**	–
Contract liabilities	*6, 29*	**130,071**	145,107
Total non-current liabilities		**2,899,976**	145,107
Current liabilities			
Bank borrowing	*27*	**80,000**	–
Other payables and accruals	*28*	**270,303**	343,409
Contract liabilities	*6, 29*	**262,792**	192,934
Current income tax liabilities		**212**	42
Total current liabilities		**613,307**	536,385
Total liabilities		**3,513,283**	681,492
Total equity and liabilities		**1,080,747**	466,748

The notes on pages 67 to 144 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 67 to 144 were approved by the Board of Directors on March 22, 2019 and were signed on its behalf:

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2018

		Attributable to equity holders of the Company						
	Note	Share capital RMB'000	Share premium RMB'000	Reserves RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
As at January 1, 2018		–	–	(44,163)	(172,884)	(217,047)	2,303	(214,744)
Comprehensive loss								
Loss for the year		–	–	–	(1,089,206)	(1,089,206)	(2,001)	(1,091,207)
Other comprehensive loss – change in fair value of financial liabilities from own credit risk		–	–	(3,483)	–	(3,483)	–	(3,483)
Total comprehensive loss for the year		–	–	(3,483)	(1,089,206)	(1,092,689)	(2,001)	(1,094,690)
Transactions with owners								
– Issuance of ordinary shares	*30*	–	1,049	–	–	1,049	–	1,049
– Capital contribution from an investor		–	–	11,660	–	11,660	–	11,660
– Deemed distribution	*31*	–	–	(1,125,614)	–	(1,125,614)	–	(1,125,614)
– Share-based compensation expenses for employees	*8*	–	–	8,703	–	8,703	–	8,703
– Transactions with non-controlling interests	*31*	–	–	(17,444)	–	(17,444)	(1,456)	(18,900)
Total transactions with owners recognized directly in equity for the year		–	1,049	(1,122,695)	–	(1,121,646)	(1,456)	(1,123,102)
As at December 31, 2018		–	1,049	(1,170,341)	(1,262,090)	(2,431,382)	(1,154)	(2,432,536)
As at January 1, 2017		–	–	(113,520)	(174,981)	(288,501)	1,985	(286,516)
Comprehensive income/(loss)								
Profit/(Loss) for the year		–	–	–	2,831	2,831	(194)	2,637
Total comprehensive income/(loss) for the year		–	–	–	2,831	2,831	(194)	2,637
Transactions with owners								
– Share-based compensation expenses for employees	*8*	–	–	11,895	–	11,895	–	11,895
– Deemed contribution	*31*	–	–	17,324	–	17,324	–	17,324
– Conversion of financial liability to equity	*10,26*	–	–	40,650	(734)	39,916	–	39,916
– Transactions with non-controlling interests	*31*	–	–	(512)	–	(512)	512	–
Total transactions with owners recognized directly in equity for the year		–	–	69,357	(734)	68,623	512	69,135
As at December 31, 2017		–	–	(44,163)	(172,884)	(217,047)	2,303	(214,744)

The notes on pages 67 to 144 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

	Note	2018 RMB'000	2017 RMB'000
		Year ended December 31,	
Cash flows from operating activities			
Cash (used in)/generated from operations	*33*	**(258,607)**	49,393
Interest received		**254**	–
Interest paid		**(5,228)**	–
Income tax paid		**(42)**	–
Net cash (used in)/generated from operating activities		**(263,623)**	49,393
Cash flows from investing activities			
Purchase of short-term investments		**–**	(300)
Proceeds from disposals of short-term investments		**–**	11,814
Payment for acquisition of a subsidiary		**(1,000)**	–
Prepayment for equity investment	*22*	**(9,700)**	–
Purchase of property, plant and equipment		**(11,114)**	(4,498)
Proceeds from disposal of property, plant and equipment	*33*	**353**	43
Purchase of intangible assets		**(203)**	(1,111)
Payment for development cost		**(62,134)**	(27,858)
Payment to a related party	*35*	**(27,128)**	–
Interest received		**–**	78
Net cash used in investing activities		**(110,926)**	(21,832)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

	Note	Year ended December 31, 2018 RMB'000	2017 RMB'000
Cash flows from financing activities			
Capital contribution from an investor		11,660	–
Proceeds from issuance of ordinary shares		994	–
Proceeds from issuance of redeemable and convertible preferred shares	33	1,914,518	–
Cash paid in connection with the Reorganisation	1.2	(1,341,225)	–
Deemed distribution	35	(95,150)	(39,282)
Proceeds from bank borrowings		105,000	–
Repayments of bank borrowings		(25,000)	–
Borrowing from related parties	35	190,000	11,807
Repayment to related parties	35	(264,103)	(7,513)
Payment of listing expenses		(3,039)	–
Acquire equity interest from non-controlling interest		(12,820)	–
Consulting fee paid for financing activities		(25,390)	–
Net cash generated from/(used in) financing activities		455,445	(34,988)
Net increase/(decrease) in cash and cash equivalents		80,896	(7,427)
Effect on exchange rate difference		25,160	–
Cash and cash equivalents at beginning of the year		21,529	28,956
Cash and cash equivalents at end of the year		127,585	21,529
Non-cash financing activity			
Conversion of financial liability to equity	26	–	39,916

The notes on pages 67 to 144 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

Weimob Inc. (the "Company") was incorporated in the Cayman Islands on January 30, 2018 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is P. O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the "Group") are principally engaged in providing a leading cloud-based commerce and marketing solutions for small and medium businesses in People's Republic of China (the "PRC"). The Group offers a wide variety of commerce and marketing solutions to merchants through its software as a service ("SaaS") products offerings and targeted marketing services, collectedly referred to as the "Listing Business" or "B2B Business". Mr. Sun Taoyong ("Mr. Sun"), Mr. You Fengchun ("Mr. You"), Mr. Fang Tongshu ("Mr. Fang") (collectively, the "Substantial Shareholders Group"), who are parties acting in concert in the Group with each other throughout the years ended December 31, 2017 and 2018.

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

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 22, 2019.

1.2 History and reorganisation of the Group

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

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

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

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

1.2 History and reorganisation of the Group (Continued)

(ii) On January 30, 2018, the Company was incorporated in the Cayman Islands with one share being allotted and issued to the initial subscriber. On the same date, the subscriber share of the Company was transferred at par value of US$0.0001 to Jeff.Fang Holding Limited ("Fang SPV"), which is a special purpose vehicle wholly-owned by Mr. Fang. Between January 30, 2018 to June 30, 2018, 78,328 Shares, 14,203 Shares, 4,444 Shares and 3,025 Shares of the Company were further allotted and issued, all at par value to Yomi.sun Holding Limited ("Sun SPV"), Alter.You Holding Limited ("You SPV"), Fang SPV and Shunfeng.li Holding Limited ("Li SPV"), which are the special purpose vehicles controlled by Mr. Sun, Mr. You, Mr. Fang and Mr. Li Shunfeng ("Mr. Li"), respectively. Since then, the Company was owned as to 96.975% by the Substantial Shareholders Group and 3.025% by Mr. Li.

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

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

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

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

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

1.3 Basis of presentation

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

New and amended standards adopted by the Group

HKFRS 9, 'Financial instruments' and HKFRS 15, 'Revenue from contracts with customers' are effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. The Group has applied HKFRS 9 and HKFRS 15 which have been applied consistently throughout the years ended December 31, 2017 and 2018.

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 and have not been early adopted:

HK(IFRIC) 23	Uncertainty over income tax treatments	January 1, 2019
HKFRS 16	Lease	January 1, 2019
Amendments to HKFRS	Annual improvement to HKFRS 2016-2017 Cycle	January 1, 2019
HKFRS 9 (Amendment)	Prepayment features with negative compensation	January 1, 2019
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	January 1, 2019
HKFRS 3	Definition of business	January 1, 2020
Amendments to HKAS 1 and HKAS 8	Definition of material	January 1, 2020
HKFRS 17	Insurance contracts	January 1, 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

Except for HKFRS 16 as disclosed below, the Group has already commenced an assessment of the likely impact of adopting the above new standards but is not yet in a position to state whether they will have a significant impact on the reporting results of operations and financial position. The management of the Group plans to adopt these new standards and amendments to existing standards when they become effective.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the consolidated statement of financial position. Instead, all operating leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group's consolidated statement of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in right-of-use asset and an increase in financial liability in the consolidated statement of financial position. This will affect related ratios, such as increase in debt to capital ratio. In the consolidated statement of comprehensive income, leases will be recognised in the future as depreciation and amortisation and will no longer be recorded as property rental and related expenses. Interest expense on the lease liability will be presented separately from depreciation and amortisation under finance costs. As a result, the property rental and related expenses under otherwise identical circumstances will decrease, while depreciation and amortisation and the interest expense will increase. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial year of the lease, and decreasing expenses during the latter part of the lease term. The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. All right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases. The Group expects to recognise right-of-use assets of approximately RMB67.2 million and lease liabilities of RMB47.0 million (after adjustments for prepayments and accrued lease payments recognised as at December 31, 2018) on January 1, 2019. The Group expects that profit before income tax will decrease by approximately RMB0.5 million for 2019 as a result of adopting the new rules.

2.2 Subsidiaries

(i) Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

(i) Consolidation (Continued)

Other than the Reorganisation, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised in the consolidated statements of comprehensive income.

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

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of the subsidiaries are accounted for by the Company on the basis of dividend and receivable. Impairment testing of the investments in the subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the year the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the financial information of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Segment reporting

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

2.4 Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's primary subsidiaries are incorporated in the PRC and these subsidiaries consider RMB as their functional currency. Acting as extension of subsidiaries, the Company and the intermediate investment holding companies elected RMB as their functional currency. The consolidated financial statements is presented in RMB, which is the Company's and the Group's presentation currency.

(ii) Transactions and balances

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

(iii) Group companies

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

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

(2) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the year in which they are incurred.

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains/(losses) – net' in the consolidated statement of comprehensive income.

2.6 Intangible assets

(i) Trademarks and licenses

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

The trademark used to identify and distinguish ("Weimob"; carrying amount of RMB3,398,000) has a remaining legal life of six years but is renewable every ten years at little cost and is well established. The Group intends to renew the trademark continuously and evidence supports its ability to do so. An analysis of the Group's business performance provides evidence that the Weimob brand will generate net cash inflows for the Group for an indefinite period. Therefore, the trademark is carried at cost without amortisation, but is tested for impairment in accordance with Note 2.7.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Intangible assets (Continued)

(ii) Software

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

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

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

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use, among which costs incurred but relevant intangible assets are not ready for use are recognised as development cost separately in the consolidated statement of financial position.

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

(iii) Amortisation methods and periods

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

Acquired software licenses	10 years
Self-developed software	3 years

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill, trademark with indefinite life, or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the consolidated statement of comprehensive income for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets in the following categories:

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

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets (Continued)

2.8.2 Recognition and measurement

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

Debt instruments

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets (Continued)

2.8.2 Recognition and measurement (Continued)

Equity instruments

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

Changes in the fair value of financial assets measured at fair value through profit or loss are recognised in "other gains – net" as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.10 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and financial assets at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables (excluding prepayments and other receivables from related parties), the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Management assesses the impairment of other receivables according to other receivables' aging, management's prior experiences and customers' conditions as well as applying management's judgments and estimates when determining the impairment to be recognized. Management reassesses the provision at each balance sheet date. Where the basis of judgments and estimates is different from the initial assessment, such difference will impact the provision for impairment and the carrying values of other receivables in the year.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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

2.12 Cash and cash equivalents

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

2.13 Share capital and shares held for employee share scheme

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

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Borrowings

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

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

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

2.15 Borrowings costs

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.17 Financial liabilities measured at fair value through profit or losses

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

Pursuant to HKFRS 9, the instrument issued to investors are accounted for in their entirety as financial liabilities through profit and loss, with fair value changes reflected in "fair value change of financial liability at FVTPL" within the consolidated statement of comprehensive income/(loss), except for the portion attributable to credit risk change that should be charged to other comprehensive income. Accordingly, the embedded conversion features do not require future evaluation, bifurcation, and separate accounting as embedded derivatives as the change in fair value of embedded features are reflected in the change in fair value in the compound instrument under such "whole instrument" approach. Issue costs that are directly attributable to the issue of the instruments, designated as financial liabilities at fair value through profit or loss, are recognized immediately in the consolidated statement of comprehensive income. The instrument are classified as non-current liabilities unless the Group has an obligation to settle the liability within 12 months after the end of the reporting period.

2.18 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet dates in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Current and deferred income tax (Continued)

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

2.19 Employee benefits

(a) Pension obligations

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Employee benefits (Continued)

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

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

(c) Termination benefits

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

(d) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

2.20 Share-based payment

The Group operates an equity-settled share-based compensation plan, under which the Group receives service from its employees in exchange for the equity instruments of the Group. As disclosed in Note 32, Weimob Enterprise granted equity-settled share options to certain employees, which was subsequent replaced by the restricted shares units ("RSUs") granted by the Company. The fair value of the employee service received in exchange for the grant of share options and RSUs is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Share-based payment (Continued)

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Provision

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provisions due to passage of time is recognised as interest expense.

2.22 Revenue recognition

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

(i) SaaS products offering

The Group offers SaaS products which are cloud-hosted software. The Group sells SaaS products directly to customers, i.e. the SaaS products user, or sells through its channel partners. The Group is responsible for delivering the cloud-hosted software, paying server fees to external cloud server vendors to ensure the cloud-hosted software is accessible and stable, and the Group has discretion in establishing the prices for SaaS products. The channel partners have the contractual obligation to follow the Group's pricing guidance and has no significant performance obligation towards the customers. Therefore the Group is the principal and recognises revenue at the gross amount billed to the customers by the channel partners. The differences between the gross amount billed to the customer by the channel partners and the amount billed to channel partners by the Group are recognised as contract acquisition cost.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Revenue recognition (Continued)

(ii) Targeted marketing service

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

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

(a) Agreed rebates earned from certain media publishers

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Revenue recognition (Continued)

(ii) Targeted marketing service (Continued)

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Revenue recognition (Continued)

(ii) Targeted marketing service (Continued)

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

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

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

2.23 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

2.24 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: mainly market risk (including foreign exchange risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Market risk

(a) Foreign exchange risk

The transactions of the Company are denominated and settled in its functional currency, RMB. Therefore, foreign exchange risk primarily arose from cash and cash equivalents in the Company when receiving or to receive foreign currencies from overseas shareholders.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

The Group operates mainly in the PRC with most of the transactions settled in RMB, management considers that the business is not exposed to any significant foreign exchange risk for the years ended December 31, 2017 and 2018 as there are no significant financial assets or liabilities of the Group denominated in the currencies other than the respective functional currencies of the Group's entities. With the set-up of overseas subsidiaries whose functional currency is RMB, if USD had strengthened/weakened by 5% against RMB with all other variables held constant, the profit for the year ended December 31, 2018 would have approximately RMB2,597,000 (2017: nil) higher/lower, as a result of net foreign exchange gains/(losses) on translation of net monetary assets denominated in RMB.

(b) Interest rate risk

The directors of the Company do not anticipate there is any significant cash flow interest-rate risk as the Group has no significant variable interest-bearing assets or liabilities except for the bank balances, of which the interest rates are not expected to change significantly. Financial assets carried at fair value through profit or loss exposes the Group to fair value interest-rate risk.

(ii) Credit risk

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

(a) Credit risk of cash deposit at banks

To manage this risk arising from cash deposit at banks, they are mainly placed with banks with high credit rating. There has been no recent history of default in relation to these financial institutions. The expected credit loss is close to zero.

(b) Credit risk of trade receivables

Except for the revenue generated from rebates earned from Beijing Tencent Culture Media Company Limited ("Tencent"), where the Group treats Tencent as customer, the Group has a large number of customers and there is no concentration of credit risk. As at December 31, 2018 approximately 60% (89% as at December 31, 2017) of the Group's trade receivables were due from the largest customer, Tencent. Given the strong business relationship with Tencent and its good reputation, the management does not expect that there will be any significant losses from non-performance by Tencent.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(ii) Credit risk (Continued)

(b) Credit risk of trade receivables (Continued)

In most of the sales arrangements, the Group asks for advance payment from its customers. Occasionally, the Group provides service to customers without receipt of any advance payment, which is limited to those customers with high reputation, and subject to special internal approval. The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

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

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations
- actual or expected significant changes in the operating results of customers
- significant changes in the expected performance and behavior of the customers, including changes in the payment status

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. Based on historical experience, majority of the trade receivables were settled within credit term, hence the expected credit loss is close to zero.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(ii) Credit risk (Continued)

(c) Credit risk of other receivables

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

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

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

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

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

Based on historical experience, majority of the other receivables were settled within 30 days after upon maturity, hence the expected credit loss is close to zero.

The Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. Over the term of the financial assets, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of debtors, and adjusts for forward looking macroeconomic data.

No significant changes to estimation techniques or assumptions were made during the years ended December 31, 2017 and 2018.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(iii) Liquidity risk

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

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

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Other payables and accruals (excluding advance from advertisers, payroll and welfare payables, and other tax payable)	**34,068**	178,501
Bank borrowing (including interest accrual up to maturity)	**82,436**	–
	116,504	178,501

As at December 31, 2018, the Group's financial liabilities also included financial liabilities measured at fair value through profit or loss which represented the redeemable and convertible preferred shares of RMB2,769,905,000 (December 31, 2017: nil), all of which have been converted to ordinary shares of the Company upon completion of the IPO on January 15, 2019.

3.2 Capital management

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

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

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management (Continued)

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

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Net debt *(Note 33)*	**2,722,320**	147,724
Total deficit	**(2,432,536)**	(214,744)
Net debt to equity ratio	**N/A**	N/A

As at December 31, 2017 and 2018, the Group maintained a net negative equity.

3.3 Fair value estimation

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

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

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

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

The carrying amounts of the Group's financial assets include cash and cash equivalents, trade and other receivables and financial liabilities including other payables and accruals. Their carrying values approximated their fair values due to their short maturities.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at December 31, 2018				
Liabilities				
Redeemable and convertible preferred shares	–	–	2,769,905	2,769,905

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

As at December 31, 2017

The Group did not hold any financial assets or liabilities that carried at fair value as at December 31, 2017.

Financial instruments in level 3

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

- Quoted market prices or dealer quotes for similar instruments;
- Discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate; and
- A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc.

As at December 31, 2018, Level 3 instruments of the Group's liabilities represented redeemable and convertible preferred shares measured at fair value through profit or loss. As one or more of the significant inputs used in the valuation of these instruments is not based on observable market data, the instruments are included in level 3.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following table presents the changes in level 3 financial liabilities for the year. The reason of these changes are disclosed in Note 26.

	Year ended December 31, 2018 RMB'000	2017 RMB'000
At the beginning of the year	–	43,479
Conversion of financial liability to equity	–	(43,479)
Issuance of instrument	2,214,105	–
Change in fair value	1,047,065	–
Repayment	(491,265)	–
At the end of the year *(Note 26(i))*	2,769,905	–
Net unrealized losses for the year	855,800	–

The valuation technique used to value the redeemable and convertible preferred shares is a combination of market approach and equity allocation method of these instruments issued to investors based on available information as of December 31, 2018. The unobservable inputs included expected IPO price, discount for lack of marketability ("DLOM"), and IPO possibility. By December 31, 2018, the offering price had been determined ranging from HK$2.8 to HK$3.5. The valuer applied the middle offering price, which was the best estimate from market participants' perspective as at December 31, 2018, to determine the fair value of the total equity of the Company as of December 31, 2018. Changing the expected offering price would change the fair value significantly. According to HKFRS 13 "Fair Value Measurement", sensitivity analysis on these instruments has been conducted by the management as at December 31, 2018.

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

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

The Company was successfully listed on January 15, 2019 (the "Listing"), upon which all the redeemable and convertible preferred shares had been converted into ordinary shares and the share price became observable.

4 CRITICAL ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

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

(a) Gross vs. net assessment in revenue recognition

As disclosed in Note 2.22, the Group provides targeted marketing service to its customers using different business models, which involves the assessment of revenue recognition on a gross or net basis, i.e. principal vs. agent assessment in different business models. The Group follows the accounting guidance for principal-agent considerations to assess whether the Group controls the specified service before it is transferred to the customer, the indicators of which including but not limited to (a) whether the entity is primarily responsible for fulfilling the promise to provide the specified service; (b) whether the entity has inventory risk before the specified service has been transferred to a customer; and (c) whether the entity has discretion in establishing the prices for the specified goods or service. The management considers the above factors in totality, as none of the factors individually are considered presumptive or determinative, and applies judgment when assessing the indicators depending on each different circumstances.

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

Redeemable and convertible preferred shares are not traded in an active market and the respective fair value is determined by using valuation techniques. The management have used the discounted cash flow method to determine the underlying equity value of the Company and adopted equity allocation model to determine the fair value of redeemable and convertible preferred shares. Key assumptions, such as discount rate, and terminal growth rate are disclosed in Note 26.

(c) Recognition of share-based compensation expenses

As disclosed in Note 32, Weimob Enterprise granted equity-settled share options to certain employees, which was subsequent replaced by the RSUs granted by the Company. Significant estimate on assumptions in determining the fair value of the granted share options and RSUs include risk-free interest rate, expected volatility and dividend yield.

(d) Current and deferred income taxes

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

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

4 CRITICAL ESTIMATES AND JUDGEMENTS (Continued)

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

Costs incurred on development projects are recognized as intangible assets when it is probable that the projects will be successful considering the criteria set out in in Note 2.6(ii). Significant judgment is involved in assessing whether the criteria have been met, including the likelihood of the project delivering sufficient future economic benefits, and whether costs, including employment costs, were directly attributable to relevant projects.

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

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

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

5 SEGMENT INFORMATION

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

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

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

As at December 31, 2017 and 2018, substantially all of the non-current assets of the Group were located in the PRC. Therefore, no geographical segments are presented.

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

	SaaS products	**Targeted marketing**	**Total**
	RMB'000	RMB'000	RMB'000
Year ended December 31, 2018			
Segment revenue	**347,067**	**517,964**	**865,031**
Segment cost of sales	**(52,131)**	**(295,251)**	**(347,382)**
Gross profit	**294,936**	**222,713**	**517,649**
Year ended December 31, 2017			
Segment revenue	262,637	271,374	534,011
Segment cost of sales	(34,049)	(155,751)	(189,800)
Gross profit	228,588	115,623	344,211

6 REVENUE

Revenue mainly comprises of proceeds from providing SaaS products and targeted marketing related service. An analysis of the Group's revenue by category for the years ended December 31, 2017 and 2018, was as follows:

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
SaaS products	**347,067**	262,637
Targeted marketing		
– Gross method	**316,508**	176,576
– Net method	**201,456**	94,798
	517,964	271,374
	865,031	534,011

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Timing of revenue recognition		
At a point in time	**517,964**	271,374
Over time	**347,067**	262,637
	865,031	534,011

6 REVENUE (Continued)

Contract assets and liabilities

The Group has recognised the following revenue-related contract assets and liabilities:

	As at December 31, 2018 RMB'000	2017 RMB'000
Contract assets – current	**130,495**	93,551
Contract assets – non-current	**63,476**	69,581
Total contract assets – SaaS products	**193,971**	163,132
Contract liabilities – current	**262,792**	192,934
Contract liabilities – non-current	**130,071**	145,107
Contract liabilities – SaaS products *(Note 29)*	**392,863**	338,041

(i) Significant changes in contract assets and liabilities

Contract assets of the Group is the contract acquisition cost, which represent the differences between the gross amount billed to the customer by channel partners and the amount billed to channel partners by the Group. Contract liabilities of the Group mainly arise from the non-refundable advance payments in relation to SaaS products made by customers while the underlying services are yet to be provided. Such assets and liabilities increased as a result of the growth of the Group's SaaS product business.

(ii) Revenue recognised in relation to contract liabilities

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

	Year ended December 31, 2018 RMB'000	2017 RMB'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year *(Note 29)*	**192,934**	141,763

6 REVENUE (Continued)

Contract assets and liabilities (Continued)

(iii) Unsatisfied performance obligations

The following table shows unsatisfied performance obligations resulting from fixed-price long-term SaaS products contracts.

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
SaaS products related	**392,863**	338,041

The Company expects that unsatisfied performance obligations of approximately RMB262,792,000 as at December 31, 2018 will be recognized as revenue within 1 year. The remaining unsatisfied performance obligations of approximately RMB130,071,000 will be recognized in 1 to 3 years.

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

The Group has recognised an asset in relation to costs to acquire the SaaS contracts. This is presented within contract assets in the statement of financial position.

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Asset recognised from costs incurred to acquire a contract	**193,971**	163,132

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Amortisation recognized as selling expenses related to SaaS products during the year (*)	**150,629**	111,635

The Group recognises an asset in relation to costs incurred in developing SaaS products end users that is used to acquire SaaS product fixed-price contract. The asset is amortised on a straight-line basis over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue. The management expects the capitalised costs to be completely recovered.

(*) The amortisation was disclosed together with other promotion and advertising expenses in the note on expenses by nature below.

7 EXPENSES BY NATURE

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Employee benefits expenses *(Note 8)*	**322,288**	200,122
Advertising traffic cost for targeted marketing revenue	**286,503**	154,384
Promotion and advertising expenses	**168,118**	136,753
Utilities and office expenses	**40,562**	29,071
Listing expenses	**27,297**	–
Consulting fee in connection with other fund raising activities	**25,390**	–
Depreciation and amortisation	**22,026**	8,536
Share-based compensation expenses – non employee *(i)*	**17,534**	–
Server and SMS charges related to SaaS revenue	**11,618**	9,576
Contract operation services costs for SaaS revenue	**6,913**	1,666
Taxes and surcharges	**4,975**	2,693
Travelling and entertainment expenses	**4,943**	3,289
Auditors' remuneration	**196**	90
Others	**10,198**	2,541
	948,561	548,721

(i) Pursuant to the share purchase agreement signed on April 2, 2018 and as part of the Reorganisation, one investor acquired 1% equity share of Weimob Development in April 2018 for cash consideration of RMB466,000. The fair value of the equity share issued as of the share issuance date exceeded the cash consideration received and the difference of RMB17,534,000, thereof was charged into the consolidated statement of comprehensive income for the year ended December 31, 2018 given no vesting condition exists.

8 EMPLOYEE BENEFIT EXPENSES

	Year ended December 31, 2018 RMB'000	2017 RMB'000
Wages, salaries and bonuses	**229,914**	139,905
Other social security costs, housing benefits and other employee benefits	**49,597**	28,993
Pension costs – defined contribution plans	**27,697**	19,329
Share-based compensation expenses for employees *(i)*	**15,080**	11,895
	322,288	200,122

(i) Included in the share-based compensation expenses for employees for the year ended December 31, 2018, RMB8,703,000 (2017: RMB11,895,000) were related to "Original Option Plan" (Note 32), RMB6,377,000 were related to one of minority interests of Beijing Weimob.

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

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended December 31, 2017 and 2018 include three and two directors whose emoluments are reflected in the analysis shown in Note 36. The emoluments payable to the remaining two and three for the years ended December 31, 2017 and 2018 as follows:

	Year ended December 31, 2018 RMB'000	2017 RMB'000
Salaries, wages and bonuses	**1,386**	1,018
Pension costs – defined contribution plans	**163**	92
Other social security costs, housing benefits and other employee benefits	**130**	107
Share-based compensation	**9,791**	5,565
	11,470	6,782

8 EMPLOYEE BENEFIT EXPENSES (Continued)

(a) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	Year ended December 31, 2018	2017
Nil to HK$1,000,000	–	–
HK$1,000,001 to HK$5,000,000	2	1
HK$5,000,001 to HK$10,000,000	1	1
	3	2

9 OTHER INCOME

	Year ended December 31, 2018 RMB'000	2017 RMB'000
Government grants *(i)*	16,490	14,748
Interest on financial assets held as investments	–	14
	16,490	14,762

(i) Government grants mainly represent VAT refund entitlement since June 2017. VAT refunds refer to the refund of the 3% excess of VAT calculated on the revenue generated from the sales of certain SaaS products registered with the relevant tax authorities. The Group calculates VAT refunds based on actual sale revenue generated from the registered SaaS products, and recognises VAT refund on accrual basis.

10 OTHER GAINS, NET

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Gain on modification of instruments issued to investors *(i)*	**–**	3,563
Bank charges	**(650)**	(203)
Foreign exchange gain	**28,390**	–
Others, net	**(2,592)**	(657)
	25,148	2,703

(i) In January 2017, pursuant to the equity owners and investors' agreement, all the preferential rights granted to the then existing instrument holders (Note 26) were canceled, and the fair value change of the instruments before and after the cancelation of preferential rights were recognised as a gain in the consolidated statement of comprehensive income. Amount of RMB734,000 recorded in OCI related to credit risk were transferred to retained earnings.

11 FINANCE COST

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Interest expenses	**5,377**	–

12 FINANCE INCOME

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Interest income on bank deposits	**254**	78

13 INCOME TAX

(i) Cayman Island 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, 2018.

(iii) PRC Enterprise Income Tax

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

(iv) PRC withholding Tax

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

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Current tax	**212**	42
Deferred income tax *(Note 21)*	**398**	154
Income tax expense	**610**	196

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the tax rate of 25% for the years ended December 31, 2017 and 2018, being the tax rate of the major subsidiaries of the Group.

13 INCOME TAX (Continued)

	Year ended December 31, 2018 RMB'000	2017 RMB'000
(Loss)/profit before income tax	**(1,090,597)**	2,833
Tax calculated at PRC statutory income tax rate of 25%	**(272,649)**	708
Effects of preferential tax rates applicable to Weimob Development	**57,884**	(4,403)
Accelerated research and development deductible expenses	**(5,201)**	(788)
Expenses not deductible for taxation purpose	**218,400**	4,747
Temporary differences and tax losses for which no deferred income tax asset was recognized	**2,176**	3,650
Recognition of deferred tax assets previously not recognized due to temporary difference and tax losses	**–**	(3,718)
Income tax expense	**610**	196

14 DIVIDENDS

No dividends have been paid or declared by the Company for the years ended December 31, 2017 and 2018.

15 (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share for the years ended December 31, 2017 and 2018 are calculated by dividing the (loss)/profit attribute to the Company's equity holders by the weighted average number of ordinary shares and ordinary shares deemed to be in issue during the respective year. The number of ordinary shares for the purpose of calculating basic (loss)/earnings per share has been retrospectively adjusted for the capitalization issue of the shares of the Company completed on January 15, 2019 (note 30).

		Year ended December 31,	
		2018	2017
Net (loss)/profit attributable to the owners of the Company	*(RMB'000)*	**(1,089,206)**	2,831
Weighted average numbers of ordinary shares in issue		**684,615,000**	684,615,000
Basic (loss)/earnings per share	*(RMB)*	**(1.59)**	0.004

The weighted average number of ordinary shares is calculated as follows:

	Year ended December 31,	
	2018	2017
Number of issued shares	**136,923**	136,923
Effect of capitalization issue on January 15, 2019	**684,478,077**	684,478,077
Number of shares for the purpose of basic (loss)/earnings per share calculation	**684,615,000**	684,615,000

(b) Diluted

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

During the year ended December 31, 2018, 205,008 preferred shares were issued to certain investors respectively. The Group did not include these preferred shares in the calculation of basic earnings per share for the year ended December 31, 2017 as these shares are not considered outstanding for earnings per share calculation purposes. For the year ended December 31, 2018, the preferred shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive.

16 PROPERTY, PLANT AND EQUIPMENT

	Computer and electronic equipment RMB'000	Furniture and fixtures RMB'000	Vehicles RMB'000	Leasehold improvement RMB'000	Total RMB'000
Cost					
At January 1, 2018	**4,041**	**1,449**	**809**	**8,019**	**14,318**
Additions	**5,082**	**1,236**	**–**	**4,796**	**11,114**
Disposals	**(384)**	**(23)**	**–**	**–**	**(407)**
At December 31, 2018	**8,739**	**2,662**	**809**	**12,815**	**25,025**
Accumulated depreciation					
At January 1, 2018	**(1,858)**	**(642)**	**(429)**	**(1,665)**	**(4,594)**
Depreciation	**(1,603)**	**(367)**	**(171)**	**(1,432)**	**(3,573)**
Disposals	**38**	**18**	**–**	**–**	**56**
At December 31, 2018	**(3,423)**	**(991)**	**(600)**	**(3,097)**	**(8,111)**
Net carrying amount					
At January 1, 2018	**2,183**	**807**	**380**	**6,354**	**9,724**
At December 31, 2018	**5,316**	**1,671**	**209**	**9,718**	**16,914**
Cost					
At January 1, 2017	3,097	1,365	809	4,704	9,975
Additions	960	223	–	3,315	4,498
Disposals	(16)	(139)	–	–	(155)
At December 31, 2017	4,041	1,449	809	8,019	14,318
Accumulated depreciation					
At January 1, 2017	(787)	(422)	(258)	(66)	(1,533)
Depreciation	(1,079)	(294)	(171)	(1,599)	(3,143)
Disposals	8	74	–	–	82
At December 31, 2017	(1,858)	(642)	(429)	(1,665)	(4,594)
Net carrying amount					
At January 1, 2017	2,310	943	551	4,638	8,442
At December 31, 2017	2,183	807	380	6,354	9,724

16 PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Cost of sales	**271**	126
Administrative expenses	**804**	629
Selling and marketing expenses	**2,498**	2,388
	3,573	3,143

17 INTANGIBLE ASSETS

	Trademarks RMB'000	Self-developed software RMB'000	Acquired software licenses RMB'000	Total RMB'000
Cost				
At January 1, 2018	**3,398**	**40,625**	**246**	**44,269**
Other additions	**–**	**–**	**203**	**203**
Capitalisation of R&D expenses *(Note 18)*	**–**	**37,681**	**–**	**37,681**
At December 31, 2018	**3,398**	**78,306**	**449**	**82,153**
Accumulated amortisation				
At January 1, 2018	**–**	**(6,596)**	**(50)**	**(6,646)**
Amortisation	**–**	**(18,406)**	**(47)**	**(18,453)**
At December 31, 2018	**–**	**(25,002)**	**(97)**	**(25,099)**
Net carrying amount				
At January 1, 2018	**3,398**	**34,029**	**196**	**37,623**
At December 31, 2018	**3,398**	**53,304**	**352**	**57,054**
Cost				
At January 1, 2017	3,398	8,934	154	12,486
Other additions	–	–	92	92
Capitalisation of R&D expenses	–	31,691	–	31,691
At December 31, 2017	3,398	40,625	246	44,269
Accumulated amortisation				
At January 1, 2017	–	(1,241)	(12)	(1,253)
Amortisation	–	(5,355)	(38)	(5,393)
At December 31, 2017	–	(6,596)	(50)	(6,646)
Net carrying amount				
At January 1, 2017	3,398	7,693	142	11,233
At December 31, 2017	3,398	34,029	196	37,623

17 INTANGIBLE ASSETS (Continued)

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

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Cost of Sales	**18,406**	5,355
General and administrative expenses	**47**	38
	18,453	5,393

Impairment tests of trademark

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

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

Impairment test on trademark of the Group has been conducted by the management as at December 31, 2017 and 2018, according to HKAS 36 "Impairment of Assets". For the purposes of impairment test, the recoverable amount is determined based on fair value less costs of disposals calculations, which is included in level 3 fair value hierarchy inputs. The key assumptions used in calculating recoverable amount of trademark includes pre-tax discount rate and royalty rate as follows:

	As at December 31,	
	2018	2017
Pre-tax discount rate	**21%**	20%
Relief from royalty	**5%**	5%

17 INTANGIBLE ASSETS (Continued)

Impairment tests of trademark (Continued)

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

No impairment is considered necessary based on the impairment tests performed as at December 31, 2017 and 2018.

The recoverable amounts of the trademark are shown as below:

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Recoverable amount	351,138	325,482

The headroom of the trademark are shown as below:

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Headroom	347,740	322,084

As the headroom is far larger than the carrying amount of development cost, the reasonable possible changes in key assumptions would not lead to any impairment as at December 31, 2017 and 2018.

18 DEVELOPMENT COST

Development cost that does not meet the criteria in Note 2.6(ii) is recognised as an expense as incurred. Capitalised development cost is recorded as intangible assets and amortised from the point at which the asset is ready for use. The self-developed software with development cost occurred but not ready for use are recorded as development cost in the statement of financial position and subjected to impairment test at each year end.

	Year ended at December 31,	
	2018	2017
	RMB'000	RMB'000
As at January 1	**3,510**	7,343
Development cost capitalized during the year	**62,134**	27,858
Transfer to intangible assets	**(37,681)**	(31,691)
As at December 31	**27,963**	3,510

As at December 31, 2018, development cost of RMB27,963,000 (December 31, 2017: RMB3,510,000) were incurred and met the criteria in Note 2.6(ii), but not ready for use. Based on the impairment assessment result, the directors of the Company considers that no impairment charge was required as at December 31, 2017 and 2018.

Impairment tests of development cost

The Group carries out its impairment test on development cost by comparing the recoverable amounts to the carrying amounts as of the end of each reporting period or when there is impairment indicator. The recoverable amount is determined based on fair value less costs of disposals calculations. These calculations used pre-tax cash flow projections based on management's best estimation covering 3 years, which is the estimated useful life of self-developed software. The accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control process established by the Group. The management leveraged their extensive experiences in the industry and provided forecast based on past performance and their expectation of the sales performance of the relevant newly developed SaaS products and market development.

The Group reviews the development cost incurred for each individual category of SaaS products (CGU). The following is a summary of aggregated development cost as of the end of each year:

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Development cost	**27,963**	3,510

Impairment test on development cost of the Group has been conducted by the management as at December 31, 2017 and 2018, according to HKAS 36 "Impairment of Assets". For the purposes of impairment test, the recoverable amount is determined based on fair value less costs of disposals calculations, which is included in level 3 fair value hierarchy inputs. The calculations use cash flow projections based on management's best estimation for the purpose of impairment reviews covering 3 years.

18 DEVELOPMENT COST (Continued)

Impairment tests of development cost (Continued)

The key assumptions used in calculating recoverable amount of development cost included estimated sales revenue of each category of SaaS product and the following pre-tax discount rate:

	As at December 31,	
	2018	2017
Pre-tax discount rate	**21%**	20%

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

No impairment is considered necessary based on the impairment tests performed as at December 31, 2017 and 2018.

The recoverable amounts of the development cost are shown as below:

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Recoverable amount	**101,108**	31,088

The headroom of the development cost are shown as below:

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Headroom	**73,145**	27,578

As the headroom is far larger than the carrying amount of development cost, the reasonable possible changes in key assumptions would not lead to any impairments as at December 31, 2017 and 2018.

19 SUBSIDIARIES

As at December 31, 2018, the Company had direct and indirect interests in the following subsidiaries:

Company name	Place of incorporation/ establishment and operation	Date of incorporation/ establishment	Registered capital	Percentage of attributable equity interest As at December 31, 2018	Principal activities
Direct interest:					
Weimob Holding Limited	British Virgin Islands ("BVI")	February 7, 2018	USD50,000	100%	Investment holding
Indirect interest:					
Weimob Technology HK Limited	Hong Kong	March 6, 2018	HKD10,000	100%	Investment holding
Shanghai Weimob Enterprise Development Co., Ltd. (上海微盟企業發展有限公司)	The PRC	September 10, 2014	RMB679,352,237	100%	SaaS products offerings and targeted marketing
Beijing Weimob Information Technology Co., Ltd. (北京為盟信息科技有限公司) ("Beijing Weimob")	The PRC	September 9, 2015	RMB1,000,000	100%	SaaS products offerings and targeted marketing
Hangzhou Weimob Information Technology Co., Ltd. (杭州為盟信息科技有限公司) ("Hangzhou Weimob")	The PRC	August 21, 2015	RMB1,000,000	100%	SaaS products offerings and targeted marketing
Guangzhou Weimob Information Technology Co., Ltd (廣州微盟信息科技有限公司)	The PRC	August 24, 2015	RMB1,000,000	100%	SaaS products offerings and targeted marketing
Shenzhen Weimob Information Technology Co., Ltd. (深圳微盟信息科技有限公司)	The PRC	December 22, 2015	RMB1,000,000	100%	SaaS products offerings and targeted marketing
Sichuan Weimob Enterprise Management Co., Ltd. (四川微盟企業發展有限公司)	The PRC	December 31, 2015	RMB1,000,000	100%	SaaS products offerings and targeted marketing
Shanghai Mengju Weimob Information Technology Co., Ltd. (上海盟聚信息科技有限公司)	The PRC	December 29, 2015	RMB1,000,000	100%	Targeted marketing services
Suzhou Weimob Information Technology Co., Ltd. (蘇州盟邦信息科技有限公司)	The PRC	March 29, 2016	RMB1,000,000	100%	SaaS products offerings and targeted marketing
Nanjing Huishuo Information Technology Co., Ltd. (南京暉碩信息科技有限公司)	The PRC	April 21, 2016	RMB1,000,000	70%	SaaS products offerings and targeted marketing
Shanghai Mengyao Weimob Information Technology Co., Ltd. (上海盟耀信息科技有限公司)	The PRC	February 1, 2016	RMB1,000,000	100%	SaaS products related service and targeted marketing
Shanghai Meimeng Weimob Software Technology Co., Ltd (上海美萌軟件科技有限公司)	The PRC	June 30, 2016	RMB1,000,000	80%	SaaS products offerings
Susong Weimob Software Technology Co., Ltd. (宿松微盟企業發展有限公司)	The PRC	December 27, 2016	RMB1,000,000	100%	SaaS products offerings and targeted marketing
Tianjing Weimob Information Technology Co., Ltd. (天津為盟信息科技有限公司)	The PRC	January 25, 2018	RMB1,000,000	100%	SaaS products offerings and targeted marketing
Anhui Sumeng Software Technology Co., Ltd. (安徽速盟軟件科技有限公司)	The PRC	May 28, 2018	RMB5,000,000	100%	SaaS call center

20 FINANCIAL INSTRUMENTS BY CATEGORY

	As at December 31, 2018 RMB'000	2017 RMB'000
Financial assets at amortised costs:		
Trade and note receivables	**79,287**	30,647
Other receivables *(Note 23)*	**104,802**	27,731
Cash and cash equivalents	**127,585**	21,529
Financial liabilities at fair value through profit or loss:		
Redeemable and convertible preferred shares	**2,769,905**	–
Financial liabilities at amortised costs:		
Other payable and accruals (excluding advance from advertisers, payroll and welfare payables, and other tax payable)	**34,068**	178,501
Bank borrowing	**80,000**	–

21 DEFERRED INCOME TAX ASSETS

Deferred income taxes are calculated in full on temporary differences under the liability method using the tax rates which are expected to apply at the time of reversal of the temporary differences.

The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

	As at December 31, 2018 RMB'000	2017 RMB'000
Deferred income tax assets:		
to be recovered after more than 12 months	**17,173**	36,155
to be recovered within 12 months	**42,132**	23,548
	59,305	59,703

21 DEFERRED INCOME TAX ASSETS (Continued)

The movements in deferred income tax assets and liabilities for each of the years ended December 31, 2017 and 2018 without taking into consideration the offsetting of balances within the same jurisdiction, are as follows:

Deferred income tax assets

	Tax losses	Contract Liabilities	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2018	**27,838**	**51,004**	**5,329**	**84,171**
Recognized in the profit or loss	**(2,976)**	**9,059**	**(1,855)**	**4,228**
As at December 31, 2018	**24,862**	**60,063**	**3,474**	**88,399**
As at January 1, 2017	25,762	35,511	16,204	77,477
Recognized in the profit or loss	2,076	15,493	(10,875)	6,694
As at December 31, 2017	27,838	51,004	5,329	84,171

Deferred income tax assets are recognized for deductible temporary differences to the extent that realisation of the related tax benefits through the future taxable profits is probable. As at December 31, 2018, the Group did not recognise deferred income tax assets in respect of losses and deductible temporary differences of RMB13,344,000 and RMB106,000 respectively. These tax losses will expire from 2019 to 2023.

Deferred income tax liabilities

	Contract assets
	RMB'000
As at January 1, 2018	**(24,468)**
Recognized in the profit or loss	**(4,626)**
As at December 31, 2018	**(29,094)**
As at January 1, 2017	(17,620)
Recognized in the profit or loss	(6,848)
As at December 31, 2017	(24,468)

22 OTHER NON-CURRENT ASSETS

On May 16, 2018, Weimob Development entered into a share transfer and capital injection agreement (the "Agreement") with Guangzhou Xiangminiao Internet Technology Co., Ltd. ("Guangzhou Xiangminiao") and its shareholders. Pursuant to the agreement, Weimob Development agreed to acquire certain equity interests from the shareholders of Guangzhou Xiangminiao for RMB6,000,000 and make capital injection into Guangzhou Xiangminiao of RMB11,000,000 in order to obtain 51.50% equity interest in Guangzhou Xiangminiao. On July 6, 2018, Weimob Development paid RMB6,000,000 and acquired 42.75% of the equity ownership in Guangzhou Xiangminiao. On October 26, November 21 and December 17, 2018, Weimob Development made capital injection of RMB3,700,000 with the remaining RMB7,300,000 to be paid in 2019.

According to the legal assessment of the Company's external legal counsel, the purchase of equity interest from existing shareholders and the capital injection are a wholistic arrangement for Weimob Development to obtain control in Guangzhou Xiangminiao. Weimob Development will not obtain control until it pays the full considerations of RMB17,000,000 and with all of the other closing conditions fulfilled.

As at December 31, 2018, Weimob Development has neither obtained control nor significant influence over Guangzhou Xiangminiao. Therefore, the total cash paid, amounting to RMB9,700,000, was recorded in non-current assets in the consolidated statement of financial position as an advance payment for long-term investment.

23 PREPAYMENTS, DEPOSITS AND OTHER ASSETS

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Prepayments for purchasing advertising traffic related to targeted marketing revenue	**342,273**	87,220
Other receivables in relation to prepayment on behalf of advertisers – third parties *(i)*	**77,503**	27,683
Other receivables in relation to prepayment on behalf of advertisers – related parties *(i) (Note 35)*	**171**	48
Other receivables due from related party *(Note 35)*	**27,128**	–
Prepayments for rent and property management fee	**20,200**	14,656
Receivables in relation to value-added tax refund *(Note 9)*	**7,119**	5,258
Deposits – third parties	**4,144**	2,573
Staff advance	**1,171**	325
Recoverable value-added tax ("VAT")	**3,727**	846
Prepayments for purchasing advertising services	**6,727**	211
Prepayments for contract operation service costs	**1,584**	–
Capitalization of listing expenses	**6,529**	–
Others	**10,692**	2,060
	508,968	140,880

(i) In the normal business arrangement of targeted marketing services, the Group 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 with high reputation, and subject to special internal approval. These prepayments on behalf of advertisers are recognised as other receivables.

24 TRADE AND NOTES RECEIVABLE

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Trade receivable	**66,175**	28,647
Notes receivable	**13,112**	2,000
	79,287	30,647

Aging analysis of the trade receivables as at December 31, 2017 and 2018, based on date of recognition, is as follows:

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
0 – 90 days	**66,175**	28,647

As at December 31, 2017 and 2018 the trade receivables and notes receivables were denominated in RMB.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at December 31, 2017 and 2018 no provision was made against the gross amounts of trade receivables (Note 3).

25 CASH AND CASH EQUIVALENTS

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Cash at bank	**124,456**	19,961
Cash equivalents *(i)*	**3,073**	1,427
Cash on hand	**56**	141
	127,585	21,529
Maximum exposure to credit risk	**127,529**	21,388

(i) Cash equivalents represents cash balances kept in third party payment platform, such as Ali-pay and WeChat account which can be withdrawn by the Group at any time.

25 CASH AND CASH EQUIVALENTS (Continued)

Cash and cash equivalents are denominated in the following currencies:

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
RMB	**75,651**	21,529
USD	**51,934**	–

26 FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

(i) Series A, Series B and Yongming instrument

During the period from 2014 to 2016, the Group completed a series of fund raising by issuing certain instruments with various preferential features (Series A, Series B and Yongming instruments) to the investors. These instruments were measured at fair value and were classified as financial liability.

In January 2017, pursuant to the agreement entered into among the equity owners and Series A, B and Yongming instrument holders, all the preferential rights granted to the instrument holders were canceled, the fair value changes before and after the modification amounted to RMB3,563,000 was recognised as a gain in the consolidated statement of comprehensive income of the Group (Note 10). The Series A, B and Yongming instrument became ordinary equity interest since then.

(ii) Series C preferred shares

1 Instrument issued to Series C investors by Weimob Development

As part of the Reorganisation, Tencent Mobility Limited ("Tencent Mobility") acquired 1% equity share of Weimob Development from Weimob Enterprise in April 2018. Between March 3, 2018 and April 21, 2018, Weimob Development entered into certain agreements, pursuant to which Shanghai Guohe Capital Phase II Modern Service Industry Equity Investment Fund Partnership (LLP) ("Shanghai Guohe") subscribed for 2.50% of the equity interest of Weimob Development by way of capital injection for RMB50,000,000 and acquired 2.5% equity interest of Weimob Development for RMB50,000,000. In addition, other investors acquired from Weimob Enterprise and Beijing Yongming, in aggregate, 41.45% of the equity interest of Weimob Development, being all of the equity interest then held by Weimob Enterprise and Beijing Yongming in Weimob Development (Tencent Mobility, Shanghai Guohe and the other investors, hereinafter collectively stated as Series C investors). The Series C investors enjoyed the same preferential rights as the Series C preferred shares issued by the Company in June 2018. The key term of the Series C preferred shares were summarized below.

The difference between the fair value of equity interest with preferential rights ("Instrument issued to Series C investor" by Weimob Development) as of each issuance date and the cash directly received by Weimob Development, in aggregate, amounted to RMB852,000,000, among which RMB17,534,000 (Note 7) was recognized as share-based payment and RMB834,466,000 was recognized as deemed distribution.

26 FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

(ii) Series C preferred shares (Continued)

2 Series C preferred shares issued by the Company

On June 27, 2018, as part of the Reorganisation, the Company issued 91,031 Series C preferred shares to Series C investors to replace the instruments issued to Series C investors by Weimob Development. The following table sets out the number of the Series C preferred shares issued by the Company and the consideration paid by the investors.

Type	Investors	Date of issuance	Number of shares	Unit price	Total Consideration in original currency
Series C	Shanghai Zhengmu Investment Center (Limited Partnership) ("Zhengmu")	June 27, 2018	14,997	RMB6,668	RMB100,000,000
Series C	Shanghai Fuhai Zhaoxun Enterprise Management Partnership Enterprise (Limited Partnership) ("Fuhai")	June 27, 2018	14,997	RMB6,668	RMB100,000,000
Series C	Shanghai Menxiang Enterprise Management Partnership Enterprise (Limited Partnership) ("Mengxiang")	June 27, 2018	19,496	RMB6,668	RMB130,000,000
Series C	Shanghai Shanyoutao Enterprise Management Partnership Enterprise (Limited Partnership) ("Shanyoutao")	June 27, 2018	19,496	RMB6,668	RMB130,000,000
Series C.	Bohai Fengsheng, L.P. ("Bohai")	June 27, 2018	7,498	RMB6,668	RMB50,000,000
Series C.	V-Capital International Holding Co., Limited ("V-Capital")	June 27, 2018	7,498	US$1,067	US$8,000,000
Series C.	Tencent Mobility Limited ("Tencent Mobility")	June 27, 2018	7,049	US$0.0001	US$0.7049
Subtotal			91,031		

The fair value of Series C preferred shares as at December 31, 2018 was RMB1,221,139,000, the fair value changes since the instrument issued by Weimob Development of RMB794,028,000 were charged into the consolidated statement of the comprehensive income for the year ended December 31, 2018.

26 FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

(iii) Series D preferred shares

1 Promissory notes issued to Series D investors

On April 30, 2018, six investors (the "Noteholders") entered into a convertible promissory note subscription agreement with the Company, pursuant to which the Noteholders subscribed for USD-denominated convertible promissory note with a total principal amount of US$80,000,000 (the "Notes"). The issuance of Notes were completed on April 30, 2018 and the Notes will convert automatically, upon the closing of the sale of the Company's preferred shares to be created at a qualified financing as defined in the agreement. In the event that the Notes are converted into the preferred shares, the holders of the preferred shares shall generally enjoy the rights as stated in the term sheet which was as same as that stated in Series D share subscription agreements. The key term of the Series D preferred shares were summarized below.

On June 26, 2018, the Company entered into a subscription agreement with the Noteholders, pursuant to which the Noteholders subscribed for, in aggregate, 45,591 series D preferred shares, and each of the Noteholders shall surrender the Note it holds, duly endorsed as "Paid in Full", to the Company and such Note shall be deemed fully paid and satisfied and shall be terminated and canceled. Such Series D preferred shares were issued to the Noteholders on June 27, 2018, following which all of the Convertible Notes were canceled. Fair value changes from the issuance date of the Notes to June 27, 2018 of RMB15,651,000 were charged in the consolidated statement of the comprehensive income for the year ended December 31, 2018.

26 FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

(iii) Series D preferred shares (Continued)

2 Series D preferred shares issued by the Company

On June 27, 2018, four investors, in addition to the Noteholders aforementioned, entered into a subscription agreement with the Company, pursuant to which subscribed for, in aggregate, 68,386 Series D preferred shares in the Company.

The following table sets out the number of the Series D preferred shares issued by the Company and the consideration paid by the investors.

Type	Investors	Date of issuance	Number of shares	Unit price	Total Consideration in original currency
Series D	City-Scape Pte. Ltd. ("GIC")	June 27, 2018	28,494	US$1,755	US$50,000,000
Series D.	CP Wisdom Singapore Pte. Ltd ("Crescent")	June 27, 2018	28,494	US$1,755	US$50,000,000
Series D.	SIG Global China Fund 1, LLLP ("SIG")	June 27, 2018	7,409	US$1,755	US$13,000,000
Series D.	VisionGain Weimob Limited Partnership ("VisionGain")	June 27, 2018	3,989	US$1,755	US$7,000,000
Series D.	SEAVI Limited ("Seavi Advent") *(Note i)*	June 27, 2018	14,247	US$1,755	US$25,000,000
Series D	Henlius Hong Kong Holdings Limited ("KIP") *(Note i)*	June 27, 2018	11,398	US$1,755	US$20,000,000
Series D	Promising Wealth Limited ("Strait Capital") *(Note i)*	June 27, 2018	8,548	US$1,755	US$15,000,000
Series D	ARCHina Weimob ("Keywise Capital") *(Note i)*	June 27, 2018	5,699	US$1,755	US$10,000,000
Series D	ASEAN China Investment Fund III L.P. ("UOB Venture") *(Note i)*	June 27, 2018	5,338	US$1,755	US$9,366,300
Series D.	ASEAN China Investment Fund (US) III L.P. ("UOB Venture (US)") *(Note i)*	June 27, 2018	361	US$1,755	US$633,700
Subtotal			113,977		

Note i: Series D preferred shares converted from the Notes.

The fair value of Series D preferred shares as at December 31, 2018 was RMB1,548,766,000, the fair value changes from the issuance date of RMB253,037,000 (including fair value changes of Notes and Series D preferred shares of RMB15,651,000 and RMB237,386,000 respectively) were charged into the consolidated statement of the comprehensive income for the year ended December 31, 2018.

26 FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

(iv) Key terms of the Series C and Series D Preferred Shares (collectively the "Preferred Shares")

As at June 27, 2018, in aggregate, 91,031 Series C preferred shares and 113,977 Series D preferred shares were issued to the investors.

	Number of shares	Fair value as at the date of issuance RMB'000	Fair value as at December 31, 2018 RMB'000
Series C Preferred Shares	91,031	994,050	1,221,139
Series D Preferred Shares	113,977	1,311,380	1,548,766
Total	205,008	2,305,430	2,769,905

The key terms of the Preferred Shares are summarized as follows:

Redemption

The holders of Series C and D preferred shares may excise their redemption rights upon any of the following redemption events:

(i) IPO events: (a) the Company has not submitted its IPO Application to an Approved Exchange for an IPO by June 30, 2019; (b) following submission by the Company of an IPO Application to an Approved Exchange, the Approved Exchange rejects or returns the IPO Application for the IPO; (c) the Company withdraws the IPO Application or the IPO Application expires without being approved by the Approved Exchange; (d) the Company has not completed an Approved IPO on or prior to December 31, 2019. On August 30, 2018, each holders of the Preferred Shares entered into a letter of waiver with the Company to waive certain aforementioned redemption terms, among which each holders of the Preferred Shares agree to waive its right to exercise the redemption rights against the Company upon or at any time following the occurrence of the Approved Exchange rejects or returns the IPO Application for the IPO.

(ii) Business and performance target: (a) the Company failed in achieve at least 80% of the aggregate of the 2019 performance target and the 2020 performance target; (b) any change of applicable laws or other circumstances which results in the Group being unable to conduct normal business operation for more than six (6) months. Prior to the Company's submission of the IPO application with an approved exchange, these two redemption section shall be terminated and cease to have any legal effects.

26 FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

(iv) Key terms of the Series C and Series D Preferred Shares (collectively the "Preferred Shares") (Continued)

Liquidation

In a liquidation event, whether voluntary or involuntary, all assets and funds of the Company legally available for distribution to the shareholders (after satisfaction of all creditors' claims and claims that may be preferred by law) shall be distributed to the shareholders of the Company as follows:

Each holder of the Preferred Shares shall be entitled to receive, in preference to the holders of any other class or series of shares of the Company, a liquidation preference equal to (i) the purchase price of the Preferred Shares they hold, plus (ii) an annual interest of 10% (simple) thereof (computing from the date when the purchase price of the Preferred Shares is paid off to the date of payment of the Preference Amount to such holder), plus (iii) all declared but unpaid dividends on the Preferred Shares (collectively, the "Preference Amount"); if the assets and funds thus distributed among the holders of the Preferred Shares is insufficient to permit the payment to the holders of the Preferred Shares of the full Preference Amount, the liquidation Preference Amount will be paid to the holders of Preferred Shares in the following order: first to holders of Series D Preferred Shares, second to holders of Series C Preferred Shares. After distributing or paying in full the liquidation preference amount to all of the holders of Preferred Shares, the remaining assets of the Company available for distribution to members, if any, shall be distributed to the holders of the Preferred Shares and ordinary shares on a pro rata basis, based on the number of ordinary shares then held by each holder on an as-converted basis.

Conversion

Each of the Preferred Shares shall be convertible, at the option of the holder thereof, at any time into such number of fully paid and non-assessable ordinary shares as determined by dividing the issue price by the then-effective conversion price. The conversion price shall initially be the issue price, resulting in an initial conversion ratio for the Preferred Shares of 1:1, and shall be subject to adjustment and readjustment from time to time, save that no adjustment shall have the effect that the conversion price would be less than the par value of the ordinary shares into which the Preferred Shares are to be converted.

Preferred Share shall automatically be converted, based on the then-effective conversion price, without the payment of any additional consideration, into fully-paid and non-assessable ordinary shares upon the completion of an Approved IPO.

26 FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

(iv) Key terms of the Series C and Series D Preferred Shares (collectively the "Preferred Shares") (Continued)

Conversion (Continued)

Upon completion of the IPO on January 15, 2019, all of the redeemable and convertible preferred shares were automatically converted and subdivided (pursuant to the share subdivision) to ordinary shares. As a result, 1,025,040,000 ordinary shares in total were issued to Series C and Series D investors immediately after the Capitalization Issue. The balance of redeemable and convertible preferred shares were transferred to share capital and share premium of the Company on that date. All preferred rights entitled to the holders of redeemable and convertible preferred shares lapsed and such holders thereafter hold rights pari passu to all other ordinary shareholders.

The fair value of the redeemable and convertible preferred shares immediately before conversion into ordinary shares upon completion of IPO was assessed at the market price in the amount of HK$2.80 (approximately RMB2.41) per share.

Valuation process of the Group for Series C and Series D Preferred Shares

The fair value of the above preferred shares issued to investors were determined based on valuation performed by an independent professionally qualified valuer (Note (3.3)).

27 BANK BORROWING

	Year ended at December 31,	
	2018	2017
	RMB'000	RMB'000
Bank Borrowing	**80,000**	–

On June 20, 2018, the Group borrowed a loan of RMB80,000,000 from Bank of Shanghai bearing an interest rate of 6.09% per annum provided on unsecured basis, which will be due on June 20, 2019.

28 OTHER PAYABLES AND ACCRUALS

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Advance from advertisers – third party	**130,875**	87,602
Advance from advertisers – related party *(Note 35)*	**23**	8,215
Payroll and welfare payables	**100,108**	65,301
Liabilities carried from Excluded Business *(i)*	**–**	95,150
Amount due to related parties *(Note 35)*	**–**	75,115
Deposits	**5,477**	5,460
Other taxes payable	**5,229**	3,790
Accruals for listing expense	**12,187**	–
Payable to purchase equity interest in Beijing Weimob	**6,080**	–
Other payable and accruals	**10,324**	2,776
	270,303	343,409

(i) As disclosed in Note 1.2, since September 1, 2016, Weimob Enterprise transferred all of the Listing Business to Weimob Development. During the Business Transfer, Weimob Development took over the cash balances and total liabilities of RMB20,168,000 and RMB243,172,000 from the Excluded Business, respectively. The liabilities carried from the Excluded Business were fully settled by December 31, 2018.

29 CONTRACT LIABILITIES

Contract Liabilities represents the advance payments from customers for SaaS business, while the underlying services are not yet provided as at December 31, 2018. The portion to be recognized within one year after the end of each reporting period is classified as current liabilities in the consolidated statement of financial position.

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
Current	**262,792**	192,934
Non-current	**130,071**	145,107
	392,863	338,041

	Year ended at December 31,	
	2018	2017
	RMB'000	RMB'000
Beginning Balance	**338,041**	242,968
Addition	**355,310**	328,663
Recognized in revenue	**(300,488)**	(233,590)
Ending Balance	**392,863**	338,041

30 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share capital RMB'000*	Share premium RMB'000	Total RMB'000
Issued:				
As at date of incorporation				
Issuance of ordinary shares *(Note (a))*	**136,923**	**–**	**1,049**	**1,049**
As at December 31, 2018	**136,923**	**–**	**1,049**	**1,049**

Notes:

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

(a) The Company was incorporated in the Cayman Islands on January 30, 2018 with one Ordinary Share of a par value of US$0.0001 allotted to Sertus Nominees (Cayman) Limited. On the same day, such Ordinary Share was transferred to Jeff.Fang Holding Limited for a consideration of US$0.0001, and the Company further issued 66,330, 13,520, 11,620, 5,859 and 2,670 Ordinary Shares of a par value of US$0.0001 each to Yomi.sun Holding Limited, Alter.You Holding Limited, Forest.Lin Holding Limited, Jeff.Fang Holding Limited and Shunfeng.li Holding Limited, respectively, being an aggregate of 99,999 Ordinary Shares at a total consideration of US$9.9999.

On June 27, 2018, the Company issued 36,923 Ordinary Shares at par value of US$0.0001 each, including 4,684, 22,696 and 9,543 ordinary shares to Tencent Mobility Limited, Shanghai Mingying Enterprise Management Partnership Enterprise (Limited Partnership) and Star Brilliant Investment Limited with a consideration of US$0.4684, US$160,000 and US$0.9543, respectively.

These ordinary shares were issued by Weimob Inc. for the purpose of Reorganisation, to these subscribers who are the original shareholders of Weimob Enterprise in exchange for the equity interest of Weimob Development ("Listing Business") which was originally owned by Weimob Enterprise.

On January 15, 2019, all of the 205,008 redeemable and convertible preferred shares were automatically converted to the same number of ordinary shares (Note 26), and the total ordinary shares immediately before the new share offering is 341,931. In connection with the Listing, the Company issued 301,700,000 new shares at par value of US$0.0001 each, at the price of HK$2.8 per share. The Company further issued 1,709,313,069 shares by way of capitalization of the sum of US$170,931.31 out of the share premium account of the Company. On February 7, 2019, the Company issued 676,000 new shares at HK$2.8 per share upon the partial exercise of over-allotment options by the underwriters.

31 RESERVES

	Reserves RMB'000	Financial liability measured at fair value RMB'000	Share-based payments RMB'000	Total RMB'000
As at January 1, 2018	**(102,824)**	**–**	**58,661**	**(44,163)**
Capital contribution from a shareholder	**11,660**	**–**	**–**	**11,660**
Change in fair value from our credit risk	**–**	**(3,483)**	**–**	**(3,483)**
Deemed contribution *(i)*	**77**	**–**	**–**	**77**
Purchase equity interest in Weimob Development during reorganisation *(ii)*	**(1,125,691)**	**–**	**–**	**(1,125,691)**
Share-based compensation expenses for employees *(Note 8)*	**–**	**–**	**8,703**	**8,703**
Transaction with Non-controlling shareholders *(iii)*	**(17,444)**	**–**	**–**	**(17,444)**
As at December 31, 2018	**(1,234,222)**	**(3,483)**	**67,364**	**(1,170,341)**
As at January 1, 2017	(159,552)	(734)	46,766	(113,520)
Share-based compensation expenses for employees *(Note 8)*	–	–	11,895	11,895
Deemed contribution *(i)*	17,324	–	–	17,324
Conversion of financial liability to equity	39,916	734	–	40,650
Transaction with Non-controlling shareholders *(iii)*	(512)	–	–	(512)
As at December 31, 2017	(102,824)	–	58,661	(44,163)

31 RESERVES (Continued)

(i) Deemed contribution

Other deemed contribution in the years ended December 31, 2017 and 2018 mainly represents certain top management' salaries and related expenses of the Listing Business paid by Weimob Enterprise after the Business transfer, before those top managements are transferred to Weimob Development.

(ii) Purchase equity interest in Weimob Development

The balance represented the deeded distribution arising from:

(1) the issuance of equity interest with preferential rights (Instruments issued to Series C investors by Weimob Development) amounted to RMB834,466,000(*) (Note 26(ii)) and

(2) the purchase of 52.95% equity interest in Weimob Development from Weimob Enterprise amounting to RMB291,225,000 (Note 1.2).

* The difference between the fair value of equity interest with preferential rights ("Instrument issued to Series C investors") by Weimob Development as of each issuance date and the cash directly received by Weimob Development, in aggregate, amounted to RMB852,000,000, among which RMB17,534,000 (Note 7) was recognized as share-based payment and RMB834,466,000 was recognized as deemed distribution.

(iii) Transaction with non-controlling shareholders

Non-controlling interest is an ownership position whereby a shareholder owns less than 50% of outstanding shares and has no control over decisions. Transaction with non-controlling shareholders for the years ended December 31, 2017 and 2018 represents the excess of cash consideration over the aggregate carrying amounts of acquired equity interest. During the year ended December 31, 2018, the Group acquired the entire non-controlling interests in Beijing Weimob and Hangzhou Weimob for a total consideration of RMB18.9 million.

32 PRE-IPO SHARE OPTION PLAN AND MODIFICATION DURING THE REORGANISATION

Weimob Enterprise adopted a share option plan (the "Original Option Plan") since June 30, 2016, under which Weimob Enterprise granted share options to its qualified employees on semi-annual basis. The vesting period of the share options under the Original Option Plan varies from 4 to 6 years. Once vested, the share options remain exercisable until 6 months after the grantee leaves Weimob Enterprise or its subsidiaries. The exercise price of the share options granted under the Original Option Plan is nil.

As part of the Reorganisation, the Original Option Plan was replaced by the newly adopted Restricted Share Unit Scheme of the Company pursuant to a resolution of the Board on July 1, 2018. The vesting conditions of the Restricted Share Unit (the "RSU") were maintained the same and there was no significant incremental cost upon the modification. The total number of shares underlying the RSU plan shall not exceed the aggregate of 14,099 shares as of the date of adoption of the RSU plan. The vesting period of the RSU plan varies from 2 years to 4 years.

The share-based compensation expenses recognised for the years ended December 31, 2017 and 2018 is summarised in the following table:

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Share-based compensation expenses for employees	**8,703**	11,895

The number of RSUs granted to the Company's employees is summarised in the following table:

	Number of RSUs
As at January 1, 2017	11,901
Granted during the year	1,765
As at December 31, 2017	13,666
Granted during the year	**366**
Forfeited during the year	**(99)**
As at December 31, 2018	**13,933**

No RSUs were expired during the years ended December 31, 2017 and 2018.

As of December 31, 2018, the aggregate number of shares underlying the granted RSUs is 13,933, among which 9,020 shares were vested.

33 NET CASH (USED IN)/GENERATED FROM OPERATION

(a) Cash (used in)/generated from operations

	Year ended December 31, 2018 RMB'000	2017 RMB'000
(Loss)/profit before income tax	**(1,090,597)**	2,833
Adjustment for:		
Depreciation of property, plant and equipment *(Note 16)*	**3,573**	3,143
Amortisation of intangible assets *(Note 17)*	**18,453**	5,393
(Gain)/loss on disposal of property, plant and equipment	**(2)**	30
Fair value change of financial instruments	**1,043,582**	–
Gain on modification of financial instruments *(Note 26)*	**–**	(3,563)
Share-based payment expenses *(Notes 7, 8)*	**32,614**	11,895
Interest expense	**5,377**	–
Interest income	**(254)**	(78)
Foreign exchange gain	**(25,160)**	–
Investment income	**–**	(14)
Consulting fee paid for the Pre-IPO fund raising	**25,390**	–
	12,976	19,639
Changes in working capital:		
Increase in trade and notes receivables	**(48,640)**	(16,066)
Increase in contract liabilities	**54,822**	95,073
Increase in prepayments, deposits and other assets	**(334,431)**	(99,599)
Increase in contract assets	**(30,839)**	(45,650)
Increase in other payables and accruals	**87,505**	95,996
Cash (used in)/generated from operations	**(258,607)**	49,393

In the consolidated statement of cash flow, proceeds from disposal of property, plant and equipment comprise:

	Year ended December 31, 2018 RMB'000	2017 RMB'000
Net book amount	**351**	73
Net gain/(loss) on disposal of property, plant and equipment	**2**	(30)
Proceeds from disposal of property, plant and equipment	**353**	43

33 NET CASH (USED IN)/GENERATED FROM OPERATION (Continued)

(b) Non-cash financing activities

As disclosed in Note 26, non-cash financing activities during the year ended December 31, 2017 mainly represents the conversion between equity and financial liability due to the modification of financial instrument issued to investors.

(c) Net debt reconciliation

	As at December 31, 2018 RMB'000	2017 RMB'000
Cash and cash equivalents	**127,585**	21,529
Amount due to related parties *(i)*	**–**	(74,103)
Liabilities carried from Excluded Business *(Note 28)*	**–**	(95,150)
Redeemable and convertible preferred shares	**(2,769,905)**	–
Bank borrowing	**(80,000)**	–
Net debt	**(2,722,320)**	(147,724)

33 NET CASH (USED IN)/GENERATED FROM OPERATION (Continued)

(c) Net debt reconciliation (Continued)

	Cash and cash equivalents	Liquid investments	Borrowing	Amount due to related parties *(i)*	Liabilities carried from Excluded Business *(Note 28)*	Financial liabilities at fair value through profit and loss	Redeemable and convertible preferred shares	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net debt as at January 1, 2018	21,529	–	–	(74,103)	(95,150)	–	–	(147,724)
Cash flows	80,896	–	(80,000)	74,103	95,150	–	(1,914,518)	(1,744,369)
Foreign exchange	25,160	–	–	–	–	–	6,790	31,950
Other non-cash movement (Note 8(i))	–	–	–	–	–	–	(6,377)	(6,377)
Fair value changes	–	–	–	–	–	–	(855,800)	(855,800)
Net debt as at December 31, 2018	127,585	–	(80,000)	–	–	–	(2,769,905)	(2,722,320)
Net debt as at January 1, 2017	28,956	11,500	–	(69,809)	(151,756)	(43,479)	–	(224,588)
Cash flows	(7,427)	(11,500)	–	(4,294)	56,606	–	–	33,385
Other non-cash movement	–	–	–	–	–	43,479	–	43,479
Net debt as at December 31, 2017	21,529	–	–	(74,103)	(95,150)	–	–	(147,724)

(i) As disclosed in Note 1.2, Weimob Development transferred all of the Excluded Business to Mengdian in September 2016. During the transition period, Weimob Development collected the payment from certain customers on behalf of the Excluded Business, and recorded such balance as other payables. The payable balance was settled by Weimob Development in March 2018, which is longer than normal operation cycle, and hence it is considered as a financing arrangement to the Listing Business and related cash settlement is presented as financing cash outflow in the Group's consolidated statement of cash flows.

34 COMMITMENTS

Capital commitments

As disclosed in Note 22, capital commitment to acquire equity ownership in Guangzhou Xiangminiao as of December 31, 2018 amounted to RMB7,300,000.

Operating lease commitments

The Group leases office buildings under non-cancellable operating lease agreements. The lease terms are between 1 and 7 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

At the balance sheet dates, the future aggregate minimum lease payments under non-cancellable operating leases for office facilities payable by the Group were as follows:

	As at December 31,	
	2018	2017
	RMB'000	RMB'000
No later than 1 year	**17,543**	10,788
Later than 1 year and no later than 5 years	**41,853**	27,608
Later than 5 years	**9,859**	16,988
	69,255	55,384

35 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

(a) The directors of the Company are of the view that the following parties/companies were related parties that had transaction or balances with the Group for the year ended December 31, 2017 and 2018:

Name of related parties	Relationship with the Group
Shanghai Weimob Enterprise Co., Ltd.	Controlled by Mr. Sun
Shanghai Winmart Management Co., Ltd.	Controlled by Mr. Sun
Shanghai Mengdian Information Technology Co., Ltd.	Controlled by Mr. Sun
Shanghai Mengdian Finance Service Co., Ltd.	Controlled by Mr. Sun
Shanghai Jingxin Information Technology Co., Ltd.	Controlled by Mr. Sun

(b) Transactions with related parties

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Purchase of advertising traffic on behalf of related parties		
Shanghai Mengdian Information Technology Co., Ltd.	**963**	15,609
Shanghai Mengdian Finance Service Co., Ltd.	**58**	1,559
Shanghai Weimob Enterprise Co., Ltd.	**20**	1,090
Shanghai Winmart Management Co., Ltd.	**–**	16
Shanghai Jingxin Information Technology Co., Ltd.	**83**	–
	1,124	18,274
Purchase of service from a related party		
Shanghai Mengdian Finance Service Co., Ltd	**–**	35
Sales of SaaS products and related service to a related party		
Shanghai Weimob Enterprise Co., Ltd.	**–**	11
Shanghai Jingxin Information Technology Co., Ltd.	**72**	–
	72	11

35 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties (Continued)

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

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Borrowing from a related party		
Shanghai Weimob Enterprise Co., Ltd.	**190,000**	11,807
Repayment to related parties		
Shanghai Mengdian Information Technology Co., Ltd.	**62,296**	7,513
Shanghai Weimob Enterprise Co., Ltd.	**202,807**	–
Shanghai Mengdian Finance Service Co., Ltd.	**12**	–
	265,115	7,513
Payment to a related party		
Shanghai Weimob Enterprise Co., Ltd.	**27,128**	–
Settlement of liabilities carried from Excluded Business		
Shanghai Weimob Enterprise Co., Ltd.	**95,150**	56,600

Receivables and payables from/(to) the above related parties were unsecured, interest-free and repayable on demand. The amounts due from related parties are neither past due nor impaired. The carrying amounts of the amounts due from/(to) related parties approximate their fair values and are denominated in RMB.

35 RELATED PARTY TRANSACTIONS (Continued)

(c) Year-end balances with related parties

	As at December 31, 2018 RMB'000	2017 RMB'000
Advance from related parties		
Shanghai Weimob Enterprise Co., Ltd.	–	227
Shanghai Mengdian Information Technology Co., Ltd.	–	7,988
Shanghai Winmart Management Co., Ltd.	23	–
	23	8,215
Other receivables from related parties		
Other receivables from related parties (trade in nature)		
Shanghai Mengdian Finance Service Co., Ltd.	100	31
Shanghai Winmart Management Co., Ltd.	–	17
Shanghai Jingxin Information Technology Co., Ltd.	71	–
Other receivables from a related party (non-trade in nature)		
Shanghai Weimob Enterprise Co., Ltd.	27,128	–
	27,299	48

	As at December 31, 2018 RMB'000	2017 RMB'000
Amount due to related parties		
Shanghai Mengdian Finance Service Co., Ltd.	–	12
Shanghai Weimob Enterprise Co., Ltd.	–	12,807
Shanghai Mengdian Information Technology Co., Ltd.	–	62,296
	–	75,115
Liabilities carried from Excluded Business		
Shanghai Weimob Enterprise Co., Ltd.	–	95,150

35 RELATED PARTY TRANSACTIONS (Continued)

(d) Key management compensation

Key management includes executive directors and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Year ended December 31,	
	2018	2017
	RMB'000	RMB'000
Salaries, wages and bonus	**3,597**	3,114
Other social security costs, housing benefits and other employee benefits	**332**	322
Pension cost – defined contribution plan	**301**	275
Share-based compensation	**3,504**	5,707
	7,734	9,418

36 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

Remuneration of every director and the chief executive's is set out below:

	Salaries, wages and bonus RMB'000	Other social security costs, housing benefits and other employee benefits RMB'000	Pension cost-defined contribution plan RMB'000	Share-based Compensation RMB'000	Total RMB'000
For the year ended December 31, 2018					
Executive director:					
Mr. Sun	501	55	50	–	606
Mr. Huang	644	55	50	89	838
Mr. Fang	627	55	50	–	732
Mr. You	637	55	50	–	742
	2,409	220	200	89	2,918

36 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' and chief executive's emoluments (Continued)

	Salaries, wages and bonus RMB'000	Other social security costs, housing benefits and other employee benefits RMB'000	Pension cost-defined contribution plan RMB'000	Share-based Compensation RMB'000	Total RMB'000
For the year ended December 31, 2017					
Executive director:					
Mr. Sun	421	54	46	–	521
Mr. Huang	567	54	46	142	809
Mr. Fang	560	54	46	–	660
Mr. You	547	54	46	–	647
	2,095	216	184	142	2,637

No remuneration have been paid to the Company's non-executive directors for the years ended December 31, 2017 and 2018.

(b) Directors' retirement and termination benefits

No retirement or termination benefits have been paid to the Company's directors for the years ended December 31, 2017 and 2018.

36 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(c) Consideration provided to third parties for making available directors' services

No consideration provided to third parties for making available directors' services subsisted at the end of the year or at any time for the years ended December 31, 2017 and 2018.

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans or other dealings are entered into by the Company in favor of directors, controlled bodies corporate by and connected entities with such directors for the years ended December 31, 2017 and 2018.

(e) Directors' material interests in transactions, arrangements or contract

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted for the years ended December 31, 2017 and 2018.

37 CONTINGENT LIABILITIES

As at December 31, 2017 and 2018, the Group has no contingent liabilities.

38 SUBSEQUENT EVENTS

Saved as disclosed elsewhere in this report, there is no significant subsequent event.

39 FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Financial position of the Company

	Note	As at December 31, 2018 RMB'000
ASSETS		
Non-current assets		
Investment in a subsidiary	*(i)*	1,791,225
Total non-current assets		1,791,225
Current assets		
Prepayments, deposits and other assets		3,576
Cash and cash equivalents		49,330
Total current assets		52,906
Total assets		1,844,131
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	*30*	–
Share premium	*30*	1,049
Other reserves	*(ii)*	(431,595)
Accumulated losses		(495,228)
Total equity		(925,774)
Non-current liabilities		
Redeemable and convertible preferred shares		2,769,905
Total non-current liabilities		2,769,905
Total liabilities		2,769,905
Total equity and liabilities		1,844,131

(i) As part of the Reorganisation (Note 1.2), Weimob HK acquired the entire equity interest in the Weimob Development with a total consideration of RMB1,341,225,000, all of which were funded by the Company. As the Company has no intention to collect the consideration back from Weimob HK, in substance, the cash funded to Weimob HK is capital injection by the Company.

After the Reorganisation, the Company made an additional capital injection of RMB150,000,000 and RMB300,000,000 on June 28 and November 27, 2018, respectively, to Weimob Development through Weimob HK.

(ii) The reserve in the statement of financial position of the Company represented the differences between consideration of issuance of Series C preferred shares and the fair value of the Series C preferred shares as at the issuance date, amounted to RMB431,595,000, treated as the deemed distribution during Reorganisation.

39 FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(b) Reserve movement of the Company

	Other reserves RMB'000	Accumulated losses RMB'000
As at January 1, 2018	–	–
Comprehensive loss		
Loss for the year	–	(495,228)
Total comprehensive loss for the year	–	(495,228)
Transactions with owners		
Issuance of ordinary shares	–	–
Deemed distribution during Reorganisation	(431,595)	–
Total transactions with owners recognized directly in equity for the year	(431,595)	–
As at December 31, 2018	(431,595)	(495,228)

DEFINITIONS

"AGM"	the forthcoming annual general meeting of the Company
"Articles of Association"	the amended and restated articles of association of the Company
"Board"	the board of Directors of the Company
"Company"	Weimob Inc., an exempted company incorporated in the Cayman Islands with limited liability on January 30, 2018
"Corporate Governance Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Director(s)"	director(s) of the Company
"Group", "our Group", "the Group", "we", "us" or "our"	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require)
"Guangzhou Xiangminiao"	Guangzhou Xiangminiao Network Technology Co., Ltd.* (廣州向蜜鳥網絡科技有限公司), a company established under the laws of the PRC on August 2, 2017
"HKFRS"	Hong Kong Financial Reporting Standards
"IPO"	Initial Public Offering
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on January 15, 2019
"Listing Date"	January 15, 2019, the date on which the Shares are listed on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers
"PRC" or "China"	the People's Republic of China. For the purposes of this annual report only and except where the context requires otherwise, excludes Hong Kong, Macau and Taiwan
"Prospectus"	the prospectus of the Company dated December 31, 2018
"Relevant Period"	the period from the Listing Date and up to the date of this annual report

DEFINITIONS

"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"Reporting Period"	the year ended December 31, 2018
"RSU"	the restricted stock unit
"SFO"	the Securities and Futures Ordinance
"Share(s)"	ordinary shares in the share capital of the Company with a par value of US$0.0001
"Shareholder(s)"	holder(s) of the Shares
"SMBs"	small and medium businesses, a category of merchants whose annual revenue is less than RMB20 million
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholders Group"	Mr. Sun, Mr. Fang, and Mr. You, a group of individuals acting in concert with each other and the single largest shareholder group of the Company
"Tencent"	Tencent Holdings Limited, a limited liability company organized and existing under the laws of the Cayman Islands and the shares of which are listed on the Main Board (stock code: 700) and/or its subsidiaries
"VAT"	value-added tax
"Weimob Development"	Shanghai Weimob Enterprise Development Co., Ltd.* (上海微盟企業發展有限公司), a company established under the laws of the PRC on September 10, 2014, being a wholly-owned subsidiary of our Company

* *For identification purpose only*

WEIMOB INC. 微盟集團